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ANNUAL REPORT

2010

AEROSTAR S.A.
GRUP INDUSTRIAL AERONAUTIC-BACAU-ROMANIA



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ABOUT AEROSTAR IN BRIEF

General Identification Data

Company Name	S.C. AEROSTAR S.A.
Registration year	1953
Registered Headoffice	9, Condorilor street Bacau, Romania
VAT Registration Number -Trade Register Office of Bacau	950 531
Registration Number with Trade Register Bacau	J04/1137/1991
Registered capital subscribed and paid	RON 29,284,132.50
Securities Exchange Market for transactions with AEROSTAR shares	Bucharest Stock Exchange (symbol ARS)

S.C.AEROSTAR S.A. is a Romanian legal person, legal form: open shareholding company.

Main field of activity: production

Main object of activity: 3030- Manufacturing of aircraft and spaceships

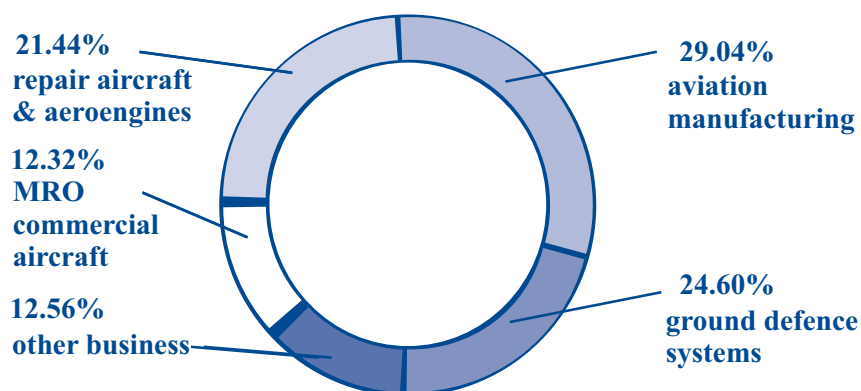


KEY FIGURES

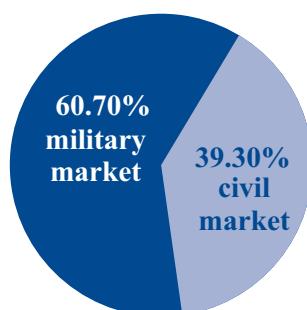
	2010	2009	2008
Registered Capital (Ron)	29,284,133	29,284,133	29,284,133
Turnover (Ron)	158,289,213	156,808,447	152,697,736
Export (Ron)	89,599,842	95,659,972	66,242,346
Export in turnover (%)	56.6%	61.0%	43.4 %
Investments (Ron)	14,111,444	3,558,315	2,984,640
Research & Development (Ron)	1,203,804	2,323,347	5,370,919
Result before tax (gross profit) (Ron)	15,406,077	13,391,222	11,085,258
Result after tax (net profit) (Ron)	11,276,413	10,209,987	9,503,724
Average number of employees	1,257	1,495	1,609

Inflation Rate	7.96%	4.74%	6.30%
Average USD exchange rate	3.1767	3.0488	2.5175
Average EURO exchange rate	4.2097	4.2363	3.6811

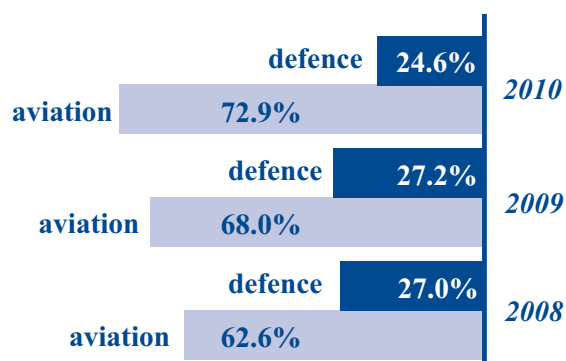
Turnover Distribution on Main Products and Services in 2010



Sales on civil /military market vs. turnover



Aviation / defence sales in turnover



	2010	2009	2008
Total Assets (Ron)	115,792,973	103,701,297	106,646,060
Current Assets (Ron)	69,576,597	66,508,478	72,297,663
Equity (Ron)	78,877,353	75,566,224	68,461,773
Debts (Ron)	13,446,523	18,096,309	32,068,222
Investments (Ron)	14,111,444	3,558,315	2,984,640
Research & Development (Ron)	1,203,804	2,323,347	5,370,919

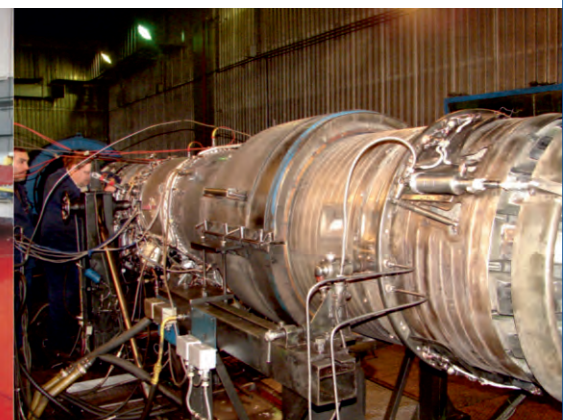
Indicators

Current Liquidity	5.17	3.68	2.34
Profitability of Capital Employed (gross profit/ own capital)	0.19	0.18	0.16
Gross Profit Rate (gross profit/turnover*100)	9.7%	8.5%	7.3%
Added Value Rate (added value / turnover*100)	53.1%	50.5%	47.0%

AEROSTAR Shares

Number of shares	117,136,530	117,136,530	117,136,530
Nominal share value (Ron)	0.25	0.25	0.25
Share price at year end (Ron)	1.01	0.595	0.57
Maximum share price (Ron)	1.37	0.66	1.59
Minimal share price (Ron)	0.575	0.442	0.43

Return on Shares (%)	76.72%	29.41%	-64.41%
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ABOUT AEROSTAR BUSINESS

AEROSTAR's core business is characterised by the specialization in manufacturing, maintenance, repair, modernization and integration of systems for the military aviation and ground defence systems.

Also, the company has been consolidating as a supplier of aviation components, aerostructures and assemblies for the the global aviation supply chains and is developing as a maintenance and conversion base for the civil aviation.

In the field of defence

AEROSTAR is a major supplier of products and services of repairs, upgrades, modifications and integrations of advanced systems for various air and ground platforms, as well as of the related logistic support.

AEROSTAR supplies equipment and systems, as well as integrations of identification, communications and control systems.

In the field of civil aviation

AEROSTAR is a subcontractor of aerostructures, landing gears and hydraulic equipment, of aviation assemblies for the global manufacturers.

AEROSTAR's maintenance base for civil aircraft and components is in full development process.

The production portfolio continues to include the IAK-52 aircraft family and the FESTIVAL airplanes, for which support, repairs and life extensions, and modernizations are provided.



EVENTS OF THE YEAR 2010

■ In February, it was the 10 years anniversary since the signature of the privatization contract for the company AEROSTAR.

	2010	2000
Turnover	Ron 158.3 million (USD 49.8 million)	Ron 42.9 million (USD 19.8 million)
Export	Ron 89.6 million (USD 28.2 million)	Ron 26.8 million (USD 12.3 million)
Gross profit rate	9.7%	7.5%
Dividends distribution rate	72%	67%
General liquidity	5.17	1.33
Net assets	Ron 102.4 million (USD 32.2 million)	Ron 17.4 million (USD 8.0 million)
Indebtness rate of company capitals	17%	56.90%

■ As of 22.04.2010, AEROSTAR started the project “Extension of the manufacturing and assembly capacities for civil aviation” cofinanced by the European Regional Development Fund, based on the financing contract with the Ministry of Economy, Trade and Business Environment – the Management Authority for the Priority Axis 1 “An innovative and ecoefficient production system “ of the Sectorial Operational Programme “Increase of the Economic Competitivity”.

The total value of the project is Ron 20,873,852, of which the non-refundable financial assistance is Ron 5,938,500. The project will be implemented on a 30 months time period after the contract signature date.

■ The expenses made for investments in the year 2010 were a total of Ron 14,111,444, representing 9% of company turnover.

■ The first parts pressed in the hydroforming technology were made in December after the commissioning of the CNC press.

■ More than 150 major checks of C and D type for commercial aircraft were performed by the company specialists. AEROSTAR's development plan is also supported by the project to build a new hangar.



VISION

We plan to develop centres of excellence in order to grow AEROSTAR business. We are acting consistently for a sustainable development, at ever higher performance levels, in conditions of profitability and responsibility.

We act to develop the technologies which our clients need and which provide for the development of AEROSTAR's market position.

We are honest and correct in our actions and comply with high ethical and business conduct standards. We perform our business in accordance with the Romanian law, the European Union legislation and the most advanced international practice.

By our efficiency we contribute to the development of our customers, of our employees and business partners, of the community we are part of, we bring satisfaction to our shareholders.

We are a company focused on the market and on the people.

VALUES

Our objective is to create VALUE, to be COMPETITIVE, and to achieve long-term SUCCESS.

The satisfaction of our customers is the cornerstone of our set of values, we deliver quality, in time, at competitive prices.

Our market presence is based on high performance competences and expertise.

Our initiatives generate innovating products and technologies.

We focus on the growth of our performance and continuous improvement.

TO OUR SHAREHOLDERS



We are at the end of a major development step, the time interval 2006-2010, and the results which I am presenting now to the shareholders for the year 2010 show AEROSTAR as a strong and stable company, with an evolution consistently in positive growth all along the last years of great challenges.

During these years Aerostar has changed from an industrial and technological base specific mainly for the military area and Eastern platforms into a company with a good capacity to approach new programmes, demanded on the present market in the field of defence and civil aviation.

The turbulence on the global markets, as well as the imbalances on the Romanian market, marked the last years' evolutions but we could accomplish to a large extent the objectives set up in the development strategy for the company for the period 2006-2010.

By the results at operational level, but also at financial and competitive level, AEROSTAR ranks as the leader on the Romanian market for the products and services in its areas of competence and expertise.

In the year 2010 the company sales were in amount of Ron 158,289,213 while the total expenses to make these products and services were of Ron 155,985,911. AEROSTAR ended the year 2010 with a net profit (after tax) of Ron 11,276,413. The liquidity of the company was at a level considered very good, of 5.2, for the year 2010. Our shareholders will receive significant dividends.

The operations of AEROSTAR in the field of military aviation and ground systems have a high degree of integration in Romania, have a high added value and are appreciated by our export customers, as well as at national level. The company plans to further develop its position as a major provider of solutions for products and services in the field of defence and develops also its position as a supplier for the civil aviation.

The diversity of our business performed along these coordinates has contributed to go successfully through the economic and financial difficulties of the period.

The shareholders' wealth has grown significantly during the recent years. In the year 2010 the investment operations were the driving motor of the company's growth actions. The investment expenses made in 2010 represented 9% of the company turnover, reaching a total of over Ron 14 million.

These includes acquisition and modernizations of equipment, investments in CNC machinery for 3,4 and 5 axes machining, investments in infrastructure and in the Information Technology.

Our employees are more flexible and more efficient. We are more competitive. We have an increased number of programmes on the directions with market growth and development potential, with better perspectives on longer term. We plan to have the technologies which our customers need and by which we can grow the company business.

By a coherent and sustainable strategy , by the policies adopted, we have succeeded to minimize the effects of the crisis for the company and we have focused to capitalize the market opportunities available.

We estimate that in the year 2011 too the global economic and financial environment will be marked further on by the pressure imposed by the necessity to restructure the governmental budgetary expenses and by the allocation of little resources to the defence industry. AEROSTAR is significantly affected on the main market where we operate as a supplier for defence, on the market in Romania.

For AEROSTAR, as a supplier both in the aeronautical industry, and in defence, the adverse tendencies announced can affect the processes of growth and stabilization of company business and reaching the growth levels desired. At these are added the effects generated by the oil price increase and its impact upon the profitability. We will also watch attentively the effects of the new centres of social, economic and political instability at the level of our specific markets.

AEROSTAR holds a good strategic position and we intend to make the best value possible of our potential. We are already acting with firm and energetic measures to accomplish the objectives planned for the year 2011.

We will continue to make strong investments for a sustainable growth, and for the increase of our competitiveness. Jointly with the use of the levers for the control of the costs and of the expenses we are confident that AEROSTAR business will develop in accordance with our plans even under these precarious circumstances.

The diversity of our lines of business and the extended range of capabilities which we have developed, our actions with strengthened efforts must provide for new sources of revenues. By our industrial and management performance new business and sources of revenues can be attracted from kindred business areas in order to compensate in this way the decrease of the perspectives related to the capital expenditures by our main customer in the field of defence.

We will continue to provide for the development of the company's business, of the organisation system for the best possible positioning of the company in the new market realities.

We will act to consolidate the investments already achieved and to develop the investment programme according to the plan. We will provide further on the capital required to finance our strategy while the management control system will ensure an effective control upon the utilization of the resources.

We will continue to bring valuable solutions for our customers and thus to create value for the company and for the shareholders.

President & General Director
Grigore FILIP

AEROSTAR S.A.

**REPORT OF THE BOARD OF DIRECTORS
FOR THE YEAR 2010**



REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2010

CHAPTER I. REVIEW OF AEROSTAR'S OPERATIONS

1.1 General evaluation elements

The company AEROSTAR was established in 1953 and is a Romanian legal person, having the legal form of an open shareholding company which operates in accordance with the Romanian law and its constitutive deed.

AEROSTAR's main field of activity is production.

The main object of activity of the company is 3030-Manufacturing of aircraft and spaceships, in accordance with the classification of the activities in the national economy.

The company executes its object of activity in accordance with the Romanian law, the legislation of the European Union, as well as in accordance with the international practice.

It was registered as a shareholding company with the present name S.C."AEROSTAR" S.A., in the year 1991. The company shares are listed at Bucharest Stock Exchange, symbol ARS, since 1998. Holding AEROSTAR shares involves the adhesion by right to the constitutive deed of the company.

The trading of AEROSTAR shares on the regular market of the Stock Exchange continued during 2010 in compliance with the law and regulations applicable.

In February 2010, it was the 10th anniversary since the signature of the privatization contract of the company AEROSTAR.

Since its establishment to date, AEROSTAR acted as a first rank supplier of products and services for the Ministry of National Defence of Romania. The company carried out major programmes in the field of

military aviation and ground systems, with a high degree of integration in Romania and of high added value.

By its multiannual results at operational level, but at financial and competitive level as well, AEROSTAR is in the leading position on the Romanian market for the products and services in its areas of competence and expertise.

Based on the strategy adopted, the company plans to further develop its position as a major supplier of products and services in the field of defence and at the same time is developing its position as a supplier for the civil aviation.

AEROSTAR's core business is characterized by the specialization in the manufacturing, maintenance, repair, modernization and integration of systems for military aviation and ground defence systems.

The company also consolidates as a supplier of aviation components, aerostructures and assemblies for the global chains of supply and is developing as a maintenance and conversion base for the civil aviation.

In the year 2010 AEROSTAR carried out its activities in accordance with the object of activity and with the company mission and adjusted successfully to the evolutions in the aeronautical industry and in the defence industry. AEROSTAR maintained its leading position in Romania. The company operations were performed in the field of manufacturing, maintenance, repair, modernization and integration of systems for the military aviation and ground systems.





In the year 2010 AEROSTAR continued to consolidate its position of supplier for the civil aviation and acted for the development of its delivery capacity in the field of subcontracting of components, aerostructures and equipment. Also, AEROSTAR's maintenance base for commercial aircraft is under consolidation.

In the year 2010 the investments were the driving motor for the actions intended for the future growth of the company's market position.

Global Evolutions in the Aeronautical and Defence Industry. Context of AEROSTAR Business.

Aviation faced many challenges during the year 2010, mainly of economic, environment and security nature.

The requirements for a "safe, secure and sustainable aviation" were in the focus of the aviation market objectives for this year.

The statistic data for the year 2010 are positive as a whole: growth of air passenger traffic and global growth of airlines profit, record deliveries for certain commercial aircraft categories.

Matching with the global economic situation, strongly marked by recession further on, the cargo air traffic presented moderate evolutions.

The competitive pressure was even more strongly felt in the aeronautical field and certain reviews indicate losses for one third of the companies and growth of vulnerability for an outstanding number of businesses.

At the same time, the repositioning programmes of large scope performed by the big players at global level focused on the development of their core business gave fruit. In the European zone, AIRBUS announced new record figures for aircraft manufactured and delivered (510 aircraft delivered to 94 customers) during the year 2010.

The preparation of the future programmes and promoting eco-efficiency as driving force of profitable innovation are the coordinates supporting the industrial evolutions.

The increasing price of oil and the global slow-down of the gross domestic product, the same as over capacity in the aviation and defence industry draw the attention towards the factors which pose conditions to the global business.

There is already consensus that ramifications of the cascading effects of the global economic decline are highly probable to be lasting and this can be easily seen at the level of the defence industry.

The European governments are facing large budgetary constraints and are drastically reducing the budgets for defence. Efforts are made to crystalize an industrial policy, inclusively for the aviation and defence industries, for the development of technologies jointly and creation of joint funds of resources, to contribute to

the cost efficiency objectives.

The implementation of the European regulations envisage an integrated European market in the field of defence. The powerful chains of supply, well positioned, are going on the winning lane while the technological development by offset is a marginal subject or delicate in the European debates, already treated as major in emerging areas, where offset has brought intensive development of the local industries in the countries with firm policies in this field.

