

# 2012

## Annual Report

### AEROSTAR S.A.



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## **REPORT OF THE BOARD OF DIRECTORS**



## REPORT OF THE BOARD OF DIRECTORS

### ROADMAP

#### Since 1953, Today, The Perspective 2015- 2020

AEROSTAR S.A. Bacau is a legal Romanian person having the legal form of an open shareholding company in accordance with its Constitutive Act and applicable regulations.

Since the foundation in 1953, AEROSTAR has marked several development stages, has executed major programmes and has had continued operations in the industry for aviation and defence.

The main field of activity is production.

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

In 2013 AEROSTAR is celebrating 60 years since the foundation of the company.

The investment programme for technological restructuring initiated several years ago, the growing number of employees, growing turnover and last but not least, the stable policy of payment of dividends, have been a strong base for the rising rate of AEROSTAR shares at Bucharest Stock Exchange.

In the year 2012 AEROSTAR shares ranked in Top 10 of Bucharest Stock Exchange with the most profitable rates.

AEROSTAR applied the International Financial Reporting Standards (IFRS) for the first time in the treatment of the financial statements for the year 2012.

While presenting the results of the year 2012, AEROSTAR also makes projections for the future that build the perspective for the period 2015 – 2020.

### 60 YEARS OF INDUSTRY FOR AVIATION AND DEFENCE IN BACĂU



**PERFORMANCE through PROFESSIONALISM!**



## AEROSTAR S.A. in Figures

AEROSTAR prepared and published the financial statements in accordance with the international financial reporting standards starting with the financial exercise ending at 31 December 2012.

Presenting the individual financial statements compliant with IFRS provides:

- increased transparency in reporting
- eases comparison between companies in the same field of activity
- provides a tool for analysis and review

		31.12.2011 IFRS	31.12.2012 IFRS
Registered Capital	K Ron	37,484	37,484
Turnover	K Ron	156,382	196,913
- export sales	K Ron	105,785	139,788
- export share in turnover	%	66.8%	71.0%
Investment Expenses	K Ron	16,171	18,336
Effective Employees, of which	No	1,501	1,767
- own employees	No	1,286	1,376
- attracted employees through temporary labour agent		215	391
Gross Profit	K Ron	18,037	18,566
Net Profit	K Ron	12,448	15,068

## AEROSTAR SHARE (ARS)

		Year 2011	Year 2012
Number of shares	No.	117,136,530	117,136,530
Nominal value per share	Ron	0.32	0.32
Book value per share	Ron	0.94	1.09
Average price per share	Ron	1.04	1.16
Net profit per share (EPS ratio)	Ron	0.11	0.12
Market value per share at year end	Ron	0.990	1.437
Stock market capitalization	Ron	115,965,165	168,325,194

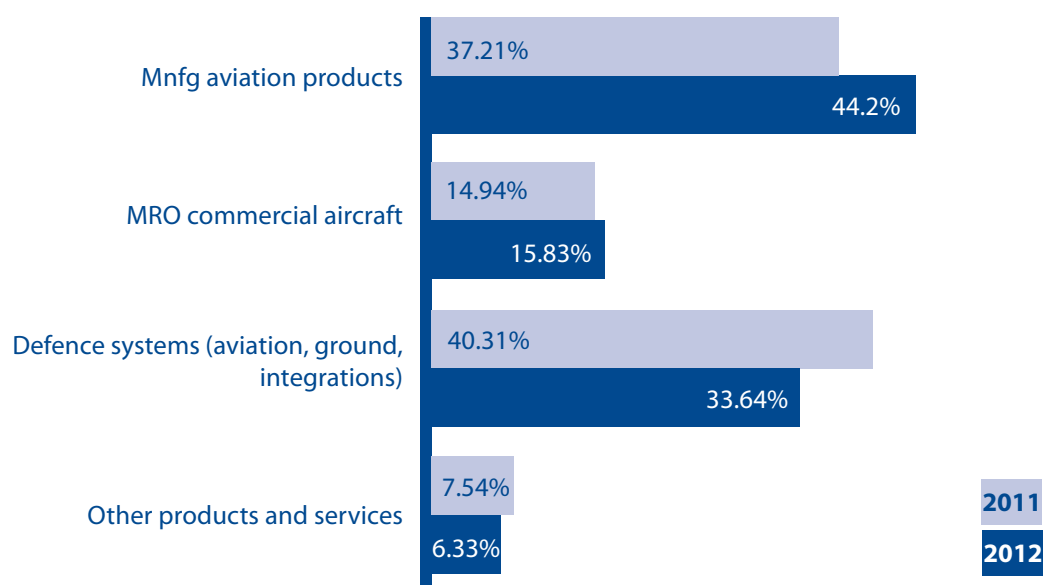
## MACROECONOMIC INDICATORS

		2011	2012
Inflation Rate	%	3.14%	4.95%
Average exchange rate, EURO	Ron/euro	4.2378	4.4540
Average exchange rate, USD	Ron/USD	3.0482	3.4680
Average exchange rate, GBP	Ron/GBP	4.8837	5.4888

## FINANCIAL POSITION

K Ron	31.12.2011 IFRS	31.12.2012 IFRS
• Total Assets	168,603	240,461
• Current Assets	85,262	120,166
• Registered Capital	37,484	37,484
• Company Capitals	110,586	128,061
• Total Debts	58,017	112,400

## Distribution of turnover by main products and services in 2012



## Distribution of sales on civil/ defence market



## STRATEGIC OBJECTIVES AND DIRECTIONS FOR THE YEARS TO FOLLOW

### Vision

We are acting consistently for a sustainable development for AEROSTAR, at ever higher performance levels, in conditions of profitability and responsibility.

The synergy of our competences and expertise for the civil and defence market contribute to AEROSTAR's consolidation as a company for the future.

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 of our business partners, of the community we are part of, we bring satisfaction to our shareholders.

**The development strategy for AEROSTAR S.A.** for the years 2011-2015 is a "selective expansion" strategy, which gives priority to those groups of products with good profitability and relatively low risk, "parts, aerostructures and aviation subassemblies", "civil aircraft maintenance", "aviation hydraulics" and "ground defence systems", without neglecting the other groups of products and services which will be maintained and their profitability improved.

This strategy preserves and develops the main object of activity so that the aeronautics contribution in the turnover will reach about 70% of the total, with doubled sales, of which over 75% will be exports.

### BATTLE FOR THE FUTURE, THE PERSPECTIVE 2015-2020

AEROSTAR will continue as a strong industrial base for aviation and defence.

Our plans go deeply into the vision upon AEROSTAR as a "Customer" focused organization by enduring and sustainable development programmes and development of our competitiveness through knowledge and innovation, which provides for us to maintain our competitive advantage.

Among our priorities of investments are the new technologies, in parallel with the development of our organizational culture and our employees' in the spirit of the requirements on our current markets.



## AEROSTAR PRESENTATION

### Important Events of the Year 2012

The ordinary general meeting of shareholders convened and taking place in accordance with the statutory regulations held on 6 July 2012 decided for a Board of Directors composed of five members- natural persons.

The mandate of the BoD members is for a period of 4 (four) years starting with 11 July 2012. The mandate is valid until the date of 10 July 2016.

The President of the Board of Directors and General Director was appointed Mr. Filip Grigore.

The Vicepresident of the Board of Directors and Financial Director was appointed Mr. Damaschin Doru.

On 13.07.2012 AEROSTAR announced the start-up of the project "Set up of a new manufacturing capacity in order to diversify production and increase export", which takes place starting with 14.06.2012. The project is co-financed by the European Regional Development Fund under the financing agreement made with the Ministry of Economy, Trade and Business Environment – Management Authority for the Sectorial Operational Program "Increase of Economic Competitiveness" - Priority Axis 1 "An innovative and eco-efficient production system", Operation 1.1.1. b) Support for strengthening and modernization of the productive sector by tangible and intangible investments in large enterprises.

The total project value is 21,976,768 Ron, of which the financial assistance grant is 8,692,728 Ron.

The Project is implemented at the company site for a period of 24 months.

The project objective is to increase productivity by expanding and diversifying production, with a view to increase the turnover, increase the export production volume, increase of productivity subject to creating or maintaining the current jobs.

On October 23, 2012 AEROSTAR announced the completion of the project "Expansion of aerostructures manufacturing and assembly capacities for civil aviation", co-financed by the European Regional Development Fund under the contract concluded with the Ministry of Economy, Trade and Business Environment – Management Authority.

The project financed under the Sectorial Operational Programme "Increase of the Economic Competitiveness" (Priority Axis1 "An innovative and eco-efficient production system") was implemented in the period 23.04.2010 – 22.10.2012, at the company premises.

The total project is 20,873,852 Ron, of which the financial assistance was 5,938,500 Ron. The project resulted in the construction of a new hangar and the acquisition of a total of twenty new advanced equipment (state-of-the-art CNC machine-tools, 3D measurement equipment, specialized tooling for work on the aircraft), the acquisition of four software programmes for machine-tools.

In 2012, AEROSTAR adopted the Code of Conduct and Ethics that requires compliance with the highest standards of business ethics. AEROSTAR S.A. offers to its partners the guarantee of its honesty and quality benefits in all contracts and business relationships where it is involved. This Code of Conduct and Ethics is integral part of the Collective Labor Agreement.



## MESSAGE TO THE SHAREHOLDERS

The year 2012 was a year of sustained growth which confirms the correctness of our plans, the forecasts made, as well as the measures and actions that we have carried out consistently for a number of years. The results of our planning can be seen now, as well as assuming a new vision on AEROSTAR as a regional leader in the industry for aviation and defence in Romania and Europe.

AEROSTAR is strongly anchored in the global competitive environment where it operates and where our sales of services and products are made.

Now in the field of the reporting standards also, we apply the same standards as our clients and partners, we apply for the first time the IFRS standards in our reporting for the year 2012.

Not of least interest to our shareholders, AEROSTAR ranked in the top 10 most profitable stocks at Bucharest Stock Exchange.

We are in a new stage of development of the company AEROSTAR.

AEROSTAR's performance for the year 2012 relates to an increase in turnover, profit growth, the increased volume of investments and growth of the total number of employees.

AEROSTAR revenues amounted to 219,220 K Ron and the turnover amounted to 196,913 K Ron. The gross profit achieved was of 18,566 K Ron. The investments accounted for 9.3% of the turnover achieved in 2012.

The technological restructuring, initiated in 2005 and which has continued year by year by making an important volume of investments, makes it that currently 85% of the production capacities are provided with new technologies.

In the year 2012, we adopted the Code of Ethics and Conduct, which is a natural framework and mandatory for our business practices.

AEROSTAR operates for 60 years in the industry for aviation and defence.

The resources were scarce for defence programmes on the domestic market.

Our permanent concern was for the health and vigour of our industrial base for defence, we have developed the critical capabilities and we have



positioned ourselves to be able to contribute with high added value in the programmes on the market, today and in the future.

On the civil aviation market we have developed key programs, with which we are positioned to attract future growth opportunities, most notable being in the field of aviation manufacturing, and commercial aircraft maintenance.

We focused on export, 71% sales in 2012 were on the foreign markets.

We continue during the year 2013 with a significant package of multiannual orders and contracts, and we act firmly to attract new programmes and customers. We act consistently to continue the competitiveness growth programmes, the company's development and modernization.

In the industry where AEROSTAR operates, the projections for the period 2015-2020 are already made and known and we are mapping with our own projections to be part of this future of the industry for aviation and defence.

This perspective is the successful consolidation of the major changes in the company and maintaining the growth trend, a strong contribution to the economic and social stability, which brings wealth and satisfaction to all parties important in our business: customers, shareholders, employees, the community to which we belong.

**Grigore FILIP**  
**President – General Director**

## AEROSTAR AND THE SHAREHOLDERS

AEROSTAR is a private company listed on the Bucharest Stock Exchange since 1998.

**Aerostar shares** are nominative, ordinary, of equal value, issued in dematerialized form and registered in the Register of Shareholders. The management of the register is made by S.C. Depozitarul Central S.A. Bucharest.

According to the records from Depozitarul Central, the share issuer AEROSTAR S.A. Bacau is registered with the following data: VAT Registration Code 950531, ISIN code ROAEROACNOR5, stock exchange indicator ARS.

The company has the registered share capital of 37,483,689.60 Ron, a total of 117,136,530 shares with a nominal value of 0.32 Ron.

The main shareholders are S.C. IAROM S.A. Bucharest and SIF MOLDOVA S.A.

Further, there is a large number of shareholders, natural and legal persons, rated below the threshold of significance in terms of the stock exchange and securities exchange commission regulations.

The number of shareholders as on 31.12.2012 was a 6961.

**The General Meetings of Shareholders** were conducted in compliance with the Company Act 31/1990, Law 297/2004 on the capital market and the applicable regulations issued by the securities exchange commission, as well as any other applicable legal provisions.

The General Meetings of Shareholders were held on April 3 (ordinary and extraordinary general meetings of shareholders), on April 6 (ordinary general meeting of shareholders) and December 12 (ordinary general meeting of shareholders). All meetings were convened and conducted in accordance with the legal and statutory provisions.

In the past three years, the company distributed dividends to the shareholders and consolidated a dividend policy that ensures satisfaction of the shareholders as well as resources for the company's development.

The company did not acquire its own shares and did not issue bonds or other debt securities during the year 2012.

