

R.A. ROMATSA

SEPARATE FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH

**Ministry of Public Finance Order no. 2844/2016 for the approval of Accounting regulations
compliant with International Financial Reporting Standards as adopted by the European Union**

FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Administration,
RA Romatsa

Report on the Audit of the Financial Statements

Qualified Opinion

1. We have audited the financial statements of RA Romatsa ("the Company"), with registered office in 10 Ion Ionescu de la Brad Blvd., District 1, Bucharest, identified by unique tax registration code 1589932, which comprise the statement of financial position as at December 31, 2020 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.
2. The financial statements as at December 31, 2020 are identified as follows:
 - Net assets / Total equity: RON 368,709,155
 - Net loss for the financial year: RON 22,261,756
3. In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union, as revised.

Basis for Qualified Opinion

4. As presented in Note 10, at December 31, 2020, the Company registered income from services provided and receivables from customers in amount of RON 400,564,390, representing accounting estimates arising from the application of the risk-sharing mechanisms in 2020 for the route and terminal activities, in the regulatory cycle covering the period 2020-2024. Such values represent adjustments for non-fulfillment of the services forecasted in the reference period and are determined on the basis of global costs registered, as per the criteria laid down in the application regulations. The registration of the asset consisting of receivables from customers based on the above does not meet the recognition criteria provided by the International Financial Reporting Standards adopted by the European Union, as revised, approved by Ministry of Public Finance Order no. 2844/2016. Therefore, the income from services provided and the receivables from customers should decrease by RON 400,564,390 at December 31, 2020.
5. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named "the Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

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

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>Provisions for pensions and similar benefits</p> <p>The Company grants its employees, according to the employment contract, monetary benefits depending on the employees' years of service and upon retirement. Such benefits consist of a variable number of salaries, which vary according to the employee's professional category.</p> <p>Such provisions amounted to RON 517,679,545 and RON 456,060,473 at December 31, 2019.</p> <p>Due to the high value of such provisions and the relevance of the professional judgments that they involve, we consider this to be a key audit matter.</p>	<p>Our procedures regarding the level of provisions for pensions and benefits include:</p> <ul style="list-style-type: none"> - review of the judgments and assumptions applied by management for each category of provisioned benefits; - inquiries with the representatives of the specialised departments, and external experts that provided assistance in order to understand and confirm management's assumptions in the calculation; - involving internal specialists in the review of the computation models and the reasonability of the variables factored in in the computation; - assessment of the adequacy of the information disclosed as compared with the historical statistical information; - review of the internal control in place on how the employees' benefits were determined and granted, including verification of the provisions of the employment contract.
<p>Revenue recognition</p> <p>The Company registers revenues according to the International Convention regarding Cooperation for the Security of Air Navigation, which secures its member states a system of common taxation of routes (a unique taxation of flights).</p> <p>Eurocontrol is the authority that ensures the implementation of this Convention, offering all member states computation, billing and collection services through the Central Route Charges Office.</p> <p>The revenues thus obtained are settled by settlement cycles and, periodically, at the end of each cycle, their amount is settled, i.e., the surcharges/undercharges are recovered. The current settlement cycle covers the period 2020 – 2024, for which at present there is no performance plan in force.</p> <p>The Company has reviewed the settlements of revenues obtained from Eurocontrol for the route activity and estimated to occur at the end of the settlement cycle.</p> <p>Due to the matters presented above, we consider that the adjustment of revenues for route activity is a key audit matter.</p>	<p>Our procedures regarding the adjustment of revenues for route activity:</p> <ul style="list-style-type: none"> - review and assessment of the methodology used, specifically its consistent application from one financial year to another; - review of internal controls in place as to the establishment of revenue settlements; - review of the accuracy and completeness of the revenues registered for the financial year ended December 31, 2020 (including confirmation procedures for transactions with Eurocontrol); - review of the adequacy of disclosures in the notes to the financial statements.

Other information – Administrators' Report

7. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators' report, which includes the non-financial information declaration, but does not include the financial statements and our auditor's report thereon, nor the non-financial information declaration, being presented in a separate report.

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

In connection with our audit of the financial statements for the year ended December 31, 2020, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrators' report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union, as revised, article 20.

On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

- a) the information included in the Administrators' report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with these financial statements;
- b) the Administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union, as revised, article 20.

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the financial statements prepared as at December 31, 2020, we are required to report if we have identified a material misstatement of the Administrators' report. Except for the effects of the matter described in the "Basis for Qualified Opinion" section of our report, we have nothing to report in this regard.

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

8. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union, as revised, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
10. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

12. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

16. We have been appointed to audit the financial statements of RA Romatsa for the financial year ended December 31, 2020. The uninterrupted total duration of our commitment is 4 years, covering the financial years ended December 31, 2017 until December 31, 2020.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- We have not provided for the Company the prohibited non-audit services referred to in Article 5 (1) of EU Regulation no. 537/2014.

The engagement partner on the audit resulting in this independent auditor's report is Alina Mirea.

Alina Mirea, Audit Partner

For signature, please refer to the original Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF 1504

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA 25

The Mark Building, 84-98 and 100-102 Calea Grivitei,
8th Floor and 9th Floor, District 1
Bucharest, Romania
June 22, 2021

R.A. ROMATSA
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in RON, unless specified otherwise)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	5	315,132,464	354,388,418
Intangible assets	6	80,005,656	62,536,760
Right-of-use assets		23,783,610	21,722,476
Investments in associates	8	-	-
Other investments	7	1,292,023	143,600,218
Deferred tax receivables	15	-	-
Total non-current assets		420,213,753	582,247,872
Current assets			
Other investments	7	146,082,000	-
Inventories	9	12,114,439	11,009,276
Clients and similar accounts	10	546,354,605	141,699,082
Prepaid expenses	11	18,022,842	14,131,091
Other current assets	12	17,992,282	8,320,782
Income tax receivable	15	-	-
Cash and cash equivalents	13	23.123.848	339.374.040
Total current assets		763,690,016	514,534,271
Total assets		1,183,903,769	1,096,782,143
EQUITY AND LIABILITIES			
Equity			
Patrimony	14	376,954,042	376,954,042
Legal reserves		34,633,712	34,633,712
Retained earnings and other reserves		(42,878,599)	30,690,353
Total equity		368,709,155	442,278,107
Non-current liabilities			
Deferred revenues	19	10,205,844	1,283,132
Employee benefit liabilities	17	461,867,077	415,524,446
Other non-current liabilities	18	154,725,068	20,376,314
Total non-current liabilities		626,797,989	437,183,892
Current liabilities			
Trade payables	16	37,413,506	35,017,312
Current income tax payables	15	-	-
Employee benefit current liabilities	17	94,136,980	115,760,349
Provisions	20	45,395,310	43,025,263
Other current payables	21	11,450,829	23,517,220
Total current liabilities		188,396,625	217,320,144
Total liabilities		815,194,614	654,504,036
Total equity and liabilities		1,183,903,769	1,096,782,143

These financial statements were approved by the management of the Company on June 22, 2021 and were signed on its behalf by:

Mihai Daniel ANITEI
ADMINISTRATOR

Marius Adrian COJOC
GENERAL MANAGER

Cristian CÎTU - RADU
pp ECONOMIC MANAGER

romatsa

The accompanying notes are an integral part of these financial statements.

R.A. ROMATSA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in RON, unless specified otherwise)

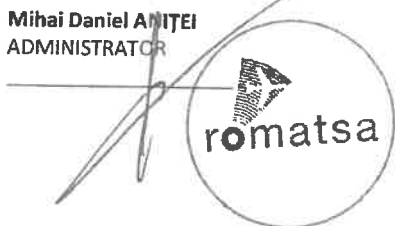
	Note	2020	2019
Turnover	22	879,104,097	988,806,725
Other operating income	23	4,469,924	3,915,711
Salaries and other employees' benefits		(682,202,224)	(718,693,137)
Impairment and amortization/depreciation		(50,522,921)	(46,057,560)
Contribution to Eurocontrol		(34,251,746)	(36,877,079)
Contribution to defined contribution plans		(18,782,047)	(33,605,456)
Other third party services		(26,847,156)	(25,898,347)
Other operating expenses	24	(102,107,343)	(108,196,987)
Operating result		(31,139,416)	23,393,870
Net financial income	25	8,877,660	13,428,903
Profit / (Loss) before income tax		(22,261,756)	36,822,773
Income tax expense	15	-	-
Profit / (Loss) for the period attributable to the Company's Owner		(22,261,756)	36,822,773
Other comprehensive income			
Elements which will never be reclassified to profit or loss			
Actuarial gains / (losses) on determined benefit plans, net of taxes	17	(51,307,196)	(23,654,505)
Other changes		-	-
Effect of tax on other comprehensive income	17	-	-
Other comprehensive income, net of taxes		(51,307,196)	(23,654,505)
Total comprehensive income		(73,568,952)	13,168,268

These financial statements were approved by the management of the Company on June 22, 2021 and were signed on its behalf by:

Mihai Daniel ANITEI
ADMINISTRATOR

Marius Adrian COJOC
GENERAL MANAGER

Cristian CÎTU - RADU
pp ECONOMIC MANAGER



The accompanying notes are an integral part of these financial statements.

R.A. ROMATSA
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in RON, unless specified otherwise)

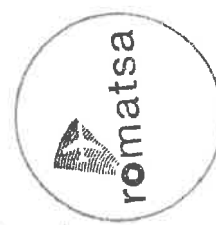
	Patrimony	Legal reserves	Retained earnings	Total
Balance as at January 1, 2020	376,954,042	34,633,712	30,690,353	442,278,107
Comprehensive income for the year:				
Profit / (Loss) for the year	-	-	(22,261,756)	(22,261,756)
Other changes	-	-	-	-
Other comprehensive income, of which:				
Recognition of actuarial gains/ (losses), net of taxes	-	-	(51,307,196)	(51,307,196)
Increase of legal reserve	-	-	-	-
Total comprehensive income for the year	-	-	(73,568,952)	(73,568,952)
Total contributions from and to the Romanian State:				
Distribution of profit to the Romanian State	-	-	-	-
Total transactions with the Romanian State	-	-	-	-
Balance as at December 31, 2020	376,954,042	34,633,712	(42,878,599)	368,709,155

These financial statements were approved by the management of the Company on June 22, 2021 and were signed on its behalf by:

Mihai Daniel ANITEI
ADMINISTRATOR

Marius Adrian COJOC
GENERAL MANAGER

Cristian CITU - RADU
pp ECONOMIC MANAGER



The accompanying notes are an integral part of these financial statements.

R.A. ROMATSA
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in RON, unless specified otherwise)

	Patrimony	Legal reserves	Retained earnings	Total
Balance as at January 1, 2019	376,954,042	32,792,574	19,363,224	429,109,840
Comprehensive income for the year:				
Profit / (Loss) for the year	-	-	36,822,773	36,822,773
Other changes	-	-	-	-
Other comprehensive income, of which:				
Recognition of actuarial gains/ (losses), net of taxes	-	-	(23,654,505)	(23,654,505)
Increase of legal reserve	-	1,841,138	(1,841,138)	-
Total comprehensive income for the year	-	1,841,138	11,327,129	13,168,268
Total contributions from and to the Romanian State:				
Distribution of profit to the Romanian State	-	-	-	-
Total transactions with the Romanian State	-	-	-	-
Balance as at December 31, 2019	376,954,042	34,633,712	30,690,353	442,278,107

These financial statements were approved by the management of the Company on June 22, 2021 and were signed on its behalf by:

Mihai Daniel ANITEI
ADMINISTRATOR

Marjus Adrian COJOC
GENERAL MANAGER

Cristian CÎTU - RADU
pp ECONOMIC MANAGER



R.A. ROMATSA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in RON, unless specified otherwise)

	2020	2019
Cash flows from operations		
Profit / (Loss) for the year before tax	(22,261,756)	36,822,773
Adjustments for non-monetary elements		
Operating expenses with impairment and depreciation	47,647,565	43,263,407
Amortization of leased right-of-use assets	2,875,356	2,794,153
Net (gains) / losses on sale of tangible assets	266,434	(246,488)
Impairment / (reversal of provision) of receivables and similar accounts, net	10,370,418	65,488,969
Interest income	(4,236,847)	(2,808,393)
Interest expenses	1,201,266	963,351
Provisions	12,681,923	(38,619,086)
Income from subsidies	(2,403,461)	(2,173,877)
Cash flows before changes to working capital	46,140,897	105,484,810
Changes to inventories	(1,105,163)	733,138
Changes to receivables and similar accounts	(424,697,157)	(20,135,627)
Changes to prepaid expenses	(3,891,751)	(616,574)
Changes to other current assets	-	-
Changes to trade payables	10,169,615	(9,249,283)
Changes to deferred income	(12,143,673)	(143,531,260)
Changes to working capital	(385,527,232)	(67,314,797)
Income tax paid	-	-
Interest paid	(1,201,266)	(963,351)
Net cash flows used in / (generated by) operating activities	(386,728,497)	(68,278,148)
Cash flows used in investing activities		
Purchase of non-current assets	(59,291,172)	(44,396,981)
Proceeds from sale of non-current assets	166,350	309,011
Loans (granted)/repaid and financial assets	(3,773,805)	(3,463,296)
(Purchases of)/Proceeds from bonds and treasury bills, deposits maturing in more than 3 months	-	-
Interest received	4,251,995	2,877,433
Net cash flows used in / (generated by) operating activities	(58,646,632)	(44,673,833)
Cash flows used in investing activities		
Lease payments	(2,975,062)	(2,921,494)
Loans received	132,100,000	-
Net cash flows used in financing activities	129,124,938	(2,921,494)
Net (decrease)/ increase of cash and cash equivalents	(316,250,192)	(115,873,474)
Cash and cash equivalents as at January 1	339,374,040	455,247,514
Cash and cash equivalents as at December 31	23,123,848	339,374,040

These financial statements were approved by the management of the Company on June 22, 2021 and were signed on its behalf by:

Mihai Daniel ANIȚEI
ADMINISTRATOR

Marius Adrian COJOC
GENERAL MANAGER

Cristian CÎTU - RADU
pp ECONOMIC MANAGER

romatsa

The accompanying notes are an integral part of these financial statements.

R.A. ROMATSA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in RON, unless specified otherwise)

1. BASES OF ORGANIZATION AND GENERAL INFORMATION

R.A. ROMATSA (The Romanian Administration of Air Traffic Services, "the Company" or "ROMATSA") was established on December 1, 1990 by Government Decision ("GD") no. 74/1991, amended by GD no. 731/1992, as subsequently revised, republished in Official Journal no. 500/20.07/2009, based on Law no. 15/1990 on the reorganization of State economic units as autonomous companies and commercial companies. The Company is wholly owned by the Romanian State and administers the State's public assets.

