

## **Quarterly Report as on 30.09.2016**

In accordance with Annex 30A to the Regulation no 1/2006 with subsequent modifications regarding the issuers and operations with securities

**Date of the report:** 30.09.2016

**Name of the Company:** S.C. AEROSTAR S.A. BACAU

**Registered Headoffice:** str.Condorilor nr 9

**Telephone No:** 0234-575.070

**Sole Registration Number with Bacau Trade Register Office:** 950531

**Number in Bacau Trade Register:** J04/1137/1991

**Social capital, subscribed and paid:** 48.728.784 lei

**Regular market for trading issued securities:** BUCHAREST STOCK EXCHANGE (symbol "ARS")

## INTRODUCTION

The purpose of this interim financial report of the Board of Directors of AEROSTAR S.A. Bacau is to inform the investors regarding the modifications in the position and performance of the company, which took place in the time period January-September 2016.

In accordance to usual practice, the financial statements prepared as on 30 September 2016 are not accompanied by the report of the independent financial auditor.

The individual financial statements prepared for 30 September 2016 were audited by the internal auditor of the company AEROSTAR S.A. Bacau.

## MAIN EVENTS IN THE TIME PERIOD JANUARY-SEPTEMBER 2016

### Highlights

#### Relevant Data for 9 months 2016

	MU	30.09.2016	30.09.2015
<b>Registered Capital</b>	thousand lei	<b>48.729</b>	<b>48.729</b>
<b>Turnover</b>	thousand lei	<b>240.127</b>	<b>202.032</b>
• Export Sales	thousand lei	193.335	174.396
<b>Expenses for Investments</b>	thousand lei	<b>13.732</b>	<b>15.000</b>
<b>Actual Number of Employees, of which:</b>	no	<b>2.060</b>	<b>1.979</b>
• Own employees	no.	1.785	1.718
• Employees from temporary labour agent	no.	275	261
<b>Total Gross Profit</b>	thousand lei	<b>57.243</b>	<b>40.571</b>
<b>Net Profit</b>	thousand lei	<b>48.334</b>	<b>33.525</b>

### “AEROSTAR” SHARE

Stock Exchange Symbol “ARS”	30.09.2016	30.09.2015
<b>Number of shares</b>	152.277.450	152.277.450
<b>Market value per share at the end of the period (lei) *)</b>	3,09	2,91
<b>Stock Exchange Capitalization (lei)</b>	470.537.321	443.127.380
<b>Trading price in the timeperiod (minimum level/ maximum level ) (lei)</b>	2,24 / 3,22	1,675 / 3,25

\*)source: Bucharest Stock Exchange Monthly Bulletin

## **AEROSTAR is a pole of economic development in Romania**

AEROSTAR's position as a pole of industrial and technological development in aviation and defence has been consolidating in intensive processes of growth and development, as part of a complex set of actions for feed-back and adaptation to a very competitive market.

AEROSTAR's Customers are in the upper part of the hierarchy of large global companies in world top 100 of the aviation and defence industry.

The strengths of AEROSTAR as a supplier in the global chains of supply of the industry were recognized by awards of international recognition, granted by the Customers, for quality, on time delivery, competitive prices.

In accordance with the classification of activities in the national economy, the main object of activity is manufacturing of aircraft and spaceships- CAEN code 3030.

The main field of activity is aviation manufacturing but the company is also active on the maintenance market for commercial aircraft and aero and ground defence systems.