### **Administration of the Company AEROSTAR**

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

AEROSTAR is under the administration of a Board of Directors composed of five members, elected in the year 2012 for a period of 4 years.

## Members of the Board of Directors

No	Name	Position	Background
1	<b>FILIP GRIGORE</b>	President of the Board of Directors	engineer
2	<b>DAMASCHIN DORU</b>	Vice-president of the Board of Directors	economist
3	<b>TONCEA MIHAIL-NICOLAE</b>	Member of the Board of Directors	engineer
4	<b>NIJNIC MARIN-ILIE</b>	Member of the Board of Directors	engineer
5	<b>VIRNA DANIEL</b>	Member of the Board of Directors	legal adviser



The direct participation of the Directors in the share capital of the company is lower than 1%.  
 President of the Board and general director is appointed Mr. Filip Grigore.  
 Vice-president of the Board and financial director is appointed Mr. Damaschin Doru.  
 They delegate attributions to the executive management of the company.

## The Components of the executive management of the company in 2012 were:



No	Name	Position
1	<b>FILIP GRIGORE</b>	General Director
2	<b>DAMASCHIN DORU</b>	Director, Finance-Accounting
3	<b>POPA DAN PAUL MALIN</b>	Director, Management-Development
4	<b>PETRAS SORIN</b>	Quality Director
5	<b>PASCAL LAURENTIU</b>	Director, Logistics Division
6	<b>BUHAI OVIDIU</b>	Director, Aviation MRO & Upgrades Division
7	<b>IOSIPESCU SERBAN</b>	Director, Aeronautical Products Division
8	<b>PLACINTA THEODOR</b>	Director, Technological Division

The direct participation of the executive management members to the registered capital of the company is also under 1%. None of the Board of Directors members, nor the executive management members, were involved in a litigation or similar administrative procedure with AEROSTAR during the last five years.

## AEROSTAR's Relation with Capital Market Institutions

In the relation with the capital market institutions, AEROSTAR fulfilled in the year 2012 as well, all its reporting obligations provided by law, by release of regular and current reports in the electronic system of the Securities Exchange Commission and of the Stock Exchange, on the company's web page, and by press releases.

AEROSTAR provides for the compliance with the legitimate rights and interests of the shareholders. The company fully complies with the legal provisions in force on transparency

and continued release of information to the shareholders and investors on the capital market.

During the year 2012, the financial communication calendar was respected and legal reports were sent to the capital market bodies, the National Securities Exchange Commission and Bucharest Stock Exchange.

The trading price of an AEROSTAR share varied in 2012 between a minimum of 0.92 Ron and a maximum of 1.45 Ron.



## BUSINESS LINES, PROGRAMMES AND OPERATIONS

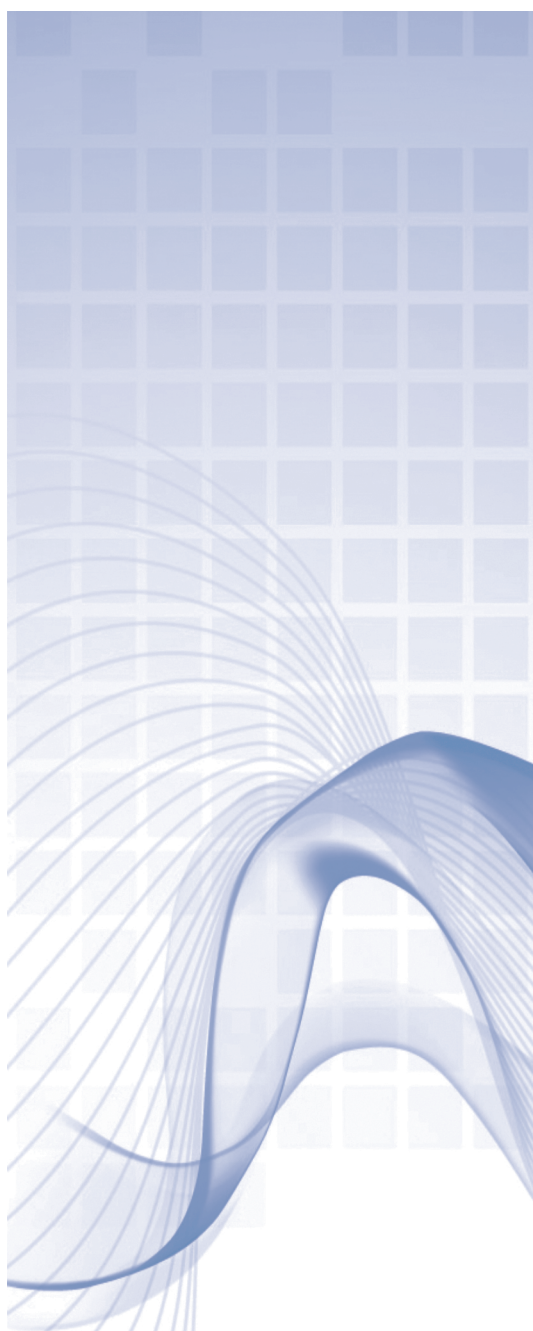
### Generals

The total revenues made by AEROSTAR S.A. in 2012 were in amount of 219,220 K Ron, of which the turnover was 196,913 K Ron.

The expenses made to achieve these revenues amounted to 200,654 K Ron. The net profit achieved was 15,068 K Ron.

The main lines of business developed by AEROSTAR are:

- Manufacturing of aviation products
- Maintenance of commercial aircraft
- Aero and ground defence systems, production and integrations.





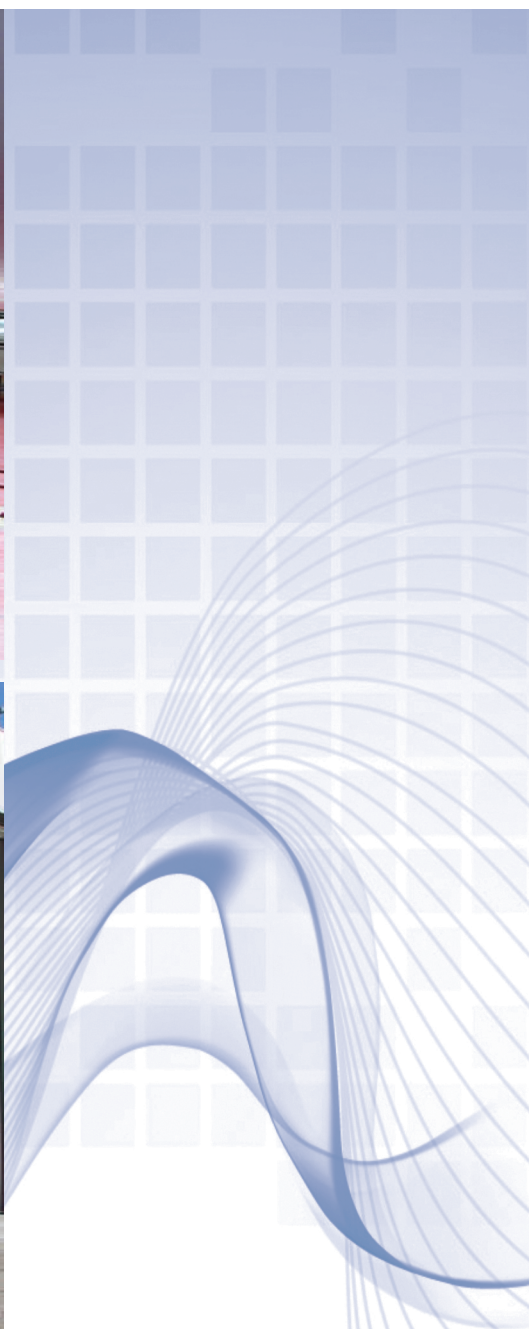
## In the field of civil aviation

- ▶ The company has been consolidating as an upper tier supplier of aerostructures and aviation assemblies for the global supply chains.
- ▶ AEROSTAR is a subcontractor of landing gears and hydraulic systems and acts as an approved supplier for their production and testing.

AEROSTAR has developed major investments for the accomplishment of the objective.  
**«AEROSTAR – centre of excellence for manufacturing of aviation products».**

- ▶ AEROSTAR maintenance base for commercial aircraft is a regional centre of excellence for the supply of base and heavy maintenance services for aircraft family AIRBUS 320, for Boeing 737 aircraft all series and for BAe – 146/RJ aircraft, as well as for components.

AEROSTAR is also approved to supply specialized services in the area of non-destructive tests.



### **In the field of defence**

AEROSTAR is a major supplier of products and services in the category of aero and ground defence systems.

The company supplies repair, upgrade, modifications services and integration of advanced systems for various air platforms, as well as the related logistic support.

AEROSTAR maintained a diversified capability for variants and configurations of multiple launch rocket systems 122 mm, for engineering and fire extinguishing equipment.

AEROSTAR supplies equipment and systems, as well as integrations of identification, communications, command and control systems. Aerostar's expertise in IFF systems and equipment holds a significant footprint on the specific market.



### **Business Environment**

AEROSTAR holds a leading position on the market in Romania given the diversity of its offer in the field of manufacturing and integration for the aeronautical and defence industry, given its experience and expertise, as technological level and number of employees.

The specific market in Romania cannot provide sufficient resources for growth and development. Therefore, essential is the capacity to enter the new advanced programmes and the development of the foreign market to ensure an enduring and sustainable growth at industry level.

### **AEROSTAR in relation to the business environment**

The factors and elements which impact on the global economy have influence on AEROSTAR business.

The company achieved its object of activity in a highly competitive environment and conducted its affairs based on the widely recognized principles of corporate governance, in accordance with the Romanian legislation, European Union legislation and with international practice.

In 2012 AEROSTAR maintained and developed a strong base for business. The company has successfully responded to the challenges of the aerospace and defence market due to a diversified and sustainable capability offer.



## AEROSTAR – Major Technological Centre for Manufacturing of Aviation Products

### Aerostar – Centre of Excellence for Manufacturing Aerostructures

AEROSTAR is a centre of excellence for manufacturing of aerostructure parts and assemblies, and major investments have been made for technological restructuring and development.

Following the volume of contracts and orders growing, supported by a massive investment programme, the manufacturing centre for sheet metal parts, small size and major subassemblies met with a significant dynamics.

Strengthening of the market position was based on the increased production volume of existing parts and subassemblies types but also by adding new products; so, the production increased substantially for hydroforming pressed parts, industrialization started for a high number of small subassemblies and major assemblies entered into production such as spoilers and aerodynamic brakes.

The increasing volume of production was at the origin of new layout of work space with the objective, on the one hand, to

optimize production with a view to improved technological flows and, on the other hand, the improvement of the working conditions.

The high level requirements from the customers led to the implementation of flexible work practices to come forward in meeting the market needs; this was achieved through extensive use of the IT network system, by continued adjustment of the organization, by flexible use of the working time and by adopting a proactive management mode.

Securing the future will be accomplished by continuity of the market consolidation policy.

The consolidation of a robust quality system, diversification of the technological processes and the increased production capacity will be the warrant of AEROSTAR's continuity as a leading trade name in the manufacture of aircraft structures.

The contribution of this business in the turnover registered a significant growth.



## Aerostar – Centre of Excellence for Manufacturing Landing Gears and Hydraulic Systems

Skilled labour and accumulated know-how, supported by a massive investment effort led to the result much awaited: the production of landing gears, hydraulic actuators and mechanical parts increased in 2012 by more than 50% compared to the previous year. State-of-the-art machine tools such as CNC lathes of high precision or 5 axes milling machines are operated more and more by young people who learn the secrets of the job from the elder and experienced.

While a few years ago the basic production was represented by primary parts, now the larger share is the production of complete equipment. Further to the landing gear set of the TBM 850 aircraft produced by the French company Daher Socata, Aerostar delivers around 30% of the retracting and locking actuators of the nose landing gear for the aircraft family Airbus 320.

For the business unit dedicated to landing gears and hydraulic systems the year 2012 represented a new beginning. It is the year when a new contract was signed for the interior parts of the landing gear shock absorbers of the Boeing 787, Airbus 350 and Airbus 330 aircraft.

The parts are large size and require more equipment, technological lines and

qualifications both in terms of machining, but also in terms of heat treatments and surface coatings. The investment dedicated to this programme started in the year 2012; the most important equipment is made of two machining centres, custom-made, which perform both turning and 5 axes milling.

Also in 2012, started the rehabilitation of the landing gears and hydraulic systems facility, which, jointly with the reorganizing of the production flowlines will lead to substantial improvement of the working conditions; we can state that hydraulics facility is at western level both in terms of the products and of the equipment, as well as as working conditions.

In the manufacturing of landing gears and hydraulic systems, AEROSTAR is well positioned in the perspective of the projected growth in this field, and developed a strong offer in the area of hydraulic actuators in new programmes, having a solid scope for the future.

It is an area of a special potential for business development, both through the investments in the production structure, and through the know-how held for the development of support equipment and hydraulic systems, test benches respectively.



**AEROSTAR maintained its competitive advantage, developed the position gained during previous years and has achieved a high rate of the turnover on the direction of aviation production capabilities, so that 44% of the sales were in field of structure subassemblies, parts and components and hydraulic systems.**

**AEROSTAR's production organization increased significantly its manufacturing capacity and new programmes were started. New elements were implemented in the monitoring of the processes so that the production flows can be more reactive, flexible and more efficient.**



## REGIONAL CENTRE OF EXCELLENCE FOR COMERCIAL AIRCRAFT MRO

Aerostar holds the Part-145 approval issued by the Romanian Civil Aviation Authority (RoCAA) recognized by the European Aviation Safety Agency (EASA) for carrying out maintenance work on aircraft.