The pressure upon the defence budgets is generalized and fears are growing that in the perspective, the short term budgetary savings may generate costs which are higher on the longer term. In such a context the analyses recommend more and more frequently launching the "consumption" as a basis for relaunching economic growth in all areas of business, and especially in this very high added value business, as in defence, security and aviation.

The general reduction of resources makes place to a growing need for solutions of higher wholesome value and smaller development risks. The capacity of the companies to support their customers to go through these transformation stages will determine the longer term winners.

These tendencies were confirmed in the activities related to the main events, fairs and exhibitions for aeronautics and defence.

The fairs and exhibition programme included:

- Singapore Airshow, 2-7 February
- India Aviation, Hyderabad, 3-7 March
- BSDA, Bucharest, 13-15 April
- ILA, Berlin, 8-13 June
- Eurosatory 2010, 14- 18 June
- Farnborough International, 19-25 July
- Shanghai World Exhibition- mini technical exhibition, 22-29 August.
- Aeromart Toulouse.

AEROSTAR attended these fairs on own booth or in the national pavilion.

AEROSTAR Business

AEROSTAR business during the year 2010 was carried out in the context of the fragility and uncertainty phenomena, of impact of the financial and economic decline upon the global aeronautical and defence industry, as well as upon the Romanian economy.

The policies adopted by AEROSTAR aimed at minimizing the effects of the crisis, focusing on the needs, requirements and expectations of the customers and creating advantages for the customers, first of all by the value we create, and capitalizing all the market opportunities available.

This was possible also due to the diversity of our offer, a viable and high added value offer.

The total revenues in the year 2010 were in amount of Ron 171,391,988, of which the turnover is Ron 158,289,213.

The total expenses to achieve the products and services in the year 2010 were in amount of Ron 155,985,911.

AEROSTAR ended the year 2010 with a net profit (after tax) of Ron 11,276,413.

The liquidity of the company was situated in the year 2010 at a level which is considered very good of 5.2.

Under these circumstances AEROSTAR was evaluated as a strong company based on its results which followed a consistent positive trend during the recent years of high difficulty.

1.2 Evaluation of Company's Technical Level

Products and Services supplied by AEROSTAR.

Position on the Market.

The wide diversity of the areas of expertise and capability held by the company continued to be during the year 2010 an important factor to develop its market position along several lines of business within the vast field covered by the aviation and defence industry.

A great part of the objectives established by the development strategy for the period 2006-2010 have been fulfilled.

Making a gradual CHANGE from a technological base specific mainly for the military area, the company has acted coherently and consistently during the last five years to develop as a powerful industrial and technological base, featuring a high degree of integration of the functions required, and strong valence, to approach new programmes demanded on the market.

This is how AEROSTAR could have a competitive offer and penetrated new markets, developed new business and successfully passed over the debut stages in the civil aviation business, reaching the position of a player worth to consider when evaluations are made.

AEROSTAR holds a leading position for its areas of competence.

Even in the precarious conditions of the evolutions on the defence market AEROSTAR is positioned adequately to reach its business development targets and providing for growth under the challenging present economic environment.

By the programmes for development in the field of aviation, AEROSTAR has become stronger, increased its added value level, developed the degree of implementation of the high standards requested by the customers.

In the field of defence, AEROSTAR continued its policy to provide high value at very competitive costs, for the Romanian market, as well as for customers in other countries.



By its positioning for this business area, capabilities have been developed to supply integrated solutions able to respond to the needs and requirements of our customers. Actions were constantly undertaken to increase the possibilities to achieve and to participate in international defence – related programmes.

Nevertheless, the delay in the initiation of major acquisition programmes because of budgetary constraints has deprived the market in Romania of several business opportunities for growth and technological development, with estimated beneficial effects for the labour market, as well as for the wider economic framework.

In the new civil aviation programmes our business was further consolidated and registered growth.

The products and services supplied by AEROSTAR are:

Maintenance, Repairs and Modernizations

These services are supplied both on the defence and civil market.

As a major industrial, technological and logistic base for defence related programmes, AEROSTAR has developed programmes and solutions which can successfully meet the requirements on a market with outstanding constraints.

The company is an approved supplier of the Romanian Ministry of National Defence and is present on a wide market geographically for equipment and services in the field of defence.

In the field of military aviation, the company is specialized in repair and modernization services. By a large flexibility and market adaptation the company maintained its competitiveness and leading position for the platforms in its expertise.

The ground defence systems business continued in the austerity conditions for the budgetary expenses and

in strict and responsible compliance with the international regulations and conventions in effect with reference to the control upon weapons production and distribution.

In the field of defence AEROSTAR is preoccupied by its positioning on the market while, at global scale, the types of conflicts are changing, and implicitly, the type of missions for the defensive forces, by the impact of the present budgetary restructuring and by the successful integration capacity on the defence equipment market, as its contour gets a shape now, in the context of the regulations at European level.



The takeover of new advanced technologies and competences at world level is a priority and what is prevailing in this pursuit is the adaptation to the demand for equipment on today's market, as well as for Romania's needs.



The Mission and objectives set-up for the company are based on maintaining the status of first rank supplier of services and equipment for the Romanian Army at the same time with marking Aerostar's footprint on the international market for defence services and equipment.

AEROSTAR proposes for Romania's future programmes solutions which contribute to develop a competitive national contribution, solutions of high added value, complete and integrated, and set-up of strategic partnerships with outstanding suppliers for the armies of NATO countries, for technological transfer and industrialization in Romania of state-of-the-art equipment necessary for the Romanian Army.

The range of traditional products in the field of defence show a decreasing trend as reflected in the turnover and the company is acting to occupy gradually a position on the market of new generation equipment and systems, from new programmes.

There have been results already in this respect and these approaches are empowered by our activities in the field of civil aviation.

AEROSTAR's positioning as a supplier for several years now for several groups of products and services in the area of civil aviation is very good and our customers place us in leading place for compliance with quality, delivery terms and competitiveness.

A major group of products offered by AEROSTAR is in the field of **manufacturing of aerostructures and parts and assemblies for the global civil aviation chains of supply.**

AEROSTAR has consolidated by strong investments its objective to become a center of excellence for manufacturing of aerostructure parts and assemblies.



In the situation of the supply chains restructuring for the global aviation programmes, AEROSTAR has entered into a new phase of the competition and has succeeded to maintain its competitive edge and the positioning achieved in the previous years.

Under these conditions, AEROSTAR is prepared to cope with the increasing rates of supply required by the growing demand in Airbus programmes and pursues to achieve an enriched portfolio of complex aerostructure works and the access to programmes with a good future in the field of aeronautical constructions.

The contribution of this business line into the turnover has grown significantly.

Regarding the **manufacturing of hydropneumatic equipment and landing gears** AEROSTAR is well positioned for the forecasted growth in this sector. This is an area with high potential for business development both by the investments in the production structure and by the know-how existing for the development of support programmes required for the production of equipment and hydraulic systems.



The category of traditional products of the company continues to include full **aircraft production** by the manufacturing of the IAK-52 and FESTIVAL airplanes, even if the resources allocated on the market for aviation training and leisure decreased.

AEROSTAR supplies **line and base maintenance services for commercial aircraft.** The range of maintenance services was extended to aircraft type Boeing all series and BAe-146 and Avro RJ, as well as to aircraft components.

For the base maintenance work on the aircraft types mentioned, AEROSTAR holds the Part-145 approval issued by the Romanian Civil Aviation Authority (RoCAA) recognized by the European Aviation Safety Authority (EASA).



The company performs current maintenance and complex verifications, including structural modifications to these aircraft types. Further, the company holds a wide inventory of working and inspection equipment specialized for the work. The number of approved and licensed personnel for maintenance work is growing.

The contribution of this business operation, and the number of customers as well, has grown gradually into the company turnover and the consolidation of the company position as a regional maintenance centre for commercial airplanes is a major development objective.

The growth objectives on this business line are supported also by the investment programme which provides the construction of a new hangar.

Technical Capability

AEROSTAR's capabilities meet the performance criteria for the integration on the highly competitive market in the field of aviation and defence.

The industrial and technological capacity is under a steady modernization process correlated with generating the resources for new programmes and getting the contracts which are the basis for business development.

The competences and know-how held by AEROSTAR permitted to approach successfully new business. Important results were obtained based on the measures taken to achieve effectively the major change of the production structure in the company and to support the programmes initiated in the previous years to reach maturity.

The technical capability continues to comprise a mix of conventional, older generation technologies and advanced, computerized technologies, which provide the efficiency of the approach on new markets.

In order to fulfil successfully its contractual obligations, AEROSTAR has in its inventory buildings, equipment, plants, installations, machine-tools and accessories as required for the execution of the production and services operations in compliance with the quality requirements.

AEROSTAR has industrial constructions (floor buildings for mechanical processing operations, for special processes and other types of technological processes, hangars for maintenance of medium courier civil aircraft of Boeing 737 type and for military aircraft).

Also, the company has an inventory of equipment and machinery specific for the execution of the current contractual obligations: NC machine-tools with 3, 4 and 5 axes for machining of aviation parts and for other fields of activity, as well as equipment for sheet metal parts and subassemblies for aviation.

AEROSTAR has an important inventory of equipment required for the maintenance of civil aircraft, including equipment for work on the ground and at height level.

The capability to supply complete components in the field of aviation is based on a significant sector of installations and machinery for special processes (electro-chemical coatings, painting, non-destructive testings, thermo-chemical treatments, surface coatings).

The production activities are supported by an inventory which is adapted to the present execution needs, specialized and universal tooling, jigs and verifiers.



The portfolio of technologies used by the employees for the execution of the operations comprises an extensive range of maintenance technologies for commercial aircraft, for repair and upgrades of civil and military aircraft, for machining on CNC machine-tools, but mechanical processing technologies on conventional machine-tools as well.

The special processes having relatively optimal locations with reference to the technological flows, namely surface coatings, painting, welding, non-destructive testings, thermo-chemical treatments, rubber-curing, contribute to an improved capability to provide good efficiency production flows.

AEROSTAR also holds a complex range of technologies for manufacturing, testing and assembly of electronic equipment.

Among AEROSTAR's capabilities there is also the manufacturing of liquified petroleum gas recipients.

The laboratories for physical and mechanical tests, for chemical and climatic tests, the capabilities for metrological repairs and verifications, the capacity to

use constructive and engineering design software and software for CNC programming are completing the technical and technological & engineering capabilities.

The operations are executed by employees having high value know-how and also featuring an industrial culture in full changing process and adjustment to the present market requirements.

The quality management is the basic factor in AEROSTAR's approach to achieve Value for our customers.

The correlation with the requirements of the standards applicable for the company's fields of business is the priority in order to provide for the technical capabilities required to increase the sales.



The Evolution of the Main Products & Services in Company's Turnover during the last three years is as follows:

PRODUCTS / SERVICES	2010	2009	2008
contribution in turnover (%)			
Aviation Manufacturing	29.03	29.59	18.25
Ground Defence Systems	24.60	27.21	27.02
Repairs of Aircraft & Aeroengines	21.44	23.41	31.63
Maintenance of Civil Aircraft	12.32	13.15	10.34
Other products / services	12.60	6.64	12.76

1.3 Evaluation of the Purchasing Activity

During the year 2010, the company purchased goods and services for the production activity in amount of Ron 100,099,270.

The markets where the purchasing of goods was made are:

- Romania 54.86 %
- European Union 25.24 %
- Other foreign markets 19.90 %

The required supplies to purchase are defined in the annual purchasing plan and the purchasing activities are made based on:

- annual and multiannual framework agreements
- based on purchase orders issued by AEROSTAR.

Granting the status of “supplier accepted by AEROSTAR” is the result of a process of selection and evaluation, subject to commercial criteria.

In the year 2010, AEROSTAR maintained the status of Approved Economic Operator (AEO), which provides to the company facilities regarding simplified access to customs operations.

The contribution of the expenses with materials (including the expenses with goods) in the company's turnover was 41% in the year 2010, similar with the year 2009.

Based on the actions undertaken in AEROSTAR, for the effective management of the stocks, the stocking period diminished from 50 days in the year 2009 to 45 days in the year 2010, while the volume of stocks diminished from Ron 16.6 million in 2009 to Ron 12.5 million in 2010.



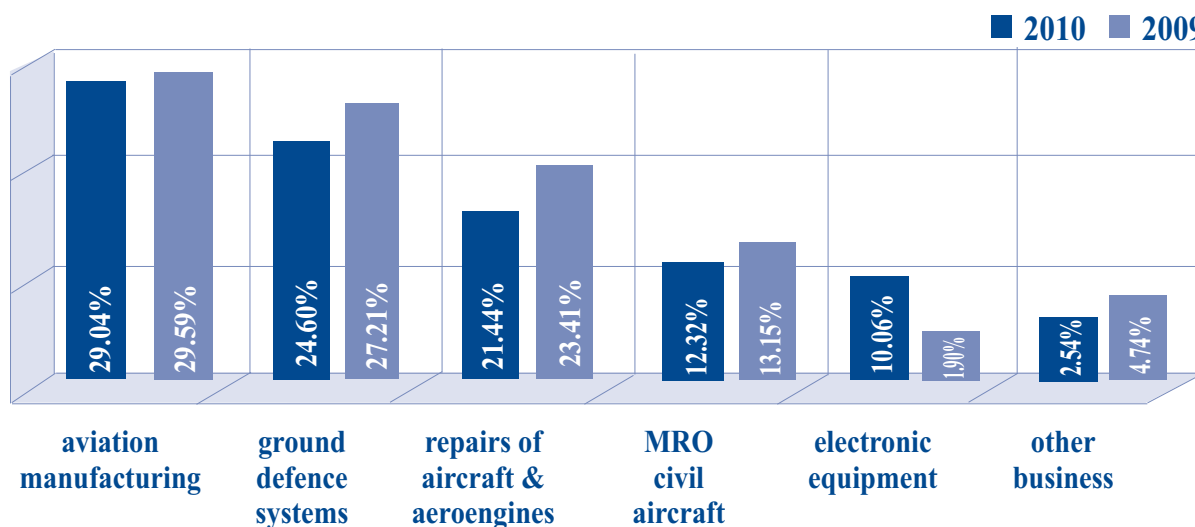
1.4 Evaluation of the Sales Activity

The sales volume achieved by the company in 2010 was in amount of Ron 158,289,213.

From the turnover obtained, the company sold on the domestic market products and services in amount of Ron 68,689,371 while for export- the equivalent of Ron 89,599,842, representing 56.6 % of total sales.

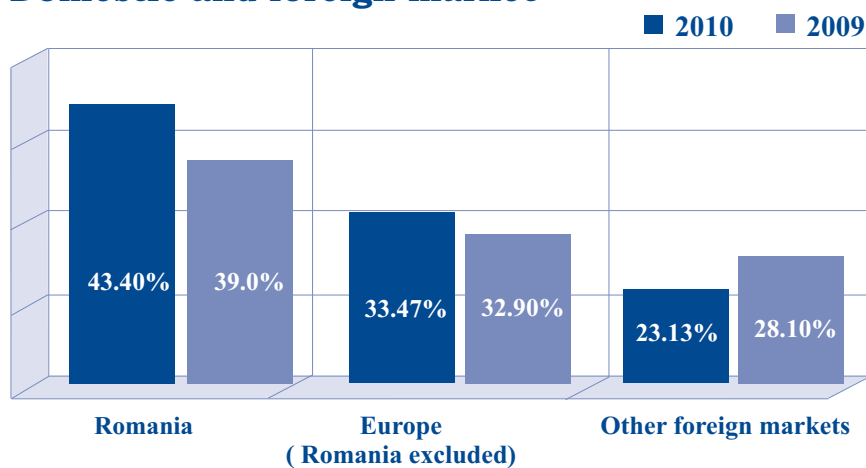
In the year 2010, the sales of products represented approximately 49% of total sales, while 51% of the sales came from maintenance and other services.

The distribution of the turnover achieved in the year 2010, on the main products and services, compared to the year 2009, is the following:

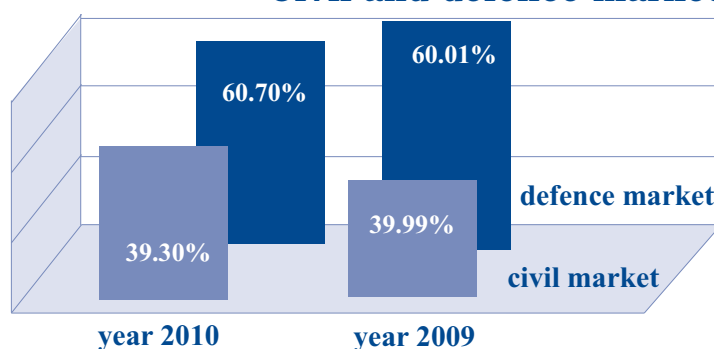


Sales Market

Domestic and foreign market



Civil and defence market



AEROSTAR operations during the year 2010 were carried out along the main directions established in the Company Mission.

The status of first rank supplier of the Ministry of National Defence of Romania in the field of aviation systems and ground systems was maintained, while the company acted as an important house for manufacturing, maintenance, upgrades and integrations.

The sales are based on annual and multiannual contracts executed with various customers.

As a rule, the company does not produce on stock except the products for which it was agreed as such in the contracts with the partners.

AEROSTAR's business as a supplier for the civil aviation has a significant contribution in the turnover while the company performed the continued modernization of the products, technologies and of the organization in order to capitalize to a maximum the company's potential and to improve the resource management system in a very competitive market.

AEROSTAR's competitive advantage compared to the competition is related to quality and strict compliance of the delivery terms.

AEROSTAR does not have a major dependence on a sole client or group of clients whose loss may have a negative impact upon company's revenues.