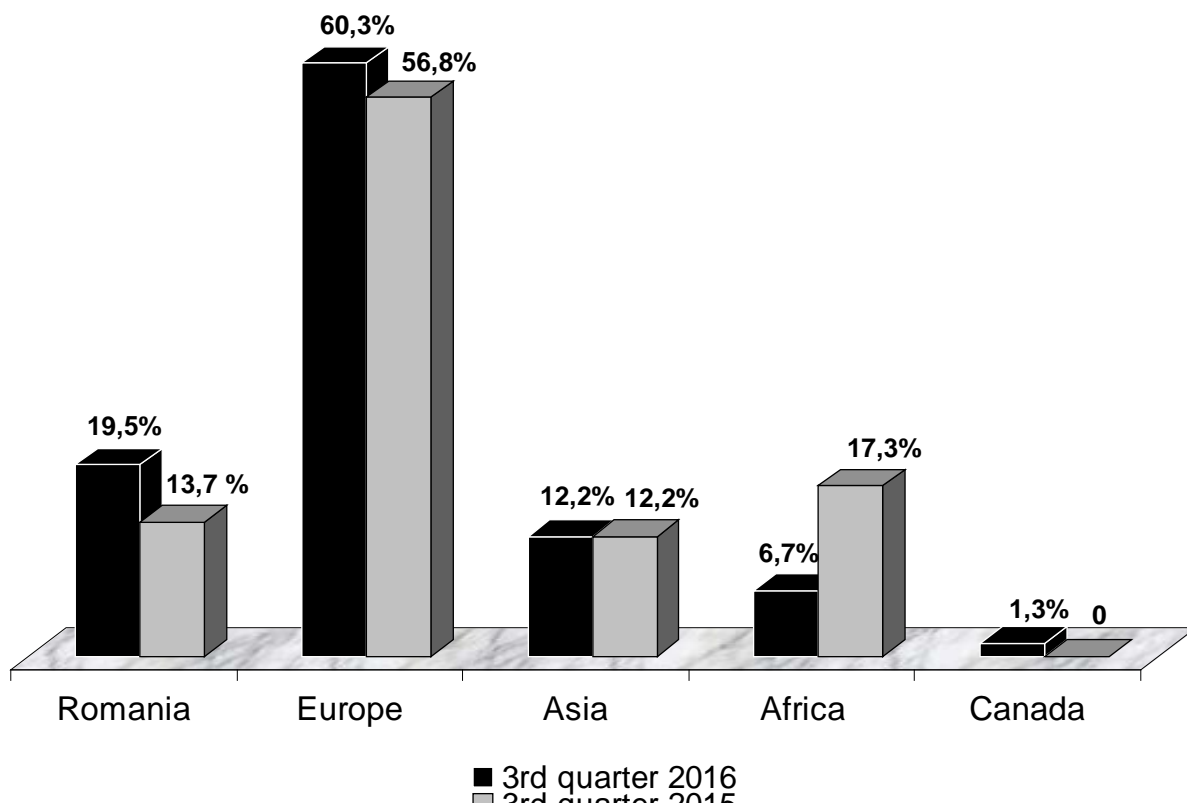
Aerostar kept its positioning as number 1 in Romania for its object of activity.

- Number 1 in aviation manufacturing
- Number 1 in maintenance of commercial aircraft
- Number 1 for the solutions supplied in the field of defence systems (aero and ground).

The sales made by the company in the time period January- September 2016 were in amount of 240.127 thousand lei.

From this turnover, the company sold products and services on the domestic market of 46.792 thousand lei, and the equivalent of 193.335 thousand lei for export.

- **On domestic and foreign markets (comparison)-** as percent in total sales



## INVESTMENTS

The expenses for investments made during January-September 2016 were in total of 13.732 thousand lei, fully funded by Aerostar.

From this amount, 13.191 thousand lei was spent for the acquisition of technological equipment, hardware, measurement and control equipment, for installations, internal transport vehicles, the amount of 349 thousand lei for the acquisition of software licenses and 192 thousand lei for the development of the production management IT system.

## AEROSTAR AS AN EMPLOYER

As on 30 September 2016 there was an actual number of 2060 employees in total, growing with 81 employees compared to 30 September 2015.

From among them, 275 employees are made available by AIRPRO CONSULT S.R.L., which operates on the market as a temporary labour agent.

As to their qualification and background, the situation is the following:

- o University graduates: 525
- o High school and post high school: 601
- o Vocational school or on-job qualification: 659

The union membership during January-September period 2016 was an average of 79,3%.