In accordance with Art. 5 of Law no. 15 of 7 August 1990 on the reorganisation of State economic units as autonomous companies and business entities, the Company owns the assets in its patrimony, and, for the exercise of its ownership title, the Company possesses, uses and disposes of, at its sole discretion, the assets in its patrimony or collects revenues therefrom, as the case may be, in order to realise the purpose for which it was established.

The address of the registered office of the Company is Blvd. Ion Ionescu de la Brad no. 10, Bucharest, Romania.

The Company's main activities are the use of Romania's air space and providing air navigation services, including air traffic services, navigation and supervision in the aid navigation field, air navigation weather services, search and rescue services, aeronautical information services, as well as the coordination of the search and rescue operations of endangered aircraft and survivors of an air crash occurred in the FIR – Bucharest flight information region. The main air navigation services provided by the Company are route and terminal services. The Company is organized in 2 route air navigation services (DSNAR Arad and Constanta), 1 regional department (DR Bucharest), 13 air navigation services directorates (DSNA Bucharest, Craiova, Oradea, Timisoara, Tulcea, Baia Mare, Satu Mare, Siblu, Targu Mures, Iasi, Suceava, Cluj and Bacau) and the Central Administration.

The Company may be delegated by the Ministry of Transport to represent Romania in the relation with EUROCONTROL - European Organization for the Security of Air Navigation.

Charges

a) Route activity

Commission Implementing Regulation (EU) 2019/317 of 11 February 2019 laying down a performance and charging scheme in the single European sky and repealing Implementing Regulations (EU) No 390/2013 and (EU) No 391/2013 represents the current legal framework for establishing the cost base of tariffs, calculation of unit tariff rates for airspace users, inflation adjustment, traffic risk-sharing mechanism, risk-sharing mechanism for airspace costs.

In view of the special situation caused by the COVID-19 pandemic, Commission Implementing Regulation (EU) 2020/1627 of 3 November 2020 on exceptional measures for the third reference period (2020-2024) of the single European sky performance and charging scheme due to the COVID-19 pandemic was approved.

Member States may exempt certain categories of flights from the payment of route charges, such as: military flights performed by aircraft of a Member State or any third country, flights performed exclusively for the purpose of checking or testing equipment used or intended for use as ground support means of assistance for air navigation. Under the Regulation, Member States cover the costs of the services which air navigation service providers have provided to flights exempt from air or terminal air navigation charges.

In 1996, by Law no. 44/27.05.1996, Romania joined the EUROCONTROL International Convention regarding cooperation for the security of air navigation, concluded on 13 December 1960. Therefore, the air navigation services provided on the Romanian territory are subject to the decisions and procedures of the European Organization for the Safety of Air Navigation (EUROCONTROL) as regards the implementation of the common objectives in the field of air navigation and the measures necessary to ensure the safety and regularity of air traffic, as well as the application of the common system for charging and collecting payment for the air navigation services provided to air operators (CRCO). On the basis of Annex IV "Provisions on the common system of route charges" to the EUROCONTROL Convention, the organisation collects the amounts due by air operators as remuneration for costs incurred by air navigation service providers and distributes such costs to them on a regular basis. These amounts can only be used strictly for the provision of air navigation services and their continuity and development.

EUROCONTROL invoices on behalf of ROMATSA the route air navigation services by applying a global unit rate of charge at a certain number of service units corresponding to such a flight:

- The global unit rate of charge consists of the national unit rate of charge, established according to the regulations and rules mentioned above, and the administrative unit rate of charge, laid down by EUROCONTROL to cover its services of invoicing and collection of charges for route air navigation services;
- For a given flight, the number of service units represents the product between the distance factor in respect of Romania's airspace and a weight factor for the aircraft.

R.A. ROMATSA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in RON, unless specified otherwise)

2. BASES OF PREPARATION

(a) Terminal activity

Tariffs for the unregulated terminal activity are received for the air navigation services rendered in control areas of airports and are approved by the Company's Board of Directors. Rates vary depending on the airport, flight type and maximum take-off weight (MTOW). Regulated air navigation charges provided in the terminal area of Bucharest International Airport are subject to the provisions of Implementation Regulation (EU) no. 2019/317 of the Commission of 11 February 2019 laying down a performance and charging scheme in the single European sky and repealing Implementing Regulations (EU) No 390/2013 and (EU) No 391/2013.

(b) Statement of compliance

The Company's financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") effective at the Company's reporting date, ie December 31, 2020 and in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016 for the approval of Accounting regulations compliant with International Financial Reporting Standards as adopted by the European Union, as revised. Such provisions are in line with the requirements of International Financial Reporting Standards as adopted by the European Union.

(c) Bases of preparation of the financial statements

The financial statements have been prepared on a going concern basis.

The financial statements were prepared on a presumed cost basis, except for intangible assets, which are expressed at historical cost as explained in the accounting policies. Historical cost is generally based on the fair value of the consideration incurred in exchange for the assets.

In the first set of financial statements prepared in accordance with IFRS, the Company applied IAS 29 Financial reporting in hyper-inflationary economies, adjusting the historical cost of share capital (company patrimony) and legal reserves with the effect of inflation, at December 31, 2003. Such adjustments were stated to the result carried forward.

(d) Functional and presentation currency

The financial statements are presented in Romanian LEI ("RON" or "LEI"), which is the Company's functional currency. All values are rounded at the closest RON unit.

(e) Use of estimates and judgments

In preparing the financial statements in accordance with IFRS, the Company's management is required to make judgments, estimates and assumptions which affect the accounting policies, and the reported value of assets and liabilities, revenues and expenses. The results obtained may be different from the value of the estimates, depending on the changes occurred in the assumptions used and the economic conditions different from the initially estimated.

The estimates and assumptions are periodically revised. The revisions of the accounting estimates are recognized in the period during which the estimate is revised, if the revision affects only that period, or in the period when the estimate is revised and the future periods, if the revision affects both the current period and the future periods.

Basic accounting estimates, assumptions and judgments

Provisions

At the end of each period, the Company establishes provisions based on a reasonable estimate of the expenses required to pay off the current liabilities. The Company recognizes provisions in accordance with the accounting policy presented in Note 4. The provisions are revised at every reporting and adjusted to reflect the most reasonable estimates.

In addition, the Company recognizes provisions for employee benefits in accordance with IAS 19 „Employee benefits” as presented in the accounting policy mentioned in Note 4. According to the Collective Employment Contract and the Individual employment contracts, the Company grants monetary benefits depending on the length of service and upon retirement for employees. The Company makes estimates on the number of employees who will retire in the following years, on the likelihood of the employees' decrease, on the inflation rate and the provision discount and recognition rate depending on such estimates (Note 17).

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2. BASES OF PREPARATION (continued)

Impairment of receivables

The assessment for impairment of receivables is performed individually and is based on the best estimate of the management of the present value of the cash flows expected to be received. The Company reviews its trade and other receivables at each financial position date to assess whether it should record an impairment in the income statement. Management's professional judgment is required, in particular, to estimate the value and to co-ordinate future cash flows when determining impairment loss. These estimates are based on assumptions about several factors, and the actual results may vary, resulting in future adjustments.

Adjustments for impairment of receivables from customers for route and terminal navigation services are determined by applying the simplified method in IFRS 9 Financial Instruments and are based on the default rate taking into account the last 5 years of historical data.

Impairment of non-current assets

In accordance with IAS 36, intangible and tangible assets are analyzed to determine whether there are impairment indications at the balance sheet date. If the net carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognized to reduce the net carrying amount of the asset to the recoverable amount. If the reasons for recognizing the impairment loss disappear in the subsequent periods, the net carrying amount of the asset is increased to the net carrying amount that would have been determined had no impairment loss been recognized.

Held-to-maturity investments

To classify financial assets as held-to-maturity investments, the Company's management uses its judgment. Given that the Company has the capacity and the intention of holding Government securities and bonds to maturity, they have been classified as held-to-maturity investments.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Initial application of new amendments to the existing standards effective for the current reporting period:

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business - adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions (adopted by the EU on 9 October 2020 and effective at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020),
- **Amendments to References to the Conceptual Framework in IFRS Standards** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these amendments and interpretations to the existing standards has not led to any material changes in the Company's financial statements.

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3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **Amendments to IFRS 4 Insurance Contracts “Extension of the Temporary Exemption from Applying IFRS 9”** adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases” - Interest Rate Benchmark Reform — Phase 2** adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of the financial statements (the effective dates stated below is for IFRS as issued by IASB):

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 “Insurance Contracts”** including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 16 “Property, Plant and Equipment”** - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** - Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- **Amendments to IFRS 3 “Business Combinations”** - Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2018 -2020)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Company’s estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: “Financial Instruments: Recognition and Measurement”** would not significantly impact the financial statements, if applied as at the balance sheet date.

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3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

More details about individual standards, amendments to existing standards and interpretations that can be used as appropriate

- **IFRS 14 “Regulatory Deferral Accounts”** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.
- **IFRS 17 “Insurance Contracts”** issued by IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 “Insurance Contracts” and related interpretations while applied. Amendments to IFRS 17 “Insurance Contracts” issued by IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additionally, the amendments introduce simplifications and clarifications of some requirements in the Standard and provide additional reliefs when applying IFRS 17 for the first time.
- **Amendments to IFRS 3 “Business Combinations”** - Definition of a Business issued by IASB on 22 October 2018. Amendments were introduced to improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.
- **Amendments to IFRS 3 “Business Combinations”** - Reference to the Conceptual Framework with amendments to IFRS 3 issued by IASB on 14 May 2020. The amendments: (a) update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; (b) add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and (c) add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.
- **Amendments to IFRS 4 “Insurance Contracts”** – Extension of the Temporary Exemption from Applying IFRS 9 issued by IASB on 25 June 2020. Amendments change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”** - Interest Rate Benchmark Reform issued by IASB on 26 September 2019. The changes in Interest Rate Benchmark Reform:
 - a) modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
 - b) are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
 - c) are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and
 - d) require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

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3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

More details about individual standards, amendments to existing standards and interpretations that can be used as appropriate (continued)

- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases” - Interest Rate Benchmark Reform – Phase 2** issued by IASB on 27 August 2020. The changes relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting:
 - a) **Modification of financial assets, financial liabilities and lease liabilities** - the IASB introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.
 - b) **Hedge accounting requirements** - under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.
 - c) **Disclosures** - in order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity’s progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about:
 - how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition;
 - quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark;
 - to the extent that the IBOR reform has resulted in changes to an entity’s risk management strategy, a description of these changes and how is the entity managing those risks.
 - d) The IASB also amended IFRS 4 to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by IBOR reform.
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.
- **Amendments to IFRS 16 “Leases” - Covid-19-Related Rent Concessions** issued by IASB on 28 May 2020. The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.
- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Material** issued by IASB on 31 October 2018. The amendments clarify the definition of material and how it should be applied by including in the definition guidance.

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3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

More details about individual standards, amendments to existing standards and interpretations that can be used as appropriate (continued)

- **Amendments to IAS 1 “Presentation of Financial Statements”** - Classification of Liabilities as Current or Non-Current issued by IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments to IAS 1 issued by IASB on 15 July 2020 defer the effective date by one year to annual periods beginning on or after 1 January 2023.
- **Amendments to IAS 16 “Property, Plant and Equipment”** - Proceeds before Intended Use issued by IASB on 14 May 2020. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner Intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** - Onerous Contracts — Cost of Fulfilling a Contract issued by IASB on 14 May 2020. The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2018 -2020)”** issued by IASB on 14 May 2020. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording. The amendments: (a) clarify that subsidiary which applies paragraph D16(a) of IFRS 1 is permitted to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs (IFRS 1); (b) clarify which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf (IFRS 9); (c) removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example (Illustrative Example 13 accompanying IFRS 16); and (d) removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique (IAS 41).
- **Amendments to References to the Conceptual Framework in IFRS Standards** issued by IASB on 29 March 2018. Due to the fact that Conceptual Framework was revised, the IASB updated references to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

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4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies listed herein below have been applied consistently.

(a) Investments in associates

An associate is an entity over which the Company has significant influence, but not control, over the financial and operating policies usually by an interest between 20% and 50% in the share capital. Investments in associates are accounted for using the equity method and are initially stated at cost. The Company's share in the profit or loss subsequent to the purchase is recognized in the profit and loss and its share in the reserves following the purchase is recognized in the statement of changes in equity, in other comprehensive income.

The unrealized gains between the Company and associates are written off according to the interest in the share capital. Unrealized losses are written off if there is no evidence of impairment of an asset transferred between the Company and the associate. The associate's reporting data match the Company's and all the accounting policies comply with the Company's in case of similar transactions and events, in similar circumstances.

(b) FX transactions

FX transactions are expressed in the functional currency (LEI) by applying the exchange rate valid as at the date of the transaction. The assets and liabilities expressed in foreign currencies as at the balance sheet date are translated in RON using the forex rates valid as at the end of the period. The foreign exchange gains and losses, realized and unrealized are registered in profit or loss of the year.

The exchange rates are as follows:

Currency	December 31, 2020	December 31, 2019
1 EUR / RON	4.8694	4.7793
1 GBP / RON	5.4201	5.6088
1 USD / RON	3.9660	4.2608
1 CAD / RON	3.1127	3.2702

Non-monetary assets and liabilities measured at historical cost or on an estimated cost basis in a foreign currency are translated using the exchange rate at the transaction date.

(c) Property, plant and equipment

(i) Recognition and measurement

Tangible assets are measured at cost, less cumulated amortization and any recognized cumulated impairment losses.

The costs of tangible assets in progress include material costs, costs to install and assemble, initial delivery and handling costs, costs for testing the correct operation of the asset, direct salaries and other costs directly attributable to bringing the asset to operating conditions

The adjustment for the impairment of unused or used tangible assets is registered in the financial statements to the extent they are identified.

In order to determine whether an item of property, plant and equipment measured at estimated cost is impaired, the Company applies IAS 36. At the end of each reporting period, the Company estimates whether there are indications of impairment of these assets, and if identified, the recoverable amount of the asset is estimated and the related impairment is registered. An impairment loss must be recognized immediately in profit or loss.

Gains or losses from the disposal of a tangible asset is determined as difference between the net proceeds from disposal and the carrying value of the element and is recognized in profit or loss as other revenues or other expenses.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

(ii) Subsequent maintenance and repair expenses

Capitalized costs with inspection and capital repairs are separate components of the corresponding assets or the corresponding groups of assets. Capitalized costs with capital repairs are amortized using the depreciation method for the base asset until the next repair. Expenses with major repair activities include the cost of replacing the assets or parts of the assets, inspection costs and capital repair costs. These expenses are capitalized if an asset or part of an asset that has been depreciated separately is replaced and is likely to result in future economic benefits, and if the recognition criteria are met. If a part of the replaced asset was not considered a separate component and therefore was not depreciated separately, the replacement value is used to estimate the net carrying amount of the replaced asset that is immediately scrapped. All other costs of current repairs and usual maintenance are recognized directly in expenses.