1.5 The Human Resource-Permanent Preoccupation for Performance

In the year 2010 the number of employees decreased with 103 (73 by the company restructuring programme) and another 27 got employed, having other skills and qualifications; the effective number of employees at the date of 31.12.2010 being 1,271.

A cumulative number of 1,397 employees attended qualification and approval training programmes for various activities, as well as courses of professional improvement in areas of interest for the company.

The expenses with the employees made by the company until the date of 31 December 2010 were in amount of Ron 51,080,040, of which the expenses with the salaries amounted to Ron 37,491,278 while the expenses with social security and protection were in amount of Ron 11,110,634.

In the year 2010 the company made other expenses related to personnel for:

- meal tickets for the employees in amount of Ron 2,478,128
- bonus payments in accordance with the collective labour contract in amount of Ron 2,832,096
- professional improvement courses in amount of Ron 457,223
- expenses for health and labour security in amount of Ron 479,369.

With reference to the education background and specialization of the personnel, the situation is as follows:

- 406 employees with university degree, of which:
 - doctor's degree 4
 - doctors to be 4
 - MBA degree 36
- 10 employees with post high school degree
- 380 employees are high school graduates
- 419 employees with vocational background education
- 11 employees gymnasium background

The degree of sindacalization of the company is 90.60 %.

The social dialogue is provided under the collective labour agreement valid for the timeperiod 2008-2011 and consists of frequent meetings between the company management and the representatives of the unions and/or of the employees, as well as by a parity commission such as the joint social commission, labour security and health committee, and commissions of the administration and employees for the negotiation and monitoring of the collective labour agreement implementation.

1.6 Evaluation of Aspects related to Quality and Environment

The Quality & Environment programme approved for the year 2010 established objectives in the field of prevention of air and water pollution, prevention of noise pollution, for the management and selective elimination of residues and waste, for monitoring the environment factors, as well as objectives to maintain and improve the Quality Management System.

The improvement of the Quality Management System is a requirement generated by the market where

AEROSTAR operates, by all the customers of the company irrespective of the market area (civil, military).

The approach of the environment related aspects by AEROSTAR is primarily a matter of social responsibility, treated in strict correlation with the priorities related to economic development, health and training), but it is a legal obligation as well. Therefore, the achievements of the company in 2010, related to environment, are based on a comprehensive economic approach and not just treating a sectorial matter.

Quality Programme



The Quality programme approved for the year 2010 established objectives such as: the extension of the NADCAP certification range (National Aerospace and Defence Contractors Accreditation Programme) for special processes, obtaining the organization approval for continued airworthiness management, obtaining the certificate and approvals for maintaining and extension of the domestic and foreign market, as well as objectives to maintain and improve the Quality Management System.

From among the objectives approved, and achieved, as far as the quality performance indicators are concerned, mention is worth to make for the reduction of the number of claims with 20%, the reduction of the number of non-conformances on the production and maintenance flow with 45% and the reduction of the number of rejects with 2%.

The activities for the certification of the Quality Management System and for the civil aviation approvals materialized in the renewed NADCAP authorisations for the NDT (non-destructive testing) processes, obtaining the NADCAP approval for the chemical processes of passivation and electrochemical polishing, maintaining the certification for ISO 9001 and AS9100 by DQS of Germany, certification authority recognized by the International Civil Aviation Organization (ICAO).

The number of licensed and approved personnel for civil aircraft maintenance was increased.

Environment Programme

In the year 2010 no environment incidents were registered and no pollutions of waste waters or air over the maximal values admitted by applicable laws.

In the field of greenhouse effect gas emissions, AEROSTAR prepared and transmitted to the National Agency for Environment Protection the gas monitoring plan for the year 2011, as well as the documentation for the period 2013-2020.

AEROSTAR obtained the environment approval for the eloxation extension project.



1.7 Evaluation of the Research & Development Activity

For the year 2010, the budget allocated for the research programme and for the development programme was Ron 2,200,000.

The tasks in the Research Programme and in the Development Programme were based on firm research & development contracts concluded with the Ministry of Education and Research and with the Ministry of Economy, Trade and Business Environment, and were performed in the framework of the National Programmes INNOVATION and PARTNERSHIPS, in the framework of the Sectorial Plan Programme or FP7- TRANSPORT of the European Union.

The fields covered by the research & development programme relate to the elaboration of software programmes and new products. Other tasks aim at taking over of new aviation technologies and products, or for the field of defence systems, or for products intended for the national economy.

Also, subjects approached targeting the growth of the eco-efficiency of the products or services supplied by AEROSTAR, such as noise level reduction, or reduction of the energy and fuel consumption and recycling of the materials resulted from the industrial processes performed by the company.

The qualification of a wide range of special processes was the object of several development tasks achieved to grow the capacity of the company to cope with the requirements for a certain range of aviation assemblies and products, extend the range of capabilities and increase the sales on the aeronautical market.

For the Research Programme the expenses made were in amount of Ron 429,207 while AEROSTAR provided the financing for 62% of these expenses, the balance for cofinancing being provided from various state institutions.

For the Development Programme the expenses made were Ron 774,597, the funds from the company being 71% of the expenses, the balance for cofinancing being provided from various state institutions.

Investments

The scope pursued was to provide the access to technologies by investments, increased access to new market programmes, with good perspectives on longer term and certainly the increase of the competitiveness.

As of 22 April 2010, AEROSTAR started the project “Extension of the capacities for manufacturing and assembly of aerostructures for civil aviation” cofinanced by the European Regional Development Fund, based on the financing contract executed with the Ministry of Economy, Trade and Business Environment – the Management Authority for the Priority Axis 1 “An Innovative and Eco-efficient Production System” of the Operational Sectorial Programme “Increase of the Economic Competitiveness”.

The total project value is Ron 20,873,852, of which the non-refundable financing assistance is Ron 5,938,500. The project is under implementation for a duration of 30 months from contract signature.

The expenses for investments made during the year 2010 totalled the amount of Ron 14,111,444 and materialized into investments for the acquisition and modernization of equipment, CNC machine-tools, infrastructure and Information Technology, representing 9% of the company turnover.

The amount of Ron 3,970,594, representing 29% of these expenses, was allocated for the investment “Extension of the capacities for manufacturing and assembly of aerostructures for civil aviation”. Sheet metal hydroforming equipment, pipe rolling machines, 4-5 axis milling machines, licences were purchased.

Funds in amount of Ron 8,917,632 were allocated to support the civil aircraft maintenance and modernization and for the consolidation of the objective to become a centre of excellence for manufacturing aerostructural parts and assemblies, which is 62% of the total investments expenses.

A highly significant investment for the access to new technologies and programmes is the acquisition of a press machine in the hydroforming technology.

The value of this press machine was the equivalent of Ron 7.6 million and its commissioning was executed in December 2010.

AEROSTAR spent Ron 844,698 for the investments in the consolidation and modernization of the production facilities, that is 6% of the total expenses for investments in modernizations and rehabilitation of the surface coating processes, of the related installations and of the building for the electrochemical processes.

The investments in Information Technology and infrastructure in amount of Ron 378,520 represented 3% of the investment expenses performed during the year 2010.



1.8 Evaluation of the Risk Management Activities

Through the nature of the activities performed, the company is exposed to various risks which include: the market risk, the price risk, the credit risk, the liquidity and cash-flow risk, etc.

The sustainable development of the company on a strongly competitive market takes into account further on the market evolutions in all aspects which have an impact upon our business and is based on an organic growth, along the main directions established by the company mission, as well as on an anticipating and prudent reaction.

The risk management processes performed in various areas provide for the risk identification, analysis, reduction, as well as the monitoring and control of various categories of risk.

AEROSTAR has adopted a quality and environment management system in compliance with the requirements of the standards SR EN ISO 9001: 2008, SR EN ISO 14001:2005, AS 9100C:2009, AQAP 2110; system which acts on the direction of using the best practice for the management action, for the design of products with

minimal negative impact upon the environment all along their lifecycle, as well as for the reduction and elimination of the environment pollution risk.

Provisions were set up for all the identified economic risks. The main economic risks faced by the company were the risk related to failure to get the payment of the receivables in due time and the risk of failure to get the purchased supplies in due course.

The management of the company pursues to identify, quantify and reduce the potentially adverse effects- associated to these risk factors- upon the financial performance of the company.

The credit risk, which includes all the risks generated by the possible failure to comply with contractual obligations by the business partners (suppliers and customers), was administered in various stages of the contracts performance. So, prior to contracting, the company made the assessment of the solvency and business rating of the commercial partners. Furthermore, the credit risk is minimized by maintaining a permanent connection with the business partners and the request, specially in export activities, of bank guaranties from AEROSTAR's customers.

The liquidity and cash-flow risk

The company policy related to liquidities is to maintain sufficient liquid resources in order to meet the obligations as they become due. The company pursues daily and on short term the evolution of the level of liquidities in order to be able to make payments at the date of their exigibility.

The current liquidity indicator is monitored on a permanent basis and is higher than 1.

The company has a permanent preoccupation to provide the balance between the working capital and the required working capital for the operations activity.

At the same time, the level of the payments made for the investment activity is correlated with the development funds allocated.

The price risk is influenced by the production costs of the company. The company pursued to provide the flexibility and cost-effectiveness of the activities by analyzing the positioning of the turnover compared to the profitability threshold.

The result per product is reviewed on a regular basis setting up measures to provide the profitability, directed especially on the control of the production costs, for the products which do not meet the budgeted profit margin; in certain cases, the measures taken are to discontinue the manufacturing of the products without profitability.

A risk associated to the price risk is the risk related to the exchange rate, generated by the net currency exposure of the company. In the year 2010 the company did not have financial losses.

1.9 Perspective Elements related to Company's Activity

In the year 2011 the global economic and financial environment is further characterized by the pressure imposed by the need to restructure the government budgetary expenses, which affects the defence industry in general, on short and medium term. AEROSTAR is not outside these constraints on the markets where it operates. The forecasted evolutions are different in the field of aviation compared with the defence industry. The order backlogs announced by the large supply chains in aviation for this year indicate significantly growing figures.

Transposed for AEROSTAR which operates both in aeronautic and defence industry, the trends announced already can have a significant impact upon the cumulated perspectives of stabilization and growth of the company business.

At the same time, the oil price increase exerts influences already on the profitability of the global economy. The effects on our specific markets of the new sources of social, economic and political instability are to be evaluated as well.

Under these conditions the strategic positioning and optimal capitalization of existing potential are essential for AEROSTAR. The application of thorough anticipation processes is required in order to identify the most adequate mechanisms for actions, as well as the cost-effective management of the risk situations.

In the absence of the initiation of major acquisition programmes announced for a number of years already and not allocating funds for the planned maintenance activities for the defence programmes, it can be estimated that the year 2011 will also be a difficult year and that there will be difficulties to make compensation programmes to provide a significant contribution to achieve the sales objectives.

The business management and risk control mechanisms, in parallel with utilisation of the levers for cost and expenses control, provide for our confidence that Aerostar business will develop according to our plans even under these precarious conditions.

We will focus to act for capitalizing of our key competences in our core business. At the same time the diversity of our business lines, where our efforts will be strengthened, must provide for new sources of revenues.

We will also act for capitalizing on the opportunities from related areas, where our industrial and management performance can attract new business and sources of revenues. We will compensate thus the lowering of the perspectives related to the capital expenses of our main customer in defence.

The directions where we will act are as provided in the company mission.

The business strategy which we have consistently implemented gave benefits even under the global financial and economic turbulences during the recent years and we will further provide for the development of the company business, of the organization structure with a view to the best company positioning in relation to the new market realities arising from the global situation, present and future.

For the current year, the management of AEROSTAR is implementing, in a proactive manner, solutions for the adjustment to the market requirements.

In 2011 we will continue to act:

- To maintain our status as a House for integration, manufacturing, upgrade and maintenance for defence systems. Our target is to maintain this status for the new defence systems which will be in the inventory of the Romanian Army and to supply complete solutions in order to respond to the needs of our customers.

- The development of AEROSTAR as a subcontractor of parts, aerostructures, sub-assemblies and equipment for the military and civil aviation, so as to become a major subcontractor for the global aviation industry.

- The development of AEROSTAR's activities for obtaining the status of first rank supplier of maintenance for civil aircraft and for conversion/upgrade activities for civil aircraft.

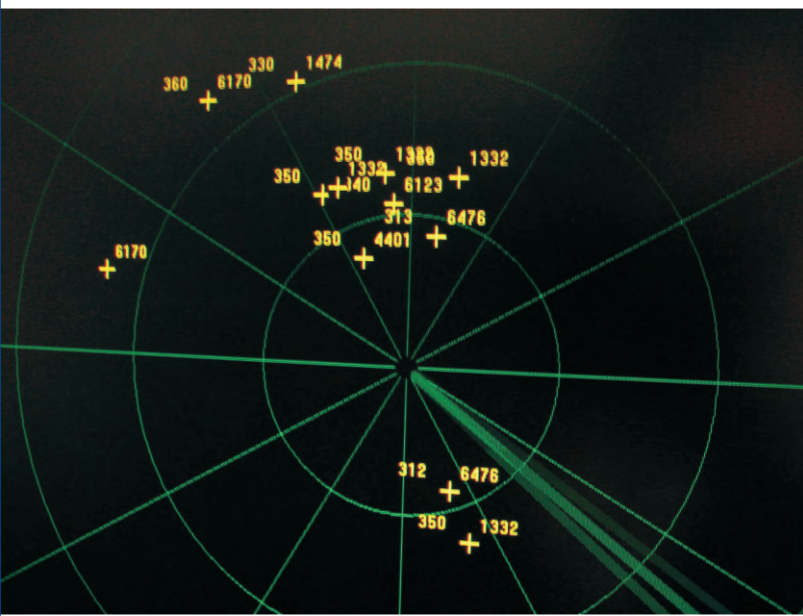
- The continuous modernization of products, technologies and of the company's organization for getting maximum benefits from the company's potential and for the improvement of the management system of all resources and reduction of the costs.

We will act to consolidate the investments already made and to develop the investment programme according to plan. In parallel we will pursue strictly on the proper cost reduction.

The company is well positioned to exploit the opportunities in a variety of market segments and we are capable to generate a rapid response to the radical changes of the business environment, specially in the defence industry.

We will continue with the implementation of the structures and processes intended to provide for the implementation of our strategy.

We will further provide the capital required for financing our strategy and the control management system in order to provide an effective control on the use of resources.



CHAPTER II. TANGIBLE ASSETS

The company has in its ownership a surface of 45.12 hectares, with direct access both from the European highway E85, as well as from Chimiei street, Condorilor Street and especially, from the runway of the airport "George Enescu" of Bacau.

The total built surface of the buildings is approximately 13.47 hectares. All the buildings and special constructions are in the ownership of the company.

The value of the buildings and land owned by the company is Ron 27,326,755.



The production capacities of AEROSTAR S.A. are located at the registered headoffice of the company of Bacau, 9 Condorilor street.

At the registered headoffice of the company, there are all types of facilities required for the proper performance of the production activities in accordance with the object of activity.

The production locations comprise hangars, industrial production halls, testing rigs, locations for administrative and social activities. Also, the company has office spaces dedicated to technical and economic activities. All these spaces are maintained in good condition.

The buildings were re-evaluated at the date of 31.12.2009. Their wear-out is 40%.

Further to these assets, the company has in its ownership, technological equipment for the performance of the specific technological processes. Their value is Ron 32,475,583 and their wear-out is 44%.

The company does not have major problems related to the ownership title upon the buildings, constructions, land and the other assets, except a land area of 1500 sm outside the company perimeter in litigation with the Ministry of National Defence.



CHAPTER III. THE CAPITAL MARKET FOR AEROSTAR SHARES

AEROSTAR Share

The shares of the company AEROSTAR are listed since 1998 at Bucharest Stock Exchange, under ARS symbol.

The number of shares issued by AEROSTAR is 117,136,530 and the nominal value of a share is Ron 0.25.

The trading price for an AEROSTAR share fluctuated in the year 2010 between a minimum of Ron 0.575 and a maximum level of Ron 1.37.

AEROSTAR's Relation with the Shareholders

During the last three years the company distributed dividends to the shareholders and consolidated a dividend policy to provide the shareholders' satisfaction as well as resources for company's development.

The dividends not collected by the shareholders during the last three years, for various reasons incumbent to themselves (change of address, death, failure to present at the post office, liquidated legal persons, etc) represent 1% of total dividends paid by the company.

In accordance with the decision of the ordinary General Meeting of the Shareholders held on 14 April 2010, regarding the distribution of the profit achieved in the year 2009, the amount approved for dividends was Ron 7,965,284, i.e. a gross dividend per share of Ron 0.068.

The distribution method was by cashier at the company's headoffice, bank transfers or money order, as applicable.

The company fully paid the dividends to which the shareholders were entitled from the profit of the year 2009.

The company did not buy from its own shares and did not issue bonds or other receivable securities during the year 2010.

In the year 2010 AEROSTAR did not conclude and did not report legal acts with the persons with whom it acts jointly or in which such persons were involved.

AEROSTAR's Relation with Capital Market Institutions

In the relation with the capital market institutions, in the year 2010 as well, AEROSTAR fulfilled all its reporting obligations provided by law by releasing the regular and current reports in the electronic system of the National Securities Exchange Commission and of the Stock Exchange, on the company's web page, and by press releases.

The Statement "Comply or Explain" with reference to the provisions of the corporate governance code is attached to the report herein.

Internal Control and Risk Management Systems

At the highest level the control of the company is made by the shareholders and an independent financial auditor, in compliance with the applicable regulations.