Other aspects related to human resources:

- Average employment duration in AEROSTAR S.A. → 15 years;
- Average age of employees in AEROSTAR S.A. → 47 years;

- Number of employees on the threshold of retirement by the year end 2016 → 57;
- Non-discrimination in employment as well as at work;
- Provide optimal conditions for health and safety for all the employees, as well as in case of emergency situations.

During the first 9 months of the year 2016 an aggregate number of 3.118 employees of the company attended various internal professional training courses (approvals for different types of activity) or external courses (specialization, professional enhancement, post-university courses), with priority objective to cover the training needs in areas of interest for the execution of the production activities.

Also, expenses were made for:

- Professional training for employees, in amount of 679 thousand lei;
- Various health and safety expenses, in amount of 1.769 thousand lei.

### **Special event which took place in April 2016**

In April 2016, on the occasion of the 63rd anniversary of the company foundation (17.04.1953), an “Open Gates Day” event was organized at AEROSTAR S.A.”, which was attended by some one thousand visitors.

## QUALITY AND ENVIRONMENT

### Aspects related to the Quality and Environment Management System

During the first nine months of this year, Aerostar maintained the certifications and approvals obtained either from the certification bodies or from customers and other regulatory authorities.

As regards quality, surveillance audits were carried out both by the Romanian Civil Aeronautical Authority for the continued Part 21G and Part 145 approvals, and by AEROQ for the continued 9001 certification.

Also, during the first half of this year, the company DQS performed the surveillance audit for the Quality Management System, based on the AS9100 standard specific for the production of civil aviation parts; the Quality Management System was also recertified in accordance with AQAP2110.

As regards the environment, two inspections from the Environment Guard Authority were made, as well as the validation audit for the number of greenhouse effect gas certificates related to the year 2015. Such certificates were handed-over to provide the conformance with the applicable legislation.

In the timeperiod 29.08 ÷ 01.09.2016 the auditing team of DQS performed the recertification audit on the Environment Management System which provided the continued certification to Aerostar.

Also, the procedure was initiated to review the Integrated Environment Authorization and the Water Management Authorization following the new investment related to the tartaric-sulphuric anodization line and the water based painting line.

## PAYMENT METHOD AND DISTRIBUTION PERIOD FOR THE DIVIDENDS DISTRIBUTED FROM THE PROFIT OF THE YEAR 2015

On 30 August 2016, an AEROSTAR press release informed the shareholders of the company as to the following data:

- ✓ The payment coordinates for the dividends from the profit of the year 2015:
  - a) The gross dividend per share is 0,084 lei, from which the tax on dividends is withheld at origin, at the rate applicable on the payment date in accordance to law; the costs related to the payment are deducted from the value of the net dividend;
  - b) The „ex date” was set for the date of 31.08.2016 according to the resolution of the Ordinary GMS held on 21.04.2016;
  - c) The shareholders entitled to receive dividends distributed from the net profit of the financial year 2015 are as recorded in the consolidated register of the shareholders on the date of 01.09.2016 – the Record Date (approved by the Ordinary GMS held on 21.04.2016);
  - d) The dividends distributed from the profit of the financial year 2015 were paid to the shareholders starting with the date of **21.09.2016 – Payment Date** (approved by the Ordinary GMS held on 21.04.2016).

As well as the fact that:

- ✓ The payment of the dividends is made through Depozitarul Central.

The payment of the dividends through Depozitarul Central:

1. In case of a shareholder who has an account opened with an intermediary participating in the clearing-settlement and register system of the Depozitarul Central, the payment of dividends is made through Depozitarul Central and the participants in the clearing-settlement and register system of Depozitarul Central
2. In case of a shareholder who does not have an account opened with an intermediary participating to the clearing-settlement and register system of Depozitarul Central, the payment of dividends is made by Depozitarul Central through **CEC Bank S.A.** (the payment agent appointed by **AEROSTAR**).
3. In case of a shareholder who does not have an account opened with an intermediary participating to the clearing-settlement and register system of Depozitarul Central, the payment of dividends is made by Depozitarul Central through **CEC Bank S.A.** (the payment agent appointed by **AEROSTAR**).