AEROSTAR provides **base and heavy maintenance for commercial aircraft**. The range of maintenance services was expanded in 2012 so that currently comprises inspection checks for the Airbus 320 family aircraft, for aircraft type Boeing 737 all series and aircraft BAe-146/ RJ, as well as for components.

Currently, the company executes routine and non-routine checks, including structural modifications to these types of aircraft. It also owns a wide range of specific work and control equipment and tooling for such works. The

number of specialists and qualified licensed personnel for such work has been growing. Strong investments were made also, in order to expand the range of services offered to customers, and an extended range of NDT services supplied on site or at customer's premises.

The share of the commercial aircraft maintenance (MRO) business, as well as the number of customers, gradually increased in the company turnover while strengthening the position of the company as a regional maintenance centre is a major development objective.

Through the synergy with the activities of the Part-21 production organization, AEROSTAR is an ideal centre for business in the field of aircraft modification and conversions.





## AERO AND GROUND DEFENCE SYSTEMS

The business in the field of ground defence equipment was under the impact of scarce resources available from our traditional customers. While measures have been taken to maintain the capability and capacity for this line of business, new directions of activity were approached, for which there is a market demand.

AEROSTAR has a well proven capability to adapt itself to this market.

The company maintained its competitiveness and leadership for the platforms in its expertise: MiG-21 and L-39 aircraft. Such expertise covers overhaul of the structure and systems, modernizations and life extensions.

AEROSTAR operates on the market as a centre of excellence for overhaul and life extension for the aeroengines R11, R13, R25.

The company is an approved supplier of the Romanian Ministry of National Defence and is present on a vast geographic market of the defence equipment and services for traditional programmes, as well as in new programmes.



The company maintained its market presence as a supplier of ground defence systems such as the ground-to-ground rocket launchers, 122 mm calibre.

The mission and objectives for the company are based on keeping further on the status of first rank supplier of services and equipment for the Romanian Army in parallel with marking the company's footprint on the international market for defence equipment and services.

The trend is descending for the groups of traditional defence products as contribution in the turnover, their share reduced to 36.38% of the sales and the company has been acting to gradually occupy a position on the market of the new generation equipment and systems, in new programmes.

## COMMERCIAL ASPECTS AND LOGISTICS

AEROSTAR performs its businesses and commercial transactions on its own name, the same as the operations for obtaining licenses and permits for the activities undertaken.

In the field of import and export transactions, AEROSTAR is an operator with the status of <authorized economic agent for customs simplifications, security and safety>, approved by the Romanian Customs.

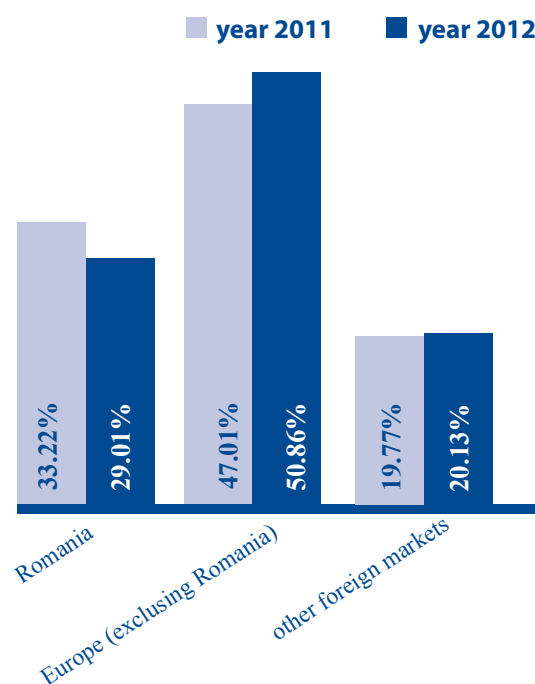
Also, the company is registered by the Ministry of Foreign Affairs- Exports Control Department for conducting import and export operations with military goods.

The implementation of competitiveness actions at the company level is correlated with the commercial and logistics operations. The master plan and follow-up of the sequence of steps until the transactions are completed are individualized on the profile of each customer and type of business. AEROSTAR has a flexible and efficient sales organization, with well-structured processes and controlled as to their cost efficiency.

In 2012 Aerostar sales were in amount of 196,913 K Ron with 71% export sales, with a wide diversity of customers and geographic areas.

AEROSTAR fully complies with the applicable regulations nationally and internationally on trading and, of course, production of all goods and services in its supply profile.

The main markets where AEROSTAR made sales are:



The modernization of the purchasing and logistics processes related to the transactions performed increased the flexibility of the organization; also, the base of suppliers has grown, an objective to develop further on.

During the year, the company purchased goods and services for the production activity in amount of 130,375,574 Ron.

The markets where the purchasing of goods was made are:

- Romania 57.27%
- European Union 31.03%
- Other foreign markets 11.70%



## COMPETITIVENESS AND SUSTAINABLE DEVELOPMENT, ACHIEVEMENTS IN 2012

### INVESTMENTS AND DEVELOPMENT

In 2012, the expenses for investments and development amounted to a total of 18,336 KRon, representing about 10% of the company turnover.

The most important investment objectives finalized in 2012 are in the field of procurement of technological machining equipment, for maintenance work in civil aviation, building of the new hangar with all related utilities and technical facilities and modernizations of certain buildings, purchases of hardware equipment and licenses for the IT system.

The purchase of CMM measurement and monitoring equipment, as well as of the NDT equipment contributed to consolidate the restructured engineering capability, required in the new programmes.

In AEROSTAR, the development activities envisage the technological development correlated with the main production programmes.

With a view to AEROSTAR's offer diversification, we focused on qualifying a wide range of special technological processes, which were the object of several development tasks, meant to respond to customers' requirements, in order to enhance the capability and boost the sales on the aeronautical market.

The sustainable development objectives require for us to continue the investment policy of the recent years, focusing on investments in modern technological equipment, the development of human resources and the acquisition of know-how.



## REACH requirements and strategic planning of the investments in special processes

In Aerostar, a particular interest was placed in the special processes, as one of our centres of excellence. Over the years, Aerostar has invested in new processes and growing the existing capacity in accordance with the international standards, but specially in accordance with the customers' process specifications. These processes got both customer qualifications and international Nadcap accreditations. Despite the progress, in order to maintain the competitiveness of Aerostar's offer, the adaptation to the European and global context for changing the process standards is needed because of the environmental legislation. More precisely, at European level, the REACH regulations require the gradual replacement of certain dangerous substances or their restricted use.

Although the technological changes are not made abruptly in the aeronautical industry,

due to the highest reliability need, the long duration life cycle of a programme and the high certification costs, there are already alternatives in place for the processes involving the use of hexavalent chrome or cadmium. Further to the electroplating processes, in the painting processes too there is a tendency to minimize the volatile organic emissions by using water-based paints.

Under the given framework, AEROSTAR started an upgrading programme involving the Electroplating and Painting shops to align them to EU standards, with a view to define the investment needs in these areas for the years to come.

REACH requirements are at the basis of OUR VISION on maintaining the market competitiveness for the time period 2015-2020.





## Competitiveness and Sustainable Development

Our development priorities for competitiveness through training, innovation and knowledge determine our projections for the period 2015-2020 aiming at Aerostar being prepared to withstand the competition on the emerging markets.

Most of our production capacities have got new technologies and this process continues. Our areas of expertise and existing capabilities will be consolidated.

The technological development must be linked to the market dynamics. In the visor are growing productivity and increasing control over the processes at operational level through automation and enhanced use of effective IT technologies, intelligent investments, with increased throughput and certainly, the optimization of the costs with energy.

Actions will be directed on making investments in the highly repeatitional technological phases by process automation or robotization so that human error is reduced or eliminated.

Our interest is directed at integrating intelligent technologies with a high degree of process control: set-up, execution, measurement and recording, and minimal impact on the environment.







## QUALITY AND ENVIRONMENT

The objectives set in the “Quality and Environment Programme” are in the responsibility of all employees and our organizational culture has known major improvements to this end.

These objectives comprised the reduction of the scrap number by 30%, as well as the extension of the NADCAP authorization scope for the special processes.

The scope of the Part-145 Maintenance Organization was extended with specialized services in the field of non-destructive testing and the extension of the maintenance capability with new components.

The consistency in continuously decreasing the number of defects and the focus on prevention of nonconformities was achieved by our employees’ permanent involvement, which contributed to the increased reliability of our products and protection of the environment.

Aerostar fully complies with the allocated certificates on gas emissions with greenhouse effect, assigned through the National Allocation Plan and with the chart for emission reduction of volatile organic compounds.

We reduced by 1% the nitrogen oxide emissions -  $\text{NO}_x$  from fixed and mobile sources in AEROSTAR, observing 100% the maximum emission limit and within the European Register for air pollutants. The operations of the company were performed in full compliance with the limit values for pollutants in residual water.

The environmental authorization was granted for the whole AEROSTAR site.

All these achievements were based on the best practice for the management act, on the actions planned to reduce or eliminate the environmental pollution risk and on the enhancement of the individual responsibility, while providing the capability to prove that the specified requirements are observed.

Through the integrated quality and environment system, AEROSTAR has steadily acted as a responsible company, not only in relation to customers but also within the community, by implementing permanent monitoring of the results obtained and of the resources used throughout the processes.

## AEROSTAR AS AN EMPLOYER

On 31.12.2012 Aerostar had an effective number of 1376 employees and 391 employees attracted through a temporary labour agent company. Compared to 2011, it is an increase by 90 employees of the company's own effective employees and an increase by 176 of the effective number of attracted employees.

The attracted personnel is made available by AIRPRO CONSULT S.R.L., acting on the market as a temporary labour agent. Through this vehicle, Aerostar has the tools needed to cover its needs of personnel on an open labour market.

The employees' training and skill level is:

- 422 university graduates employees
- 424 employees are graduates of highschools and post-high schools
- 530 employees are graduates of vocational schools or on-job qualified.

In 2012, professional development programmes were carried out by including the employees in professional training programmes correlated with a yearly assessment process of their individual performance.

Our company's HR policies provide non-discriminatory access to jobs, and during work performance as well, ensuring the employees' high adhesion to the company's set of goals and objectives; optimum conditions in terms

of labour safety and health for all employees are provided, the same as the knowledge of the mode of action in emergency situations.

Aerostar provides the training of the personnel for skills and competences which are not provided by the labour market otherwise. Such programmes were attended by 47 young graduates of vocational schools and/or high schools in the area of Bacău county, who had the opportunity to become company employees after passing the final examination.

The social dialogue, as provided by the Collective Labour Agreement is materialized in frequent meetings of the company's executive management with the representatives of the relevant Union and/or with the representatives of the employees and also by joint commissions such as: the joint Committee for Social Issues, the Labour Safety and Health Committee as well as the Administration's and Employees' Committees for Negotiation and Monitoring of the Collective Labour Agreement implementation.

In 2012, the average degree of Union affiliation in the company was 86.44%.

Other personnel indicators, as on 31.12.2012: the average employment duration in AEROSTAR is 21 years while the employees' average age is 48 years.





## TANGIBLE ASSETS

The company holds in ownership a land area of 45.12 hectares, with direct access to the European Highway E85, both directly, and via the Condorilor Street or the Chimiei Street. Aerostar has direct access to the runway of the airport "George Enescu" of Bacau.

AEROSTAR's production facilities AEROSTAR S.A. are located at the registered head office site in Bacau, at no. 9, Condorilor Street.

At the registered headoffice, there are all the types of facilities required for the good execution of the production activity, in accordance with the company's object of activity.

The production facilities comprise hangars, industrial buildings, technological test benches, and areas for administrative and social activities. The company also holds facilities/offices for the technical and financial activities.

All these areas and sites are properly maintained, and a significant part of them were included in a vast rehabilitation programme during the year 2012.

The built surface area of the buildings is approximately 13.47 hectares.

All the buildings and special constructions are in the ownership of the company.





## INTERNAL CONTROL SYSTEM

Internal Control is permanent and covers all the activities, procedures and the company's entire assets range.

AEROSTAR has implemented an internal control system that includes both prevention and identification of any unwanted events or risks, as well as the prevention of misrepresentations in the financial reporting.

The evaluation of the effective implementation of the internal control system is under the permanent attention of the company management and of the Internal Audit and Controlling function.

The internal audit and controlling compartment operates under the direct subordination of the Board of Directors, acting as a distinct and independent function from the other activities of the company.

Such internal audits are performed based on the yearly Activity Program approved by the Board of Directors and presents the internal auditing reports in the meetings of the Board of Directors.

At the highest level, the mode of administration of the company is controlled by the shareholders and an independent financial auditor in accordance with the legal regulations in force.

The internal control established by the company management is aimed to provide the conformance with the legislation in force, the application of the decisions made by the management, the good functioning of the internal activities, the efficient use of the resources, the prevention and control of the potential risks.

The Internal Control established by the company management is exercised under the following forms:

- self-control
- hierarchic control
- partner control
- quality control
- control of accounts and assets
- finance-accounting control
- administrative control
- internal audit

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

With reference to the quality management, there are internal audit procedures in place to verify the compliance at company level with the requirements in the standards of reference and with the internal documentation, how they are implemented and efficiently maintained.