AEROSTAR provides for the compliance with the legitimate rights and interests of the shareholders.

The company fully meets the legal provisions in force regarding the transparency and continuous information of the shareholders and investors on the capital market.

The internal control established by the company's management targets the conformance with the legislation in force, the application of the decisions made by the company management, provide for good functioning of the internal activity, efficient use of the resources, prevention and control of potential risks.

The internal control established by the company management is made under the following forms:

- self control
- hierarchic control
- partner control
- quality control
- management control and patrimony checking
- finance-accounting control
- administrative control
- internal audit

The control of the patrimony is made on an annual basis by making the inventory of the assets, debts and of the company capitals.

In the quality management field there are internal auditing procedures which check the compliance with the reference standards and with the company's documents, of the manner how these are implemented and effectively maintained at the level of the whole company.

AEROSTAR started the implementation of the advanced concept on CONTROLLING, a specific support for the company management which will lay the basis of an effective decision-making system by control, coordination and consultancy in each step of the decision-making process, strategic and operational at the same time.

- The General Meeting of Shareholders took place in full compliance with the provisions of law 31/1990 regarding the companies, law 297/2004 regarding the capital market and the applicable regulations issued by the capital market bodies, as well as any other applicable legal provision.

- AEROSTAR is under unitary administration, with the legal obligation to delegate the management of the company to one or several directors.

The rights and obligations of the Board of Directors and of the directors appointed by the board of directors are provided in the law of the companies, in the constitutive deed of the company, in the decisions and resolutions for their appointment.

CHAPTER IV. MANAGEMENT OF S.C. AEROSTAR S.A. BACAU

The administration of AEROSTAR is made by a Board of Directors composed of seven members, elected in the year 2008 for a period of 4 years.

Members of the Board of Directors



No.	Name	Position	Professional background
1.	FILIP GRIGORE	President of the Board of Directors	engineer
2.	DAMASCHIN DORU	Vicepresident of the Board of Directors	economist
3.	CIOBANU MIHAI	Member of the Board of Directors	engineer
4.	TONCEA MIHAIL - NICOLAE	Member of the Board of Directors	engineer
5.	NIJNIC MARIN - ILIE	Member of the Board of Directors	engineer
6.	SANDU ION - EFTIMIE	Member of the Board of Directors	engineer, doctor
7.	VIRNA DANIEL	Member of the Board of Directors	legal advisor

The direct participation of the BoD members to the registered capital of the company is under 1 %.

Members of the executive management of the company



No.	Name	Position
1.	FILIP GRIGORE	General Director
2.	DAMASCHIN DORU	Director Finance-Accounting
3.	POPA DAN PAUL MALIN	Director Management-Development
4.	PETRAS SORIN	Quality Director
5.	PASCAL LAURENTIU	Director Logistics Division
6.	BUHAI OVIDIU	Director Systems Division
7.	LACATUSU TIBERIU	Director Special Products Division
8.	IOSIPESCU SERBAN	Director Aeronautical Products Division
9.	PLACINTA THEODOR	Director Technological Division

The direct participation of the executive management to the registered capital of the company is also under 1%.

None of the BoD members, nor the executive management members, were involved in a litigation or other similar administrative procedure with AEROSTAR S.A. during the last five years.

CHAPTER V. FINANCE-ACCOUNTING PRESENTATION

Balance Sheet Elements (Ron)

		31.12.2010	31.12.2009	31.12.2008
	TOTAL ASSETS, of which:	115,792,973	103,701,297	106,646,060
A	Immobilized assets	46,216,376	37,192,819	34,348,397
B	Circulating Assets - total, of which:	69,576,597	66,508,478	72,297,663
	- stocks	12,535,857	16,603,505	18,386,801
	- receivables	17,586,980	25,695,909	34,606,109
	- cash, bank accounts and deposits	39,453,760	24,209,064	19,304,753
	TOTAL LIABILITIES, of which:	115,792,973	103,701,297	106,646,060
C	Debts	13,446,523	18,096,309	30,940,829
D	Provisions	21,362,134	9,967,512	5,995,982
E	Total company capitals, of which:	78,877,353	75,566,224	68,461,773
	- registered capital	29,284,133	29,284,133	29,284,133
	- reserves from re-evaluation	20,934,550	20,941,137	16,481,250
	- other reserves	20,459,113	17,199,512	13,826,973
	- result of the year	11,276,413	10,209,987	9,503,724

Revenues & Expenses Elements (Ron)

	2010	2009	2008
Total Revenues	171,391,988	165,996,704	168,174,814
Revenues from Operations, of which:	163,693,481	159,996,151	159,790,360
-Turnover	158,289,213	156,808,447	152,697,736
Financial Revenues	7,698,507	6,000,553	8,384,454
Total Expenses	155,985,911	152,605,482	157,089,556
Expenses for Operations, of which :	149,835,330	148,590,939	153,123,613
~ Expenses for materials	63,062,106	60,956,472	62,569,645
~ Expenses with manpower	51,080,040	53,014,636	54,681,733
~ Expenses with amortization of immobilizations	5,391,594	6,049,489	6,612,618
~ Other expenses for operations (third party services, taxes, provisions)	30,301,590	28,570,342	29,259,617
Financial Expenses	6,150,581	4,014,543	3,965,943
Result from operations - Profit	13,858,151	11,405,212	6,666,747
Financial Result - Profit	1,547,926	1,986,010	4,418,511
GROSS RESULT - PROFIT	15,406,077	13,391,222	11,085,258
NET RESULT - PROFIT	11,276,413	10,209,987	9,503,724

Cash-Flow Elements (Ron)

	31.12.2010	31.12.2009
A. Cash- flow from Operations	32,348,743	15,617,402
B. Cash- flow from Investments	(9,205,839)	(2,399,713)
C. Cash-flow from Financing Activity	(7,898,208)	(8,313,378)
Net cash- flow increase	15,244,696	4,904,311
Cash- flow at year beginning	24,209,064	19,304,753
Cash- flow at year end	39,453,760	24,209,064

PRESIDENT OF THE BOARD OF DIRECTORS,
GENERAL DIRECTOR
GRIGORE FILIP

The Statement “Comply or Explain” Code of Corporate Governance of Bucharest Stock Exchange

Principle/ Recommendation	Question	YES	NO	If No, then Explain	
P19	Is the issuer administered in a dualist system?		X	The General Meeting of Shareholders opted for a unitary system.	
P1	R1	Has the issuer elaborated a Code/ Corporate Governance Regulations to describe the main aspects of corporate governance?		X	This provision is relatively new.
		Is the Code/ Corporate Governance Regulations presented on the company website, and indicating the last update?		X	As it is not adopted, it is not shown on the company website.
	R2	Does the Code/ Corporate Governance Regulations define the corporate governance structures, functions, competences and responsibilities of the Board of Directors (BoD) and of the executive management?		X	It was not adopted until the date of the Statement herein.
	R3	Does the Annual Report of the issuer include a chapter dedicated to corporate governance which describes all relevant events related to corporate governance, registered during the previous financial year?		X	For the Annual Report for the year 2010 the option was made to enclose the present Statement to the Report.
		Does the issuer disseminate on the company website information regarding its corporate governance policy:		X	They will be presented on the website after the Code/ Corporate Governance Regulations are elaborated.
		a) Description of its corporate governance structures?		X	
		b) Updated constitutive documents?	X		
		c) Internal functioning regulations /essential aspects for each commission/ specialized board?		X	They will be presented on the website after the Code / Corporate Governance Regulations are elaborated.
d) The Statement „Comply or Explain”?		X			
e) The list of BoD members with the mention of the members who are independent and/or non-executive, of the members of the executive management and the members of commissions/ specialized boards?		X			
f) A brief variant of their CV for each BoD member and of the executive management?		X	This is public information available for the shareholders upon request, but which was not present on the site until now.		
P2	Does the issuer comply with the rights of the holders of financial instruments issued by the issuer, providing for an equitable treatment and submitting for approval any modification of the rights granted, in the special meetings of the respective holders ?	X			
P3	R4	Does the issuer publish in a dedicated section of its website details regarding the General Meeting of the Shareholders (GMS):	X		
		a) convening of the GMS?	X		
		b) materials/documents related to the agenda as well as any other information related to the subjects on the agenda?	X		
	c) special proxy forms?	X			
	R6	Does the issuer elaborate and propose to the GMS procedures for the orderly and efficient performance of the GMS activities without prejudice however to the right of any shareholder to express freely his/her/its opinion on the subjects under debate?	X		
R8	Does the issuer disseminate in a dedicated section on its website the rights of the shareholders , as well as the rules and procedures to participate in the GMS?	X			

Principle/ Recommendation	Question	YES	NO	If No, then Explain	
P3	R8	Does the issuer provide the notification in due time (immediately after the GMS) of all the shareholders by a dedicated section in its website: a) Regarding the decisions made in the GMS?	X		
		b) Regarding the detailed result of the voting?	X		
		Do the issuers disseminate by a special section in the website, easily identifiable and accessible: a) current reports/press releases?	X		
		b) financial calendar, annual reports, half-year reports and quarterly reports?	X		
R9	Is there in the issuer's company a specialized department/person dedicated to the investors relation?	X			
P4, P5	R10	Does the BoD meet at least once every quarter to monitor the performance of issuer's activity?	X		
	R12	Does the issuer hold a set of rules related to the reporting conduct and obligations related to the transactions with shares and other financial instruments issued by the company ("securities of the company") made on their own by the directors and other physical persons involved?	X		
If a BoD member or a member of the executive management or another person involved makes on his/her/ own a transaction with company's securities, is such transaction disseminated on the company's website according to the relevant regulations?		X			
P6	Does the structure of the Board of Directors of the issuer provide balance between the executive and non-executive members (and in special the independent non-executive BoD members) so that no person or restricted group of persons can dominate in general the decision-making process of the BoD?	X			
P7	Does the structure of the Board of Directors of the issuer provide a sufficient number of independent members?	X			
P8	R15	In its activity, does the BoD have the support of some consultative commissions/ boards for the review of specific themes, selected by the BoD, and for its advising as to these themes?	X		
		Do the consultative commissions/ boards submit activity reports to the BoD with reference to the themes entrusted?	X		
	R16	For the evaluation of the independence of its non-executive members does the Board of Directors use the evaluation criteria stated in the Recommendation no 16?	X		
	R17	Do the BoD members permanently improve their knowledge in the field of corporate governance by training/ study?	X		
P9	Is the election of the BoD members based on a transparent procedure (objective criteria for personal /professional qualification etc.)?	X			
P10	Is there a Nomination Committee in the company ?		X	For the elections to follow there will be taken in view to set up such a Nomination Committee.	
P11	R21	Does the Board of Directors review at least once a year the need to set up a remuneration committee/ remuneration policy for the directors and executive management members?	X		
		Is the remuneration policy approved by GMS?	X		

Principle/ Recommendation	Question	YES	NO	If No, then Explain
P11	R22 Is there a remuneration committee made up exclusively of non-executive directors?		X	The economic crisis imposed freezing the remuneration at the level of the year 2008.
	R24 Is the remuneration policy of the company presented in the Code/ Corporate Governance Regulations?		X	It will be regulated in the elaboration of the Corporate Governance Regulations.
P12, P13	R25 Does the issuer disseminate in the English language the information which is the subject of the reporting requirements: a) regular information (regular supply of information)?		X	Upon request such information is also made available in a foreign language.
	b) continued information (continued supply of information)?		X	Upon request such information is also made available in a foreign language.
	Does the issuer prepare and disseminate the financial reporting also in accordance with IFRS?		X	Such a decision has not been made until now.
	R26 Does the issuer promote, at least once a year, meetings with financial analysts, brokers, rating agencies and other market specialists with a view to present the financial elements relevant for investment decision?	X		
	R27 Is there an Audit Committee in the company?	X		
	R28 Does the BoD or Audit Committee, as applicable, review regularly the efficiency of the financial reporting, of the internal control and of the risk management system adopted by the company?	X		
	R29 Is the Audit Committee made up exclusively of non-executive directors and does it have a sufficient number of independent directors?	X		
	R30 Does the Audit Committee meet at least twice a year, and are these meetings dedicated to the preparation and dissemination of the annual and half-year results to the shareholders and the public?	X		
	R32 Does the Audit Committee make recommendations to the BoD regarding the selection, appointment, re-appointment and replacement of the financial auditor, as well as to the terms and conditions for the remuneration of the same?	X		
P14	Did the BoD adopt a procedure for the identification and adequate settlement of the conflict of interest situations?		X	Such situations have not been identified.
P15	R33 Do the directors notify the BoD upon the conflict of interest as such cases appear and abstain from the debates and voting of the respective subjects in accordance with applicable legal provisions?	X		
P16	R34 / R35 Did the BoD adopt specific procedures with a view to ensure correctness of procedure (identification criteria for transactions with significant impact, for transparency, objectivity, non-competition, etc) with a view to identify the procedures with involved parties?	X		
P17	R36 Did the BoD adopt a procedure regarding the internal circuit and release to third parties of documents and information related to the issuer, giving special importance to the information which can influence the market trading price of the issuer's securities?	X		
P18	R37/ R38 Does the issuer perform activities related to Social and Environment Responsibility of the Company ?	X		

AEROSTAR S.A.

**FINANCIAL STATEMENTS
AT THE DATE OF 31 DECEMBER 2010**



**To The Shareholders of
S.C. AEROSTAR S.A. BACAU**

REPORT OF THE INDEPENDENT FINANCIAL AUDITOR

1. We have audited the annual financial statements of the company S.C.AEROSTAR S.A. of Bacau („The Company”) for the year ended 31 December 2010, containing the Balance Sheet- Form 10, the Profit & Loss Account-Form 20, the Statement of the company capital modifications, the Statement of the cash-flows and the explanatory notes to the annual financial statements. They are accompanied by Form 30- Informative Data and Form 40 - Statement of Immobilized Assets. The annual financial statements are prepared under the responsibility of the company management. Our responsibility is to express an opinion upon these annual financial statements, as well as upon the degree of conformity of the report of the Board of Directors with the annual financial statements for the same financial period.

2. The Company's management is responsible to prepare and present adequately these annual financial statements in accordance with the requirements of the accounting regulations in Romania, i.e. the Accounting Act no 82/1991, republished, and with the Accounting Regulations conforming with the European Directives, approved by Order no 3055/2009, and with the accounting policies described in the explanatory notes to the annual financial statements. This responsibility includes: the design, implementation and maintaining an internal control relevant for the proper preparation and presentation of the annual financial statements which should not include significant misrepresentations, due to fraud or error; the selection and application of the proper accounting policies, elaboration of reasonable accounting estimations in the circumstances given.

3. Our responsibility is, based on the audit conducted, to express an opinion upon these annual financial statements. We conducted the auditing in accordance with the Auditing Standards issued by the Chamber of Financial Auditors of Romania and with the International Auditing Standards. These standards require that we comply with the ethical requirements, to plan and conduct the audit with a view to obtain a reasonable assurance that the annual financial statements are free of significant misrepresentations.

4. An audit consists in the execution of procedures with a view to obtain the auditing evidence with reference to the amounts and information presented in the annual financial statements. The procedures selected are subject to auditor's professional reasoning, including the assessment of the risks of significant misrepresentation of the annual financial statements due

to fraud or error. In the assessment of these risks, the auditor takes into consideration the internal control relevant for the proper preparation and presentation of the annual financial statements of the Company with a view to establish the auditing procedures relevant in the circumstances given, but not in the purpose to express an opinion upon the efficiency of the Company's internal control. An audit also includes the assessment of the adequacy level of the accounting policies which were used and the reasonable character of the accounting estimates elaborated by the management, as well as evaluating the annual financial statement presentation taken as a whole.

5. We consider that the auditing evidence which we obtained is sufficient and adequate to constitute the basis for our audit opinion.

6. In our opinion the annual financial statements offer a faithful image, under all significant aspects, of the financial position of the Company as on 31 December 2010, the results of its activity, status of the company capital modifications and of the treasury cash flows for the year ended at this date, in accordance with the legal requirements- the Order of the Public Finance Ministry no 3055/2009, for the approval of the accounting regulations conforming with the European directives.

7. This report is addressed exclusively to the shareholders of the Company as a whole. Our audit was conducted with a view to be able to report to the shareholders of the Company those aspects which we have to report in a financial auditing report and in no other purposes. To the extent permitted by the law we do not accept and we do not assume any responsibility for our auditing, for this report or for the opinion formed, other than towards the Company and its shareholders as a whole.

8. The annual financial statements attached and this report are prepared exclusively with a view to their filing with the state institutions- The Ministry of Public Finance, the Trade Register Office, The National Securities Exchange Commission.

9. The annual financial statements attached are not intended to present the financial position, the results of operations and a complete set of notes to the financial statements in accordance with regulations and accounting principles accepted in countries and jurisdictions other than Romania. Therefore the annual financial statements attached are not prepared for the use by persons who do not know the accounting and legal regulations in Romania.

Report upon the conformity of the Report by the Board of Directors with the annual financial statements

In accordance with the requirements of the National Securities Exchange Commission, we have read the report of the directors. This is not part of the annual financial statements. In the report of the directors we did not identify financial information which is significantly nonconforming with the information presented in the annual financial statements attached.