(iii) Depreciation

Depreciation is calculated to reduce the gross value (cost) using the straight line method throughout the useful life (period in which an asset is estimated to be available for use) of tangible assets and the components thereof, which are used separately.

The estimated useful lives used for the main categories of tangible assets are as follows:

Category	Useful life (years)
Buildings and special installations	8-48 (mainly 40)
Machinery, equipment and vehicles	4-18 (mainly 12)
Other tangible assets	4-24 (mainly 15)

The residual value of the asset and the useful life of the asset are revised at least at the end of the financial year.

Assets are depreciated when they become ready for use, ie when they are in the required location and condition to operate as intended by management.

Depreciation of an asset ceases at the earliest of when the asset is classified as held for sale (or included in a disposal group that is classified as held for sale in accordance with IFRS 5) and the date when the asset is derecognised. Therefore, depreciation does not cease when the asset is not used unless it is fully depreciated. Land and buildings are separable assets and are accounted for separately even when they are acquired together.

Land and non-current assets in progress are not depreciated.

If the cost of land comprises costs for decommissioning, removal, restoration, then such costs are amortised throughout the period when benefits are obtained as a result of incurring such costs.

Non-current assets in progress are depreciated when they become ready for use, ie when they are in the required location and condition to operate as intended by management.

(d) Public patrimony

Law no. 213/1998 on public property and the legal regime thereof regulates public domain. This law provides that the property right over public patrimony rests with the State or the local authorities which may lease or concede the public property assets. GD no. 624/2010 amending annex 16 to GD no. 1705/2006 approving the centralised inventory of assets that fall under the State public domain, lists in Appendix no. 16 the real estate (land) which comprises the State's public domain through the Ministry of Transport (MTI), administered by ROMATSA. Moreover, the Company received two plots of land from the State public domain for use, according to GD no. 359/2016 on the updating of the inventory value of real estate that falls under the State public domain and under the administration of the Ministry of National Defence and for the transfer of parts of real estate under the State public domain from the administration of the Ministry of Public Defence to the administration of the Ministry of Transportation.

The Company is not required to pay any fee for using the land that is public patrimony. The Company recognizes the right to use the land part of the public patrimony as property, plant and equipment. The value of land that falls under the State public domain, managed by the Company, is registered in off-balance sheet accounts.

The patrimony represents the State's contribution consisting of the assets transferred to the Company upon establishment.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Intangible assets

Intangible assets representing software are carried at acquisition cost, less cumulated amortization and any recognized impairment. The acquisition costs of software are capitalized and treated as intangible assets if they fulfil the recognition criteria provided by IAS 38 "Intangible assets" (they are not an integral part of a hardware equipment or they derive from contractual rights).

Intangible assets are amortized on a straight-line basis throughout their useful life. Software is amortized on a straight-line basis over 3 years.

In order to determine whether an intangible asset measured at cost is impaired, the Company applies IAS 36. At the end of each reporting period, the Company estimates whether there are indications of impairment of those assets, and if they are identified, the recoverable amount of the asset is estimated and the related impairment is registered. An impairment loss must be recognized immediately in profit or loss.

(f) Inventories

In accordance with IAS 2 – Inventories, they are assets:

- held for sale in the ordinary course of business;
- in the process of production for such sale; or
- in the form of materials or supplies to be consumed in the production process or in the rendering of services;

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the selling price estimated in the normal course of business less estimated costs of completion and costs necessary to make the sale. For stock of raw materials and obsolete or slow moving materials, and non-marketable finished goods the Company makes adjustments based on management's estimates.

Inventory impairments are set up and reversed on the account of profit or loss.

The Company uses the First-In-First-Out (FIFO) method to determine the write-off cost of materials. For finished products, the standard cost is used for registration and deregistration. At the end of each month, on an accrual basis, the actual cost of the products obtained is determined.

(e) Financial instruments

(i) Non-derivative financial assets

The Company initially recognizes the receivables as at the transaction date. Any other financial assets are initially recognized as at the date when the Company becomes party in the contractual provisions of a financial instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to collect the contractual cash flows over the financial asset through a transaction where all the risks and rewards of ownership of the asset are transferred to another party. The Company recognizes separately as assets or liabilities any rights and obligations created or held within the transfer.

The financial assets and liabilities are compensated and presented at fair value in the statement of financial position when the Company has the legal right to compensate and intends either to compensate it on a net basis or to realize the asset and simultaneously settle the liability.

The Company's non-derivative financial assets consist of financial investments, trade receivables and cash and cash equivalents.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Financial investments

Financial investments include short-term deposits held at banks over three months and under one year due and held-to-maturity financial assets. Such investments are initially stated at fair value plus trading costs directly attributable to the acquisition. After initial recognition, financial investments are measured at amortized cost using the effective interest method less impairment losses.

Trade receivables

Trade receivables include invoices issued at nominal value and estimated receivables related to the services provided. Trade receivables are initially carried at fair value. Subsequent to initial recognition, receivables are stated at amortized cost, less impairment losses. The receivables' amortized cost approximates the nominal value due to the short settlement period.

Cash and cash equivalents

Cash and cash equivalents comprise petty cash, current accounts and bank deposits with original maturity of less than three months. Cash and cash equivalents are carried at cost.

Held-to-maturity investments

If the Company has the intention and capacity to hold financial securities to maturity, then such financial assets are classified as held-to-maturity investments. Held-to-maturity financial assets are initially stated at fair value plus directly attributable trading costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

Any sale or reclassification before the maturity of a larger insignificant amount of the held-to-maturity investment and which does not occur close to their maturity determines the reclassification of all held-to-maturity investments as available-for-sale and the Company will not be able to classify investment instruments as held-to-maturity in the current year and in the following two financial years.

(ii) Non-derivative financial liabilities

The Company initially recognizes financial liabilities as at the date when it becomes a party in the contractual provisions of a financial instrument. The Company derecognizes a financial liability when the contractual obligations are extinguished or cancelled or expire.

The Company classifies non-derivative financial liabilities as other financial liabilities. Such financial liabilities are initially carried at fair value less directly attributable trading costs. After initial recognition, such financial liabilities are stated at amortized cost using the effective interest method.

The financial assets and liabilities are compensated and presented at fair value in the statement of financial position when the Company has the legal right to compensate and intends either to compensate it on a net basis or to realize the asset and simultaneously settle the liability. The Company's non-derivative financial liabilities consist of trade and other current liabilities.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Liabilities

A debt is a present obligation of the company arising from past events and the settlement of which is expected to result in an outflow of resources embodying economic benefits.

A liability is accounted for and presented in the financial statements when it is probable that an outflow of economic benefits will result from the liquidation of a present obligation and the amount at which such settlement is made can be reliably measured.

Current liabilities are those liabilities that are payable over a period of up to one year.

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

- a) it is expected to be settled in the ordinary course of the Company's operating cycle;
- b) it is held primarily for trading purposes;
- c) it is payable within 12 months from the balance sheet date; or
- d) the Company does not have the unconditional right to defer the payment of the liability for at least 12 months as of the balance sheet date.

All the other liabilities must be classified as **long-term liabilities**.

Liabilities are stated at amortized cost. Deferred income classified as long-term liabilities are discounted using the effective interest method. The discount rate used for this purpose is the rate determined according to the Company's procedures developed by the management of the company.

The Company derecognizes a liability when the contractual obligations are paid, cancelled or expire.

If the goods and services provided in connection with the current activities were not invoiced, but the delivery was made and the value is available, the respective obligation is recorded as a liability.

(f) Asset impairment

Non-derivative financial assets (receivables inclusively)

A financial asset not carried at fair value in profit or loss, including the interest related to a financial investment, is measured at the end of each reporting period to determine whether there is objective evidence of impairment of such asset. A financial asset is considered to be impaired when there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the financial asset, and if such loss generating event, which may be reasonably estimated, adversely affects the estimated future cash flows of the asset. Objective evidence of impairment of a financial asset may include a debtor's failure to fulfill its obligations or it becoming probable that the borrower will enter bankruptcy. The Company considers evidence on the impairment of receivables further to a specific and overall analysis. When assessing specific impairment of receivables, the Company considers clients in litigation susceptible of entering bankruptcy or insolvency, or which have a history of payment default. Overall impairment assessment is based on the historical analysis of the probability of not collecting payment.

An impairment loss of a financial asset accounted at amortized cost is determined as difference between the carrying amount of the financial asset and the discounted value of future estimated cash flows discounted at the present market return rate for similar financial assets.

R.A. ROMATSA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in RON, unless specified otherwise)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Asset impairment (continued)

Non-financial assets

The carrying amounts of non-monetary assets other than inventories and deferred tax are revised at each reporting date to determine whether there is impairment indication. Impairment losses are recognized as the difference between the asset's carrying amount and the recoverable value. The recoverable value is the highest of fair value less selling costs and value in use. For the purpose of assessing an impairment loss, the Company will identify the asset or the smallest group of assets including such asset that generates cash inflows that are independent (cash-generating units). Non-financial assets, except for goodwill, which were impaired are revised annually for assessing a possible reversal of the impairment loss.

The fair value less the selling costs represents the price of a firm selling commitment in an arm's length transaction adjusted depending on the costs with the disposal of such asset. If there is no firm selling commitment, but the asset is traded on an active market, then the fair value less the selling costs is represented by the price of the asset on the market less costs with the disposal of the asset. If there is no firm selling commitment, and the asset is not traded on an active market, then the fair value less the selling costs is estimated as the value that the Company can obtain from disposing of the asset in an arm's length transaction after deducting the disposal costs, taking into account the outcomes of recent transactions with similar assets in the same business sector.

The value in use is the present value of estimated future cash flows expected to arise from the use of an asset or the cash-generating unit and from its disposal. The value in use is calculated by applying a reasonable discounting rate before taxes, over the estimated cash flows. The estimate of the cash flows is based on the assumptions that represent the management's best judgment regarding the economic conditions that will apply throughout the asset's useful life.

(g) Allocation of profit to owner

In accordance with IAS 1 Presentation of Financial Statements, owners are the holders of the instruments classified as equity.

According to GO 64/2001, the Company allocates profit as payments to the State budget. They are recognized as distributions from equity in the period their allocation is approved.

(h) Employee benefits

Employees' short-term benefits principally include salaries and social security contributions and other benefits as per the individual employment contracts, collective employment contracts/agreements in force. In the normal course of business, the Company makes payments to the Romanian State for its employees for social security. All employees of the entity are members of the Romanian State pension plan. The employees' short-term benefits are recognized as expenses as the services are provided.

Other long-term employees' benefits. The Company's net obligation as regards long-term benefits granted to employees, other than the pension plans, is the value of future benefits that employees earned in exchange for services provided in the current and previous period. Such benefit is discounted to determine its fair value and the fair value of any related asset is deducted. Such benefits are estimated using the projected unit credit method. Any actuarial gains or losses are recognized to profit or loss as they arise. Other long-term employee benefits are represented by anniversary bonuses.

Termination benefits are recognized as expense when the Company is obviously engaged and without any realistic possibility to abandon, a detailed official plan for the termination of the employment contract prior to the normal retirement date or for granting benefits for termination of the employment contract further to an offer advanced to encourage voluntary redundancy. In the latter case, termination benefits are charged against income when the Company has advanced an offer of voluntary redundancy, when it is probable that the offer will be accepted and the number of employees who will accept the offer may be reasonably estimated.

R.A. ROMATSA
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Employee benefits (continued)

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions to a separate entity (a fund) and will not have any legal or implicit obligation to pay additional contributions if the fund does not hold sufficient assets to pay all of the employees' benefits related to the service provided by the employee in the current and prior periods.

Liabilities for retirement defined contribution plans are recognized as expense with employee benefits in profit or loss in the periods when the services are provided by employees. Prepaid contributions are recognized as asset if it is possible to repay in cash or reduce future payments.

A *defined benefit plan* is a post-employment benefit plan other than a defined contribution plan. The Company's net liabilities with defined benefit plans are calculated separately for each separate plan by estimating the value of future benefits that the employees obtained for the services provided in the current and prior periods. Such benefits are discounted at present value, the discount value being obtained as the arithmetic average between fixing bid and ask yields of the National Bank of Romania (NBR) for 10-year Government bonds. The benefits refer to retirement premiums.

The calculation is conducted annually by a qualified actuary using the projected unit credit method. When a plan's benefits are increased, the share of the additional benefit related to services previously provided by employees is recognized immediately in profit or loss.

The Company has adopted in advance IAS 19 "Employee benefits" (2011) with January 1, 2012 as the initial application date and has changed the method of recognizing actuarial gains and losses from defined benefit plans. They are recognized as other comprehensive income while all the expenses related to defined benefit plans are recognized to the profit or loss of the period.

The Company recognizes gains and losses from the decrease or settlement of a defined benefit plan when the decrease or settlement occurs. The gains or losses from the decrease or settlement includes any change in the fair value of the plan's assets, any change in the present value of the liability for the defined plan, any related actuarial gains and losses and the cost of prior services not previously recognized.

Any actuarial estimation is subjective and different experts may have different estimation approaches and may use different assumptions. The actual future expenses will not be the same as those estimated and may deviate significantly from the estimates made. The calculations are based on certain assumptions that are presented in the financial statements and the derived values are dependent on them. The assumptions are, ultimately, the responsibility of the management of the Company.

(i) Provisions

A provision is recognized only when the following conditions are met: the Company has a present (legal or constructive) obligation as a result of a past event; it is probable (namely, more probable than improbable) that an outflow of resources embodying economic benefits will be required to settle the obligation; when a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is significant, the value of a provision is the present value of expenses provided to be required to settle the obligation. If an outflow of resources embodying economic benefits is not likely to be needed to settle the obligation, the provision must be reversed.

(j) Contingent liabilities

Contingent liabilities are not recognized in the accompanying financial statements. They are presented if an outflow of resources embodying economic benefits is possible, but not probable.

A contingent asset is not recognized in the accompanying financial statements, it is presented when an inflow of resources embodying economic benefits is probable.

R.A. ROMATSA
NOTES TO THE FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Revenue recognition

Revenues are recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of the revenue may be accurately determined. Revenues mainly represent en route, terminal and other services provided by the Company, at a certain point in time.

EUROCONTROL, the authority regulating charges for the route and terminal activity of ROMATSA has established, for the periods 2011 – 2014 and 2015 - 2019, the obligation to recover the over/under-charges resulting from variations between the estimated traffic loads and inflation, and the real ones. The effects of such over/under-charges in each current period will be recovered by ROMATSA, by adjusting the charges levied 2 years after the year generating the above-mentioned variations.

Changes in traffic flows further to geopolitical crises, more favourable economic development than planned in the past years, as well as a significant reduction in real inflation, have caused significant fluctuations in traffic volumes, i.e. inflation rates for the second reference period, 2015-2019.