AEROSTAR has developed the advanced concept for CONTROLLING, a specific support for the company management, which was at the basis of an efficient decision-making system by control, coordination and consultancy at each step of the decision-making process, strategic and operational at the same time.

## RISK MANAGEMENT

Through the risk management processes AEROSTAR aims to secure medium and long-term sustainability and to reduce the uncertainty associated with its strategic and financial objectives.

The risk management processes conducted taking place in various areas provide the identification, analysis, assessment and administration of all risks in the purpose to minimize their effects.

The administration of the risks consists in the implementation of proactive countermeasures in order to reduce the probability of risk occurrence, as well as of reactive countermeasures which reduce the impact of risks. These reactive measures can be on the direction of diminishing of risks and retention of residual risk or by transfer of the risks through efficient use of insurance policies of various types, where applicable.

The company is permanently reassessing its portfolio of existing risks, by identifying new exposures and adding value to the company through the application of the most effective countermeasures.

The main responsibility for the development and implementation of controls with effect to the operational risk is with the executive management of each division. The support for this responsibility is the development of general standards at company level for the administration of the operational risk.

The lack of significant business in the area of ground defense equipment is compensated by the focus on ground support equipment, manufacturing of jigs, fixtures and tooling

as a priority direction of action, and getting a position able to secure the access on this market concurrently with maintaining and developing the technological capabilities and protection of the employees by effective work.

AEROSTAR has no significant exposure towards a unique partner or a group of partners of similar characteristics (affiliated parties).

With a view to provide permanently the necessary financial cash-flow and flexibility, a reserve is provided on a yearly basis under the form of a credit line granted by banks.

During the reporting time period, AEROSTAR did not make use of the credit line, all the operations of the company being funded from company's funds.

AEROSTAR is exposed to the currency exchange risk, since about 70% of its turnover relates to USD and EUR, while a significant share of the operational expenses relates to the functional currency (LEI).

So, the company is exposed to the risk of fluctuating exchange rates affecting both its net revenues and its financial position, as expressed in LEI.

A review of AEROSTAR sensitivity to currency fluctuations by +/-10% is shown in detail in the Note "Financial Instruments" attached to the Financial Statements.

On 31 December 2012 AEROSTAR did not register financial loss caused by exchange rate variations.

## OUTLOOK OF THE YEAR 2013

AEROSTAR acts to achieve the budget of revenues and expenses approved for the year 2013 and executes currently a significant volume of orders and multiannual agreements.

This shall be achieved based on the ***strategic directions and measures for development for the years 2011 -2015***

- Priority direction „manufacture of aviation products”
- Priority direction „civil aviation MRO”
- Priority direction „defence systems (aviation, ground, integrations)”
- Priority direction „products and services in the areas: civil electronics, special processes, utilities”.

In the year 2013 the global economic and financial environment continues to be marked by uncertainties and contradictions, increased risks due to the economic recession perspective in the Euro zone, the pressure imposed by the necessity to reorganize governmental budgetary expenses, which affects structurally the defence industry in general, on short and medium term.

The Euro zone market is significant for the company, where AEROSTAR acts in special as a subcontractor of aerostructures and hydraulic systems.

The portfolios of orders announced by the large supply chains in aviation for this year and the years to come indicate increasing numbers.

Uncertainty in this case is related to the way in which the supply chains can sustain the ongoing

increase of orders and the necessity to allocate more resources.

No similar opportunities are foreseen with reference to the defence industry evolutions.

AEROSTAR operates both in the aeronautical industry and defence industry and, under the circumstances, AEROSTAR's strategic positioning is essential, the same as getting the best from the existing potential, in order to compensate the lack of resources in the field of defence/ defence procurement.

We shall continue to conduct in-depth actions and processes of anticipation and identification of the most appropriate action mechanisms, to achieve an efficient management of the specific process of market adjustments in parallel with growing AEROSTAR's added value in the value chain of the aviation and defence industry, from Romania and from the markets where we are positioned for growth.

Our company will continue to act firmly to provide the sustainability of the investments and business growth.

The growing contribution of the modernization of the company processes by automation and Information Technology are development objectives planned for the 2013 and onward.

**President of the Board of Directors & General Director**

**Grigore FILIP**

**The Statement “Comply or Explain”, February 2013**

**on the Code of Corporate Governance of the Bucharest Stock Exchange is available at [www.aerostar.ro](http://www.aerostar.ro).**



**INDIVIDUAL FINANCIAL STATEMENTS  
ON DECEMBER 31, 2012**

PREPARED IN CONFORMANCE WITH  
**INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
ADOPTED BY THE EUROPEAN UNION

**STATEMENT OF FINANCIAL POSITION**  
**FOR FINANCIAL YEAR ENDED ON 31 DECEMBER 2012**  
(unless stated otherwise, all amounts are stated in K lei)

	Note	31. dec 2012	31. dec 2011	01. Jan 2011
<b>ASSETS</b>				
<b>Immobilized assets</b>				
<b>Tangible Immobilizations</b>	<b>4</b>	<b>108,905</b>	<b>76,262</b>	<b>70,540</b>
Intangible Immobilizations	5	1,777	585	481
Real estate investments	4	7,556	6,282	7,080
Financial immobilizations	6	183	212	186
Deferred tax	7	1,874		
<b>Total Immobilized Assets</b>		<b>120,295</b>	<b>83,341</b>	<b>78,287</b>
<b>Circulating assets</b>				
Stocks	8	24,749	15,064	12,397
Commercial Receivables and Other Receivables	9;10	47,337	32,482	17,726
Cash and cash equivalents	12	48,080	37,716	39,617
<b>Total Circulating Assets</b>		<b>120,166</b>	<b>85,262</b>	<b>69,740</b>
<b>Total Assets</b>		<b>240,461</b>	<b>168,603</b>	<b>148,027</b>
<b>COMPANY CAPITALS AND DEBTS</b>				
<b>Capital and reserves</b>				
Registered Capital	13	37,484	37,484	29,284
Current result		15,068	12,448	11,276
Result carried forward		(570)	(1,839)	(1,770)
Reserves from reevaluation of tangible immobilizations	14	56,105	41,182	41,182
Reserves from reevaluation of intangible immobilizations	14	1,380	-	-
Other reserves	14	14,175	13,110	20,459
Other elements of company capital	7	4,419	8,201	10,680
<b>Total company capitals</b>		<b>128,061</b>	<b>110,586</b>	<b>111,111</b>
<b>Long-term Debts</b>				
Provisions	20	29,220	20,648	9,545
Subsidies for investments	23	6,365	3,673	2,107
Other long-term debts	11	4,087	175	40
<b>Total long-term debts</b>		<b>39,672</b>	<b>24,496</b>	<b>11,692</b>
<b>Current Debts</b>				
Commercial debts	11	31,173	12,324	6,574
Financial leasing debts	11	22	0	0
Debt from tax on current profit	11	406	1,833	2,332
Provisions	20	36,615	15,576	11,817
Other current debts	11	4,511	3,788	4,501
<b>Total current debts</b>		<b>72,727</b>	<b>33,521</b>	<b>25,224</b>
<b>Total Debts</b>		<b>112,400</b>	<b>58,017</b>	<b>36,916</b>
<b>Total company capitals and debts</b>		<b>240,461</b>	<b>168,603</b>	<b>148,027</b>

**STATEMENT OF GLOBAL RESULT**  
**FOR FINANCIAL YEAR ENDED ON 31 DECEMBER 2012**  
(unless stated otherwise, all amounts are expressed in K lei)

	Note	31. dec 2012	31. dec 2011
Revenues	15	196,913	156,382
Other revenues	15;17	605	421
Variation of stocks of finished products and production in progress	15	9,340	3,432
<b>Activity executed by the company and capitalized</b>	<b>15</b>	<b>619</b>	<b>1,308</b>
<b>Total Revenues</b>		<b>207,477</b>	<b>161,543</b>
<b>Expenses</b>			
Expenses with materials	16	(76,211)	(51,970)
Expenses with employees' benefits	16	(65,478)	(50,813)
Expenses for amortizing immobilizations and depreciation of current assets	16	(10,388)	(6,680)
Expenses with provisions	18	(13,950)	(14,862)
Expenses related to external services	16	(23,071)	(20,024)
Other expenses	16	(2,171)	(1,703)
<b>Total Expenses</b>		<b>(191,269)</b>	<b>(146,052)</b>
<b>Profit from Operations</b>		<b>16,207</b>	<b>15,491</b>
Financial Revenues	19	11,744	7,557
Financial Expenses	19	(9,385)	(5,012)
<b>Financial Profit</b>		<b>2,359</b>	<b>2,546</b>
<b>Profit before taxation</b>		<b>18,566</b>	<b>18,037</b>
Tax on current profit and deferred	7	(3,498)	(5,589)
<b>Net profit of financial year</b>		<b>15,068</b>	<b>12,448</b>
<b>Result per basic share</b>	<b>22</b>	<b>0.12</b>	<b>0.11</b>



**OTHER ELEMENTS OF GLOBAL RESULT  
FOR FINANCIAL YEAR ENDED ON 31 DECEMBER 2012  
(unless expressed otherwise all amounts are expressed in K lei)**

	31. dec 2012	31. dec 2011
<b>Net Profit of financial year</b>	<b>15,068</b>	<b>12,448</b>
<b>Other Elements of Global Result</b>		
Increase/(decrease) of reserve from re-evaluation of tangible assets, net of deferred tax	14,923	-
Increase/(decrease) of reserve from re-evaluation of intangible assets, net of deferred tax	1,380	
Transfer of reserve from re-evaluation to result carried forward following assignment of tangible assets	74	
Tax on deferred profit recognized on account of company capitals	738	32
Result carried forward originating from transition to IFRS application	(7,438)	(5,657)
<b>Other Elements of Global Result</b>	<b>9,677</b>	<b>(5,625)</b>
<b>Total Global Result of the period</b>	<b>24,745</b>	<b>6,823</b>

**STATEMENT OF COMPANY CAPITAL MODIFICATIONS  
FOR FINANCIAL YEAR ENDED ON 31 DECEMBER 2011**  
(unless stated otherwise, all amounts are expressed in K lei)

	Registered Capital	Reserves from re-evaluation of immobilizations	Other Reserves	Other elements of company capital	Result carried forward	Total Company Capitals
<b>Global Result</b>						
<b>Balance on January 1, 2011</b>	<b>29,284</b>	<b>41,182</b>	<b>20,459</b>	<b>10,680</b>	<b>9,506</b>	<b>111,111</b>
<b>Profit of the year</b>					12,448	12,448
<b>Other elements of Global Result</b>						
Increases of reserve from re-evaluation of tangible immobilizations, net of deferred tax	-	-	-	-	-	-
Increase of reserve from re-evaluation of intangible immobilizations, net of deferred tax	-	-	-	-	-	-
Transfer of reserve from re-evaluation carried forward after assignment of tangible immobilizations	-	-	-	-	-	-
Tax on deferred profit	-	-	-	32	-	32
Result carried forward originating from transition to IFRS				(2,511)	(3,146)	(5,657)
<b>Total Global Result of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,479)</b>	<b>9,302</b>	<b>6,823</b>
<b>Transactions with shareholders, recognized directly in company capitals</b>						
Other reserves	<b>8,200</b>	-	(7,349)	-	-	851
Dividends to pay for the year 2010	-	-	-	-	(8,199)	(8,199)
<b>Total transactions with shareholders, recognized directly in company capitals</b>	<b>8,200</b>	<b>-</b>	<b>(7,349)</b>	<b>-</b>	<b>(8,199)</b>	<b>(7,348)</b>
<b>Balance on December 31, 2011</b>	<b>37,484</b>	<b>41,182</b>	<b>13,110</b>	<b>8,201</b>	<b>10,609</b>	<b>110,586</b>



**STATEMENT OF COMPANY CAPITALS MODIFICATIONS  
FOR FINANCIAL YEAR ENDED ON 31 DECEMBER, 2012**  
(unless stated otherwise, all amounts are expressed in K lei)

	Registered Capital	Reserves from re-evaluation of immobilizations	Other Reserves	Other elements of company capital	Result carried forward	Total Company Capitals
<b>Global Result</b>						
<b>Balance on January 1, 2012</b>	<b>37,484</b>	<b>41,182</b>	<b>13,110</b>	<b>8,201</b>	<b>10,609</b>	<b>110,586</b>
<b>Profit of the year</b>					15,068	15,068
<b>Other elements of global result</b>						
Increases of reserves from re-evaluation of tangible immobilizations, net of deferred tax	-	14,923	-	-	-	14,923
Increases of reserves from re-evaluation of intangible immobilizations, net of deferred tax	-	1,380	-	-	-	1,380
Transfer of reserve from re-evaluation to the result carried forward due to assignment of tangible immobilizations	-	-	-	-	74	74
Tax on deferred profit	-	-	-	738	-	738
Result carried forward originating from transition to IFRS				(4,520)	(2,918)	(7,438)
<b>Total Global Result of the period</b>	<b>-</b>	<b>16,303</b>	<b>-</b>	<b>(3,782)</b>	<b>12,224</b>	<b>24,745</b>
<b>Transactions with shareholders, recognized directly in company capitals</b>						
Other reserves	-	-	1,065	-	-	1,065
Dividends to pay related to the year 2011	-	-	-	-	(8,335)	(8,335)
<b>Total transactions with shareholders, recognized directly in company capitals</b>	<b>-</b>	<b>-</b>	<b>1,065</b>	<b>-</b>	<b>(8,335)</b>	<b>(7,270)</b>
<b>Balance on December 31, 2012</b>	<b>37,484</b>	<b>57,485</b>	<b>14,175</b>	<b>4,419</b>	<b>14,498</b>	<b>128,061</b>