Bacau, 25.03.2011



Financial Auditor
Husanu Monica

DECLARATION

in accordance with the provisions of Art.30 of Accounting Act no 82/1991 and Regulation no 1/2006 issued by the National Securities Exchange Commission

The Undersigned GRIGORE FILIP, President of the Board of Directors and General Director of S.C. AEROSTAR S.A. and DORU DAMASCHIN, Vicepresident of the Board of Directors and Financial Director of S.C. AEROSTAR S.A., in accordance with art.10, paragraph (1) of the Accounting Act no 82/1991, we assume our responsibility for the preparation of the annual Financial Statements at 31.12.2010 and confirm hereby that:

a) The accounting policies used in the preparation of the annual financial statements at 31.12.2010 are in accordance with the accounting regulations conforming with Directive IV of the European Economic Communities, approved by the OMFP (Order of Public Finance Minister) 3055/2009, with subsequent modifications.

b) The annual financial statements at 31.12.2010 provide a fair image, in conformity with the reality of the assets, obligations, of the financial position, of the profit and loss account and of the other information related to the activity performed.

c) The report of the Board of Directors for the financial year 2010 comprises a correct review of the development and performance of S.C. AEROSTAR SA, as well as a description of the main risks and uncertainties specific for the activity performed.

President of the Board of Directors and General Director,
GRIGORE FILIP

Vicepresident of the Board of Directors and Financial Director,
DORU DAMASCHIN

FINANCIAL STATEMENTS AT 31 DECEMBER 2010

BALANCE SHEET AT 31 DECEMBER 2010

(all amounts are in Ron, unless specified otherwise)

Form 10

A	Row	Balance at:	
		01.01.2010	31.12.2010
	B	1	2
A. FIXED ASSETS			
I. INTANGIBLE ASSETS			
1. set-up expenditures (acc. 201-2801)	01	0	0
2. development expenses (acc. 203-2803-2903)	02	0	0
3. concessions, patents, licenses, trade marks, similar rights and values and other intangible immobilizations (acc. 205+208-2805-2808-2905 - 2908)	03	485,196	480,564
4. commercial fund (acc. 2071 - 2807 - 2907)	04	0	0
5. advance payments and intangible immobilizations in progress (acc. 233 + 234 - 2933)	05	85,026	0
TOTAL: (row 01 to 05)	06	570,222	480,564
II. TANGIBLE ASSETS			
1. land and constructions (acc. 211 + 212 - 2811 - 2812 - 2911 - 2912)	07	25,877,109	23,762,388
2. technical installations and machinery (acc. 213 - 2813 - 2913)	08	10,250,660	18,168,951
3. other installations, equipment and furniture (acc. 214 - 2814 - 2914)	09	2,739	0
4. advance payments and tangible immobilizations in progress (acc. 231+232-2931)	10	25,000	3,455,182
TOTAL: (row 07 to 10)	11	36,155,508	45,386,521
III. FINANCIAL IMMOBILIZATIONS			
1. shares held in affiliated entities(acc.261-2961)	12	40,721	14,080
2. loans to affiliated entities (acc. 2671 + 2672 - 2964)	13	0	0
3. participation interests (acc. 263 - 2962)	14	0	0
4. loans to entities to which the company is tied by participation interests (acc. 2673 + 2674 - 2965)	15	0	0
5. investments held as immobilizations (acc. 265-2963)	16	87,500	87,500
6. other loans (acc. 2675+ 2676 + 2678 + 2679 - 2966 -2968)	17	338,868	247,711
TOTAL: (row 12 to 17)	18	467,089	349,291
IMMOBILIZED ASSETS - TOTAL (row 06 + 11 + 18)	19	37,192,819	46,216,376

BALANCE SHEET AT 31 DECEMBER 2010

(all amounts are in Ron, unless specified otherwise)

Form 10

- continuation -

A	Row B	Balance at:	
		01.01.2010 1	31.12.2010 2
B. CIRCULATING ASSETS			
I. STOCKS			
1. raw materials and consumables (acc. 301+321+302+322 + 303 +323+/- 308 + 351+358+381+328+/-388 -391-392 - 3951-3958-398)	20	5,554,724	2,689,116
2. production in progress (acc. 331+332 +341+/-348-393-3941-3952)	21	6,326,027	7,434,966
3. finished products and goods (acc. 345+346+/-348+354+ 356+357+361+326+/-368+371+/-378-3945-3946-3953- 3954-3956-3957-396-397-4428)	22	1,895,294	2,272,469
4. advance payments for purchasing of stocks (acc. 4091)	23	2,827,460	139,306
TOTAL: (row 20 to 23)	24	16,603,505	12,535,857
II. RECEIVABLES (Amounts to receive after more than one year must be presented separately for each element)			
1. Commercial receivables (acc.2675+2676+2678+2679- 2966-2968+4092 + 411+413+418-491)	25	24,543,896	16,847,877
2. amounts to receive from affiliated entities (acc. 451 - 495)	26	0	0
3. amounts to receive from entities to which the company is connected by virtue of participation interests (acc. 453 - 495)	27	0	0
4. other receivables (acc. 425 + 4282 + 431 + 437 + 4382 + 441+ 4424 + 4428 + 444 + 445 + 446 + 447 + 4482 + 4582 + 461 + 473 - 496 + 5187)	28	1,152,013	739,103
5. capital subscribed and not paid (acc. 456 - 495)	29	0	0
TOTAL: (row 25 to 29)	30	25,695,909	17,586,980
III. INVESTMENTS ON SHORT TERM			
1. shares held in affiliated entities (acc. 501 - 591)	31	0	0
2. other investments on short term (acc. 505 + 506 + 508 - 595 - 596 - 597 - 598 + 5113 + 5114)	32	0	39,123,786
TOTAL: (row 31+32)	33	0	39,123,786
IV. CASH AND BANK ACCOUNTS (acc. 5112 + 512 + 531 + 532+ 541 + 542)	34	24,209,064	329,974
CIRCULATING ASSETS - TOTAL (row 24+30+33+34)	35	66,508,478	69,576,597
C. EXPENSES IN ADVANCE (acc. 471)	36	0	0

BALANCE SHEET AT 31 DECEMBER 2010

(all amounts are in Ron, unless specified otherwise)

Form 10

- continuation -

A	Row B	Balance at:	
		01.01.2010 1	31 .01.2010 2
D. DEBTS: AMOUNTS TO PAY IN LESS THAN A YEAR			
1. loans by issue of bonds (acc.161+1681-169)	37	0	0
2. amounts owed to credit institutions (acc. 1621 + 1622 + 1624 + 1625 + 1627 + 1682 + 5191 + 5192 + 5198)	38	0	0
3. advance payments received on account of orders (acc. 419)	39	5,146,913	1,685,726
4. commercial debts- suppliers (acc.401+404+ 408)	40	7,725,116	4,888,314
5. trade effects to pay (acc. 403 + 405)	41	0	0
6. amounts owed to affiliated entities (acc. 1661 + 1685 + 2691 + 451)	42	0	0
7. amounts owed to entities by which the company is connected by virtue of participation interests (acc. 1663 + 1686 + 2692 + 453)	43	0	0
8. other debts, including fiscal debts and other debts for social security (acc.1623 + 1626 + 167 + 1687 + 2693 + 421 + 423 + 424 + 426 + 427 + 4281 + 431 + 437 + 4381 + 441 + 4423 + 4428 + 444 + 446 + 447 +4481 + 455 + 456 + 457 + 4581 + 462 + 473 + 509 + 5186 + 5193 + 5194 + 5195+5196+ 5197)	44	5,224,280	6,832,733
TOTAL: (row 37 to 44)	45	18,096,309	13,406,773
E. NET CIRCULATING ASSETS NET CURRENT DEBTS (row 35 +36- 45 -63)	46	48,408,472	56,169,488
F. TOTAL ASSETS MINUS CURRENT DEBTS (row 19 + 46)	47	85,601,291	102,385,864
G. DEBTS: AMOUNTS TO PAY IN MORE THAN A YEAR			
1. loans by issue of bonds (acc. 161 +1681 - 169)	48	0	0
2. Amounts owed to credit institutions (acc. 1621 + 1622 + 1624 + 1625 + 1627 + 1682 + 5191 + 5192 + 5198)	49	0	0
3. advance payments received on account of orders (acc. 419)	50	0	39,750
4. commercial debts - suppliers (acc. 401 + 404 + 408)	51	0	0
5. commercial effects to pay (acc. 403 + 405)	52	0	0
6. amounts owed to affiliated entities (acc. 1661 + 1685 + 2691 + 451)	53	0	0
7. amounts owed to entities by which the company is connected by virtue of participation interests (acc. 1663 + 1686 + 2692 +453)	54	0	0
8. other debts, including fiscal debts and debts for social security (acc. 1623 + 1626 + 167 + 1687 + 2698 + 421 + 423 + 424 + 426 + 427 + 4281 + 431 + 437 + 4381 + 441 + 4423 + 4428 + 444 + 446 + 447 + 4481 + 455 + 456 + 457 + 4581 + 462 + 473 + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	55	0	0
TOTAL: (row 48 to 55)	56	0	39,750

BALANCE SHEET AT 31 DECEMBER 2010

(all amounts are in Ron, unless specified otherwise)

Form 10

- continuation -

	Row	Balance at:	
		01.01. 2010	31.12.2010
A	B	1	2
H. PROVISIONS			
1. provisions for pensions and other similar obligations (acc.1515)	57	0	0
2. provisions for taxes (acc. 1516)	58	0	0
3. other provisions (acc.1511+1512+1513+1514+1518)	59	9,967,512	21,362,134
TOTAL PROVISIONS: (row 57 to 59)	60	9,967,512	21,362,134
I. REVENUES IN ADVANCE			
1. subsidies for investments (acc.475)	61	67,555	2,106,627
2. revenues registered in advance (acc. 472) - total (row 63+64), of which:	62	3,697	336
- amounts to resume in a period less than a year (acc.472)	63	3,697	336
- amounts to resume in a period more than a year (acc.472)	64	0	0
- negative commercial fund (acc.2075)	65	0	0
TOTAL: (row 61+62+65)	66	71,252	2,106,963
J. CAPITAL AND RESERVES			
I. CAPITAL			
1. capital subscribed and paid (acc. 1012)	67	29,284,133	29,284,133
2. capital subscribed, not paid (acc. 1011)	68	0	0
3. patrimony of state establishment	69	0	0
TOTAL (row 67 to 69)	70	29,284,133	29,284,133
II. CAPITAL BONUSES (acc. 104)	71	0	0
III. RESERVES FROM RE-EVALUATION (acc. 105)	72	20,941,137	20,934,550
IV. RESERVES			
1. legal reserves (acc. 1061)	73	5,026,319	5,795,175
2. statutory or contractual reserves (acc. 1063)	74	8,406,339	8,582,497
3. reserves representing surplus from re-evaluation reserves (acc.1065)	75	81,694	88,281
4. other reserves (acc.1068)	76	3,685,160	5,993,160
TOTAL (row 70 to 73)	77	17,199,512	20,459,113
Own shares (ct.109)	78	0	0
Earnings related to own capital instruments (acc.141)	79	0	0
Loss related to own capital instruments (acc.149)	80	0	0
V. PROFIT OR LOSS CARRIED FORWARD (acc. 117)			
Balance C (acc. 117)	81	0	0
Balance D (acc. 117)	82	25,948	0
VI. PROFIT OR LOSS OF FINANCIAL YEAR (acc. 121)			
Balance C (acc. 121)	83	10,209,987	11,276,413
Balance D (acc. 121)	84	0	0
Profit distribution (acc. 129)	85	2,042,597	3,076,856
COMPANY CAPITALS – TOTAL (row 70+71+72+77-78+79-80+81-82+83-84-85)	86	75,566,224	78,877,353
Public patrimony (acc. 1016)	87	0	0
CAPITALS - TOTAL (row 86+87)	88	75,566,224	78,877,353

F10 checking amount: 1626462730 / 5246799755

PROFIT AND LOSS ACCOUNT AT 31 DECEMBER 2010

(all amounts are in Ron, unless specified otherwise)

Form 20

	Row	Financial Year	
		2009	2010
A	B	1	2
1. NET TURNOVER (row 02 +03-04+05+06)	01	156,808,447	158,289,213
Production sold (acc.701+702+703+704+705+706+708)	02	154,174,520	156,168,035
Revenues from sales of goods (acc. 707)	03	2,633,927	2,121,178
Commercial reductions granted (acc. 709)	04	0	0
Revenues from interest registered by entities erased from the general Register but having leasing contracts under way (acc. 766)	05	0	0
Revenues from subsidies for operations related to net turnover (acc. 7411)	06	0	0
2. Revenues related to cost of production in progress (acc. 711+712)	07	1,528,153	2,678,281
Balance C	08	0	0
Balance D	08	0	0
3. Production executed for own use and capitalized (acc. 721+ 722)	09	1,243,304	2,117,222
4. Other revenues from operations (acc. 758+7417+7815)	10	416,247	608,765
- of which, revenues from negative commercial fund	11	0	0
REVENUES FROM OPERATIONS -TOTAL (row 01+07-08+09+10)	12	159,996,151	163,693,481
5. a) Expenses with raw materials and consumables (acc.601+602-7412)	13	50,949,227	54,498,964
Other expenses with materials (acc.603+604+606+608)	14	4,341,903	2,896,780
b) Other external expenses (with energy and water) (acc.605-7413)	15	5,665,342	5,666,362
c) Expenses related to goods (acc.607)	16	2,338,554	1,862,477
Commercial reductions received (acc.607)	17	0	4.139
6. Expenses with manpower (row 19 +20), of which	18	53,014,636	51,080,040
a) Salaries and allowances (acc.641+642+643+644-7414)	19	41,344,664	39,969,406
b) Expenses with social security and protection (acc. 645-7415)	20	11,669,972	11,110,634
7. a) Adjustments in value related to tangible and intangible immobilizations (row 22-23)	21	5,986,766	5,391,595
a.1) Expenses (acc.6811+6813)	22	6,133,211	5,391,595
a.2) Revenues (acc.7813)	23	146,445	0
b) Adjustments in value related to circulating assets (row 25-26)	24	3,966,116	2,193,676
b.1) Expenses (acc.654+6814)	25	5,093,170	18,839,284
b.2) Revenues (acc.754+7814)	26	1,127,054	16,645,608
8. Other expenses with operations (row 28 to 31)	27	18,356,865	14,854,952
8.1. Expenses related to external services (acc.611+612+613+614+ 621+622+623+624+625+626+627+628-7416)	28	16,134,943	13,432,090
8.2. Expenses with other taxes, dues and similar payments (acc. 635)	29	1,189,011	750,552
8.3. Other expenses (acc.652+658)	30	1,032,911	672,310

PROFIT AND LOSS ACCOUNT AT 31 DECEMBER 2010

(all amounts are in Ron, unless specified otherwise)

Form 20

- continuation -

A	Row	Financial Year	
		2009	2010
	B	1	2
Expenses with refinancing interest registered by entities erased from the general Register and having leasing contracts under way (acc. 666)	31	0	0
Adjustments related to provisions (row 33-34)	32	3,971,530	11,394,623
- Expenses (acc. 6812)	33	13,429,958	22,470,274
- Revenues (acc. 7812)	34	9,458,428	11,075,651
EXPENSES WITH OPERATIONS -TOTAL (row 13 to 16-17+18+21+24+27+32)	35	148,590,939	149,835,330
PROFITUL OR LOSS FROM OPERATIONS			
- profit (row 12-35)	36	11,405,212	13,858,151
- loss (row 35-12)	37	0	0
9. Revenues from participation interests (acc. 7611+7613)	38	90,579	28,940
- of which, revenues from affiliated entities	39	0	0
10. Revenues from other investments and loans which are part of immobilized assets (acc. 763)	40	0	0
- of which, revenues from affiliated entities	41	0	0
11. Revenues from interest (acc. 766)	42	1,570,299	1,679,486
- of which, revenues from affiliated entities	43	0	0
Other financial revenues (acc. 762+764+765+767+768)	44	4,339,675	5,990,081
FINANCIAL REVENUES - TOTAL (row 38+40+42+44)	45	6,000,553	7,698,507
Adjustments in value related to financial immobilizations & financial investments held as circulating assets (row 47-48)	46	-8,244	0
- Expenses (acc. 686)	47		0
- Revenues (acc. 786)	48	8,244	0
13. Expenses related to interest (acc. 666-7418)	49	3,466	138
- of which expenses in the relation with affiliated entities	50	0	0
Other financial expenses (acc. 663+664+665+667+668)	51	4,019,321	6,150,443
FINANCIAL EXPENSES -TOTAL (row 46+49+51)	52	4,014,543	6,150,581

PROFIT AND LOSS ACCOUNT AT 31 DECEMBER 2010

(all amounts are in Ron, unless specified otherwise)

Form 20

- continuation -

A	Row	Financial Year	
		2009	2010
	B	1	2
FINANCIAL PROFIT OR LOSS			
- profit (row 45-52)	53	1,986,010	1,547,926
- loss (row 52-45)	54	0	0
14. CURRENT PROFIT OR LOSS			
- profit (row 12+45-35-52)	55	13,391,222	15,406,077
- loss (row 35+52-12-45)	56	0	0
15. Extraordinary Revenues (acc.771)	57	0	0
16. Extraordinary Expenses (acc.671)	58	0	0
17. PROFIT OR LOSS FROM EXTRAORDINARY ACTIVITY			
- profit (row 57-58)	59	0	0
- loss (58-57)	60	0	0
TOTAL REVENUES (row 12+45+57)	61	165,996,704	171,391,988
TOTAL EXPENSES (row 35+52+58)	62	152,605,482	155,985,911
GROSS PROFIT OR LOSS			
- profit (row 61-62)	63	13,391,222	15,406,077
- loss (row 62-61)	64	0	0
18. TAX ON PROFIT (acc.691)	65	3,181,235	4,129,664
19. Other taxes not presented at items above (acc.698)	66	0	0
20. NET PROFIT OR LOSS OF FINANCIAL YEAR			
- profit (row 63-64-65-66)	67	10,209,987	11,276,413
- loss (row 64+65+66-63)	68	0	0