**FINANCIAL POSITION AND PERFORMANCE OF THE COMPANY AEROSTAR  
IN THE TIME PERIOD JANUARY – SEPTEMBER 2016**

**Financial Position (thousand lei)**

	<b>30 September 2016</b>	<b>31 December 2015</b>
<b>ASSETS</b>		
<b>Immobilized Assets</b>		
Tangible Immobilizations	144.678	142.278
Intangible Immobilizations	1.865	2.006
Real Estate Investments	6.012	6.248
Financial Immobilizations	205	212
<b>Total Immobilized Assets</b>	<b>152.760</b>	<b>150.744</b>
<b>Circulating Assets</b>		
Inventories	62.479	43.562
Commercial Receivables and other receivables	52.299	57.194
Cash and cash equivalents	108.834	101.299
<b>Total circulating assets</b>	<b>223.612</b>	<b>202.055</b>
<b>Receivables ref the tax on deferred profit</b>	<b>5.755</b>	<b>6.546</b>
<b>Expenses in advance</b>	<b>759</b>	<b>434</b>
<b>Total Assets</b>	<b>382.886</b>	<b>359.779</b>
<b>COMPANY OWN CAPITALS AND DEBTS</b>		
<b>Capital and reserves</b>		
Registered Capital	48.729	48.729
Current result	48.334	52.268
Result carried forward	57.413	57.382
Other reserves	57.992	34.773
Debts regarding deferred tax recognized on account of own capitals	10.854	9.884
Distribution of the period profit for the legal reserve	(6.261)	(21.517)
<b>Total Company Capitals</b>	<b>217.061</b>	<b>181.519</b>
<b>Long Term Debts</b>		
Subsidies for investments	15.471	16.875
Revenues registered in advance	35	0
<b>Total Long Term Debts</b>	<b>15.506</b>	<b>16.875</b>
<b>Long Term Provisions</b>	<b>68.904</b>	<b>70.086</b>
<b>Current Debts</b>		
Commercial Debts	31.926	34.497
Debt on current profit	1.752	1.970
Other current debts	7.318	14.222
<b>Total current debts</b>	<b>40.996</b>	<b>50.689</b>
<b>Provisions on short term</b>	<b>40.419</b>	<b>40.610</b>



## Financial Position (continued)

	<b>30 September 2016</b>	<b>31 December 2015</b>
<b>Total provisions</b>	<b>109.323</b>	<b>110.696</b>
<b>Total debts</b>	<b>56.502</b>	<b>67.564</b>
<b>Total company capitals, debts and provisions</b>	<b>382.886</b>	<b>359.779</b>

## Performance achieved

	<b>30 September 2016</b>	<b>30 September 2015</b>
<b>Revenues from Sales</b>	240.127	202.032
Other revenues	2.690	1.315
Revenues related to the costs of inventories of products and production in progress	16.180	23.349
Revenues from production of immobilizations	997	530
<b>Total Revenues from Operations</b>	<b>259.994</b>	<b>227.226</b>
<b>Expenses</b>		
Expenses with materials	(90.196)	(86.347)
Expenses with employees benefits	(72.046)	(63.764)
Expenses with amortization of immobilizations	(11.731)	(9.204)
Influence of adjustments related to current assets	(26)	(1.662)
Influence of adjustments related to provisions	1.373	(4.813)
Expenses related to external services	(27.833)	(19.437)
Other expenses	(1.641)	(1.543)
<b>Total Expenses from Operations</b>	<b>(202.100)</b>	<b>(186.770)</b>
<b>Profit from Operations</b>	<b>57.894</b>	<b>40.456</b>
Financial Revenues	4.103	8.102
Financial Expenses	(4.754)	(7.987)
<b>Financial Result</b>	<b>(651)</b>	<b>115</b>
<b>Profit before tax</b>	<b>57.243</b>	<b>40.571</b>
Tax on current profit and deferred	(8.909)	(7.046)
<b>Net Profit of the period</b>	<b>48.334</b>	<b>33.525</b>