Such variations resulted in an overcharging in the current period, and the Company expected the authority to recover such amounts by adjusting the charge levied by the Company in future periods, according to the provisions of the regulation mentioned above.

In conclusion, the second reference period was characterized by an excess of the number of service units forecasted according to the DANUBE FAB Performance Plan for the second reference period (2015-2019). Thus, the Company reimbursed to the airspace users the additional revenues obtained by applying the risk-sharing mechanism in terms of traffic.

By Commission Implementing Decision (EU) 2018/1782 of 15 November 2018, it was allowed to revise Romania's key performance targets for 2018 and 2019, so that revenue adjustments for the application of the mechanism for sharing traffic risk and for the application of the inflation adjustment mechanism were considerably lower in 2018 and 2019.

At the beginning of 2020, the European Commission approved a Draft Performance Plan for the third reference period (2020-2024) in accordance with Commission Implementing Regulation (EU) 2019/317 of 11 February 2019 laying down a performance and charging scheme in the single European sky and repealing Implementing Regulations (EU) No 390/2013 and (EU) No 391/2013. In the context of the COVID-19 pandemic which led to a sharp drop in air traffic caused by a significant reduction in demand, the European Union adopted Commission Implementing Regulation (EU) 2020/1627 of 3 November 2020 on exceptional measures for the third reference period (2020-2024) of the single European sky performance and charging scheme due to the COVID-19 pandemic.

IFRS 15 Revenues from contracts with customers provides that the Company must assess revenues from contracts with customers at the value of the consideration that the Company estimates being entitled to in exchange of the transfer of services and goods promised to a customer. The value of the consideration may vary as a result of discounts, rebates, repayments, incentives, performance bonuses or other similar elements.

Sales of goods are recognized when the goods were delivered and the related rights and obligations were transferred.

Revenues must be measured at the fair value of the consideration received or to be received.

(l) Financial income and expenses

Financial income includes interest income and FX differences as a result of the measurement, at the end of each reporting period, of foreign currency receivables and liabilities. Interest income is recognized in the statement of comprehensive income in the period they refer to, by reference to the outstanding capital, using the effective interest method.

Financial expenses comprise expenses with interest from leases recognised under IFRS 16 Leases and FX differences further to the measurement, at the end of each reporting period, of foreign currency receivables and liabilities.

FX gains and losses are presented as net value.

R.A. ROMATSA
NOTES TO THE FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Income tax

Income tax consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except if it refers to elements directly recognized in equity or other elements of the comprehensive income.

The current tax is the estimated tax payable or receivable, calculated based on the annual tax result, using the tax rate in force on the date of the financial statements, adjusted by previous years' corrections.

Deferred tax is obtained by applying the balance sheet method on the temporary differences between the book value and tax base of balance sheet items. Deferred tax is calculated based on the tax rates provided by the legislation in force for the period when the temporary difference occurs.

Deferred tax-asset is recognized only if it is probable to obtain taxable profit in the future, so that tax losses carried forward and temporary differences may be used. Deferred tax-asset is reduced if the tax benefit is improbable to be realized.

Deferred tax assets and liabilities are offset if there is a legal right to set off current tax liabilities and assets, and which related to taxes levied by the same tax authority from the same taxable entity.

The effect of the change of tax rates on deferred tax is recognized in profit or loss except if it refers to lines previously recognized in equity.

(n) Subsidies

Subsidies are recognized as income when there is a reasonable assurance that they will be received and that the Company fulfils the subsidy conditions. Subsidy income is registered in the statement of comprehensive income under "Other operating income".

(o) Subsequent events

The accompanying financial statements reflect events after the end of the year, which provide additional information about the position of the Company at the balance sheet date or those that indicate a possible violation of the going concern principle (events that cause adjustments). Subsequent events that are not adjusting events are disclosed in the notes when considered significant.

(p) New standards, amendments and interpretations

New standards, amendments to standards and interpretations are applicable to annual periods starting from January 1, 2019 and have not been applied in the preparation of these financial statements. The Company does not expect any of the new standards to have significant effect on its separate financial statements.

R.A. ROMATSA
NOTES TO THE FINANCIAL STATEMENTS
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5. PROPERTY, PLANT AND EQUIPMENT

GROSS VALUE	Land and buildings	Plant, equipment and vehicles	Other tangible assets	Non-current assets in progress	Total
Balance as at December 31, 2018	219,433,646	241,798,072	10,388,106	57,265,166	528,884,990
Additions					
Transfers from non-current assets in progress	6,229,315	22,991,345	902,172	42,446,568	42,446,568
Impairment	72,617	4,318	1,144	-	30,122,831
Disposals	(1,163,866)	(1,161,619)	(95,518)	(30,518,284)	78,080
Balance as at December 31, 2019	224,571,712	263,632,116	11,197,905	69,193,451	568,595,184
Additions					
Transfers from non-current assets in progress	37,325	2,382,703	264,253	76,695,065	79,379,346
Impairment	1,293,711	25,003,266	906,655	-	27,203,632
Disposals	812	28,356	208	-	29,376
Balance as at December 31, 2020	(107,630)	(1,853,730)	(19,694)	(107,973,112)	(109,954,166)
Balance as at December 31, 2020	225,795,930	289,192,711	12,349,327	37,915,404	565,253,372
ACCUMULATED DEPRECIATION					
Balance as at December 31, 2018	66,119,287	109,573,136	4,009,184	-	179,701,607
Depreciation expenses					
Accumulated depreciation of disposals	11,160,609	24,116,149	985,737	-	36,262,495
	(616,963)	(1,095,248)	(45,124)	-	(1,757,335)
Balance as at December 31, 2019	76,662,933	132,594,037	4,949,796	-	214,206,767
Depreciation expenses					
Accumulated depreciation of disposals	10,612,992	25,954,193	895,226	-	37,462,411
	(62,874)	(1,471,201)	(14,195)	-	(1,548,270)
Balance as at December 31, 2020	87,213,051	157,077,029	5,830,827	-	250,120,908
NET BOOK VALUE					
Balance as at December 31, 2019	147,908,779	131,038,079	6,248,109	69,193,451	354,388,418
Balance as at December 31, 2020	138,582,879	132,115,681	6,518,500	37,915,404	315,132,464

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

Land and buildings

Land registered in these financial statements at the beginning of 2020 is in amount of RON 5,825,494. At the end of 2020, land is worth RON 5,825,494. Buildings include main offices and special constructions required for the air traffic control equipment installed in the territory.

Plant, equipment and vehicles

Plant, equipment and vehicles include mainly air traffic control systems (RADAR equipment, signalling, IT and communication, weather stations etc.) and road vehicles.

The Company is committed to make significant investments, as part of Operational Concept as per GD no. 536/2000. The law provides a program to modernize the Romanian Air Traffic Management system (ATM) and implies significant improvements for the existing systems and processes. During the year ended December 31, 2020, the Company transferred from the account of non-current assets in progress representing mainly improvements to the communication equipment and the equipment destined to be used on the ground, air traffic monitoring systems, oral communication control systems, installations and upgrades of control towers. In June 2020, the Company transferred the ATM 2015+ System investment objective from the category of non-current assets in progress to property, plant and equipment in amount of RON 16,346,186, for which is calculates depreciation for an estimated useful life of 4 years.

Other plant, equipment and furniture

Other property, plant and equipment consist of furniture and office equipment.

Intangible assets in progress

In the line of property, plant and equipment in progress, the most significant amount refers to the investment "Upgrade of DPS Leonardo system" in amount of RON 17,190,968.27, which is finalised and for which the Company awaits the authorisation of AACR for its commissioning.

R.A. ROMATSA
NOTES TO THE FINANCIAL STATEMENTS
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6. INTANGIBLE ASSETS

	Intangible assets	Intangible assets in progress	Total
COST			
Balance as at December 31, 2018	92,459,143	41,678,227	134,137,370
Additions	722,562	16,122,042	16,844,604
Disposals	(3,308,046)	(4,602,236)	(7,910,282)
Balance as at December 31, 2019	89,873,659	53,198,033	143,071,692
Additions	81,212,700	1,213,471	82,426,171
Disposals	(2,054,653)	(53,198,035)	(55,252,688)
Balance as at December 31, 2020	169,031,706	1,213,471	170,245,177
ACCUMULATED AMORTISATION			
Balance as at December 31, 2018	76,842,067	-	76,842,067
Amortisation expenses	7,000,912	-	7,000,912
Accumulated amortisation of disposals	(3,308,046)	-	(3,308,046)
Balance as at December 31, 2019	80,534,933	-	80,534,933
Amortisation expenses	10,185,153	-	10,185,153
Accumulated amortisation of disposals	(480,565)	-	(480,565)
Balance as at December 31, 2020	90,239,521	-	90,239,521
NET BOOK VALUE			
Balance as at December 31, 2019	9,338,726	53,198,033	62,536,759
Balance as at December 31, 2020	78,792,185	1,213,471	80,005,656

Intangible assets are stated at cost less cumulated amortization and cumulated impairment losses, and include software.

Most of the intangible assets is represented by the investment in the ATM 2015+ air traffic management system, Step 1, Phase 1, in total amount of RON 76,386,264 for which the Company calculated amortisation as of June 2020 for an estimated useful life of 12 years.

Other significant intangible assets added in 2020 are "SOFT UPDATE (UPGRADE) SUPR AIHCB SUPERVISORY SYSTEM" in amount of RON 1,608,346.17 and "Microsoft licenses EXCHNG SVR STD CAL/USER PACHET - 618 pieces" in amount of RON 262,464,60.

The impact of the application of IFRS 16 consists in the recognition of a right-of-use asset, namely a lease liability for ongoing contracts at January 1, 2019, which resulted in an increase in the value of intangible assets and liabilities by RON 24,555 thousand. At the beginning of 2020, the right-of-use assets leased were worth RON 21,722,476 and at the end of 2020, it reached RON 23,783,610. The Company registered in the statement of profit or loss amortization expenses of RON 2,875,355 thousand, and interest expenses of RON 407,585 thousand, instead of rental expenses.

R.A. ROMATSA
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7. OTHER INVESTMENTS

The Company holds shares in amount of RON 27,628,105 in Tarom SA – The National Airline (“Tarom”), representing 1.235% of the share capital as at December 31, 2020 (December 31, 2019: 1.235%). The shares have a nominal value of RON 2.5. The Company holds 11,051,242 shares. 2,670,034 shares were obtained in July 1998 by converting the receivables against Tarom on September 30, 1997, based on Government Ordinance 45/1997. In 2018, there was a share capital increase in which the Company did not take part, resulting in a decrease in its ownership to 1.235%.

In 2001, according to Ordinance 173 issued by the Romanian Government (“GO”) on December 13, 2001 and published in Official Journal no. 831/December 21, 2001, the Company converted the receivable against Tarom in amount of RON 30,224,587 (both the value added tax and the penalties in amount of RON 8,019,625 owed by Tarom further to the delayed payment) into shares in this company.

In 2002, according to Law 323/May 27, 2002 approving GO 173/December 13, 2001, the value added tax and penalties are not accepted as contribution to the share capital of Tarom, following that the Company reduced the value of its participation to RON 27,628,105. In accordance with the legislation in force, the Company may not sell these shares. Since the Company did not receive any dividends throughout its ownership, the Company provisioned fully the financial assets held in Tarom at December 31, 2018 and December 31, 2017.

On March 22, 2016, the Company purchased Government bonds in foreign currency in amount of EUR 30,000,000 maturing on February 26, 2021. At the end of each month, the Government bonds in foreign currency are evaluated at the exchange rate of the FX market communicated by the NBR on the last banking day of the month. The value thereof at December 31, 2020 is RON 146,082,000. As there are less than 3 months between 31.12.2020 until the due date of 26.01.2021, the Company reclassified government bonds from the category of non-current assets to the category of current assets.

Financial investments include bank deposits with original maturity of over three months, but less than one year, and bonds with maturity of less than one year. Bonds are classified as held-to-maturity investments.

If the Company has the intention and capacity to keep financial securities until maturity, then such financial assets are classified as investments held to maturity.

At December 31, 2019 and 2020, the Company’s short-term bank deposits with less than three months maturity are registered as cash and similar accounts.

8. INVESTMENTS IN ASSOCIATES

At December 31, 2020, the Company holds shares of RON 1,260,000 in the Regional Centre for Excellence in Civil Aviation (CREAC).

The Company’s participation in this company was approved in the meeting of the Board of Directors no. 10/28.07.2011, item 7.3 based on substantiation note no. 13.109/25.07.2011. CREAC is a closed joint stock company whose share capital consists of 1,050,000 nominal shares having a value of RON 10 each. The Company holds 40% of the shares, namely 420,000 shares at a total value of RON 4,200,000 reduced in 2016 by RON 2,940,000 by annulling the payment obligation for 294,000 shares. The holding of R.A. ROMATSA in CREAC was fully provisioned since 2016, therefore, the shares are carried in the balance sheet at their net value (nil).

9. INVENTORIES

	December 31, 2020	December 31, 2019
Spare parts	7,886,237	7,849,516
Consumables and other materials	4,228,203	3,159,760
Total	12,114,440	11,009,276

R.A. ROMATSA
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10. TRADE RECEIVABLES

	December 31, 2020	December 31, 2019
Gross trade receivables	584,456,143	169,334,826
Provisions for doubtful customers	(38,101,538)	(27,635,744)
Total trade receivables	546,354,605	141,699,082

All route air navigation services provided for domestic and foreign customers are listed in the EUROCONTROL account. The balance of EUROCONTROL account before impairments of receivables – customers as at December 31, 2020 is RON 152,322,806 for the services provided and RON 8,434,427 for penalties calculated (RON 136,996,902 for route services and RON 7,455,893 for penalties at December 31, 2019).

EUROCONTROL stands for European Organisation for the Safety of Air Navigation, which Romania joined in accordance with Law 44/1996.

The receivables registered in the EUROCONTROL account are also affected by most of the EUROCONTROL member states' acceptance of the request of airlines to defer the payment for air navigation services provided during February – May 2020, a measure which Romania voted against. Such amounts will be received in instalments during November 2020 - August 2021. The outstanding receivables also includes the RON 400,564,390 registered as assets, at the closing of the financial year, while registering income for 2020, in order to comply with the definitions and recognition criteria of such items in the General Conceptual Framework for Financial Reporting and with the accrual principle. By adjusting the unit tariff over the next 5 calendar years, starting the year following the one in which the performance plan was adopted for the reference period 2020-2024, the cash flows to ROMATSA will be secured.

The value of receivables representing flights exempt from paying the route charge December 31, 2020 is RON 10,709,672 (RON 3,094,146 as at December 31, 2019). The counter value of air navigation services for flights exempt from paying the route charge is repaid by the Ministry of Transport, in accordance with the provisions of the Aviation Code of 18 March 2020 and Regulation (EU) 2019/317.