**STATEMENT OF TREASURY CASH-FLOWS (direct method)**  
**FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2012**  
(unless stated otherwise, all amounts are expressed in K lei)

	Note	year 2012	year 2011	year 2010
<b>TREASURY CASH FLOWS FROM OPERATIONS</b>				
Cash from customers		221,115	158,363	176,936
Reimbursement of taxes and dues from state budget		7,397	1,435	1,530
Payments to suppliers and employees		(158,817)	(110,529)	(116,962)
Payments of taxes and dues to state budget		(26,768)	(23,926)	(25,311)
Tax on profit paid		(6,798)	(5,930)	(3,936)
<b>NET CASH FROM OPERATIONS</b>		<b>36,129</b>	<b>19,414</b>	<b>32,258</b>
<b>TREASURY CASH FLOWS FROM INVESTMENTS</b>				
Cash from non-reimbursable funds		-	1,725	2,078
Interest received		1,897	2,216	1,660
Dividends received		23	33	29
Cash from sales of tangible immobilizations		19	158	177
Cash from financial immobilizations		-	-	25
Cash from instalments received from intragroup loans granted		192	216	27
Payments for purchasing of shares and other bonds		-	(4)	-
Payments for purchasing of tangible and intangible immobilizations		(19,408)	(17,134)	(13,175)
Loans granted intragroup		-	(400)	-
<b>NET CASH USED IN INVESTMENTS</b>		<b>(17,276)</b>	<b>(13,191)</b>	<b>(9,179)</b>
<b>TREASURY CASH FLOWS FROM FINANCING OPERATIONS</b>				
dividends paid		(8,341)	(8,123)	(7,898)
financial leasing paid		(148)	-	-
<b>NET CASH USED IN FINANCING OPERATIONS</b>		<b>(8,490)</b>	<b>(8,123)</b>	<b>(7,898)</b>
<b>Net increase / decrease of cash and cash equivalents</b>		<b>10,363</b>	<b>(1,900)</b>	<b>15,181</b>
<b>Cash and cash equivalents at year beginning</b>		<b>37,716</b>	<b>39,617</b>	<b>24,436</b>
<b>Cash and cash equivalents at year end</b>	<b>12</b>	<b>48,080</b>	<b>37,716</b>	<b>39,617</b>

**EXCERPTS OF NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2012  
(unless stated otherwise, all amounts are expressed in K lei)**

**1. GENERAL INFORMATION**

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

S.C. AEROSTAR S.A. operates at its registered office located in Bacau, 9 Condorilor Street.

The main field of activity is production.

The main object of activity is "manufacturing of aircraft and spaceships- code 3030.

This company was registered at the Trade Register Office of Bacau (under no J04/1137/1991) with the current name S.C. "AEROSTAR S.A." and identification code (VAT) 950531.

The shares and shareholders record is kept, as provided by law, by S.C. Depozitarul Central S.A. Bucharest.

**2. BASIS TO PREPARE- APPLY THE INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**2.1 Statement of Conformity**

The individual financial statements are prepared by the Company in accordance with the International Financial Reporting Standards adopted by the European Union.

These financial statements were approved for release by the Board of Directors on 21.03.2013.

Such individual financial statements are the first financial statements of the company prepared in compliance with the IFRS requirements. The date of the transition to the International Financial Reporting Standards was 01.01.2011, therefore the company has submitted comparative information as on 31 December 2012 and 31 December 2011.

The company's accounting is in lei. The yearly financial statements based on IFRS were prepared by reprocessing and adjusting the accounting information organized based on the Accounting Regulations conforming to Directive IV on European Economic Communities, approved by O.M.F.P. 3055/2009 in order to obtain individual financial statements conforming in all significant aspects with the International Financial Reporting Standards adopted by the European Union. Exceptions were the cases where the waivers or exceptions allow or provide otherwise.

**2.2 Standards and interpretations in force**

**2.2.1 Standards and interpretations in force during current timeperiod**

The following amendments to the existing standards issued by the Committee for International Accounting Standards and adopted by the European Union are currently in force:

- ▶ Amendments to IAS 32 "Financial Instruments: presentation – classification of issuing rights" (adopted by EU on 23 December 2009, applicable to the periods starting on 01 February 2010.)

- ▶ Amendments to IAS 24 "Presentation of the information on affiliated parties, revised" (adopted by EU on 19 July 2010, applicable to the time periods starting on 01 January 2011.)
- ▶ Improvements to the International Financial Reporting Standards (2010) – resulting from the annual improvement project of IFRS published on 06 May 2010, consisting in the implementation of eleven amendments to six standards and of an interpretation, adopted by EU on 18 February 2011, applicable for the annual periods starting after 01 July 2010 or 01 January 2011, subject to the standard.
- ▶ Amendments to IFRS 1 "First adoption of IFRS" (adopted by EU on 30 June 2010, applicable to the periods starting on 01 July 2010.)

The company considers such modifications are not relevant for its financial statements and their implementation caused no modification of the accounting policies of the company.

**2.2.2 New standards and interpretations**

Standards and interpretations adopted by the Committee for International Accounting Standards and by the European Union, but not in force yet.

- ▶ Amendments to IFRS 7 "Financial Instruments: presentations of information" (applicable to the timeperiods starting on 01 July 2011.)

The company does not expect the modification to IFRS 7 would have a significant impact on the financial statements, considering the nature of its in-house activities operations and the types of financial assets held.

Amendments to IAS 1 – the presentation of other elements of the global outcome (applicable for the annual periods starting on 1 July 2012 or afterwards). The impact on the financial statements will be minimum.

Amendments to IAS19 – the modifications of the accounting treatments of the post-employment benefits (applicable as of 01 January 2013 or later). The modifications to IAS 19 are not relevant for the company, since the company does not offer post-employment benefits to its employees.

Standards and interpretations adopted by the Committee for International Accounting Standards, but still not adopted by the European Union.

- ▶ IFRS 9 "Financial Instruments" (applicable to yearly periods starting on January 01, 2015)
- ▶ Amendments to IFRS 9 "Financial Instruments" - applicable to annual periods starting on January 01, 2015.
- ▶ Amendments to IAS 12 "Tax on profit" – in force for the time periods starting on or after January 01, 2012.
- ▶ IFRS 10 "Consolidated financial statements" – in force for the timeperiods starting on or after January 01, 2013.



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- ▶ IFRS 11 "Partnership Agreements" – in force for the timeperiods starting with or after January 01, 2013.
- ▶ IFRS 12 "Information to present concerning interests in other entities" – in force for time periods starting with or after January 01, 2013.
- ▶ IFRS 13 "Evaluation at fair value" – in force for the timeperiods starting with or after January 01, 2013.
- ▶ IAS 27 (revised in 2011) "Individual financial statements" – in force for the timeperiods starting with or after January 01, 2013.
- ▶ IAS 28 (revised in 2011) "Investments in associated entities" – in force for the timeperiods starting with or after January 01, 2013.
- ▶ Amendments to IFRS1 – "Severe hyperinflation and elimination of fixed data for the entities adopting for the first time the International Financial Reporting Standards (in force for the annual timeperiods starting with July 01, 2011).
- ▶ Amendments to IFRS7 "Financial Instruments– information to be provided" – Compensation of financial assets with financial debts (in force for the annual timeperiods starting with or after January 01, 2013).
- ▶ Additions to IFRS 9 "Financial Instruments" (applicable for annual periods starting on January 01, 2015 or later).
- ▶ Amendments to IAS 32 "Financial Instruments: presentation" – Compensation of financial assets with financial debts (in force for the periods starting with January 01, 2014).
- ▶ IFRIC 20 "Costs with upper surface removal in the production stage of a surface mine" (in force for annual periods starting with or after January 01, 2013).
- ▶ Amendments to miscellaneous standards "Improvements to International Financial Reporting Standards (2012)" were published by the Council for International Accounting Standards on May 17, 2012. The amendments to various standards and interpretations derive from the annual project for updating the International Financial Reporting Standards, and mainly aim to remove any inconsistencies and to clarify the mode to draw-up the standards.

The company is in the process to evaluate the potential effects of the amendments to the International Financial Reporting Standards and, based on the initial estimates, the adoption thereof is not anticipated to have a significant impact on the financial statements.

### **2.3 Aspects related to the presentation of information in the financial statements**

The financial statements are presented in accordance with the requirements of IAS 1 "Presentation of the financial statements". The company made the option for a presentation in accordance to the nature and liquidity in the statement of the financial position while in the presentation of the revenues and expenses in accordance with their nature in the statement of

the global result, considering that these presentation methods provide information relevant for the status of the company.

In terms of accounting regulations, AEROSTAR S.A. is an affiliate to the company IAROM S.A. and therefore, the mother-company that consolidates the financial statements of the group is S.C. IAROM S.A., with the unique identification code (VAT) 1555301, having its registered office at 39, Aerogarii Boulevard, Bucharest. The consolidated financial statements related to the financial year 2011 were submitted to the Fiscal Administration National Authority (A.N.A.F.), under registration number 17127526/07.08.2012. The mother company will prepare and publish a set of consolidated financial statements in compliance with the applicable accounting regulations for the financial year ended on 31.12.2012.

### **2.4 Currency for operations and presentation**

The company considers that the functional currency is the Romanian Leu, in accordance with the definition in IAS 21 "Effects of currency exchange rate variations". The financial statements are presented in K lei, rounded to the immediately next thousand lei.

### **2.5 Evaluation bases used**

Upon applying the standard IFRS 1 Aerostar decided to evaluate all assets and debts at their fair value and to consider such amounts as supposed cost. The financial statements were prepared based on the historical cost, except for immobilizations, which are evaluated at their re-evaluated value.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

### **Principle of continued activity**

The individual financial statements are prepared based on the principle of continued activity, which supposes that the company will be able to execute and pay its debts in normal conditions of operations.

### **Accounting of undertakings**

The company prepared the financial statements based on accounting of undertakings, except for the information on cash flows.

### **Significance and aggregation threshold**

Each significant class of similar elements is presented separately in the financial statements.

### **Compensation**

The assets and debts and the revenues and expenses respectively, were not compensated, except for the cases when the compensation is requested or permitted by a standard or an interpretation thereof.

### **Comparative situations**

Certain amounts in the individual statement of the financial position, the individual statement of the global result, the statement of the treasury cash-flows and the individual situation of the company capitals modifications for the previous year were reclassified in order to be compliant with the presentation of the current year.

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**TANGIBLE IMMOBILIZATIONS**

**Recognition**

The company recognizes the tangible immobilizations when:

- ▶ They are likely to generate future economic benefits for the company with reference to the respective assets.
- ▶ The cost of the asset can be evaluated in a reliable manner.

The following items are not capitalized:

- ▶ Repairs and maintenance
- ▶ General administration expenses
- ▶ Initial operation losses
- ▶ Costs related to relocation or reorganizing of activity.

In general, the spare parts and the service equipment are accounted as stocks and recognized as expenses at the time of their consumption.

If the spare parts and service equipment can be used only in relation to an element of tangible immobilizations, they are accounted for as tangible immobilizations.

In order to decide if the recognition is made separately, on separate components, each particular case is reviewed using professional reasoning.

The company management established an asset capitalization threshold of 1800 lei. All the purchases below this amount shall be considered as expenses of the timeperiod.

**De-recognition**

The accounting value of a tangible immobilization element is de-recognized:

- ▶ upon assignment
- ▶ when no more future economic benefits are expected from its use or assignment.

The revenue or loss resulted from de-recognition of a tangible immobilization is included in the profit or loss when the immobilization is de-recognized.

**Evaluation at recognition**

The costs at which a tangible immobilization is registered comprise:

- ▶ the purchasing price, including customs taxes and non-refundable purchasing taxes, net of any discount and commercial deductions
- ▶ costs that can be attributed directly to bringing of assets to the location and in the condition required to be functional in the way desired by the company management.
- ▶ the initial estimation of disassembly and restoration costs for the site where it is situated.

For such costs to be accounted for, IAS 37 is applicable "Provisions, contingent debts and assets".

IAS 2 "Stocks" is applicable to determine the costs to execute the tangible immobilizations under company's administration.

The cost of a tangible immobilization held by the company based on a leasing agreement is determined in accordance with IAS 17 "Leasing Agreements".

**Evaluation after recognition**

The company adopted the cost-based accounting policy. After the recognition as an asset, the tangible immobilization is registered at its cost minus the cumulated amortization and any cumulated losses from depreciation.

**Reclassification in real estate investments and tangible immobilizations held for sales**

When the utilization of a tangible immobilization changes from a tangible immobilization used in the production of goods or supply of services or is used in administrative purposes, into a tangible immobilization to be used for rent, this is reclassified as a real estate investment, as per IAS 40. When the conditions for an asset classification are met as being held for sales, this is reclassified in accordance with IFRS 5.