**General Director,**  
GRIGORE FILIP

**Financial Director,**  
DORU DAMASCHIN

**ECONOMIC & FINANCIAL INDICATORS**

<b>Indicator</b>	<b>Calculation Method</b>	<b>Result</b>
<b>1.Current Liquidity Indicator</b>	<b>Current Assets/ Current Debts</b>	<b>5,59</b>
<b>2.Endebtness Ratio Indicator</b>	<b>Capital loaned/ Company capital x 100</b>	<b>0</b>
<b>3.Rotation speed of client debits (days)</b>	<b>Clients average balance/ Turnover x 270</b>	<b>55</b>
<b>4.Rotation speed of immobilized assets</b>	<b>Turnover/ Immobilized Assets</b>	<b>1,57</b>

**General Director,**  
GRIGORE FILIP

**Financial Director,**  
DORU DAMASCHIN

**AEROSTAR S.A.**  
**INDIVIDUAL STATEMENT OF PROFIT OR LOSS**  
**FOR 30 SEPTEMBER 2016**  
(all amounts are in thousands lei, unless specified otherwise)

	Note	30 September 2016	30 September 2015
<b>Revenues from sales</b>	14	240.127	202.032
<i>Other revenues</i>	14	2.690	1.315
Revenues related to inventories of finished products and production in progress	14	16.180	23.349
Revenues from production of immobilizations	14	997	530
<b>Total Revenues from Operations</b>		<b>259.994</b>	<b>227.226</b>
<b>Expenses</b>			
<i>Expenses with materials</i>	15	(90.196)	(86.347)
Expenses with benefits for employees	15	(72.046)	(63.764)
Expenses with amortization of immobilizations	15	(11.731)	(9.204)
Influence of adjustments related to current assets		(26)	(1.662)
Influence of adjustments related to provisions	15	1.373	(4.813)
Expenses related to external services	15	(27.833)	(19.437)
<i>Other expenses</i>	15	(1.641)	(1.543)
<b>Total Expenses with Operations</b>		<b>(202.100)</b>	<b>(186.770)</b>
<b>Profit from Operations</b>		<b>57.894</b>	<b>40.456</b>
<i>Financial Revenues</i>	16	4.103	8.102
Financial Expenses	16	(4.754)	(7.987)
<b>Financial Result</b>		<b>(651)</b>	<b>115</b>
<b>Profit before tax</b>		<b>57.243</b>	<b>40.571</b>
<i>Tax on current profit and deferred</i>	7	(8.909)	(7.046)
<b>Net Profit of the period</b>		<b>48.334</b>	<b>33.525</b>

**General Director**

Grigore Filip

**Financial Director**

Doru Damaschin

**AEROSTAR S.A.**  
**INDIVIDUAL STATEMENT OF THE FINANCIAL POSITION**  
**FOR 30 SEPTEMBER 2016**  
**(all amounts are in thousands lei, unless specified otherwise)**