Trade receivables are not interest bearing and are generally due between 30 and 45 days.

The provisions for doubtful customers are as follows:

	December 31, 2020	December 31, 2019
Opening balance	27,635,744	22,578,590
Provisions recognized during the year	12,017,241	9,827,284
Reversal of provisions during the year	(1,551,447)	(4,770,130)
Closing balance	38,101,538	27,635,744

Since 2018, the Company applied the provisions of IFRS 9 for the adjustment of trade receivables. The value of adjustments was calculated based on the default rate of payment obligations, taking into account the last 5 years of historical data. The effect of application of IFRS 9 is insignificant.

The Company's exposure to the financial risks related to trade receivables is presented in Note 28.

The amortized cost approximates the nominal value of trade receivables due to the short settlement period.

11. PREPAID AMOUNTS

Prepaid amounts include mainly contributions to EUROCONTROL for the first quarter of the following year in amount of RON 9,375,242 at December 31, 2020 (RON 9,878,313 at December 31, 2019) and the guarantee fee, the administration fee (for the first guarantee year) of 4,639,289 paid by the Company to Eximbank SA for the long-term loan contracted. Prepaid amounts further comprise other expenses for future periods (staff licensing, insurance premiums, etc.). Contributions to EUROCONTROL represent amounts that the organization charges in the account of the services provided by the operators of air traffic controllers' management (e.g., collecting route charges).

R.A. ROMATSA
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12. OTHER CURRENT ASSETS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
VAT recoverable	3,288,252	2,470,676
Income tax assets	-	-
Interest receivable	1,540,865	1,556,013
Other receivables	6,180,727	3,407,179
Subsidies	<u>6,982,438</u>	<u>886,914</u>
Total	<u>17,992,282</u>	<u>8,320,782</u>

Other receivables at December 31, 2020 include mainly the allowances for medical leaves paid from the FNUASS in amount of RON 4,495,191 for which there are reimbursement applications from the Health Insurance House. They also include the receivables for which the Company registered impairment allowances: MAREEA COMTUR SRL in relation to which it listed RON 77,537, ASTRA SA in relation to which it listed RON 688,320 and ANAF in relation to which it listed RON 58,812,031. The RON 6,982,438 registered in the subsidies line represents the amount receivable by the Company for the external financing projects corresponding to operating expenses and capital expenditure (for assets) incurred.

13. CASH AND CASH EQUIVALENTS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank accounts	22,915,106	339,204,519
Cash	206,672	165,186
Other funds	<u>2,070</u>	<u>4,335</u>
Total	<u>23,123,848</u>	<u>339,374,040</u>

14. EQUITY

Company's patrimony

As at December 31, 2020 and 2019, the Company's statutory patrimony is RON 214,684,295 and is not divided into shares. In accordance with IAS 1, the owners hold the instruments classified as equity, hence, the Company is owned by the State and is under the authority of the Ministry of Transport.

As at December 31, 2020 and 2019, the Company's patrimony includes the effect of the restatements related to previous periods, reflecting the effects of applying IAS 29 "Financial Reporting in Hyperinflationary Economies" (credited to patrimony). The reconciliation of the Company's patrimony is as follows:

Patrimony (nominal value)	214,684,295
Restatements under IFRS	<u>162,269,747</u>
Restated patrimony	<u>376,954,042</u>

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14. EQUITY (continued)

Legal reserves

The legal reserves in amount of RON 34,633,712 for the year ended December 31, 2020 represent reserves established based on the statutory results of the Company and may not be distributed.

As at December 31, 2020, the Company's patrimony includes the effect of the restatements related to previous periods, reflecting the effects of applying IAS 29 "Financial Reporting in Hyperinflationary Economies" (credited to legal reserves).

The reconciliation of the Company's patrimony at December 31, 2020 is as follows:

Legal reserve (nominal value)	23,424,003
Restatements under IFRS	11,209,709
Restated legal reserve	34,633,712

In accordance with GO no. 64/2001 and Law no. 227/2015 on the Tax Code (which sets the deductibility threshold in the calculation of income tax), legal reserves are constituted in proportion of 5% of the year end gross profit, until the legal reserves reach 20% of the total assets of the Company. Since the result of 2020 consists of accounting loss, the legal reserve was not increased.

Retained earnings

Apart from the legal reserve, the Company established, according to the fiscal provisions, other reserves in aggregated amount of RON 22,316,961, which represents reserves for tax facilities received/established in 2002, 2003 in amount of RON 15,066,012 and for 2018, in amount of RON 7,250,949. Such reserves (from tax facilities) are taxed when their destination is changed (e.g., distribution to owner).

Retained earnings represent the Company's aggregated result and includes the result of the year. The result at December 31, 2020 is as follows:

Retained earnings representing surplus from capitalisation of fair value deemed estimated cost (account 1175)	648,385
Retained earnings from transition to IFRS (except IAS 29) (account 1177)	6,272,237
Retained earnings from using, upon transition to IFRS, fair value as estimated cost (account 1178)	183,921,764
Retained earnings from the first-time adoption of IAS 29 "Financial reporting in hyperinflationary economies" (account 118)	(173,479,456)
Other reserves from net profit (account 1068)	
Profit of current year (account 121)	(22,261,756)
Allocation of profit (account 129)	-
Retained earnings representing profit not allocated/loss not covered (account 1171)	(60,296,733)
Retained earnings	65,195,560

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15. INCOME TAX

The Company's current income tax for the years ended December 31, 2020 and December 31, 2019 is determined at a statutory rate of 16%, applied to statutory profit adjusted by non-deductible expenses and non-taxable income. When establishing the fiscal result, elements similar to income and expenses are taken into account, as well as the fiscal losses that are recovered from the taxable profits obtained in the next 7 consecutive years.

In 2019, the Company registered a fiscal loss of RON 76,768,505, plus the fiscal loss of RON 7,756,627 in 2020, totalling a fiscal loss of RON 84,522,128 which will be recovered from the taxable profits obtained in the next 7 consecutive years.

As the profit tax due in 2018, 2019 and 2020 was zero, the amounts representing sponsorships made, in amount of RON 296,760 from 2018 and RON 600,733 from 2019 and RON 134,961, were carried over and will be recovered in the next 7 consecutive years, after recovering the fiscal losses.

Expenses with the current and deferred income tax related to the years ended December 31, 2020 and December 31, 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Current income tax	-	-
Deferred income tax	-	-
Income tax expense	<u>-</u>	<u>-</u>

Changes in deferred tax liabilities are as follows:

	<u>Deferred tax (liabilities) / assets</u>
December 31, 2018	<u>-</u>
Deferred tax expense	-
Deferred tax related to other comprehensive income	-
December 31, 2019	<u>-</u>
Deferred tax expense	-
Deferred tax related to other comprehensive income	-
December 31, 2020	<u>-</u>

Deferred tax related to other comprehensive income refers to the actuarial gains / losses from the re-assessment of the defined benefit plan.

The numerical reconciliation between the income tax expense and the product between the book result and the income tax rate applicable is as follows:

	<u>2020</u>	<u>2019</u>
Profit / (Loss) before tax	<u>-</u>	<u>-</u>
Income tax at statutory rate of 16%	-	-
Effect of non-deductible expenses	-	-
Effect of non-taxable income	-	-
Income tax	<u>-</u>	<u>-</u>

Given that in 2019 and 2020 the Company registered fiscal loss, it does not owe corporate tax.

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15. INCOME TAX (continued)

As at December 31, 2020 and December 31, 2019, the deferred tax net asset related to temporary differences calculated at a 16% tax rate (according to GEO no. 138/2004) is as follows:

	December 31, 2020		December 31, 2019	
	Cumulated temporary differences	(Asset) / liability deferred tax	Cumulated temporary differences	(Asset) / liability deferred tax
Revaluation reserve	(1,226,291)	(196,207)	(17,811,756)	(2,849,881)
Route provision	-	-	(1,283,132)	(205,301)
Provision for employee benefits	(517,679,545)	(82,828,727)	(456,060,473)	(72,969,676)
Total	(518,905,836)	(83,024,934)	(475,155,361)	(76,024,858)
Unrecognized deferred tax asset		(83,024,934)		(76,024,858)
Deferred tax asset		-		-

The Company did not recognize the deferred tax asset because it is unlikely that sufficient taxable profit will be available in the future so that temporary differences can be used.

In accordance with International Accounting Standard 12 "Income Tax" (IAS 12), paragraph 10, "an entity shall, with certain limited exceptions, recognise a deferred tax liability (asset) whenever recovery or settlement of the carrying amount of an asset or liability would make future tax payments larger (smaller) than they would be if such recovery or settlement were to have no tax consequences."

Regarding the recognition of a deferred tax asset, IAS 12 states in paragraph 24 that it should be recognized "to the extent that it is **probable** that a taxable profit will be available against which the deductible temporary difference can be utilized."

Although the term "probable" is not defined by IAS 12, IFRS 5 ("Non-current assets held for sale and discontinued operations") specifies that "For IFRS purposes, the term "**probable**" is defined as "**more likely than not**".

Furthermore, in accordance with IAS 35, paragraph 35, **sufficient and appropriate evidence** is required on future taxable profits.

Taking into account the specificity of the activity of the Company and the information known at the moment, it is necessary to mention the following aspects that should be taken into account in assessing the existence of future taxable profits and in obtaining sufficient and appropriate evidence in relation thereto:

- The Company's main revenues are based on a regulated tariff, which means that it is not entirely under the control of the Company's management. Moreover, the regulation of such revenues takes into account factors such as managed traffic and inflation rate, factors that are not always directly correlated with the amount of expenses incurred by the Company. Therefore, the Company's revenues obtained based on a regulated tariff may not provide sufficient and appropriate evidence of the full recovery of these accrued costs;
- EUROCONTROL Member States will establish performance plans for the 2020-2024 (RP3) reference period based on benchmarks not yet set by the European Commission, which is an external factor that is not under the control of the Company and which generates uncertainties as regards taxable income.

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15. INCOME TAX (continued)

All these points constituted a basis for arguments that the Company's management had in mind when deciding not to recognise the deferred tax asset as part of IFRS application, in direct correlation with the general financial reporting principle of prudence, which requires that when drawing up the annual financial statements, recognition and measurement must be carried out on a prudent basis.

On April 14, 2009 the Government of Romania issued GEO no. 34 amending the Fiscal Code, according to which reserves from the statutory revaluation of property, plant and equipment (land included) conducted prior to January 1, 2004, which are deducted when calculating income tax through tax amortization or expenses with disposal or decommissioning, become taxable when the tax amortization is deducted, namely when such non-current assets are written off. GEOR became effective on May 1, 2009. The revaluation reserves that were deducted by amortization or by disposing non-current asset revaluated prior to April 30, 2009 are scoped in the regulations in force prior to May 1, 2009, i.e., they become taxable in the future if they are distributed in any form to the owner or are used to cover accounting losses carried forward.

At the date of transition to IFRS (01.01.2015), R.A. ROMATSA used the fair value registered as result of the revaluation of assets at December 31, 2013 as estimated cost.

Using this option, all the reserves from the revaluation of non-current assets, accounted for in account 105 - Revaluation reserves recorded during 2001 - 2007, 2010, 2013 were incorporated in the retained earnings from using, upon transition to IFRS, fair value as estimated cost - account 1178.

In accordance with paragraph 175 of MoPFO no. 2844 / 2016, retained earnings from using fair value as estimated cost upon transition to IFRS and reflected in the credit of account 1178 - Retained earnings from using, upon transition to IFRS, fair value as estimated cost is deemed gains upon the write-off of the corresponding asset or throughout its use. R.A. ROMATSA considers that the gains are realised upon the write-off of the corresponding asset.

The employee benefit provision is recognized in the financial statements and is not fiscally deductible. The expenses are assimilated to salary accounts and deemed fiscally deductible when the benefit is granted, and the temporary difference generates deferred tax assets.

16. TRADE PAYABLES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Suppliers of non-current asset	15,447,009	11,281,394
Suppliers of inventories and services	21,966,497	23,735,918
Total	<u>37,413,506</u>	<u>35,017,312</u>

The Company's exposure to the financial risks related to trade liabilities is presented in Note 28.

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17. EMPLOYEE BENEFITS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Short-term employee benefits		
- salaries and similar obligations	20,186,171	35,276,595
- contributions to social security	18,138,341	39,947,728
Long-term employee benefits		
- current share	55,812,468	40,536,027
- long-term share	461,867,077	415,524,446
Total short-term obligations	<u>94,136,980</u>	<u>115,760,349</u>
Total long-term obligations	<u>461,867,077</u>	<u>415,524,446</u>

Long-term employee benefits and defined benefit plans

According to the individual employment contract and Agreement no. 25942/14.12.2018 and Addendum no. 1 (registered under no. 26.097/20.12.2019) to Agreement no. 25942/14.12.2018, the Company grants monetary benefits depending on the length of service and upon retirement for employees. Such benefits consist of a variable number of base salaries granted depending on the retiree's professional category.

Also, employees receive anniversary bonuses the equivalent of one base salary every 5 years, starting from the 10th year of length of service accumulated. As at December 31, 2020 the Company established provisions for such benefits in amount of RON 517,679,545 (RON 456,060,473 at December 31, 2019).

Any actuarial estimate is subjective, and different experts may have different approaches and use different assumptions in determining such estimate. Actual future expenses will not be identical to the estimates, and may vary significantly from such estimates. The calculations related to the estimate are based on certain assumptions described in these financial statements, and the values thus determined depend on such assumptions becoming reality. The assumptions used are the responsibility of the Company's management.

The table below presents a reconciliation of the present values of defined benefit plan liabilities as at December 31, 2020 and December 31, 2019, the expenses recognized in the profit or loss and the actuarial losses recognized either in profit or loss or in other comprehensive income:

Changes in the present value of defined benefit liabilities

	<u>2020</u>	<u>2019</u>
Defined benefit liabilities as at January 1	<u>456,060,473</u>	<u>414,563,100</u>
Recognized in profit or loss		
Costs with current service	19,444,582	21,102,762
Costs with previous service	(23,520,609)	(21,667,936)
Interest cost	14,387,903	18,408,042
Recognized in other comprehensive income		
Actuarial losses / (gains) recognized in other comprehensive income	51,307,196	23,654,505
Defined benefit liabilities as at December 31	<u>517,679,545</u>	<u>456,060,473</u>

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17. EMPLOYEE BENEFITS (continued)

The Company adopted in advance IAS 19 "Employee benefits" (2011) as described in Note 4(j) to these financial statements and recognized in other comprehensive income the actuarial gains/losses resulting from the defined benefit plans, less interest.

The interest on defined benefit plans is recognized in profit or loss, and is calculated using the discount rate in order to measure the net liability with defined benefits. The costs with previous services are recognized immediately if benefits are granted immediately, seeking the application and changes of the pension plan.