**Amortization of tangible immobilizations**

Amortization is recognized in the profit and loss account using the linear method for useful lifetime estimated for each tangible immobilization or component thereof, if applicable.

The amortizable value is allocated systematically throughout the useful lifetime of the asset.

The amortization methods, useful lifetimes and residual values are reviewed at the end of each financial year and adjusted accordingly. The adjustment of the accounting estimates is carried out in accordance with IAS 8 "Accounting policies, modifications of accounting estimates and errors".

The amortization of an asset begins when the asset is available for use and ends when the asset is reclassified into another category or when the active is de-recognized.

The amortization does not cease when the asset is not in use.

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

On a regular basis, land has an unlimited useful life and therefore it is not amortized.

**Depreciation**

To determine whether a tangible immobilization item is depreciated, the company applies IAS 36 "Depreciation of assets".

At the end of each reporting period the company estimates whether there are any indications of depreciated assets.

If such indications are identified, the company estimates the recoverable value of the asset.

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**INTANGIBLE IMMOBILIZATIONS**

**Recognition**

The company makes use of professional reasoning when recognizes intangible immobilizations in order to decide if the most important component is the physical one or the immaterial one.

Criteria for recognition of intangible immobilizations:

- ▶ the asset is identifiable
- ▶ the company has control over the asset
- ▶ future economic benefits are supposed to arise in connection with the asset
- ▶ the cost (value) of the asset is measurable in a credible and trustworthy manner.

**De-recognition**

An intangible immobilization is de-recognized upon assignment or when no future economic benefits are estimated to occur from its use or assignment.

**Evaluation upon recognition**

All intangible immobilizations, which comply with the definition and the identification criteria are evaluated at their initial cost.

The cost is determined differently, depending on how the asset was obtained.

In case of purchase, the cost comprises:

- ▶ Purchase price including import customs taxes and non-refundable acquisition costs, after deducting discounts and commercial deductions.
- ▶ Any other costs directly attributed to prepare the respective asset to be usable.

In case of internally generated intangible immobilizations, the execution phases are clearly separated, as follows:

- ▶ research phase. The research costs are treated as expenses for the applicable period of time
- ▶ development phase. The development costs are write-up as intangible assets, provided the following terms are proven:
  - technical feasibility of the completion of the asset, so that it is available for use or sale;
  - availability of adequate resources – technical, financial, human for finalizing the development process;
  - intent to finalize and use or sell the intangible asset;
  - capacity to use or sell the asset;
  - the manner in which the asset will generate future economic benefits;
  - capacity to evaluate the costs.

If the company cannot distinguish between the research and development phase of an internal project to create an intangible immobilization, the company treats the project-related costs as borne exclusively in the research phase.

Items not capitalized by the company:

- ▶ internally generated trademarks
- ▶ publishing titles
- ▶ lists of licenses (except as provided by IFRS 3)
- ▶ other similar elements.

**Evaluation after recognition**

The company adopted as accounting policy the cost-related model which assumes that the intangible assets are evaluated at their net accounting value equal to their cost, less the cumulated amortization and any loss from depreciation, corresponding to those assets.

The subsequent expenses are capitalized only when they increase the value of the future economic benefits incorporated into the asset they are intended for. All the other expenses, including the expenses for the commercial fund and for internally generated trademarks are recognized in the profit and loss account when they are borne.

**Amortization of intangible immobilizations**

The company assesses whether the useful life of an intangible immobilization is definite or indefinite.

An intangible immobilization is considered by the company to have an indefinite useful life when, based on the review of all relevant factors, there is no predictable limit of the period for which the asset is estimated to generate inputs of net cash.

The amortization of an intangible asset starts when it is available for utilization and ends when the asset is reclassified into another category or at the date when the asset is de-recognized.

The relevant factors to determine the useful life are provided in IAS 38 "Intangible immobilizations".

The intangible immobilizations with a definite useful lifetime are amortized by the company using the linear method while the expense with the amortization is recognized in the profit or loss, except when it is included in the book value of another asset.

The intangible immobilizations with an indefinite life shall not be amortized.

The useful lifetime of an intangible immobilization derived from contractual rights or other legal rights must not exceed the period of the contractual rights or of the other legal rights. The amortization methods, the useful life and residual values are reviewed at the end of each financial year and adjusted accordingly.

The residual value of an intangible immobilization with a definite useful life is evaluated as null, except when:

- ▶ there is an undertaking of a third party to purchase the immobilization at the end of its useful lifetime
- ▶ there is an active life for the immobilization and the residual value can be determined depending on the market likely to be available at the end of the useful life of the immobilization.



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### **Depreciation**

In accordance with IAS 36, the intangible immobilizations with indefinite life must be tested yearly as to their depreciation, by comparing their recoverable value with their accounting value. The tests shall be carried out whenever there are indications according to which an intangible immobilization with indefinite life might be depreciated.

### **REAL ESTATE INVESTMENTS**

#### **Recognition**

An investment in real estate is that property (land or a building – or a part of a building or both) held (by the owner or lodger based on a financial leasing agreement) for renting or for increasing the capital value or both, rather than for:

- ▶ use in production or supply of goods or services or for administrative purposes;
- ▶ being sold during the normal course of operations.

A real estate investment must be recognized as an asset only when:

- ▶ future economic benefits related to the real estate investment are likely to be generated by the company;
- ▶ the cost of the real estate investment can be assessed in a credible way.

#### **De-recognition**

The real estate investments must be de-recognized upon their assignment or when they are withdrawn definitively from use and when no future economic benefits are likely to arise from such assignment.

The assignment of a real estate investment can be made by sales or by a financial leasing agreement. To determine the date when the real estate investment was assigned, the criteria of IAS 18 "Revenues" or IAS 17 "Leasing agreements" are applicable.

The revenues or loss by write-off or assignment of a real estate investment must be recognized in the profit or in the loss in the period when the removal from use or assignment was made.

#### **Classification**

The category of real estate investments includes:

- ▶ land held for long-time increase of the capital value
- ▶ land held for an indefinite future use
- ▶ a building owned by the company and rented on basis of an operational leasing agreement
- ▶ real estate properties in process of establishment or arrangement with a view to the future use as real estate investments.

Certain real estate properties may include a part held for renting or with a view to increase the capital value, and another part held for use in the production of goods, for the supply of services and for administrative purposes.

If these two parts can be sold separately (or rented separately), then they must be accounted for separately – one as real estate investment and the other one as a tangible immobilization.

If the parts cannot be sold or rented separately, then the property must be treated solely as real estate investment if an insignificant part is held for use in the production of goods or for the supply of services, or for administrative purposes.

In this case the decision will be based on professional reasoning.

If auxiliary services are supplied to the occupants of a real estate property and such services are an insignificant part of the whole contract, the property will be classified as real estate investment.

If such services are a significant component of the contract, the property will not be classified as real estate investment.

#### **Evaluation upon recognition**

A real estate investment must be evaluated initially on cost, including any other expenses directly attributable. If the payment for a real estate investment is postponed, its cost will be its price equivalent in cash. The difference between this amount and the total payments is recognized during the crediting period as expenses with interest paid.

#### **Evaluation after recognition**

After initial recognition, the company made the option for the cost based model for all its real estates investments in accordance with the provisions of IAS 16 for that model.

The transfers from and into the real estate investment category are possible only and only if there is a modification of their use.

The transfers between various categories do not modify the accounting value of the transferred real estate property, nor do they modify the cost of that real estate property for evaluation or presentation purposes.

#### **Amortization**

The real estate investments are amortized in accordance with the provisions set forth in IAS 16 "Tangible immobilizations".

#### **Assets purchased based on leasing agreements**

The leasing contracts by which the company substantially assumes the risks and benefits related to the ownership right are classified as financial leasing.

At the time of initial recognition, the asset which is the object of the leasing contract is evaluated at the minimum of the just value and the current value of the minimum leasing payments.

Subsequent to the initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

The other leasing agreements are classified as operational leasing.

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## **STOCKS**

The stocks are assets:

- ▶ held for sales during the normal course of business
- ▶ in manufacturing process with a view to their sales
- ▶ such as materials and other consumables to be used in the manufacturing process or for the supply of services.

Stocks are appraised at the lesser of the following values: cost value and net achievable value.

The cost of stocks comprises all purchasing costs, conversion costs as well as other costs borne for reaching the current condition and location of the stocks.

The net achievable value represents the estimated selling price of the stocks, minus all estimated costs of completion and the necessary selling costs.

The conversion costs include the purchasing cost of the raw materials and expendables, direct manpower costs, other direct production expenses, as well as systematic allocation of indirect production expenses, fixed and variable overhead.

The allocation of overhead expenses on each product is based on the volume of work used for the execution of that product.

The calculation of those stocks that are not normally fungible and of the resulting goods or services is determined by the specific identification of their individual costs.

Upon the exit from accounting control of the stocks and fungible assets, they are evaluated and registered in the accounts by applying the Average Weighted Cost.

## **PROVISIONS**

The provisions are recognized when the company has a current obligation (legal or implicit) as a result of a past event, and it is likely that the company is asked to settle the obligation and to be able to make a precise estimate of the amount of that obligation.

The value recognized as a provision is the best estimate of the countervalue needed for settling the current obligation at the end of the reporting period, taking into account the risks and uncertainties related to such obligation.

### **Guaranties**

The company sets up a provision for guaranties when the product or services covered by guaranties are sold.

The value of the provision is based on historic or contractual information about the guaranties granted and is estimated by weighing all possible results against their occurrence probability.

### **Provisions for risks and expenses**

When risks and expenses are identified which are likely to occur due to the past events or events in progress, and whose object is accurately determined, but uncertain, the company covers such risks by setting up provisions.

The provisions for risks and expenses are set up for elements such as:

- ▶ litigations, fines, penalties, compensations, damages and other uncertain debts.
- ▶ other current obligations, whether legal or implicit

### **Provisions for removal of tangible immobilizations**

Upon initial recognition of a tangible immobilization, an estimate is made for the value of the disassembly costs, the costs for item removal and for restoring the site where the asset is located, as a consequence of using the item for a certain period of time.

## **RECOGNITION OF REVENUES**

The revenues is evaluated at the fair value of the countervalue received or which can be received. Deduction is made from the revenue for returned items, commercial deductions or other similar discounts.

### **Sales of goods**

The revenues from sales of goods are recognized when all of the below-mentioned conditions are met:

- ▶ the company has transferred to the buyer the risks and rewards related to the ownership rights upon the goods;
- ▶ the company does not maintain continued management involvement to the level usually associated with the ownership right, or effective control over the goods sold;
- ▶ the revenue value can be appraised accurately;
- ▶ the economic benefits related to the transaction are likely to be directed to the entity;
- ▶ the costs borne or about to be borne in relation to the transaction can be measured precisely.

In particular, the revenues from the sales of goods are recognized when the goods are sold and the legal title is transferred.

### **Supply of services**

The revenues from the supply of services are recognized in the profit or loss account proportionally with the status of execution of the transactions at the reporting date. The execution status is evaluated in relation to the review of the work carried out. In case the result cannot be estimated, the revenues are recognized up to the level of recoverable costs.

### **Revenues from rents**

The revenues from rents related to real estate investments are recognized in the profit or loss account linearly during the rental agreement.

**Financial revenues** comprise revenues from interest and revenues from dividends.

**The revenues from interest** are recognized in the profit and loss account based on undertaking accounting, by using the effective interest method. The revenues from interest generated by a financial asset is recognized when the company is likely to obtain economic benefits and when such revenue can be measured precisely. The revenue from interest is

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accumulated in time, by reference to the main item and to the applicable effective rate of interest, that is the rate which counts exactly the future inputs of cash estimated along the anticipated life of the financial asset at the net accounting value of the asset upon the date of initial recognition.

**The revenues from dividends** generated by investments are recognized when the shareholder's right to receive payment was established (provided that the economic benefits are likely to be directed towards the Group and the revenue value can be measured precisely). The company does not register the revenues from dividends at the gross value which includes the tax on dividend (when applicable), which is recognized as current expense with the tax on profit.

**Financial expenses** include any expenses with the interest related to loans, recognized loss from depreciation, related to the financial assets.

All costs related to loans which are not directly attributable to the acquisition, construction or production of assets with a long manufacturing cycle are recognized in the profit and loss account, using the effective interest method.

Upon the draw-up of the financial statements, the transactions in other currencies than the company's operational currency are recognized at the exchange rates applicable on the dates of such transactions.

At the end of each reporting period, the elements expressed in foreign currency are converted at the exchange rates applicable on the respective dates.

The revenues or losses due to exchange rate differences are reported on net value basis.

#### **EMPLOYEES' BENEFITS**

Throughout the normal course of business, the company pays to the Romanian state, on behalf of its employees, the contributions for pensions, health insurance and unemployment. The expenses with these payments are registered as profit or loss at the same time as the related salary expenses.

All the company's employees are members of the Romanian State pension fund.

#### **Benefits for termination of labour agreement**

The benefits for the termination of the employment agreement can be paid when such agreement is ended on the initiative of the company, for reasons not imputable to the employee, or by parties' mutual agreement, but as the result of an internal necessity of the company to cut down on a limited number of jobs. The company acknowledges the benefits for labour agreement termination when it is obviously committed either:

- to dispose as to the termination of certain individual employment agreements of current employees in accordance with a detailed formal plan, without possibility of withdrawal;

or

- to offer benefits resulting from an offer made to encourage volunteer termination, in case of a real need to cut down a number of jobs.