F10 checking amount: 2615360804 / 5246799755

Information Data for 31 December 2010

Form 30

I. DATA RELATED TO RESULT REGISTERED	Row	No of Entities	AMOUNTS (Ron)
Entities which registered profit	01	1	11,276,413
Entities which registered loss	02		

II. DATA REGARDING OUTSTANDING PAYMENTS	Row	TOTAL of which	OF WHICH :	
			For Current Operations	For Investments Activity
A	B	1=2+3	2	3
Outstanding payments - total(row 04+08+14 to 18+22), of which:	03	0	0	0
Outstanding suppliers - total(row05 to 07), of which :	04	0	0	0
- over 30 days	05	0	0	0
- over 90 days	06	0	0	0
- over 1 year	07	0	0	0
Past due debts to social security budget - total (row 09 to 13), of which:	08	0	0	0
- contributions for state social security owed by employers, employees and other similar persons	09	0	0	0
- contributions to health social security fund	10	0	0	0
- contribution to supplementary pensions	11	0	0	0
- contributions for unemployment security budget	12	0	0	0
- other social debts	13	0	0	0
Obligations past due to the special funds budgets and other funds	14	0	0	0
Outstanding obligations to other creditors	15	0	0	0
Taxes and dues not paid in due time to the state budget	16	0	0	0
Taxes and dues not paid in time to the local budgets	17	0	0	0
Bank loans not paid back on due time - total (row19 to 21), of which:	18	0	0	0
- past due after 30 days	19	0	0	0
- past due after 90 days	20	0	0	0
- past due after 1 year	21	0	0	0
Interest past due	22	0	0	0

III. AVERAGE NUMBER OF EMPLOYEES	Row	31.12.2009	31.12.2010
Average number of employees	23	1,495	1,257

Information Data for 31 December 2010

Form 30

- continuation -

IV. PAYMENTS OF INTEREST AND ROYALTIES	Row	AMOUNTS (Ron)	
Gross revenues from interest paid by Romanian legal persons to non-resident physical persons of the EU member states, of which:	24		0
- tax owed to the state budget	25		0
Gross revenues from interest paid by Romanian legal persons to non-resident affiliated legal persons of the EU member states, of which:	26		0
- tax owed to the state budget	27		0
Revenues from royalties paid by Romanian legal persons to affiliated non-resident legal persons, of the EU member states, of which:	28		0
- tax owed to the state budget	29		0
V. MEAL TICKETS	Row	AMOUNTS (Ron)	
Countervalue of meal tickets given to employees	30		2,478,128
VI. EXPENSES MADE FOR THE RESEARCH & DEVELOPMENT ACTIVITY	Row	31.12.2009	31.12.2010
Research & Development Activities, of which:	31		1,203,804
- from public funds	32		391,222
- from private funds	33		812,582
VII. INNOVATION EXPENSES	Row	31.12.2009	31.12.2010
Innovation expenses-total (row 35 to 37), of which:	34	3,060,835	8,719,603
- innovation expenses finalized during the period	35	3,035,835	8,469,881
- innovation expenses under finalization during the period	36	25,000	249,722
- innovation expenses abandoned during the period	37		
VIII. OTHER INFORMATION	Row	31.12.2009	31.12.2010
Financial immobilizations in gross amounts (row39+47), of which:	38	467,088	101,580
Shares held in affiliated entities, participation interests, other immobilized bonds and long term securities, in gross amounts (row 40 to 46), of which:	39	128,220	101,580
- shares listed, issued by resident persons	40		
- shares not listed, issued by resident persons	41	87,500	87,500
- contributions issued by resident persons	42	40,720	14,080
- bonds issued by resident persons	43		
- shares issued by resident collective issuers (including Financial Investment Companies/ SIFs)	44		
- shares and contributions issued by non-resident persons	45		
- bonds issued by non-resident persons	46		
Receivables immobilized, in gross amounts (row48+49), of which:	47	338,868	0
- receivables immobilized in Ron and expressed in Ron, which settlement is subject to a foreign currency rate (from acc.267)	48	338,868	0
- receivables immobilized in foreign currency (from acc. 267)	49		

Information Data for 31 December 2010

Form 30

- continuation -

VIII. OTHER INFORMATION	Row	31.12.2009	31.12.2010
Commercial receivables, advance payments to suppliers and other similar accounts, in gross amounts(acc.4092+411+413+418)	50	26,764,908	19,681,794
Receivables related to employees and similar accounts (acc.425+4282)	51	18,066	45,798
Receivables related to social security budget and state budget (acc.431+437+4382+441+4424+4428+444+445+446+447+4482)	52	274,603	692,956
Receivables of the entity in relation with affiliated entities (acc.451)	53		
Other receivables (acc. 453+456+4582+461+471+473)	54	873,024	349
Interest to receive (acc.5187)	55	120	0
Investments on short term, in gross amounts (acc.501+505+506+from acc.508)(row57 to 63), of which:	56	0	0
- shares listed issued by resident persons	57	0	0
- shares not listed issued by resident persons	58		
- contributions issued by resident persons	59		
- bonds issued by resident persons	60		
- shares issued by resident collective issuers (including Financial Investment Companies/SIFs)	61		
- shares issued by non-resident persons	62		
- bonds issued by non-resident persons	63		
Other values to receive (acc.5113+5114)	64		
Cash in Ron and foreign currency (row66 +67), of which:	65	4,055	9,094
- in Ron (acc. 5311)	66	4,055	9,094
- in foreign currency (acc.5314)	67	0	
Current bank accounts in Ron and foreign currency (row69 +70), of which:	68	24,181,832	39,439,086
- in Ron (acc.5121)	69	19,286,260	37,190,909
- in foreign currency (acc.5124)	70	4,895,572	2,248,177
Other current bank accounts and L/Cs (row72+73), of which:	71	23,086	5,327
- amounts under settlement, L/Cs and other values to receive in Ron (acc.5112+5125+5411)	72	23,086	5,327
- amounts under settlement and L/Cs in foreign currency (acc.5125+5412)	73	0	
Debts (row75+78+81+84+87+90+91+94 to100), of which:	74	18,102,683	13,446,859
- Loans from issue of bonds and related interest, in gross amounts (acc.161+1681) (row76 +77), of which:	75	0	0
- in Ron	76	0	0
- in foreign currency	77	0	0

Information Data for 31 December 2010

Form 30

- continuation -

VIII. OTHER INFORMATION	Row	31.12.2009	31.12.2010
- Internal bank loans on short terms and related interest (acc.5191+5192+5197+ from acc.5198), (row79+80), of which:	78	0	0
- in Ron	79	0	0
- in foreign currency	80	0	0
- External bank loans on short term and related interest (acc.5193+5194+5195+ from acc.5198), (row82+83),of which:	81	0	0
- in Ron	82	0	0
- in foreign currency	83	0	0
- Bank loans on long term and related interest (acc.1621 + 1622+ from acc.1682),(row85+86), of which:	84	0	0
- in Ron	85	0	0
- in foreign currency	86	0	0
- External loans on long term (acc.1623 +1624+1625+ from acc.1682),(row88+89), of which:	87	0	0
- in Ron	88	0	0
- in foreign currency	89	0	0
- Loans from state treasury (acc.1626+ from acc.1682)	90	0	0
- Other loans and related interest (acc.166+167+1685+1686+1687)(row92+93), of which:	91	0	0
- in Ron and expressed in Ron, whose settlement is subject to a foreign currency exchange rate	92	0	0
- in foreign currency	93	0	0
- Commercial debts, advance payments received from customers and other similar accounts, in gross amounts (acc.401+403+404+405+408+419)	94	12,872,029	6,613,790
- Debts related to manpower and similar accounts (acc.421+423+424+426+427+4281)	95	1,119,419	994,244
-Debts related to social security budget and state budget (acc.431+437+4381+441+4423+4428+444+446+447+4481)	96	3,743,019	5,491,482
- Debts of the entity in relations with affiliated entities(acc.451)	97		
- Amounts owed to shareholders / partners (acc.455)	98		
- Other debts(acc.53+456+457+4581+462+472+473+269+509)	99	368,216	347,343
- Interest to pay (acc.5186)	100		
Capital subscribed and paid (acc.1012)(row102 to 105),of which:	101	29,284,133	29,284,133
- listed shares	102	29,284,133	29,284,133
- shares not listed	103		
- registered contributions	104		
- capital subscribed, paid by non-resident persons (from acc.1012)	105		
Patents and licences (from acc.205)	106		3,199,166
IX. INFORMATION RELATED TO EXPENSES WITH CO-OPERATING PARTNERS			
Expenses with co-operating partners (acc.621)	107	1,096,920	1,076,400

F30 checking amount: 402716462 / 5246799755

STATEMENT OF IMMOBILIZED ASSETS
at 31 December 2010

Form 40

Immobilization Elements	Row	Gross Amounts(Ron)				
		Initial balance	Increases	Reductions		Final balance (col.5=1+2-3)
				Total	Of which: dismantling & write-off	
A	B	1	2	3	4	5
Intangible Immobilizations						
Set-up expenses and development expenses	01	0	548,851	548,851	X	0
Other immobilizations	02	6,329,687	2,225,128	5,066,279	X	3,488,536
Advance payments and intangible immobilizations in progress	03	85,026		85,026	X	0
TOTAL (row 01 to 03)	04	6,414,713	2,773,979	5,700,156	X	3,488,536
Tangible Immobilizations						
Land	05	5,942,860		35,320	X	5,907,540
Constructions	06	21,042,495	383,307	6,587	6,587	21,419,215
Technical installations and machinery	07	22,720,973	9,948,381	193,771	131,593	32,475,583
Other installations, equipment and furniture	08	333,953		5,115	5,115	328,838
Advance payments and tangible immobilizations in progress	09	25,000	3,430,182		X	3,455,182
TOTAL (row 05 to 09)	10	50,065,281	13,761,870	240,793	143,295	63,586,358
Finnacial immobilizations	11	467,089	9,161	126,959	X	349,291
IMMOBILIZED ASSETS -TOTAL (row 04+10+11)	12	56,947,083	16,545,010	6,067,908	143,295	67,424,185

STATEMENT OF AMORTIZATION FOR IMMOBILIZED ASSETS

Form 40

-Ron-

Immobilization Items	Row	Initial balance	Amortization during the year	Amortization related to immobilizations removed from records	Amortization at year end (col.9=6+7-8)
A	B	6	7	8	9
Intangible Immobilizations					
Set-up expenses and development expenses	13	0	548,851	548,851	0
Other immobilizations	14	5,844,491	2,154,989	4,991,508	3,007,972
TOTAL (row 13+14)	15	5,844,491	2,703,840	5,540,359	3,007,972
Tangible Immobilizations					
Land	16	35,320		35,320	0
Constructions	17	1,072,926	2,498,027	6,587	3,564,366
Technical installations and machinery	18	12,470,313	2,012,766	176,446	14,306,633
Other installations, equipment and furniture	19	331,214	2,739	5,115	328,838
TOTAL (row 16 la 19)	20	13,909,773	4,513,532	223,468	18,199,837
AMORTIZATIONS-TOTAL (row 15+20)	21	19,754,264	7,217,372	5,763,827	21,207,809

STATEMENT OF ADJUSTMENTS FOR DEPRECIATION -Ron-

Immobilization Items	Row	Initial balance	Adjustments setup during the year	Adjustments resumed at revenues	Final Balance (col.13=10+11-12)
A	B	10	11	12	13
Intangible Immobilizations					
Set-up expenses and development expenses	22	0	0	0	0
Other immobilizations	23	0	0	0	0
Advance payments and intangible immobilizations in progress	24	0	0	0	0
TOTAL (row 22 to 24)	25	0	0	0	0
Tangible Immobilizations					
Land	26	0	0	0	0
Constructions	27	0	0	0	0
Technical installations and machinery	28	0	0	0	0
Other installation, equipment and furniture	29	0	0	0	0
Advance payments and tangible immobilizations in progress	30	0	0	0	0
TOTAL (row 26 to 30)	31	0	0	0	0
Financial Immobilizations	32	0	0	0	0
ADJUSTMENTS FOR DEPRECIATION -TOTAL (row 25+31+32)	33	0	0	0	0

F40 checking amount: 602259759 / 5246799755

STATEMENT OF COMPANY CAPITAL MODIFICATIONS for 31 December 2010

(all amounts are in Ron unless specified otherwise)

	Balance at 1 January 2010	Increases		Reductions		Balance at 31 December 2010	
		Total, of which	By transfer	Total, of which	By transfer		
A	1	2	3	4	5	6	
Capital subscribed	29,284,133	–	–	–	–	29,284,133	
Reserves from re-evaluation	20,941,137	–	–	6,587	6,587	20,934,550	
Legal Reserves	5,026,319	768,856	–	–	–	5,795,175	
Statutory or contractual reserves	8,406,339	176,158	–	–	–	8,582,497	
Reserves representing surplus from re-evaluation reserves	81,694	6,587	6,587	–	–	88,281	
Other reserves	3,685,160	2,308,000	–	–	–	5,993,160	
Result carried forward representing profit not distributed or loss not covered	Balance C	8,141,442	–	–	8,141,442	176,158	–
	Balance D	–	–	–	–	–	–
Net profit of the financial year 2010	Balance C	–	11,276,413	–	–	–	11,276,413
	Balance D	–	–	–	–	–	–
Profit distribution	Balance D	–	(3,076,856)	–	–	–	(3,076,856)
Total company capitals	75,566,224	11,459,158	6,587	8,148,029	182,745	78,877,353	

STATEMENT OF CASH-FLOWS FOR 31 DECEMBER 2010

(all amounts are in Ron, unless specified otherwise)

DIRECT METHOD

A	Financial Year	
	31.12.2009	31.12.2010
	1	2
Cash-Flows from Operations:		
Received from operations:	170,097,404	176,962,971
Received from customers	170,070,439	176,948,871
Installments received from loans	26,965	27,156
Payments for Operations:	154,480,002	144,652,430
Payments to suppliers, of which:	88,250,622	81,171,048
<i>Payments to suppliers of materials</i>	<i>62,987,700</i>	<i>61,706,859</i>
<i>Payments to suppliers of utilities</i>	<i>5,665,342</i>	<i>5,647,229</i>
<i>Payments to suppliers of services</i>	<i>19,597,580</i>	<i>13,816,960</i>
Payments to employees, salary taxes and dues, of which:	57,494,037	52,679,405
<i>Net salaries</i>	<i>27,889,603</i>	<i>26,211,847</i>
<i>Meal tickets</i>	<i>2,885,681</i>	<i>2,508,647</i>
<i>Expenses with temporary manpower</i>	<i>2,420,362</i>	<i>3,156,149</i>
<i>Salary taxes and dues</i>	<i>24,298,391</i>	<i>20,802,762</i>
Tax on profit, paid	1,721,692	3,935,814
Other taxes, dues and similar payments, paid	4,981,215	4,507,988
Other payments for operations	2,032,436	2,319,973
<i>Net Cash from Operations</i>	<i>15,617,402</i>	<i>32,348,743</i>
Cash-Flows from Investment Activities:		
Received from Investment Activities:	1,633,698	3,969,100
Received from non-refundable funds	0	2,078,000
Received from sales of tangible and intangible immobilizations	13,001	176,936
Interest received	1,530,118	1,659,885
Dividends received	90,579	28,940
Payments for Investment Activities:	4,033,411	13,174,939
Payments for purchasing of tangible and intangible immobilizations	4,033,411	13,174,939
<i>Net Cash from Investment Activities</i>	<i>(2,399,713)</i>	<i>(9,205,839)</i>
Cash-flows from Financing Activities:		
Received from Financing Activities	89,061	82,605
Dividends paid by the company, not collected by shareholders	89,061	82,605
Payments for financing activities	8,402,439	7,980,813
Dividends paid to shareholders	8,402,439	7,980,813
<i>Net Cash from Financing Activities</i>	<i>(8,313,378)</i>	<i>(7,898,208)</i>
Net increase of cash and cash equivalent	4,904,311	15,244,696
Cash and cash equivalent at beginning of the year	19,304,753	24,209,064
Cash and cash equivalent at year end	24,209,064	39,453,760

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2010

(all amounts are in Ron, unless specified otherwise)

Note 1. IMMOBILIZED ASSETS

1.1. GROSS VALUES

	Balance at 1 January 2010	Increases	Reductions	Balance at 31 December 2010
Intangible Immobilizations				
Development expenses	–	548,851	548,851	–
Patents, licenses, trademarks	988,706	2,225,128	14,668	3,199,166
Other intangible immobilizations	5,340,981	–	5,051,611	289,370
Intangible immobilizations in progress	85,026	–	85,026	–
Total	6,414,713	2,773,979	5,700,156	3,488,536
Tangible Immobilizations				
Land and land layout work	5,942,860	–	35,320	5,907,540
Constructions	21,042,495	383,307	6,587	21,419,215
Technical installations, machinery	22,720,973	9,948,381	193,771	32,475,583
Other tangible immobilizations	333,953	–	5,115	328,838
Tangible immobilizations in progress	–	485,945	–	485,945
Advances for tangible immobilizations	25,000	2,944,237	–	2,969,237
Total	50,065,281	13,761,870	240,793	63,586,358
Financial Immobilizations				
Shares held in affiliated entities	40,721	–	26,641	14,080
Other immobilized titles	87,500	–	–	87,500
Immobilized receivables	338,869	9,160	100,318	247,711
Total	467,090	9,160	126,959	349,291
TOTAL IMMOBILIZED ASSETS	56,947,084	16,545,009	6,067,908	67,424,185

1.2. AMORTIZATION

	Balance at 1 January 2010	Amortization Registered during the year	Reductions	Balance at 31 December 2010
Intangible Immobilizations				
Development expenses	–	548,851	548,851	–
Patents, licenses, trademarks	578,281	2,154,989	14,668	2,718,602
Other intangible immobilizations	5,266,210	–	4,976,840	289,370
Total	5,844,491	2,703,840	5,540,359	3,007,972
Tangible Immobilizations				
Land layout work	35,320	–	35,320	–
Constructions	1,072,926	2,498,027	6,587	3,564,366
Technical installations, machinery	12,470,314	2,012,765	176,446	14,306,633
Other tangible immobilizations	331,215	2,738	5,115	328,838
Total	13,909,775	4,513,530	223,468	18,199,837
TOTAL AMORTIZATION IMMOBILIZED ASSETS	19,754,266	7,217,370	5,763,827	21,207,809

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2010

(all amounts are in Ron, unless specified otherwise)

1.3. NET ACCOUNTING VALUE OF IMMOBILIZATIONS at 31 December 2010

	Gross Value	Amortization	Adjustments for Loss of Value	Net Accounting Value
Intangible immobilizations	3,488,536	3,007,972	–	480,564
Tangible Immobilizations	63,586,358	18,199,837	–	45,386,521
Financial Immobilizations	349,291	–	–	349,291
Total	67,424,185	21,207,809	–	46,216,376

1.4. GROSS VALUE INCREASES OF IMMOBILIZED ASSETS in amount of Ron 16,545,009,

are due to:

- a) Increases of gross value of intangible immobilizations, Ron 2,773,979
of which:

● a.1) capitalization of development expenses related to the programmes approached in the period January-December 2010.	548,851
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AEROSTAR acknowledged and capitalized as intangible assets the development expenses related to the tasks of the development programme approved by the Budget for Revenues & Expenses for the year 2010.