As at December 31, 2020, actuarial losses or gains occurred due to changes in the curve of used interest, changes in mortality and changes in the assumptions used by the Company for salary increases, as detailed below:

- salary increase rate:

Year	Evaluation date December 31, 2020	Evaluation date December 31, 2019
2019		0%
2020	0%	2.95%
2021	2.40%	2.77%
2022	3.40%	2.55%
2023	3.40%	2.55%
2024	2.40%	2.55%
2025	2.40%	2.00%
2026	2.40%	2.00%
2027	2.40%	2.00%
2028	2.40%	2.00%
2029	2.40%	2.00%
2030+	2.00%	2.00%

As at December 31, 2019, the Company considered a salary increase rate for the first forecast year (2020) of 2.95% per year, and at December 31, 2020 it did not consider a salary increase for the first forecast year.

- the significant decrease of the discount rate – to discount future cash flows, the Company used 100-year risk-free interest curves of EIOPA for December 31, 2020.
- The employee turnover (probability of severance) at ROMATSA is as follows:

Age range					
0-20	21 - 30	31 – 40	41 - 50	51 - 60	61 - 65
0.00%	0.66%	0.56%	0.18%	0.16%	0.95%

Employee severance rates (any reason other than collective redundancy, old-age or early retirement, disability or death) were estimated by age groups and calculated as the total number of employees leaving each year divided by the number total number of active employees at the beginning of that year

- The mortality rates used were extracted from the probability of death in the mortality tables by sexes of the Romanian population, published by the National Institute of Statistics in 2018.
- The taxes and levies are those in force as at the date for which the calculation was performed, namely 2.25% social contributions paid by the Company.

The retirement defined contribution plans expose the Company to certain actuarial risks, such as longevity, mortality, significant salary increase or interest rate.

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17. EMPLOYEE BENEFITS (continued)

The calculation of the defined benefit liabilities largely depends on the assumptions described above. The following table summarizes the effect of the changes of the assumptions used on the defined benefit liability as at December 31, 2020, discount rate, salary increase rate:

Actuarial assumptions	10% increase (profit) / loss	10% decrease (profit) / loss
Discount rate	17,640,660	(16,759,299)
Salary increase rate	(12,585,943)	12,995,255

18. OTHER LONG-TERM LIABILITIES

The following table summarises the long-term liabilities:

Leases recognised as per IFRS 16	22,036,335
Good performance bonds received	588,733
Long-term bank loans	132,100,000
Total other long-term liabilities	154,725,068

The Company recognised long-term liabilities in amount of RON 154,725,068 consisting of the long-term liability for the rental contracts classified as leases as per IFRS 16 and good performance bonds received that must be returned in more than one year in amount of RON 22,625,068, plus the amount of RON 132,100,000 owed to credit institutions.

The financial standing of ROMATSA was affected both by the drop in the air traffic, and due to the fact that most EUROCONTROL member states agreed to the request of airline companies of deferring the payments of air navigation services provided during February – May 2020, amounts that will be collected in instalments during November 2020 - August 2021.

Based on the financial forecasts, the Company found that cash flows have registered negative values ever since January 2020, but the Company was able to obtain funding from the cash available at January 1, 2020, which was reserved for settling certain future obligations of the Company. Thus, as per the financial forecasts, the operational deficit amounted at the end of 2021 to approximately RON 646 million. Such deficit was supposed to be partly funded by the liquidities available at January 1, 2020 and the rest through a credit line of around RON 466 million.

Resolution no. 219/ 19.08.2020 of the Inter-ministerial Committee for Finance, Guarantees and Insurance approved the Company's request filed by application no. 13626/ 17.07.2020 to issue a collateral to guarantee an object loan of RON 466,000,000 to a degree of 80%, in order to support the current operations. Thus, on September 10, 2020 the Government of Romania approved the Memorandum for Approval, at the request of Eximbank SA, endorsed by the Inter-ministerial Committee for Finance, Guarantees and Insurance, for issuance of a guarantee to Eximbank in the account and name of the State, under conditions other than those provided under Chapter IV, letter e of the Rule regarding the granting of guarantee products, in amount of RON 372,800,000 to guarantee an object loan of RON 466,000,000 to an extent of 80%, valid until 31.12.2029, which will be granted by Banca Comercială Română SA to ROMATSA RA for the financing of the current operations.

From loan agreement no. 20201008052 concluded with BCR in amount of RON 466,000,000, the Company used RON 132,100,000 at December 31, 2020. The interest rate consists of 0.6% per year and ROBOR 6M. The loan may be used for a period of 18 months and enables multiple utilisations during the utilisation period. Repayment is done in unequal quarterly instalments as of March 30, 2022, with a minimum amount repayable each year of RON 58,000,000.

19. DEFERRED INCOME

The Company recognised deferred income settled in more than one year in the category of long-term liabilities. The RON 10,205,844 refers to subsidies for assets, and equipment for the running of air traffic, under the SPICE European funded project. The deferred income is registered as income in the income statement after the commissioning of the asset, as the amortisation expenses are registered as of 2022.

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20. PROVISIONS

Other provisions for risks and charges include the provisions for disputes established for lawsuits in progress which the Company has high chances of losing.

As of 22.08.2014 a team of the Economic and Financial Inspection Department within the National Fiscal Administration Agency – General Directorate for the Management of Large Taxpayers conducted an audit.

In 2018, the National Agency for Fiscal Administration sent the Company the Report of Economic and Financial Inspection no. MC_JEF - 826 / 26.10.2018 whereby the Company had the obligation to pay RON 47,754,126 as delay interest and penalty interest of RON 21,545,070 revised to RON 25,686,595 at December 13, 2019. Further to such report, the Company registered a provision of RON 25,686,595 for the penalty interest and delay interest calculated in relation to payables to the State budget out of the net profit of autonomous companies.

Since following the appeal, Economic-Financial Inspection Report no. MC_JEF-826 / 26.10.2018 was suspended, the Company did not pay the amounts registered in Mandatory Order no. MC_JEF-827 / 10.26.2018.

Other significant amounts included in the provision for risks and charges (lawsuits) are:

- RON 4,670,440 provision in relation to Files 1736/33/2011, 1342/R/2011 and 8876/211/2012 against a former employee of the Company (RON 4,670,440 as at December 31, 2019);
- Provision for the litigation against AIRSIGHT GMBH in amount of RON 929,808 (EUR 1,650,921 at December 31, 2020) in file no. 35758/3/2018 claiming damages for the performance of services contract no. AC/E/B/PS no. 145/25.03.2015.

21. OTHER CURRENT LIABILITIES

	December 31, 2020	December 31, 2019
State budget liabilities	3,270,891	5,912,572
Deferred income reversible on the short term	887,020	12,143,673
Other liabilities	7,292,918	5,460,975
Total	11,450,829	23,517,220

22. TURNOVER

	2020	2019
Revenues from route activity	779,882,462	847,064,817
Revenues from terminal activity	97,902,644	140,289,326
Income from rentals and other services	1,318,991	1,452,582
Total	879,104,097	988,806,725

As of 2018, the Company applied the provisions of IFRS 15, which did not alter the way revenues are recognised. IFRS 15 was also applied retroactively in IFRS statements for information purposes for 2016 and 2017.

For 2020, the Company recognized revenues in total amount of RON 7,713,481 (RON 6,069,025 for 2019) for the flights exempt in the route services and RON 915,046 for flights exempt in the terminal services.

According to Eurocontrol International Convention with regard to the Cooperation for the Security of the Air Navigation Space, the member states operate a common taxation of the routes, which implies a unique taxation of the flights and offers the member states computing, invoicing and collection services through the Central Route Charges Office (CRCO) of EUROCONTROL. Romania's accession to Eurocontrol was approved by Law no. 44 of 27 May 1996 for the accession of Romania to the International Convention on cooperation for the safety of air navigation EUROCONTROL, concluded on 13 December 1960, and to the Multilateral Agreement on Air Route Tariffs, signed in Brussels on 12 February 1981.

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22. TURNOVER (continued)

For 2020, the Company recognized income in amount of RON 400,564,390 in accordance with the provisions of Regulation (EU) 2019/317 and IFRS 15, income to be collected by the Company in accordance with the European legislation in force.

Regulation (EU) 2019/317 lays down measures applicable to the operation of performance and charging systems for air navigation services and network functions and governs the adoption, evaluation, review of performance plans, financing of air navigation services, establishment of cost bases for fares, providing information, monitoring and publishing information.

Also, by Regulation (EU) 2019/317, financial incentive schemes are established, as well as adjustment mechanisms.

The incentive schemes included in the performance plans adopted by the member states must comply with the following principles:

- a) establish financial incentives to achieve performance targets in the key area of capacity performance effectively and proportionately;
- b) applied for the entire period covered by the performance plan;
- c) are non-discriminatory, transparent and effective;
- d) applies to en route air navigation and terminal air navigation services.

With regard to the adjustment systems for performance targets in the key area of profitability, adjustments for inflation (art. 26), the traffic risk-sharing mechanism (art. 27) and the mechanism of risk-sharing in terms of costs apply (art. 28).

Considering the special situation generated by the COVID-19 pandemic, on November 5, 2020, Regulation (EU) 2020/1627 amending certain provisions of Regulation (EU) 2019/317, including as regards adjustment mechanisms, applies.

According to Article 29 (5) of Regulation (EU) 2019/317, where Member States have not adopted a performance plan before the start of the reference period, the unit rates are recalculated, if necessary, and applied as soon as possible on the basis of the performance plan adopted or the revised performance plan adopted.

If a performance plan is adopted after the start of the reference period, any difference in revenues caused by the application of the unit rate or unit rates calculated on the basis of the draft performance plan, instead of the unit rate or unit rates calculated on the basis of the performance plan adopted determines a first adjustment of the unit rate in the year following the adoption of the performance plan and a final adjustment of the unit rate two years after that year.

The provisions of Articles 27 and 28 of Regulation (EU) 2019/317 (referred to above) apply on the basis of the adopted performance plan and are applied retroactively from the first day of the reference period.

In addition, according to Article 5, paragraph 4 of Regulation (EU) 2020/1627, adjustments are calculated on the basis of draft performance plans relevant for the establishment of unit rates pursuant to Article 17 (1) of Regulation (EU) 2019/317, and they must be spread evenly over five to seven calendar years, starting from the year following that in which the performance plan was adopted.

In accordance with IFRS 15, the price of the transaction that is the subject of a contract represents the amount of consideration to which an entity expects to be entitled in exchange for transfers of promised goods or services to a customer. The consideration promised in a contract with a customer could include fixed components, variable components or both. If the consideration promised in a contract includes a variable component, an entity estimates the amount of consideration to which it would be entitled in exchange for the transfer of the promised services to a customer. The amount of the consideration may vary as a result of discounts, rebates, repayments, loans, price concessions, incentives, performance bonuses, penalties or other similar items.

Given the provisions of Regulation (EU) 2019/317, ROMATSA must consider a variable consideration in order to determine the price of a transaction.

Considering that in 2020 the performance plan will be approved after the beginning of the reference period for the calculation of revenues, the provisions of Article 29 (5) of Regulation (EU) 2019/317 were applied, the difference in revenues being estimated by relating the determined costs and service units taken into account when setting the tariff applied in 2020 to the actual costs recorded and the service units provided. Taking into account that the main cause of the deficit is the decrease in traffic compared to the level taken into account when setting the tariff, according to paragraph 57 of IFRS 15, a margin of 4.4% was deducted from total non-achievements, representing the maximum risk that an ANSP bears by applying the traffic risk-sharing mechanism, in accordance with Article 27 of Regulation (EU) 2019/317.

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22. TURNOVER (continued)

According to the minutes of the Appeal Committee of the European Commission in which Regulation (EU) 2020/1627 was endorsed, "during the crisis, low traffic levels generated significant revenue losses for ANSPs, while costs were continuously incurred to maintain the availability of essential services for air transport". It also states that "for the period of time preceding the submission of revised draft performance plans, the actual costs incurred by ANSP and member states shall be taken into account, unless these costs include unjustified expenditure or ineligible cost elements."

At the same time, the draft decision on revised performance targets to be adopted at EU level states that the review of Union-wide performance targets should take into account the actual performance achieved, including the real costs incurred by air navigation service providers and member states in previous reference periods and the latest information available for the calendar year 2020.

23. OTHER OPERATING REVENUES

	2020	2019
Subsidies regarding other operating expenses	2,403,461	2,173,877
Other revenues	2,066,463	1,741,834
Total	4,469,924	3,915,711

Subsidies regarding to other operating expenses represent the income from projects funded by the European Commission, in which the Company is actively taking part in the implementation at European level in the field of ATM, namely five projects part of the SESAR implementation phase (NewPENS, SPICE, SWIM Common PKI, eGAFOR).

Other income includes mainly penalties calculated to customers, for the regulated route and terminal activity, revenues invoiced by EUROCONTROL as well as for the unregulated terminal activity, revenues invoiced by the Company.

24. OPERATING EXPENSES

	2020	2019
Travel expenses	1,454,442	4,211,993
Supervision of air traffic management services	10,924,652	10,154,189
Insurance expenses	15,098,615	13,022,321
Maintenance and repair expenses	2,493,566	2,559,851
Equipment verification	6,724,878	4,425,259
Materials and consumables	3,313,857	5,587,882
Impairment of non-current assets	(29,376)	(78,080)
Postal and communication expenses	7,308,911	6,830,609
Utilities	6,539,420	6,674,354
Other levies	3,805,850	3,260,772
Rental	381,104	1,322,591
Transport of goods and passengers	2,443,230	2,382,274
Losses on sale of non-current assets, net	266,434	(246,488)
Other expenses	3,961,823	5,779,225
Staff training, licenses expenses	12,792,825	14,877,869
Losses on receivables, net	1,545,395	1,740,244
Reversals of provisions, net	12,681,923	(38,056,603)
Value adjustments for trade receivables, net	10,399,794	63,748,725
Total	102,107,343	108,196,987

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25. FINANCIAL INCOME

	<u>2020</u>	<u>2019</u>
Income from interest on deposits	4,236,847	2,808,393
Interest expenses (IFRS 16)	(1,201,266)	(244,947)
Net gain on FX differences	5,842,079	10,865,457
Total	<u>8,877,660</u>	<u>13,428,903</u>

26. COMMITMENTS AND CONDITIONALITIES

(i) Investment programme

The Company is committed to continuing investment program, detailed objectives as follows:

Objective	Value of investment at December 31, 2020
Continuation of the following objectives:	
New control tower in Cluj-Napoca airport	829,163,33
Light alert system for the controlled crossing of N and C take-off runs at AIHCB	48,091,57
Upgrade of DPS Leonardo system software	17,190,968,27
Wind shear detection system at AIHCB (LIDAR)	302,445,67
Upgrade of electrical supply system for equipment, racks and working positions ACC	16,000,00
2015+ ATM system (SW, HW) Phase 2	638,532,32
COM VHF materials and didactic base for training	1,188,346,94
Equipment of annex of Constanta CDZ building	675,607,71
Concrete platform AICHB at VHF Reception centre	134,838,84
New control tower at Suceava airport	2,422,128,39
Upgrade of control tower DSNA Timișoara	47,500,00
Upgrade of rest room and control room DSNA Oradea	50,473,00
Purchase of DMEs INEA	9,863,057,03
Improvement and equipment of tower cab at TWR Cluj	37,500,00
Structured cabling system at DSNA Oradea	307,129,65
Electrical installation at TWR Oradea	472,900,00
Total	<u>34,224,683</u>

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26. COMMITMENTS AND CONDITIONALITIES (continued)

(i) Investment programme (continued)

	Value of investment in 2020
New objectives:	
Solar panels for self-consumption CDZ Bucharest	24,500
Coupler TGU CDZ Bucharest	15,000
Studies	380,457
Independent endowments	2,426,686
Monitoring system for main electrical equipment CDZ Bucharest	8,000
TOTAL NEW OBJECTIVES	2,854,643
TOTAL	37,079,326

(ii) Development and implementation of ATM System 2015+

The ATM2015+ project's main objective is the design, implementation, testing and commissioning of the ATM2015+ Operating System. This system is installed and operated at ACC Bucharest, Arad APP, APP Constanta, Bucharest APP, including related military operational positions, FIC Bucharest and 15 TWRs (except TWR Otopeni). The ATM2015+ investment was commissioned in June 2020. The Company registered amortisation as of such month, for property, plant and equipment in amount of RON 16,346,187 and intangible assets in amount of RON 75,914,095.