#### **PROFIT TAXATION**

The expenses with profit taxation represents the amount of taxes to be paid currently as well as deferred taxes.

##### **Current tax**

Currently payable tax is based on the taxable profit achievable throughout the year. The taxable profit differs from the profit reported in the general revenue statement due to the elements of revenue or expenses that are taxable or deductible in certain years, as well as elements that are never taxable or deductible.

The company's obligation in terms of current taxes is calculated using the taxation rates adopted at the end of the reporting period.

##### **Deferred tax**

A deferred tax is recognized based on the temporary differences between the accounting value of the goods and debts in the related financial statements and the relevant taxation tables used for calculating the taxable profit. The deferred tax debts are generally recognized for all temporary taxable differences.

The asset related to the deferred tax is generally recognized for all temporary differences deductible up to the moment when such taxable revenues, to which deductibility was applied, can be used.

The accounting value of the assets to which the deferred tax is applied is revised at the end of each reporting period and reduced to the limits where it is no longer likely that there will be sufficient taxable profits to allow the integral or partial recovery of the assets.

Both the assets and the debts related to deferred tax are measured at the level of taxes proposed to be applied during the period of time established for recovery of the debt or execution of the asset, subject to the level of taxes (and fiscal laws) in force or about to enter in force by the end of the reporting period. The measurement of the debts from deferred tax and of the assets reflects the tax-related consequences which can arise from the manner in which the company anticipates at the end of the reporting period to recover or settle up the accounting value of its assets and debts.

Both the current tax and the deferred tax are recognized in the profit and loss account, except for the case when they refer to elements recognized in other comprehensive revenues or directly in the company's own capital, case in which the current tax and the deferred tax are also recognized in other comprehensive revenues or directly in the owned capital.



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**CERTIFICATES FOR GAS EMISSIONS WITH GREENHOUSE EFFECT**

The company recognizes the deficit of certificates for gas emissions with greenhouse effect in the consolidated financial situations based on net debt method. In accordance with this method, only the debts expected to occur from exceeding the assigned quota of certificates are recognized.

The company estimates its yearly volumes of emissions at the end of each reporting period and recognizes the total amount of additional debts estimated for the foreseen exceeded volume of gas emissions with greenhouse effect at the fair value of additional units to be purchased or sanctions to be borne in accordance with the national legislation. The net additional debt is recognized as profit or loss based on the production unit method.

If the company estimates that it will use less than the allocated quota of certificates for gas emissions with greenhouse effect, any potential revenue from selling unused certificates is recognized only upon effective sales thereof.

**CRITICAL ACCOUNTING JUDGEMENTS**

The following critical judgements were made by directors while applying the companies' accounting policies with a significant impact on the values recognized in the unconsolidated financial statements.

- ▶ Adjustments for depreciation of tangible and intangible immobilizations

At the end of each reporting period the company reviews the accounting values of its tangible and intangible assets in order to establish if there is any indication that such assets are depreciated. If there is any such indication, the recoverable value of the asset is estimated so as to determine the degree of depreciation (if there is any). The recoverable value is the maximum value between the fair value minus the sales expenses and the operational value. When establishing the value in function, the management estimates a future cash flow reduced to the present value, using a discount rate reflecting the current market value, the long-time value of the money, as well as the risks specific to the assets for which the estimated cash flows were not adjusted.

- ▶ Life of the tangible immobilizations

At the end of the yearly reporting period, the company reviews the estimated life of the fixed tangible assets, in order to determine the degree of adequacy.

- ▶ Deferred taxes
- ▶ Provisions and contingent debts

**RESULT PER SHARE**

The company provides information about the basic result per share. Such result per basic share is calculated by dividing the profit or loss assignable to the shareholders of ordinary stock of the company to average weight of the ordinary shares in circulation during that period of time.

**GOVERNMENT SUBSIDIES**

The government subsidies are originally recognized as revenue deferred at the fair value when there is reasonable certainty that this will be received while the company complies with the terms associated to the subsidy.

The subsidies compensating the company for the expenses made are recognized in the profit and loss account systematically, during the same periods of time when the expenses are recognized. The subsidies compensating the company for the cost of an asset are recognized in the profit and loss account systematically during the life of the asset.

**FINANCIAL INSTRUMENTS**

A financial instrument is a contract generating simultaneously:

- ▶ a financial asset for an entity
- ▶ a financial debt or an equity instrument for another entity.

The company will recognize an asset or a financial debt in its financial statements only when the company becomes part of the contractual provisions of the instrument.

A standard purchase or sale of financial assets will be recognized and de-recognized, as applicable, using the method of entry into accounts at the date of the transaction or of the settlement.

All the financial assets and debts are originally recognized at their just value plus, in case of a financial asset or a financial debt that is not evaluated at its fair value through the profit and loss account, the transaction costs directly assignable to the acquisition or issue of the financial asset or debt.

The company compensates a financial asset with a financial debt solely when:

- ▶ it has the legal right to proceed as such
- and
- ▶ intends either to settle on a net basis
- or
- ▶ to achieve the asset and to extinguish the debt simultaneously.

A financial asset is depreciated when its accounting value is higher than its estimated recoverable value.

The company establishes the existence of depreciation indications at the date of each balance sheet.

The accounting value of the asset must be reduced to the level of the estimated recoverable value and the loss will be included in the profit and loss account for the respective period.

The loss through depreciation is the difference between the accounting value and the updated value of the future estimated cash flows.

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**CURRENCY CONVERSIONS**

When preparing its financial statements, the company converts the currency elements in its operational currency and reports the effects of such conversion.

A transaction in foreign currency is a transaction either expressed or one that needs to be settled in foreign currency, including the transactions resulted when a company:

- ▶ buys or sells goods or services the price of which is expressed in a foreign currency
- ▶ loans or offers for loan funds, while the amounts to be paid or received are expressed in foreign currency
- ▶ purchases or assigns assets, contracts or pays debts expressed in foreign currency.

A foreign currency operation is registered at the moment of initial recognition in the functional

currency, applying to the respective amount the exchange rate at sight, at the date when the transaction is made.

At each date of the financial statement:

- ▶ the monetary elements expressed in foreign currency are converted using the closing price advised by the National Bank of Romania.
- ▶ the non-monetary elements expressed in foreign currency evaluated based on the historic cost will be converted using the exchange rate as on the date of the transaction
- ▶ the non-monetary elements expressed in foreign currency evaluated at fair value will be converted using the exchange rate as on the date when the fair value was determined.

The exchange rate differences occurring due to the conversion are recognized as profit or loss in the period when they occur.

**4. TANGIBLE IMMOBILIZATIONS**

Gross values	Land	Constructions	Technical equipment and machinery	Other tangible immobilizations	Tangible immobilizations in progress	Advance payments for tangible immobilizations	Real estate investments	Total
<b>On January 1, 2011</b>	27,966	28,101	25,410	38	486	2,969	7,556	<b>92,526</b>
<b>Cash input</b>	-	-	278	14	15,730	-	-	16,022
<b>Cash out</b>	-	-	(227)	(14)	(5,348)	(280)	-	(5,869)
<b>On December 31, 2011</b>	27,966	28,101	25,461	38	10,868	2,689	7,556	<b>102,679</b>
<b>Cash input</b>	-	13,019	10,826	78	17,945	-	-	41,868
<b>Transfers</b>	-	12	1,571	1	-	-	-	1,584
<b>Cash out</b>	-	-	(668)	(68)	(26,245)	(2,689)	-	(29,670)
<b>On December 31, 2012</b>	27,966	41,132	37,190	49	2,568	0	7,556	<b>116,461</b>

Net accounting value	Land	Constructions	Technical equipment and machinery	Other tangible immobilizations	Tangible immobilizations in progress	Advance payments for tangible immobilizations	Real estate investments	Total
<b>On January 1, 2011</b>	27,966	25,937	13,182	-	486	2,969	7,080	<b>77,620</b>
<b>On December 31, 2011</b>	27,966	24,785	9,954	-	10,868	2,689	6,282	<b>82,544</b>
<b>On December 31, 2012</b>	27,966	41,132	37,190	49	2,568	0	7,556	<b>116,461</b>

The *tangible immobilizations* are classified by the company in the following classes of assets of the same nature and similar uses:

- Land;
- Constructions;
- Equipment, technical installations and machinery;
- Transportation vehicles;
- Other tangible immobilizations;
- Real estate investments.

For tangible immobilizations, at the date of transition to IFRS, the company estimated and included in the cost of *tangible immobilizations* the costs for removal and relocation of the asset, and the costs for site restoration at the end of the useful lifetime respectively, as follows:

- ▶ for constructions, an estimated amount of 14,478 K lei
- ▶ for equipment, installations, an estimated amount of 1,640 K lei

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These costs are reflected by the set-up of a provision, which will be registered in the profit and loss account throughout the life of the tangible immobilization, as part of the yearly amortization expenses.

At the date of transition to IFRS, in accordance with IAS 40 „Real estate investments“, a part of the buildings and land owned by the Company with a view to being rented to third parties were classified as *real estate investments* and registered at their fair value determined at the date of drawing up the balance sheet.

• value of constructions classified as real estate investments	7,469 K lei
• value of land classified as real estate investment (1,227.34 sm)	87 K lei
<b>total</b>	<b>7,556 K lei</b>

The useful lifetimes are established by committees made up of the company's specialists.

The standard functioning durations (fiscal duration) of the tangible immobilizations are provided in the fiscal legislation.

The amortization methods and the estimated useful lifetimes are reviewed by the company management at each reporting date.

The amortization is written-up in the profit and loss account using the linear method for the useful life estimated for each tangible immobilization or component thereof, if applicable.

## 8. STOCKS

	<b>31.12.2012</b>	<b>31.12.2011</b>
Raw material	5,020	3,037
Consumables	8,750	6,207
Finished products	2,808	1,990
Products in progress	14,111	8,334
Goods	5	7
Adjustments for depreciation of slow-moving stocks	(5,945)	(4,511)
<b>TOTAL</b>	<b>24,749</b>	<b>15,064</b>

The motion within depreciation adjustments of stocks is the following:

	<b>an 2012</b>	<b>an 2011</b>
Balance at the beginning of the year	5,567	3,983
Set-up during current year	6,891	7,420
Resumed during current year	(6,513)	(6,892)
<b>TOTAL</b>	<b>5,945</b>	<b>4,511</b>
Influence in the statement of global result	(378)	(528)

## 9. FINANCIAL INSTRUMENTS

A financial instrument is any contract generating simultaneously a financial asset for an entity and a financial debt or an instrument of owned capitals for another entity.

AEROSTAR's financial assets include cash and cash equivalents, commercial receivables and other receivables, loans granted.

AEROSTAR's financial debts include commercial debts, debts related to financial leasing, long-term bank loans, credit lines used as account overdrafts.

The main types of risks the company is exposed to, generated by the financial instruments are: credit risk, liquidity risk, currency exchange risk and interest rate risk.

### a) Credit risk

Exposure to credit risk

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

Maximum exposure to credit risk at the time of reporting:



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	31.12.2012	31.12.2011
Cash and cash equivalents	48,080	37,716
Commercial receivables	33,637	29,774
Other receivables (customer-guarantees)	1,785	597
Loans granted	77	269
<b>Total</b>	<b>83,579</b>	<b>68,356</b>

Maximum exposure to the credit risk for commercial receivables for various geographical areas:

	31.12.2012	31.12.2011
Domestic market	14,094	1,887
Euro countries zone	9,855	11,069
Great Britain	6,201	6,293
Other European countries	911	29
Other regions	2,576	10,496
<b>Total</b>	<b>33,637</b>	<b>29,774</b>

### Depreciation Adjustments

Structure of commercial receivables at the time of reporting:

	Gross value 2012	depreciation 2012	Gross value 2011	depreciation 2011
In time	33,555	-	29,615	-
Pastdue, total of which:	1,447	1,365	1,527	1,369
0-30 days	82	-	143	-
31-60 days	-	-	-	-
61-90 days	-	-	15	-
91-120 days	-	-	-	-
Over120 days	45	45	107	107
More than 1 year	1,320	1,320	1,262	1,262
<b>Total</b>	<b>35,002</b>	<b>1,365</b>	<b>31,142</b>	<b>1,369</b>

The motion in the provision set for depreciation of commercial receivables during the year was:

	2012	2011
<b>Balance on January 1</b>	<b>1,369</b>	<b>2,834</b>
Adjustments for depreciation, set-up	111	183
Adjustments for depreciation resumed at revenues	(115)	(1,648)
<b>Balance on January 31</b>	<b>1,365</b>	<b>1,369</b>

Based on historical data on past due payments, the company considers that, notwithstanding the above-mentioned notes, no recognition of depreciation adjustments is necessary for the commercial receivables which are overdue up to 30 days.

On December 31, 2012, 96% of the balance payments for commercial receivables pertain to the customers with a good payment history.

### b) Liquidity risk

Our company policy on liquidities is to maintain an optimum level so as to be able to pay for liabilities as they become due.

	Financial debts	Accounting value
<b>December 31, 2012</b>	Commercial debts	16,470
	Financial leasing	22
<b>December 31, 2011</b>	Commercial debts	11,267
	Financial leasing	-

The due payment terms of financial debts are less than 6 months.