AEROSTAR spent from own sources the amount of Ron 548,851 for the tasks in the development programme.

The main development tasks approached during the period under review were:

- take-over of aviation technologies and products
- reduction of energetic consumption and fuel
- qualification of a range of special processes

● a.2) increases of gross values of licences, due to:	2,225,128
● acquisition of licences	384,885
● transfer of licences from the intangible asset element „other intangible immobilizations” in the intangible asset element „patents, licences, trademarks”	1,840,243

b) Increases of gross values of tangible immobilizations, of which: 13,761,870

● modernizations of buildings	383,307
● acquisition and modernization of equipment, installations, transport means for the programmes performed in AEROSTAR	9,948,381
● net increase of tangible immobilizations in progress	485,945
● advance payments to suppliers of tangible immobilizations and not settled in accounts	2,944,237

c) Increases of gross values of financial immobilizations, of which: 9,160

● customs guaranties	4,000
● interest related to loans granted	5,160

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2010

(all amounts are in Ron, unless specified otherwise)

1.5. REDUCTIONS OF GROSS VALUES OF THE IMMOBILIZED ASSETS of Ron 6,067,908 are due to:

a) Increases of gross values of tangible immobilizations, of which:	5,700,156
● capitalization of the tasks in the development programme, approached and completed during the period January-December 2010	548,851
● remove from use of fully amortized licences	14,668
● reductions of gross values of other intangible immobilizations, due to:	5,051,611
● remove from use of fully amortized software	3,211,366
● transfer of licences from the intangible asset element „other intangible immobilizations” into the intangible asset element patents, licences, trademarks”	1,840,243
b) Reductions of gross values of tangible immobilizations, of which:	240,793
● remove from use of certain constructions, intallations, machinery, etc. and other tangible immobilizations, in accordance with the BoD decision of SC AEROSTAR SA	240,793
c) Reductions of gross values of financial immobilizations, of which:	126,959
● collection of installments and interest related to the loans granted in the year 2005 by the company to 2 employees	32,318
● cancellation of certain customs guaranties	68,000
● exit from portfolio of titles, by sale of the registered capital contribution held by SC AEROSTAR SA Bacau in the registered capital of the company AEROSTAR MAINTENANCE INTERNATIONAL LTD. of Great Britain	26,641

Note 2. PROVISIONS

Provision Description	Transfers			
	Balance at 1 January 2010	(set-ups)	(reductions, anulments)	Balance at 31 December 2010
	1	2	3	4=1+2-3
Provisions for litigations	7,712	-	-	7,712
Provisions for warranty provided to customers	5,227,269	8,385,543	4,689,655	8,923,157
Provisions for dismantling of tangible immobilizations	66,526	-	1,036	65,490
Provisions for restructuring	-	1,133,780	427,139	706,641
Other provisions	4,666,004	12,950,951	5,957,821	11,659,134
Total	9,967,511	22,470,274	11,075,651	21,362,134

The following provisions were set-up:

	Expenses
provisions for performance bonds given to customers, in accordance to contracts	8,385,543
provision set-up for restructuring in accordance to company's restructuring programme, phase II	1,133,780
other provisions, of which:	12,950,951
- provision set-up for debts towards employees of the company provided in the collective labour contract	3,383,446
- provision set-up in accordance with legal provisions specific for companies in the defence sector	8,844,400
- provision for other risks and expenses	635,734
- other provisions	87,371
Total expenses with provisions set-up	22,470,274

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2010

(all amounts are in Ron, unless specified otherwise)

The following provisions were annulled, by take-over:

	Revenues
provisions related to warranties expired, provided to customers in previous periods	4,689,655
provision for restructuring in accordance to company restructuring programme-subphase I of phase II	427,139
partial annulment of provisions for dismantling of tangible immobilizations	1,036
annulment by take-over of other provisions set-up in previous periods	5,957,821
Total revenues from anulments of provisions	11,075,651

Note 3. PROFIT DISTRIBUTION

Destination	Row	Amount
A. NET PROFIT TO DISTRIBUTE	01	11,276,413
B. ALLOCATIONS ACC TO LAW (row 03 to 04):	02	3,076,856
1. Legal reserves	03	768,856
2. Other reserves (profit reinvested in 2010)	04	2,308,000
C. PROFIT NOT ALLOCATED (row01- row02)	05	8,199,557

Note 4. ANALYSIS OF THE RESULT FROM OPERATIONS

INDICATORS	Row	31 December 2009	31 December 2010
Net turnover	01	156,808,447	158,289,213
Costs of the goods sold and services supplied	02	145,651,170	145,740,373
Expenses with basic operations	03	102,159,731	103,592,257
Expenses with auxiliary operations	04	1,106,949	991,035
Indirect production expenses	05	42,384,490	41,157,081
Gross result related to net turnover (1-2)	06	11,157,277	12,548,840
General administration expenses	07	1,411,616	1,416,676
Other revenues from operations	08	1,659,551	2,725,987
Result from operations (6-7+8)	09	11,405,212	13,858,151

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2010

(all amounts are in Ron, unless specified otherwise)

Note 5. STATEMENT OF RECEIVABLES AND DEBTS

a) Statement of Receivables

RECEIVABLES	Row	Balance at 31 December 2009	Balance at 31 December 2010	Liquidity Term		
				Below 1 year	Betw. 1-5 years	Over 5 years
		1	2=3+4+5	3	4	5
Commercial receivables, net	01	24,543,896	16,847,877	16,847,877	–	–
Domestic clients	02	5,887,387	798,096	798,096	–	–
Foreign clients	03	18,656,509	16,047,818	16,047,818	–	–
Uncertain clients ¹⁾	04	2,221,012	2,833,917	–	–	–
Adjustments for depreciation of receivables-clients	05	(2,221,012)	(2,833,917)	–	–	–
Suppliers-debtors for supply of services	06	–	1,963	1,963	–	–
Other receivables, of which:	07	1,152,013	739,103	739,103	–	–
• Receivables related to customers and similar accounts, of which:	08	18,066	45,797	45,797	–	–
- <i>advance payments made to employees</i>		<i>18,050</i>	<i>23,455</i>	<i>23,455</i>	–	–
• Receivables related to social security budget and state budget, of which:	09	274,603	692,957	692,957	–	–
- <i>accises related to fuel used for aircraft testing, not consumed</i>		<i>244,870</i>	<i>651,641</i>	<i>651,641</i>	–	–
• Other receivables	10	859,224	349	349	–	–
- <i>various debtors</i>		<i>90,930</i>	<i>0</i>	<i>0</i>	–	–
- <i>amounts from operations under settlement</i>		<i>769,573</i>	<i>349</i>	<i>349</i>	–	–
• Interest to receive	11	120	0	0	–	–
TOTAL	12	25,695,909	17,586,980	17,586,980	–	–

¹⁾Uncertain customers were registered distinctly in the accounting records of the company. In order to cover the risk of not recovering the amounts representing uncertain receivables, the company registered in the period January-December 2010, adjustments for the depreciation of uncertain customers, at their integral value.

The evaluation of the receivables expressed in foreign currency was made at the exchange rate of the currency market communicated by the National Bank of Romania for 31 December 2010, namely the rate EURO=4.2848 Ron and the rate USD=3.2045 Ron.

The currency exchange differences, favourable or not favourable, between the currency market rate at which the receivables are registered and the currency market rate communicated by the National Bank of Romania for 31 December 2010 were registered in the corresponding accounts of revenues or expenses from currency rate differences, as applicable.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2010

(all amounts are in Ron, unless specified otherwise)

b) Statement of Debts

DEBTS	Row	Balance at 31 decembrie 2009	Balance at 31 decembrie 2010	Exigibility Term		
				Below 1 year	Betw. 1-5 years	Over 5 years
		1	2=3+4+5	3	4	5
Advance payments received on customers account	01	5,146,913	1,725,476	1,685,726	39,750	–
Domestic clients - creditors	02	65,955	137,230	97,480	39,750	–
Foreign clients - creditors	03	5,080,958	1,588,246	1,588,246	–	–
Suppliers	04	7,725,116	4,888,314	4,888,314	–	–
Domestic suppliers	05	4,121,495	3,022,204	3,022,204	–	–
Foreign suppliers	06	3,332,345	1,437,122	1,437,122	–	–
Suppliers - invoices not arrived	07	1,988	240,669	240,669	–	–
Suppliers of immobilizations	08	269,288	188,319	188,319	–	–
Other debts, of which	09	5,224,280	6,832,733	6,832,733	–	–
• Debts related to manpower and similar accounts	10	1,119,419	994,244	994,244	–	–
• Debts related to budget of social security and state budget	11	3,740,341	5,491,482	5,491,482	–	–
• Other debts, of which:	12	364,520	347,007	347,007	–	–
- Dividendes of years 2007, 2008, 2009 *)		276,490	242,807	242,807	–	–
TOTAL	13	18,096,309	13,446,523	13,406,773	39,750	–

The dividendes are registered distinctly in the accounting records of the company.

*) The dividendes of the years 2007,2008,2009 are amounts paid by the company by postal money order and not collected by the shareholders for various reasons incumbent to them, (change of address, death, failure to go to the postoffice, liquidated legal persons etc).

For the debts registered no lien was set-up. AEROSTAR has no past due obligations.

The company has a credit facility undertaken in amount of USD 5.5 million, in the following structure:

-cash component in amount of USD 2,000,000
- non-cash component in amount of USD 3,500,000 of which, the amount drawn on 31.12.2010 was of

USD 1,830,000 as bank guaranty bonds issued in favour of AEROSTAR's commercial partners in accordance to contractual requirements.

The evaluation of the debts in foreign currency was made at the market exchange rate notified by the National Bank of Romania for 31 December 2010, i.e. the rates 1 EURO=4,2848 Ron, 1 USD=3,2045 Ron and 1 GBP=4,9673 Ron.

The differences of exchange rate, favourable or unfavourable, between the market rate at which the debts in foreign currency were registered, and the market rate communicated by the National Bank of Romania for 31 December 2010, were registered in the accounts of revenues or expenses for currency exchange rates, as applicable.

Note 6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

The annual financial statements were prepared and presented based on the accounting regulations in accordance with the European directives.

No deviations were made from the accounting principles and policies, from the assessment methods or from other provisions of the accounting regulations.

No re-evaluations were made during the financial year 2010.

The amounts presented are comparable while the financial statements provide a fair image on the financial position and performance.

A) The Accounting Principles applied are:

• **The principle of the continuity of the activity:** The company will continue its activity in a normal way, in a predictable future, without entry in a situation of impossibility to continue its activity or without significant reduction of its activity.

• **The principle of the permanence of the methods:** The evaluation methods were implemented in a consistent manner from one financial year to another.

• **The principle of prudence.** The evaluation of assets and liabilities items was made on a prudent basis, and specifically:

a) Only the profit made in 12 months in 2010 was included;

b) All the debts arising during the period were taken into consideration;

c) All the predictable debts and potential losses to arise during the period were taken into consideration;

d) All the depreciations were taken into consideration;

e) Provisions were set-up for all the risks identified.

• **The principle of independence of the financial period:** Under consideration were all the revenues and expenses related to the financial year irrespective of the date of receipt or of payment for these revenues or expenses.

• **The principle of separate evaluation of the assets and liabilities items.** The components of the assets and liabilities elements were evaluated separately.

• **The principle of intangibility:** The opening balance sheet of the financial year 2010 was prepared in accordance with the provisions of OMFP 3055/2009.

• **The principle of non-compensation:** No compensations were registered between the assets elements and the liabilities elements or between the revenues elements and the expenses elements.

The possible compensations between receivables and debts of the company in respect with the same economic agent were made in compliance with the legal provisions, only after registration in the accounting records of the revenues and expenses at their integral value.

• **The principle of prevailance of the economic upon the legal aspect:** The presentation of the amounts part of the balance sheet and of the profit and loss account was made taking into consideration the economic

substance of the transaction or of the operation reported, not only their legal form.

• **The principle of the threshold of significance:** The balance sheet elements and the profit and loss account elements were considered as being significant compared to the threshold of significance:

B) Accounting Policies and Methods

a) Basis of the financial statements

The financial statements of SC AEROSTAR were prepared and presented in accordance with the Accounting Act no 82/1991- republished and with the Accounting Regulations in conformance with the Directive IV of the European Economic Communities, approved by OMFP no 3055/2009, with its subsequent modifications, with the provisions of the Law 297/2004 regarding the capital market and Regulation I/2006 issued by the National Securities Exchange Commission.

The financial statements prepared by the company comprise:

- Balance Sheet
- Profit & Loss Account
- Statement of Company Capitals Modifications
- Statement of Cash Flows
- Explanatory notes to the Financial Statements

The accounting policies were applied in a consistent manner during the period 01.01.2010-31.12.2010.

b) The Currency of the financial statements is Ron (Leu). All the amounts are presented in Romanian Lei.

c) Foreign Currency Transactions

The operations expressed in foreign currency were registered in Ron at the market exchange rate notified by the National Bank of Romania, at the date when the transaction was registered. The assets and liabilities, expressed in the foreign currency, as on the date of the balance sheet, were changed into Ron at the market exchange rate notified by the National Bank of Romania for 31.12.2010, as follows:

- 1 Dollar = Ron 3.2045

- 1 Euro = Ron 4.2848

d) Tangible Immobilizations

The evaluation basis used to determine the accounting value of the tangible immobilizations is:

- For the group "Technical installations and machinery" and the group "Other installations, equipment and furniture" – the basis for evaluation in the balance sheet is the net value;

- For the land, the last evaluation was made in the year 2002;

- For the group "Constructions" the evaluation basis is the value re-evaluated in 2009.

The expenses with the repair and maintenance of the tangible immobilizations executed in order to maintain their continued utilization were acknowledged in the profit and loss account at the date when they were executed.

The expenses made in the purpose to modernize the tangible immobilizations were acknowledged in their value and were submitted to amortization during the time period remained to amortize.

The amortization was calculated using the linear method by applying the amortization rates upon the value of the tangible immobilizations, on their utilization period.

The amortization is calculated starting with the month to follow after commissioning until full recovery of the entry value of the tangible immobilizations, in accordance with the economic durations of utilization.

The durations of economic utilization are established by a commission of company's specialists.

The standard functional durations (fiscal durations) of the tangible immobilizations are provided by the fiscal legislation.

The expenses with the amortization of the tangible immobilizations were registered in the profit and loss account.

The land was not submitted to amortization.

The tangible immobilizations in progress represent the investments which are not commissioned. They were evaluated at the production cost or at the acquisition cost, as applicable.

The tangible immobilizations in progress are registered in the category of tangible immobilizations after they are finalized and their acceptance approved.

The tangible immobilizations in progress were not submitted to amortization.

e) Intangible immobilizations

The intangible immobilizations were evaluated in the balance sheet at their net value.

The expenses related to the acquisition of patents, licences, trademarks and other similar values, as well as the development expenses which were acknowledged as intangible immobilizations are recovered by the linear amortization method, on a time period of max. 3 years.

The expenses with the amortization of the intangible immobilizations were registered in the profit and loss account.

f) Financial Immobilizations

The financial investments of the type of financial immobilizations consist of shares and contributions in the registered capital of other companies and were registered at their acquisition cost.

The shares and participation titles are held in companies which are not traded on a regular securities exchange market.

The accounts of immobilized receivables also registered:

- customs warranties in amount of Ron 163,165

- the amount outstanding from the loans given by the company to 2 employees:

Amount	Average interest rate per year
Ron 84,545	9%

g) Stocks

The accounting of the stocks is based on quantity and value, using the permanent inventory/listing method.