(iii) Guarantees

As at December 31, 2020, the Company recognized off-balance sheet the letters of bank guarantee, in connection to the investment and services contracts in progress in amount of RON 45,762,637. The most important are:

	December 31, 2020
Name of payment authorizing entity (supplier)	
INDRA SISTEMAS	28,534,628
SELEX ES INC_SUA	3,364,062

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26. COMMITMENTS AND CONDITIONALITIES (continued)

(iv) Status of assets that fall under the State's public domain (GR 624/2010 and GR 359/2016) under the administration of R.A. ROMATSA

No.	Sub-unit	Name	Type of asset (building, land, etc.)	Value as at December 31, 2020 (RON)	Law/GR/GEO/etc. regulating the legal status
1	DR BUCURESTI	Courtyard premises of the Bucharest Flight Command Centre	Land	68,354,791.22	Law 213/1998, GR 624/2010
2	ADMINISTRATIA CENTRALA	Building of headquarters of the Central Office of ROMATSA and AACR	Land	7,907,390.08	Law 213/1998, GR 624/2010
3	DR BUCURESTI	Courtyard premises of Stefanesti Emission Centre	Land	9,051,468.48	Law 213/1998, GR 624/2010
4	DR BUCURESTI	Courtyard premises of THOMSON LONG-RANGE PRIMARY AND SECONDARY RADAR	Land	227,795.78	Law 213/1998, GR 624/2010
5	DR BUCURESTI	Courtyard premises of REMOTE RADIOMARKER OTOPENI 81° R DIRECTION (MSSR RADAR)	Land	1,083,357.39	Law 213/1998, GR 624/2010
6	DR BUCURESTI	Courtyard premises of VOR/DME STREJNIC	Land	110,454.40	Law 213/1998, GR 624/2010
7	DR BUCURESTI	Courtyard premises of VOR/DME FLORESTI STOENESTI	Land	26,415.19	Law 213/1998, GR 624/2010
8	DR BUCURESTI	Courtyard premises of ROUTE RADIOMARKER FLORESTI STOENESTI	Land	98,530.05	Law 213/1998, GR 624/2010
9	DR BUCURESTI	Courtyard premises of ROUTE RADIOMARKER TÂRGU JIU	Land	395,109.51	Law 213/1998, GR 624/2010
10	DR BUCURESTI	Courtyard premises of VOR/DME TARGU JIU	Land	40,509.35	Law 213/1998, GR 624/2010
11	DSNA BUCURESTI	Courtyard premises of CLOSE RADIOMARKER BANEASA 71° DIRECTION	Land	3,680,256.95	Law 213/1998, GR 624/2010
12	DSNA BUCURESTI	Courtyard premises of RADAR TMA	Land	3,578,467.42	Law 213/1998, GR 624/2010
13	DSNA BUCURESTI	Courtyard premises of CLOSE RADIOMARKER OTOPENI 261°L DIRECTION	Land	901,289.95	Law 213/1998, GR 624/2010
14	DSNA BUCURESTI	Courtyard premises of CLOSE RADIOMARKER OTOPENI 261°R DIRECTION	Land	944,399.24	Law 213/1998, GR 624/2010
15	DSNA BUCURESTI	Courtyard premises of REMOTE RADIOMARKER OTOPENI 81°L DIRECTION	Land	1,143,308.93	Law 213/1998, GR 624/2010

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26. COMMITMENTS AND CONDITIONALITIES (continued)

(iv) *Status of assets that fall under the State's public domain (GR 624/2010 and GR 359/2016) under the administration of R.A. ROMATSA (continued)*

No.	Sub-unit	Name	Type of asset (building, land, etc.)	Value as at December 31, 2020 (RON)	Law/GR/GEO/etc. regulating the legal status
16	DSNA BUCURESTI	Courtyard premises of REMOTE RADIOMARKER OTOPENI 261 ^o L DIRECTION	Land	664,222.33	Law 213/1998, GR 624/2010
17	DSNA BUCURESTI	Courtyard premises of RADIO GONIOMETER UUS OTOPENI 81 ^o L DIRECTION	Land	127,913.19	Law 213/1998, GR 624/2010
18	DSNA BUCURESTI	Courtyard premises of CLOSE RADIOMARKER OTOPENI 81 ^o R DIRECTION	Land	1,816,339.51	Law 213/1998, GR 624/2010
19	DSNA BUCURESTI	Courtyard premises of CLOSE RADIOMARKER OTOPENI 81 ^o L DIRECTION	Land	2,960,231.51	Law 213/1998, GR 624/2010
20	DSNA BUCURESTI	Courtyard premises of REMOTE RADIOMARKER OTOPENI 261 ^o R DIRECTION	Land	673,833.51	Law 213/1998, GR 624/2010
21	DSNA BUCURESTI	Courtyard premises of REMOTE RADIOMARKER BANEASA 71 ^o DIRECTION	Land	1,570,004.83	Law 213/1998, GR 624/2010
22	DSNA BUCURESTI	Courtyard premises of CLOSE RADIOMARKER BANEASA 251 ^o DIRECTION	Land	8,995,775.29	Law 213/1998, GR 624/2010
23	DSNA BUCURESTI	Courtyard premises of REMOTE RADIOMARKER BANEASA 251 ^o DIRECTION	Land	1,654,158.74	Law 213/1998, GR 624/2010
24	DR ARAD	Courtyard premises of ROUTE RADIOMARKER DEVA	Land	229,387.28	Law 213/1998, GR 624/2010
25	DR ARAD	Courtyard premises of REMOTE RADIOMARKER	Land	74,342.01	Law 213/1998, GR 624/2010
26	DSNAR ARAD	Courtyard premises of RADIOMARKER	Land	1,405.11	Law 213/1998, GR 624/2010
27	DSNAR ARAD	Courtyard premises of CLOSE RADIOMARKER	Land	190,923.48	Law 213/1998, GR 624/2010
28	DSNAR ARAD	Courtyard premises of RADIO GONIOMETER	Land	210,666.76	Law 213/1998, GR 624/2010
29	DR BUCURESTI	Courtyard premises of DVOR/DME GALATI (SENDRENI)	Land	597,202.21	Law 213/1998, GR 624/2010
30	DSNAR CONSTANTA	Courtyard premises of REMOTE RADIOMARKER 184 ^o DIRECTION	Land	31,820.58	Law 213/1998, GR 624/2010
31	DSNAR CONSTANTA	Courtyard premises of CLOSE RADIOMARKER 184 ^o DIRECTION	Land	95,313.58	Law 213/1998, GR 624/2010

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26. COMMITMENTS AND CONDITIONALITIES (continued)

(iv) Status of assets that fall under the State's public domain (GR 624/2010 and GR 359/2016) under the administration of R.A. ROMATSA (continued)

No.	Sub-unit	Name	Type of asset (building, land, etc.)	Value as at December 31, 2020 (RON)	Law/GR/GEO/etc. regulating the legal status
32	DSNAR CONSTANTA	Courtyard premises of SLOPE RADIOMARKER ILS 184 ^o DIRECTION	Land	10,246.82	Law 213/1998, GR 624/2010
33	DSNAR CONSTANTA	Courtyard premises of ROUTE RADIOMARKER ILS 184 ^o DIRECTION	Land	3,522.34	Law 213/1998, GR 624/2010
34	DSNAR CONSTANTA	Courtyard premises of CLOSE RADIOMARKER 004 ^o DIRECTION	Land	201,261.10	Law 213/1998, GR 624/2010
35	DSNAR CONSTANTA	Courtyard premises of REMOTE RADIOMARKER 004 ^o DIRECTION	Land	81,716.47	Law 213/1998, GR 624/2010
36	DSNAR CONSTANTA	Courtyard premises of ROUTE RADIOMARKER VOR/DME 004 ^o DIRECTION	Land	10,543.14	Law 213/1998, GR 624/2010
37	DSNAR CONSTANTA	Courtyard premises of FLIGHT CONTROL CENTER CONSTANTA	Land	834,379.75	Law 213/1998, GR 624/2010
38	DSNAR CONSTANTA	Courtyard premises of FLIGHT CONTROL CENTER CONSTANTA (parking lot)	Land	88,856.75	Law 213/1998, GR 624/2010
39	DSNAR CONSTANTA	Courtyard premises of SRE PRIMARY RADAR	Land	88,092.06	Law 213/1998, GR 624/2010
40	DSNAR CONSTANTA	Courtyard premises of REMOTE CONTROL CABLE DIVIDER	Land	41,536.90	Law 213/1998, GR 624/2010
41	DSNAR CONSTANTA	Courtyard premises of WEATHER OBSERVER	Land	48,748.86	Law 213/1998, GR 624/2010
42	DSNA CLUJ	Courtyard premises of CLOSE RADIOMARKER	Land	837,194.76	Law 213/1998, GR 624/2010
43	DSNA CLUJ	Courtyard premises of EMISSION CENTER (CDZ CLUJ)	Land	23,668,876.28	Law 213/1998, GR 624/2010
44	DSNA BAIA MARE	Courtyard premises of CLOSE RADIOMARKER	Land	502,328.33	Law 213/1998, GR 624/2010
45	DSNA BAIA MARE	Courtyard premises of RADIO GONIOMETER	Land	67,445.48	Law 213/1998, GR 624/2010
46	DSNA BAIA MARE	Courtyard premises of REMOTE RADIOMARKER	Land	254,521.62	Law 213/1998, GR 624/2010
47	DSNA Iasi	Courtyard premises of CLOSE RADIOMARKER	Land	200,520.31	Law 213/1998, GR 624/2010
48	DSNA ORADEA	Courtyard premises of REMOTE RADIOMARKER	Land	809,393.57	Law 213/1998, GR 624/2010
49	DSNA SATU MARE	Courtyard premises of CLOSE RADIOMARKER, RADIO GONIOMETRU DVOR/DME	Land	368,106.47	Law 213/1998, GR 624/2010

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26. **COMMITMENTS AND CONDITIONALITIES (continued)**

(iv) *Status of assets that fall under the State's public domain (GR 624/2010 and GR 359/2016) under the administration of R.A. ROMATSA (continued)*

No.	Sub-unit	Name	Type of asset (building, land, etc.)	Value as at December 31, 2020 (RON)	Law/GR/GEO/etc. regulating the legal status
50	DSNA SATU MARE	Courtyard premises of REMOTE RADIOMARKER	Land	1,654,168.30	Law 213/1998, GR 624/2010
51	DSNA SIBIU	Courtyard premises of RADIOMARKER	Land	28,216.99	Law 213/1998, GR 624/2010
52	DSNA SIBIU	Courtyard premises of REMOTE RADIOMARKER and EMISSION CENTER	Land	14,498,484.48	Law 213/1998, GR 624/2010
53	DSNA SIBIU	Courtyard premises of CLOSE RADIOMARKER	Land	660,757.34	Law 213/1998, GR 624/2010
54	DSNA SUCEAVA	Courtyard premises of CLOSE RADIOMARKER	Land	30,496.71	Law 213/1998, GR 624/2010
55	DSNA SUCEAVA	Courtyard premises of PRECISION RADAR	Land	12,182.44	Law 213/1998, GR 624/2010
56	DSNA SUCEAVA	Courtyard premises of WEATHER OBSERVER	Land	62,666.18	Law 213/1998, GR 624/2010
57	DSNA TULCEA	Courtyard premises of CLOSE RADIOMARKER	Land	108,212.91	Law 213/1998, GR 624/2010
58	DSNA TULCEA	Courtyard premises of RADIO GONIOMETER	Land	3,226.03	Law 213/1998, GR 624/2010
59	DSNA TULCEA	Courtyard premises of REMOTE RADIOMARKER	Land	75,641.98	Law 213/1998, GR 624/2010
60	DSNA TULCEA	Courtyard premises of EMISSION CENTER	Land	285,410.24	Law 213/1998, GR 624/2010
61	DSNA IASI	Land of CLOSE RADIOMARKER for Iasi International Airport – objective NDB	Land	411,765.37	GR 359-11.05.2016
62	DSNAR CONSTANTA	Objective ILS-DME- Mihail Kogalniceanu Airport, Constanta county	Land	38,353.88	GR 359-11.05.2016
TOTAL				163,423,957.72	

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26. COMMITMENTS AND CONDITIONALITIES (continued)

v) Lawsuits

On September 9, 2015, Viorel Micula requested and obtained, in Belgium, the approval of the garnishment on the amounts of money that ROMATSA, as a provider of air navigation services, receives monthly from EUROCONTROL, up to the amount of EUR 85,066,428.42.

Against this garnishment, both R.A. ROMATSA and Romania, represented by the Ministry of Finance, filed enforcement appeals, and the files thus formed were joined. Intervention applications were filed by Ioan Micula (and from European Food SA, Starmill SRL and Multipack SRL), as well as from the European Union Commission and Eurocontrol

On January 25, 2016, the Civil Section of the French Tribunal of Brussels admitted the action filed by ROMATSA and Romania and ordered the lifting of the garnishment. Both Viorel Micula, and Ioan Micula and the three companies filed appeals against such Judgment, which is pending before the Brussels Court of Appeal and pending until the European Commission's appeal against the decision of the EU Tribunal annulling EC Decision 1470/2015 is settled.