	Note	30 September 2016	31 December 2015
<b>ACTIVE</b>			
<b>Immobilized Assets</b>			
<i>Tangible Immobilizations</i>	4;3	144.678	142.278
Intangible Immobilizations	5;3	1.865	2.006
Real Estate Investments	4;3	6.012	6.248
Financial Immobilizations	6;3	205	212
<b>Total Immobilized Assets</b>		<b>152.760</b>	<b>150.744</b>
<b>Circulating Assets</b>			
<i>Inventories</i>	8;3	62.479	43.562
Commercial receivables and other receivables	9;10	52.299	57.194
Cash and cash equivalents	12;3	108.834	101.299
<b>Total Circulating Assets</b>		<b>223.612</b>	<b>202.055</b>
<b>Receivables related to tax on deferred profit</b>	7;3	<b>5.755</b>	<b>6.546</b>
<b>Expenses in advance</b>		<b>759</b>	<b>434</b>
<b>Total Assets</b>		<b>382.886</b>	<b>359.779</b>
<b>COMPANY CAPITALS AND DEBTS</b>			
<b>Capital and reserves</b>			
Registered Capital	13	48.729	48.729
Current Result		48.334	52.268
Result carried forward	13;3	57.414	57.382
Other reserves	14;3	57.992	34.773
Debts related to tax on deferred profit recognized on account of company capitals	7	10.854	9.884
<i>Profit Distribution for legal reserve</i>		(6.261)	(21.517)
<b>Total Company Capitals</b>		<b>217.062</b>	<b>181.519</b>
<b>Long term debts</b>			
Subsidies for investments	20;3	15.471	16.875
Revenues registered in advance	11	35	0
<b>Total Long Term Debts</b>		<b>15.506</b>	<b>16.875</b>
<b>Long Term Provisions</b>	17;3	<b>68.904</b>	<b>70.086</b>
<b>Current Debts</b>			
Commercial Debts	11	31.926	34.497
Debt with tax on current profit	11	1.752	1.970
Other current debts	11	7.317	14.222
<b>Total Current Debts</b>		<b>40.995</b>	<b>50.689</b>
<b>Provisions on short term</b>	17;3	<b>40.419</b>	<b>40.610</b>
<b>Total provisions</b>		<b>109.323</b>	<b>110.696</b>
<b>Total Debts</b>		<b>56.501</b>	<b>67.564</b>
<b>Total Company Capitals, debts and provisions</b>		<b>382.886</b>	<b>359.779</b>

**General Director**

Grigore Filip

***Financial Director***

Doru Damaschin

**AEROSTAR S.A.**  
**INDIVIDUAL STATEMENT OF OTHER ELEMENTS OF THE GLOBAL RESULT**  
**FOR 30 SEPTEMBER 2016**  
**(all amounts are in thousands lei, unless specified otherwise)**

	30 September 2016	30 September 2015
<b>Net Profit of the financial year</b>	<b>48.334</b>	<b>33.525</b>
<b>Other elements of the global result</b>	-	-
<b>Total global result of the period</b>	<b>48.334</b>	<b>33.525</b>

**General Director**

Grigore Filip

***Financial Director***

Doru Damaschin

**AEROSTAR S.A. BACAU**  
**STATEMENT OF THE TREASURY CASH FLOWS (direct method)**  
**FOR 30 SEPTEMBER 2016**  
**(all amounts are in thousands lei, unless specified otherwise)**

	Note	30 September 2016	30 September 2015
<b>TREASURY CASH FLOWS FROM OPERATIONS</b>			
Received from customers	9	246.799	207.671
Taxes and excises recovered from the State Budget		4.344	3.938
Payments for suppliers and employees		(173.582)	(165.392)
Payment of taxes, contributions and dues to State Budget		(37.739)	(33.389)
Payment of tax on profit		(8.336)	(10.291)
<b>NET CASH FROM OPERATIONS</b>		<b>31.486</b>	<b>2.537</b>
<b>TREASURY CASH FLOWS FROM INVESTMENTS</b>			
Received from non-reimbursable funds	20	4.671	3.396
Interest received from loans granted		5	12
Interest received from bank deposits set-up		406	975
Dividends collected		231	112
Received from sales of tangible immobilizations		5	0
Installments received from loans granted		3	303
Payments for the acquisition of tangible and intangible immobilizations		(16.712)	(17.650)
<b>NET CASH USED IN INVESTMENTS</b>		<b>(11.391)</b>	<b>(12.852)</b>
<b>TREASURY CASH FLOWS FROM FINANCING OPERATIONS</b>			
Dividends recovered		88	0
Dividends paid		(12.380)	(20)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(12.292)</b>	<b>(20)</b>
<b>Net increase of cash and cash equivalents</b>		<b>7.803</b>	<b>(10.335)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>101.299</b>	<b>92.427</b>
Effect of currency exchange rates variation on cash and cash equivalents		(268)	(2)
<b>Cash and cash equivalents at the end of the period</b>	12	<b>108.834</b>	<b>82.090</b>

**General Director**  
GRIGORE FILIP

**Financial Director**  
DORU DAMASCHIN