In these conditions, all the inputs and outputs were registered in the accounts, which permitted to determine and know at any time the quantities and values of the stocks.

The stocks are registered at the purchasing cost or at the production cost, as applicable.

The production cost or the cost of stocks processing contains: direct raw materials and materials, direct labour or other direct production expenses, as well as a rate of indirect production expenses reasonably allocated, as being connected to the manufacturing of these stocks.

The expenses which were not included in the cost of the stocks but were recognized as expenses of the period 01.01.2010-31.12.2010 were:

- general administration expenses
- sales expenses

At the exit of the stocks from the inventory, they were evaluated and registered into the accounting records by the weighted average cost method, considered as being the most adequate from the viewpoint of connecting recent costs with current revenues.

The method selected is applied consistently for elements like stocks.

The production in progress is determined by inventory at the end of each month.

The assets of stocks nature were reflected in the balance sheet at the value which can be obtained from their utilization or sales.

In this purpose, the value of the stocks was diminished down to their net achievable value, by setting up the adjustments for depreciation.

The level of the adjustments for depreciation of the stocks, at the date of 31.12.2010, was of Ron 3,983,478.

h) Commercial Receivables

The accounts of commercial receivables and other receivables were evaluated in the balance sheet at their value probable to receive. The uncertain receivables were registered distinctly in the accounting records. The company calculated and registered in the period 01.01.2010- 31.12.2010, adjustments for the depreciation of uncertain clients at their full value (Note 5- Receivables).

i) Suppliers and other debts

The accounts for suppliers and other debts were registered at their payable value.

j) Provisions

The company acknowledged provisions solely when having a current obligation generated by a previous event and:

- a cash exit was probable for covering that obligation
- a credible estimation of the obligation value was possible.

Once with the application of the accounting standards, harmonized with the European regulations, the company estimated and included in the value of the tangible immobilizations costs estimated for their dismantling and displacement, setting up provisions at the level of such costs.

At the date of 31.12.2010, the value of the provisions set up for these costs amounted to Ron 65,491.

k) Dividends

The dividends for the year 2010 were not acknowledged as a debt at the date of the balance sheet. The dividends for the company's shareholders will be outlined in the

financial statements of the year 2011, after the shareholders approve the allocation of the distributable profit.

l) Acknowledgement of Revenues

The revenues are acknowledged in the profit and loss account when the risks and benefits associated to the ownership title upon them were transferred to the buyer.

m) Financial Result

It was determined by the revenues and expenses from the financial activity.

Note 7. PARTICIPATION TITLES AND FINANCING SOURCES

The value of the registered capital, subscribed and paid is Ron 29,284,132.50.

The registered capital of the company is made up of 117,136,530 ordinary shares, without material substance, with a nominal value of 0.25 Ron /share.

In the period January-December 2010, the registered capital of the company AEROSTAR did not change.

The shareholders are entitled to receive dividends annually and have voting right in the general meeting of the shareholders, i.e.: a share represents one vote.

AEROSTAR did not issue and did not cancel shares and bonds during the period under review.

The shares of the company AEROSTAR are listed at second tier category of the Bucharest Stock Exchange since the year 1998.

The shareholding structure at the date of 31.12.2010 is as follows:

Shareholder	No of Shares	Value - Ron	Percentage %
SC IAROM SA Bucharest	83,271,380	20,817,845.00	71.0892
SIF MOLDOVA Bacau	14,168,520	3,542,130.00	12.0957
Other shareholder from which:	19,696,630	4,924,157.50	16.8151
<i>Physical persons</i>	<i>12,985,240</i>	<i>3,246,310.00</i>	<i>11.0856</i>
<i>Legal persons</i>	<i>6,711,390</i>	<i>1,677,847.50</i>	<i>5.7295</i>
Total	117,136,530	29,284,132.50	100

**Note 8. INFORMATION REGARDING EMPLOYEES,
EXECUTIVE MANAGEMENT AND DIRECTORS**

- a) The pay for the directors are approved by the general meeting of the shareholders. The salaries of the executive management are negotiated by the general director of the company. The collective labour agreement provides the categories and classes of salaries for the employees of the company.
- b) AEROSTAR makes payments in the name of its own employees to the public and private pension system, to the health insurance system and to the unemployment fund.
All the employees of the company are members of the public pension system and part of the employees are members of the private pension system, according to the law.
AEROSTAR is not engaged in any post-retirement benefits system and does not have the obligation to supply services to former or current employees subsequent to their retirement.
- c) In the timeperiod 01.01.2010-31.12.2010, the company AEROSTAR did not give loans to the members of the Board of Directors, nor to other employees.
- d) **The average number of employees related to the time period 01.01.2010 -31.12.2010 was 1,257, of which:**

Structures of Employees	12 months 2010
Executive Directors	7
University Graduates	388
Workers	750
Other categories	112
Total	1,257

The salaries paid or to pay until 31 December 2010 were in amount of Ron **37,491,278**.

In time period 01.01.2010 -31.12.2010, the company also registered other expenses with manpower, as follows:

	<i>Ron</i>
Meal tickets	2,478,128
Bonuses acc. to Collective Labour Contract	2,832,096
Expenses for labour health and safety	479,369
Training and professional improvement	457,223

The expenses with social security and protection, made by the company in the year 2010, were in amount of Ron **11,110,634**.

Note 9. MAIN ECONOMIC & FINANCIAL INDICATORS

Indicator	Calculation algorithm	31.12.2009	31.12.2010
1. Liquidity Indicators			
Current Liquidity Indicator	Current Assets / Current Debts	3.68	5.17
Immediate Liquidity Indicator (acid test indicator)	Current Assets- Stocks / Current Debts	2.76	4.24
2. Risk Indicators			
Indebtness Rate Indicator	Capital Loaned / Capital employed x 100	0	0
3. Activity Indicators			
Stocks Rotation Speed	Turnover / Average Stock	7.33	8.16
Number of stocking days	Average Stock / Turnover *365 days	49.78	44.76
Rotation Speed of Client Debts	Average Clients Balance / Turnover *365 days	50.60	41.92
Rotation Speed of Supplier Credits	Average Suppliers Balance/ Turnover * 365 days	24.58	24.97
Rotation Speed of Immobilized Assets	Turnover / Immobilized Assets	4.22	3.42
Rotation Speed of Total Assets	Turnover / Total Assets	1.51	1.37
4. Profitability Indicators			
Profitability of Capital Employed	Gross Profit / Capital Employed	0.18	0.20
Profit Rate from Operations	Gross Profit from Operations/ Turnover X 100	7.27	8.75

Note 10. OTHER INFORMATION

a) General Information on the company

The company AEROSTAR was established in the year 1953 and operates in accordance with the Romanian law.

S.C.AEROSTAR S.A. performs its activity at the registered premises and headoffice in Bacau, 9 Condorilor street.

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

The company was registered as a shareholding company at the Trade Register Office Bacau (under no J04/1137/1991) with the present name of S.C."AEROSTAR S.A."

The record of the shares and shareholders is held in accordance with the law by S.C.Depozitarul Central S.A. Bucharest.

The company's development strategy is based on the development of the company business on three main axes:

- Business in the area of military aviation and ground military systems,
- Business in the area of aeronautical manufacturing and constructions for the global aviation industry,
- Business in the area of civil aircraft maintenance and modifications.

b) Information regarding the companies in which AEROSTAR holds participation titles

At the date of 31.12.2010, the portfolio of AEROSTAR's contributions to the registered capital of other companies, compared to the year 2009, is as follows:

No.	Company Name	Percentage held %	Registered Capital held at 31.12.2009 (Ron)	Registered Capital held at 31.12.2010 (Ron)	Differences +/-	Exit from portfolio by:	Sales Price
1	S.C. AIRPRO CONSULT S.R.L. BACAU	100.00	10,000	10,000	-	-	-
2	S.C. FOAR S.R.L. Bacau	51.00	4,080	4,080	-	-	-
3	AEROSTAR MAINTENANCE INTERNATIONAL LTD, Great Britain	50.00	5,000 £	-	5,000 £	sales	5,000 £
4	S.C. AEROSTAR TRANSPORTURI FERROVIARE S.A. Bacau	43.75	87,500	87,500	-	-	-

In accordance with the decision of the extraordinary general meeting of the shareholders on 14th April 2010, in September 2010 S.C.AEROSTAR S.A. Bacau sold the participation held in the company AEROSTAR MAINTENANCE INTERNATIONAL Ltd. England, namely 5,000 shares representing 50% of the registered capital of that company.

The transfer of the ownership rights on the shares held by AEROSTAR S.A. Bacau to A E R O S T A R M A I N T E N A N C E INTERNATIONAL Ltd. of England was made in September 2010 at the moment of the receipt of the amount agreed by contract (5,000 £). Following this transaction, the company AEROSTAR S.A. Bacau no longer holds shares in this company.

c) Tax on profit

From the total gross profit achieved in the year 2010, in amount of Ron 15,406,077, the profit from operations was 90% (Ron 13,858,151) while the profit from the financial activity was 10% (Ron1,547,926).

AEROSTAR ended the year 2010 with a net profit (after tax) in amount of Ron 11,276,413.

The proportion of current activity in total operations was 100%.

The tax on profit owed by the company is determined based on the accounting result adjusted with the non-deductible expenses and non-taxable revenues.

The reconciliation of the accounting result with the fiscal result:

	31.12.2010	31.12.2009
1. Accounting Profit	15,406,077	13,391,222
2. Elements similar to Revenues	805,704	908,581
3. Non-taxable Revenues	23,829,400	5,522,985
4. Non-deductible Expenses	38,701,465	15,411,844
5. Taxable Profit (1+2-3+4)	31,083,846	24,188,663
6. tax on profit rate 16%	4,973,415	3,870,186
7. tax reductions calculated acc.to law	843,751	688,951
8. Tax on the profit owed (6-7)	4,129,664	3,181,235
9. Tax on the total profit	4,129,664	3,181,235
10. Net result of the year (1-9)	11,276,413	10,209,987
11. Weight of expenses with profit tax in accounting result (9/ 1)*100	26.81	23.76

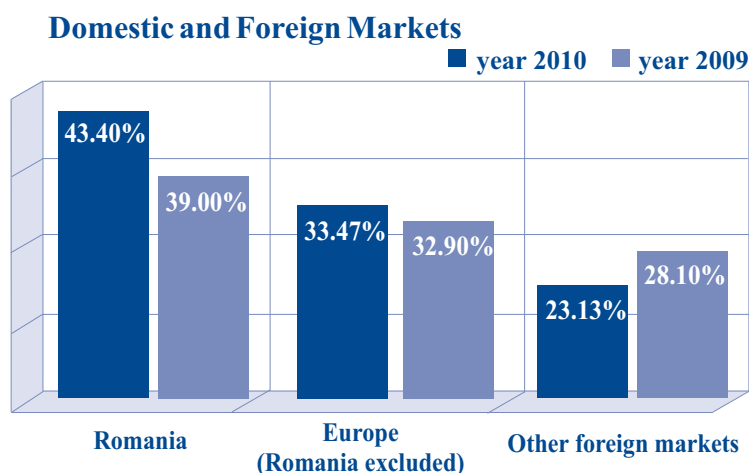
In the year 2010, in the calculation of the profit tax, the company applied the fiscal facility regarding the non-taxation of the profit achieved and re-invested.

d) Turnover – presentation on sales markets

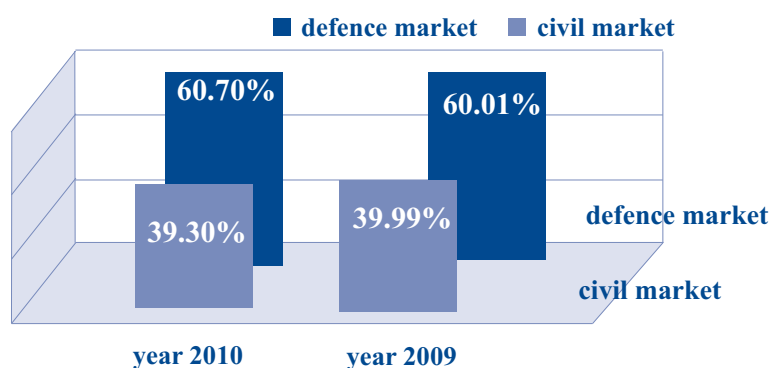
In the year 2010, the company achieved a sales volume in amount of Ron 158,289,213.

The company sold products and services on the domestic market in amount of Ron 68,689,371 while for export the equivalent of Ron 89,599,842, representing 57% of total sales.

The main sales markets until the end of December 2010, are shown as below (comparative situation with the year 2009):



Civil and Defence Sales Markets



e) Events after the date of the Balance Sheet

AEROSTAR did not identify after the balance sheet date, any subsequent event which, by failure to be presented in the financial statements of the year 2010, would affect the capacity of the information users to make correct evaluations and decisions.

f) **AEROSTAR does not acknowledge elements of extraordinary revenues and expenses**, but only revenues and expenses from the current activity, as integral part of its object of activity.

g) **Expenses in advance - not applicable.**

h) Revenues in advance

In the category “subsidies for investments”, at the date of 31.12.2010, AEROSTAR had in its records the amount of Ron 2,106,627, representing:

- The value of the pre-financing received based on the non-reimbursable financing contract concluded between AEROSTAR as beneficiary and the Ministry of Economy, Trade and Business Environment as POSCCE Management Authority, for the implementation of the investment project “Extension of aerostructures manufacturing and assembly capacities for civil aviation”: Ron 2,078,000.
- The value of tangible immobilizations found out as inventory surplus: Ron 207.

General Director
GRIGORE FILIP

- Goods of the nature of tangible immobilizations received free of charge (by donation) in the previous years and not yet amortized: Ron 28,420.

i) Installments paid based on a leasing contract

Not applicable.

j) Description of financial leasing contracts

Not applicable.

k) Fee paid to the independent external auditor

The fee of the independent external auditor of S.C.AEROSTAR S.A. for auditing the financial statements for the year 2010 is lower than Ron 30,000.

l) Commercial effects counted on, not arrived at due date

Not applicable

m) Undertakings as warranties

At the date of 31.12.2010, the value of the warranty bonds granted by AEROSTAR as letters of bank warranty bonds, was in amount of Ron 8,923,157 representing performance bonds in favour of customers in accordance with the contracts concluded.

For these undertakings the company AEROSTAR registered provisions at the full value of the warranty bonds.

Finance-Accounting Director,
DORU DAMASCHIN

NOTE 10 – OTHER ADDITIONAL INFORMATION

The company AEROSTAR S.A. Bacau is an affiliate of the company IAROM S.A.

S.C. IAROM S.A. is a shareholding company which operates in accordance with the Law 31/1990.

The shares of this company are not traded on the capital market. The registered headoffice of S.C. IAROM S.A. is in Bucharest, B-dul Aerogarii no 39.

- Short-term Investments

The amounts presented in the balance sheet item Short-term investments represent amounts available in Ron and foreign currency, placed in short-term bank deposits. The evaluation of the deposits in foreign currency was made at the currency rate notified by the National Bank of Romania for 31 December 2010.

For the investments of this kind, it is not the case to register adjustments.

- Transactions with affiliated entities

During the year 2010, S.C. AEROSTAR S.A. Bacau did not conclude transactions with affiliated entities. The value of the transactions performed in the year 2010 with affiliated entities is not significant and such transactions were carried out based on contracts concluded in the previous years.

- Contingent Assets and Debts

S.C. AEROSTAR S.A. Bacau did not register contingent assets and debts as there were no events to cope with the definition given in paragraph 211, alin.(1) and (3) of OMFP 3055 for the acknowledgement of contingent assets and debts.

- Reserves

In the financial statements, S.C. AEROSTAR registered the following categories of reserves:

- Legal reserves, set-up in accordance with the provisions of the Law 31/1990 and subsequent modifications thereof;

- Statutory reserves, set-up by the allocation from the net profit of the amounts for financing the production and capital expenses, and they will be used to increase the registered capital;

- Other reserves, such as:

- Reserves from fiscal facilities provided by law;

- Dividends paid but not collected by shareholders and prescribed.

- Re-evaluation of land

S.C. AEROSTAR S.A. Bacau did not proceed to re-evaluate the land as the Directors of the company considered that the just value of the land held by S.C. AEROSTAR S.A. at the date of 31.12.2010 did not differ significantly from its accounting value.

- Financial Immobilizations

S.C. AEROSTAR S.A. Bacau did not determine and did not register value adjustments as the inventory commission did not find out, in the year 2010, losses of value at this category.

- Consolidated Financial Statements

S.C. AEROSTAR S.A. Bacau did not prepare consolidated financial statements as the entities held in its portfolio by S.C. AEROSTAR S.A. were excluded from consolidation based to paragraphs 19 and 20 from the accounting regulations in accordance to Directive VII of EEC. The result of the consolidation is not significant with reference to the presentation of a fair image of the assets, debts, financial position and profit or loss of the entities included in these financial statements, considered as a unitary whole.

General Director

GRIGORE FILIP

Finance-Accounting Director,

DORU DAMASCHIN

PROPOSAL FOR DISTRIBUTION OF THE PROFIT ACHIEVED IN THE YEAR 2010

Net profit of the financial year 2010,	Ron 11,276,413
to be distributed as follows:	
A. Reserves	Ron 3,076,856
B. Dividends	Ron 8,199,557
(gross dividend per share = Ron 0,070)	

**PRESIDENT OF THE BOARD OF DIRECTORS & GENERAL DIRECTOR ,
GRIGORE FILIP**

**VICEPRESIDENT OF THE BOARD OF DIRECTORS & FINANCIAL DIRECTOR
DORU DAMASCHIN**

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