On August 21, 2019, RA ROMATSA received a notification from EUROCONTROL announcing the Company that, starting with that date, a garnishment had been established by the Micula brothers on the EUROCONTROL accounts for the amounts due to RA ROMATSA related to the provision of air navigation services, for the amount of EUR 394,963,733.82, any current and future collections being made unavailable.

The cessation of the transfers was based on a court order approving enforcement and garnishment issued by the Court of First Instance in Brussels, at the request of Viorel Micula, based on the same judgment handed ruled on 11 December 2013 by the Arbitral Tribunal of CIRDI (ICSID) against the Romanian state.

As this new garnishment directly affected the operation of RA ROMATSA in the sense that the cash resources of the Company were depleted in a very short time in the absence of the amounts collected and transferred by EUROCONTROL, in order to unblock this situation, it was necessary to collaborate with a law firm representing the interests of RA ROMATSA in this new case.

The defence filed by the team of lawyers employed by RA RomatSA had as main technical and legal support employees especially designated for this purpose, as well as the support of other institutions, e.g. financial audit firm KPMG, which provided a Report containing essential information on the existing financial situation at the level of the Company, compared to the economic-financial parameters prior to the creation of this litigation. The aim was to highlight the impact on the consequences created both internally and internationally. At the hearing of December 24, 2019, the garnishments established by the Micula brothers on the RomatSA revenues related to the provision of route air navigation services were lifted.

vi) Fiscal framework

All the amounts owed to the State for taxes have been paid or recorded on the balance sheet date.

The taxation system in Romania is in a phase of consolidation and harmonization with EU legislation. In this respect there are still different interpretations of tax laws. In some cases, the tax authorities may have different approaches to certain issues, proceeding to the calculation of additional taxes and interest and penalties for late payment. If state authorities would discover violations of the laws of Romania, it may determine as appropriate: confiscation of the concerned amounts, impose additional tax liabilities, imposition of fines, the application of delay increases (applied to the amounts actually paid left). Therefore, tax penalties resulting from violations of the law can reach significant amounts paid by the State.

According to the tax legislation in force, in 2015, for failure to pay on time their tax obligations, taxpayers were charged delay interest and penalties.

Thus, between January and February 2014, the delay interest was charged at 0.04% per day, and delay penalties at 0.02% per day for each day of delay.

As of March 2014, the interest level decreased, dropping to 0.03% per day of delay; the penalty level remained the same, i.e., 0.02% per day of delay.

In Romania, the fiscal year remains open for verification for a period of 5 years.

Contingent liabilities may arise regarding additional tax assessments that may be imposed by tax authorities further to the controls conducted. The income tax returns may be subject to review by the tax authorities for a period of 5 years.

The Company believes that it has paid on time and in full its duties, taxes, penalties and penalty interest, to the extent applicable.

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26. COMMITMENTS AND CONDITIONALITIES (continued)

(vii) Transfer pricing

The Romanian legislation provides detailed regulations on transfer pricing among related parties and specific methods to determine transfer prices in case of transactions conducted at arm's length.

The regulations on transfer pricing provide that taxpayers conducting transactions with related parties must prepare a transfer pricing file which must be submitted to the tax authorities on demand. In practice, the Romanian tax authorities may request additional information.

Therefore, if the principle of an arm's length transaction cannot be proven, a future tax control may adjust the tax result by additional taxable income/ non-deductible expenses (additional income tax and related penalties may be estimated).

The management considers that the Company does not have a significant exposure in this regard.

(viii) Economic environment risk

As far as there is available information, management reflected the revised estimates of future cash flows in its impairment policy.

Current problems regarding the possible worsening of the financial conditions that would further contribute to a reduction in confidence have led governments and central banks to work together to take special measures to counteract risk aversion and restore normal market conditions.

The Company's cannot estimate the events that may affect the Romanian banking sector and subsequently their effects on these financial statements.

Material risks are described in Note 28. In 2020, the Company did not use derivatives to hedge such risks.

27. RELATED PARTY TRANSACTIONS

The Company's related parties include the Ministry of Transportation and the autonomous companies and companies owned by the Ministry of Transportation. Transactions and balances with related parties are as follows:

	Outstanding receivables in		Outstanding liabilities in	
	2020	2019	2020	2019
TAROM	3,225,321	1,671,128	-	61,711
Romanian Civil Aeronautical Authority	10,741	293	2,291,330	1,478,719
CN Aeroporturi Bucuresti	34,491	47,254	63,924	25,455
Mihail Kogalniceanu – Constanta International Airport	1,285	1,483	25,114	18,938
Timisoara International Airport	1,751	2,799	-	-
Romanian Aviation Academy	-	-	-	-
	3,273,589	1,722,957	2,380,368	1,584,823

The Company carries out transactions with the Ministry of Transport representing air navigation services exempted from the payment of the route and terminal charge. The consideration of these services is reimbursed by the Ministry of Transport in accordance with order 1635/2020.

The consideration of the route and terminal services exempt from route charges, rendered by the Company and recognized in its turnover for the year 2020 was in amount of RON 8,628,527 (2019: RON 6,069,025).

The value of the trade receivables from the Ministry of Transport, as at December 31, 2020 is RON 10,709,673 (December 31, 2019: RON 3,094,146).

As at December 31, 2020, the value adjustments related to the receivables from the Ministry of Transport, are RON 0 (December 31, 2019: RON 0).

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27. RELATED PARTY TRANSACTIONS (continued)

The transactions of the Company with the related parties are as follows:

	Sales		Purchases	
	2020	2019	2020	2019
Romanian Civil Aeronautical Authority	17,065	6,699	19,833,890	16,309,021
Tarom	9,483,909	23,007,370	218,555	706,242
CN Aeroporturi Bucuresti	380,342	544,024	2,427,224	2,448,907
Mihail Kogalniceanu – Constanta International Airport	17,754	20,106	170,794	136,529
Timisoara International Airport	21,772	37,681	299,520	1,344,361
Higher Aviation School	8,838	8,261	25,178	-
	9,929,680	23,624,141	22,975,161	20,945,060

The Regional Excellence Centre in Civil Aviation ("CREAC") became affiliate entity in 2011, the Company's ownership in this company being approved in the Board of Directors' meeting no. 13 of September 1, 2011. CREAC is a closed joint-stock company with a share capital of 1,050,000 nominative shares worth RON 10 each. The company owns 40% of the shares. The value of the Company's investment in CREAC at December 31, 2020 is RON 1,260,000. In the financial year ended December 31, 2020, there were no transactions with the newly created entity.

28. INFORMATION REGARDING THE COMPANY'S EMPLOYEES AND MANAGEMENT

The Company's average number of employees for the year ended December 31, 2020 is 1,631 (2019: 1,556).

In the years ended December 31, 2020 and December 31, 2019, the management's (CEO and members of the Board of Administration) salaries amounted to RON 1,308,850 and RON 1,873,100.

29. MANAGEMENT OF FINANCIAL RISK

The Company is exposed to the following risks further to using financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information on the Company's exposure to each of the above mentioned risks, the objectives, policies and procedures used by the Company to assess and manage risk. Further information on such risks is included herein.

The Company's management identifies and analyses the risks the Company is facing and sets the proper risk exposure limits and internal controls.

The risk management policies and systems are revised periodically to reflect market conditions and the Company's activities. Through the trainings and the management standards and procedures, the Company seeks to develop a disciplined and constructive control environment, where all employees understand their roles and obligations.

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NOTES TO THE FINANCIAL STATEMENTS
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29. MANAGEMENT OF FINANCIAL RISK (continued)

Credit risk

In the course of its activity, the Company is exposed to credit risk, particularly because of trade receivables. The Company's management monitors credit risk exposure on a regular basis. The financial statements contain adjustments in relation to credit risk, which represents the best estimate of the management.

The main exposure to credit risk is determined by the amounts not cashed from the Ministry of Transport representing the value of exempt flights.

	Book value	
	December 31, 2020	December 31, 2019
Financial assets		
Cash and cash equivalents	23,123,848	339,374,040
Trade receivables	546,354,605	141,699,082
Total	569,478,452	481,073,122

The structure of trade receivables by maturity as at the reporting date is:

	December 31, 2020	December 31, 2019
Between 0 and 90 days	469,871,223	133,768,706
Between 90 and 180 days	8,419,894	7,555,115
Between 180 and 365 days	72,249,039	4,485,700
More than one year	33,915,986	23,525,305
Total	584,456,143	169,334,826
Provisions	(38,101,537)	(27,635,744)
Trade receivables	546,354,605	141,699,082

The total trade receivables in amount of RON 546,354,605 and trade receivables due in 0 – 90 days in amount of RON 469,871,223 also include the receivable in amount of RON 400,564,390 registered as per Article 29 (5) of Regulation (EU) 2019/3017. Such asset was registered in the balance sheet because the Company considers that future economic benefits are likely and the value could be reliably estimated. In accordance with Regulation (EU) 2020/1627, by adjusting the tariff unit rate starting 2023, for a period of five to seven years, the Company considers that it will obtain cash flows.

Liquidity risk

Liquidity risk means the risk that the Company will not pay its financial obligations when due.

The Company's policy regarding liquidity management is to make sure as much as possible, that it will always have enough liquidities to fulfil its obligations when they become due, both under normal and in special conditions, without incurring unacceptable losses.

A prudent liquidity risk management requires maintaining enough cash and the possibility to liquidate financial assets.

The management is monitoring the forecasts regarding the Company's liquidity reserves based on future cash flows.

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29. MANAGEMENT OF FINANCIAL RISK (continued)

Liquidity risk (continued)

As at the reporting date, the maximum exposure to liquidity risk was:

	December 31, 2020	December 31, 2019
Assets		
Monetary assets in lei	433,511,221	54,019,709
Monetary assets in foreign currency	320,150,770	598,068,157
Total	753,661,991	652,087,866
	December 31, 2020	December 31, 2019
Liabilities		
Monetary liabilities in lei	(11,466,014)	(11,139,006)
Monetary liabilities in foreign currency	(25,947,493)	(23,878,306)
Total	(37,413,506)	(35,017,312)
Net monetary position in lei	422,045,207	42,880,703
Net monetary position in foreign currency	294,203,277	574,189,851

Liabilities comprise more elements with a maturity of less than one year.

Market risk

Market risk occurs when changes in the market price, such as the charges regulated by EUROCONTROL, will affect the Company's cash flows of the fair value of the financial instruments held. The objective of managing market risk is to manage and control the market risk exposures within acceptable limits, with the aim of improving the result.

Foreign exchange risk

The currency used domestically is the Romanian Leu and for the foreign loans the financing costs are denominated in other foreign currencies. As a result, loans in foreign currencies are subsequently expressed in lei, at the rate valid at year-end. Differences in results are included in the profit and loss account and do not affect cash flow until the debt is settled.

The Company is exposed to foreign currency risk further to exposures on various currencies, mainly in terms of cash, cash equivalents, receivables, financial investments and trade payables. The Company does not use financial instruments to hedge such risk.

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(all amounts are expressed in RON, unless specified otherwise)

29. MANAGEMENT OF FINANCIAL RISK (continued)

Foreign exchange risk (continued)

	RON	EURO	GBP	USD	CAD	CHF	Total
December 31, 2020							
Monetary assets							
Trade receivables	420,394,195	164,061,948	-	-	-	-	584,456,143
Cash and cash equivalents	13,117,026	9,859,995	325	146,503	-	-	23,123,848
Financial investments	-	146,082,000	-	-	-	-	146,082,000
Monetary liabilities							
Trade liabilities	11,466,014	25,936,244	-	-	-	11,249	37,413,506
Outstanding exposure	422,045,207	294,067,699	325	146,503		(11,249)	716,248,485
December 31, 2019							
Monetary assets							
Trade receivables	13,311,028	156,023,798	-	-	-	-	169,334,826
Cash and cash equivalents	40,708,681	297,879,038	336	785,985	-	-	339,374,040
Financial investments	-	143,379,000	-	-	-	-	143,379,000
Monetary liabilities							
Trade liabilities	11,139,006	23,867,360	-	-	-	10,946	35,017,312
Outstanding exposure	42,880,703	573,414,476	336	785,985		(10,946)	617,070,554

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NOTES TO THE FINANCIAL STATEMENTS
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29. MANAGEMENT OF FINANCIAL RISK (continued)

The following exchange rates were applied:

	Average exchange rate	
	2020	2019
RON / EUR	4,8371	4.7452
RON / GBP	5,4423	5.4113
RON / USD	4,2440	4.2379
RON / CAD	3,1647	3.1948
RON/ CHF	4,5201	4.2652

	Exchange rate at reporting date	
	December 31, 2020	December 31, 2019
RON / EUR	4.8694	4.7793
RON / GBP	5.4201	5.6088
RON / USD	3.9660	4.2608
RON / CAD	3.1127	3.2702
RON / CHF	4.4997	4.4033

At December 31, 2020, the fair value of financial assets and liabilities was as follows:

December 31, 2020	Book value	Fair value
Financial assets		
Trade receivables	546,354,605	546,354,605
Cash and cash equivalents	23,123,848	23,123,848
Total	569,478,452	569,478,452
Financial liabilities		
Trade liabilities	-	-
Total	37,413,506	37,413,506

December 31, 2019	Book value	Fair value
Financial assets		
Trade receivables	141,699,082	141,699,082
Cash and cash equivalents	339,374,040	339,374,040
Total	481,073,122	481,073,122
Financial liabilities		
Trade liabilities	-	-
Total	35,017,312	35,017,312

The sensitivity analysis of fair value for fixed interest rate instruments

The Company does not account for fixed interest rate financial assets and liabilities at fair value through profit and loss and does not designate derivative financial instruments (swaps on interest rate) as hedging instruments in a model for accounting fair value hedging operations. Therefore, a change in the interest rates as at the reporting date would not affect the profit and loss account.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in RON, unless specified otherwise)

29. MANAGEMENT OF FINANCIAL RISK (continued)

Capital monitoring

The Company's management's policy is to maintain an adequate capital structure, to keep the creditors' and the market's trust and to support the future development of the business.

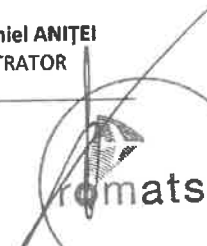

The Company is monitoring the capital structure and adjusts it according to the changes that occur in economic conditions.

30. SUBSEQUENT EVENTS

There were no events subsequent to the balance sheet date requiring adjustments or disclosure in the financial year ended December 31, 2020.

These financial statements were approved by the management of the Company on June 22, 2021 and were signed on its behalf by:

Mihai Daniel ANIȚEI
ADMINISTRATOR

Marius Adrian COJOC
GENERAL MANAGER



Cristian CÎTU - RADU
pp ECONOMIC MANAGER