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**c) Currency risk**

**c1) Exposure to currency risk**

AEROSTAR is exposed to currency risks as approximately 70% of its turnover relates to USD and EUR, whereas a significant percent of the operating expenses relates to LEI.

Thus the company is exposed to the risk of having the exchange rate fluctuations affect both its net revenues and its financial position, as stated in lei.

Below is described the company's exposure to the currency risk, based on accounting values, denominated in foreign currency:

<b>December 31, 2012</b>	<b>K LEI</b>	<b>K EUR</b>	<b>K USD</b>	<b>K GBP</b>
Commercial receivables	15,467	1,540	3,374	-
Commercial debts	(10,073)	(659)	(1,005)	(31)
Net exposure	5,394	881	2,369	(31)

**c2) Sensitivity analysis**

AEROSTAR is exposed mainly to USD and EUR;

A detailed presentation of the company's sensitivity to a 10% increase/decrease of the Romanian Leu versus the reference currency (EUR, USD, GBP) is shown in the table below.

<b>December 31, 2012</b>	<b>K LEI</b>	<b>K EUR</b>	<b>K USD</b>	<b>K GBP</b>
Net exposure in financial position statement, in original currency	5,394	881	2,369	(31)
Currency exchange rates	1	4,4287	3,3575	5,4297
Net exposure, in functional currency	5,394	3,901	7,954	(170)
Reasonable variation, possible for exchange rates	0%	+/- 10%	+/- 10%	+/- 10%
<b>Variation effect in profit and loss account</b>	<b>+/- 1,169 K LEI</b>			

**d) Interest rate risk**

For the reported period AEROSTAR has contractated a credit facility of 5,500 thousand USD, intended for financing the operational activities, which includes the following sublimits:

- 1) A cash sublimit in amount of 2,500 K USD, usable as an account overdraft, set up to provide at any given time the necessary financial liquidity and flexibility (liquidity reserve);
- 2) A non-cash sublimit in the amount of 3,000 K USD, usable to guaranty the commercial contractual obligations by issue of a letter of bank guarranty and/or import letters of credit.

The interest is applicable only for the account overdraft utilized within the sublimit of 2,500 K USD.

As during the reported period AEROSTAR did not use the cash sublimit of 2,500 K USD, the company's revenues and cash flows are independent from the interest rate variation on the banking market.

On 31.12.2012, the level of guarantees granted by AEROSTAR as part of the commercial agreements by

issue of bank guarantee letters amounts to 1,406 K USD (the equivalent of 4,721 K LEI); no import L/C's are issued.

To fund the investment-related activities, AEROSTAR contracted in 2012, a bank commitment of non-cash nature, based on which a bank guarantee letter was issued for reimbursing the advance payment (pre-financing) in the amount of 3,000 K LEI, valid till 07.02.2014, in favour of the entity the Ministry of Economy, Trade and Business Environment (MECMA), with a view to obtain the advance payment for pre-funding the investment expenses related to the implementation of the project "Creating a new manufacturing capacity for production diversification and export increase" performed within the Operational Sectorial Programme "Economic Competitiveness Increase" based on the financing agreement no. 229226/14.06.2012.

To secure the obligation to reimburse the advance payment a collateral was set-up on a real estate asset owned by AEROSTAR.

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**10. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES**

**a) Statement of Receivables**

RECEIVABLES	Balance on December 31 2012	Balance on December 31 2011
<b>Commercial Receivables</b>	<b>40,865</b>	<b>30,943</b>
Domestic customers	14,095	1,886
Foreign customers	21,166	27,887
Uncertain customers <sup>1)</sup>	1,365	1,369
Adjustments for depreciation of customer receivables	(1,365)	(1,369)
Suppliers-debtors	3,646	410
Customers – invoices to draw- up	173	-
<b>Immobilized Receivables</b>	<b>1,785</b>	<b>760</b>
<b>Other receivables, of which:</b>	<b>6,472</b>	<b>1,539</b>
• Receivables related to manpower and similar accounts, of which:	33	23
- <i>salary advance payments to employees</i>	19	23
• Receivables related to social insurance budget and state budget, of which:	6,120	1,467
- <i>VAT to recover</i>	1,665	671
- <i>excises related to fuel in stock for aircraft testing</i>	1,319	661
- <i>non-refundable loans, such as subsidie</i>	3,000	-
• Interest to receive	237	49
• Other receivables	82	-
<b>TOTAL</b>	<b>47,337</b>	<b>32,482</b>

<sup>1)</sup>Uncertain customers were recorded distinctly in the accounting records of the company.

To cover the risk of non-recovery of the amounts representing uncertain debts, the company has recorded adjustments for depreciation of uncertain customers, at their integral value. When determining the recoverability of a commercial receivable we took into account the changes in the customer's credit rating from the time when the credit was granted till the time of reporting.

The receivables expressed in foreign currency were evaluated at the market exchange rate communicated by the National Bank of Romania for closure of the financial year 2012.

The favorable or unfavorable differences between the market exchange rates at which the receivables in foreign currency are registered and the market exchange rate communicated by the National Bank of Romania for closure of the financial year 2012 were recorded in the revenue or expense account for the exchange rate differences, as applicable.

The receivables related to the state budget at the end of December amount to 6,120 K lei, of which:

- VAT to be recovered 1,665 K lei
- excises for the fuel held on stock for aircraft testing 1,319 K lei
- non-reimbursable loan in the amount of 3,000 K lei, representing a registration of the pre-financing application, corresponding to the agreement no 229226/14.06.2012, having as an objective "Creating a new manufacturing capacity for production diversification and export growth"
- other social receivables 136 K lei.



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**11. STATEMENT OF DEBTS**

**a) Statement of long-term debts**

	Balance on December 31 2012	Balance on December 31 2011
<b>DEBTS</b>		
<b>Advance payments received on customers' account</b>	<b>3,882</b>	-
Domestic customers-creditors	-	-
Foreign customers-creditors	3,882	-
<b>Suppliers</b>	<b>205</b>	<b>175</b>
Domestic suppliers	205	-
Foreign suppliers	-	175
<b>TOTAL</b>	<b>4,087</b>	<b>175</b>

On 31 December 2012 the long-term debts of the company comprise advance payments received on the customers' account for aircraft maintenance and repair services.

**b) Statement of short-term debts**

	Balance on December 31 2012	Balance on December 31 2011
<b>DEBTS</b>		
<b>Advance payments received on customers' account</b>	<b>14,886</b>	<b>1,246</b>
Domestic customers-creditors	93	153
Foreign customers-creditors	14,793	1,093
<b>Suppliers</b>	<b>16,287</b>	<b>11,078</b>
Domestic suppliers	8,568	5,905
Foreign suppliers	5,412	4,142
Suppliers-invoices not arrived	937	318
Suppliers of immobilizations	1,370	713
<b>Financial leasing debts</b>	<b>22</b>	-
<b>Debt with tax on current profit</b>	<b>406</b>	<b>1,833</b>
<b>Other current debts, of which</b>	<b>4,511</b>	<b>3,788</b>
• Debts related to manpower and similar accounts	1,288	1,329
• Debts related to social insurance budget and state budget	3,222	3,934
• Other debts, of which:	429	358
- dividends not cashed in by shareholders	257	242
<b>TOTAL</b>	<b>36,112</b>	<b>17,945</b>

The advance payments received on customers' accounts, amounting to 14,793 K lei are intended for aircraft maintenance and repair work, to be settled in 2013.

The financial leasing debt comprises a vehicle purchase agreement for transportation of persons, to be finalized in February 2013.

The dividends registered distinctly in the accounts of the company represent the amounts paid by the company by post money order and not cashed in by the shareholders, due to various personal reasons.

No collateral was set for the debts indicated.

At the end of December 2012 the company made undertakings under the form of bank guarantee letters in amount of 2,300,000 USD issued in favour of the commercial partners subject to contractual requirements. For these undertakings, AEROSTAR registered provisions.

The exchange rate differences, favorable or unfavorable, between the market exchange rate at which the debts are registered in foreign currency and the market exchange rate communicated by the National Bank of Romania for closure of the financial year 2012, were registered in the corresponding revenues or expenses accounts for the exchange rate differences, as applicable.

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## 12. CASH AND CASH FLOW EQUIVALENTS

At the end of the reporting period the cash and cash equivalents were:

	31.12.2012	31.12.2011
Cash	359	411
Bank deposits	47,626	37,114
Cheques to cash in	24	29
Collateral deposits	71	163
Cash and cash equivalents	48,080	37,716
Account overdrafts used	-	-
Cash and cash equivalents in the treasury cash flow statement	48,080	37,716

Cash equivalents are:

- bank deposits of high liquidity, with due term shorter than three months
- cheques deposited in banks for cashing in
- collateral deposits made, subject to legal provisions at relevant customs authority (DJAOV) Bacau with a view to secure the payment of current customs obligations (customs taxes and VAT)

The treasury balance is influenced by the advance payments received from customers.

There are no restrictions on the liquidity accounts in banks.

## 13. REGISTERED CAPITAL

The registered capital on 31 December 2012 and 2011 was as follows:

	December 31, 2012			December 31, 2011		
	Number of shares	Nominal value (K RON)	%	Number of shares	Nominal value (K RON)	%
S.C. IAROM S.A.Bucuresti	83,271,380	26,647	71.0892	83,271,380	26,647	71.0892
SIF MOLDOVA Bacau	14,647,020	4,687	12.5042	14,587,520	4,668	12.4534
<b>OTHER SHAREHOLDERS, of which:</b>	<b>19,218,130</b>	<b>6,150</b>	<b>16.4066</b>	<b>19,277,630</b>	<b>6,169</b>	<b>16.4574</b>
<i>Natural persons</i>	<i>12,151,740</i>	<i>3,889</i>	<i>10.3740</i>	<i>12,357,740</i>	<i>3,955</i>	<i>10.5499</i>
<i>Legal persons</i>	<i>7,066,390</i>	<i>2,261</i>	<i>6.0326</i>	<i>6,919,890</i>	<i>2,214</i>	<i>5.9075</i>
<b>Total</b>	<b>117,136,530</b>	<b>37,484</b>	<b>100.0000</b>	<b>117,136,530</b>	<b>37,484</b>	<b>100.0000</b>

## 22. PROFIT PER SHARE

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

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

IN LEI	31.12.2012	31.12.2011
Profit distributable to ordinary shareholders	15,068,186	12,447,922
Number of ordinary shares	117,136,530	117,136,530
<b>Basic profit per share</b>	<b>0.12</b>	<b>0.11</b>

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**23. SUBSIDIES FOR INVESTMENTS**

	<b>2012</b>	<b>2011</b>
<b>Balance on January 1</b>	<b>3,673</b>	<b>2,107</b>
Subsidies for investments	3,000	1,724
Subsidies moved to revenues subject to calculated amortization	(392)	(147)
Reclassification of immobilized assets	84	(11)
<b>Balance on December 31</b>	<b>6,365</b>	<b>3,673</b>

The amount of 3,000 K lei represents the registered Pre-financing Application, based on the non-refundable financing agreement no. 229226/14.06.2012 concluded between AEROSTAR and the Ministry of Economy, Trade and Business Environment (MECMA).

**General Director,  
GRIGORE FILIP**

**Finance-Accounting Director,  
DORU DAMASCHIN**



## **INDEPENDENT AUDITOR'S REPORT**

### **BENEFICIARY:**

- S.C. AEROSTAR S.A.

### **HEAD OFFICE:**

- 9, Condorilor Street, Bacau

### **MANAGEMENT:**

- GENERAL DIRECTOR - GRIGORE FILIP
- FINANCE- ACCOUNTING DIRECTOR - DORU DAMASCHIN

### **STATUTORY AUDITOR:**

- Authorized Natural Person MONICA HUSANU
- Authorization No. 2401 / 2008

### **REGISTERED HEADOFFICE:**

- 1, Ion Luca Caragiale Street, bl. 1, se. D, ap. 12, Bacau

### **MANAGEMENT:**

- Financial Auditor - MONICA HUSANU

**CONTRACT nr. 28/14.12.2012**

# **INDEPENDENT AUDITOR'S REPORT REGARDING FINANCIAL STATEMENTS ON 31.12.2012, PREPARED IN ACCORDANCE WITH IFRS**

## **1. Introduction**

We have audited the yearly financial statements, reprocessed as per IFRS prepared by S.C. AEROSTAR S.A. (the "Company") for the financial year 2012, comprising: Statement of Financial Position; Statement of Global Result; Other elements of the Global Result; Statement of Company Capitals Modifications; Statement of Treasury CashFlows, Statement of the results of retreating in compliance with IFRS of the accounting information organized under the Accounting Regulations in accordance with Directive IV of the European Economic Communities, approved by Order MFP No. 3055/2009, with subsequent changes and additions, Notes to the yearly Financial Statements and annexes – The Report of the Board of Directors, the Declaration of the Management in conformance with the provisions of art 30 of the Accounting Law no. 821/991 and the Regulation no.1/2006 issued by the National Securities Exchange Commission, Statement of Conformity regarding the application of IFRS, Proposal for distribution of the net profit achieved in the financial year 2012, as well as the synthetic balance sheet verification.

The financial statements mentioned refer to:

- Total company capitals of 128,061 thousand lei;
- Total global result, net profit of 15,068 thousand lei.

The annual financial statements are prepared under the company management responsibility. Our responsibility is to express an opinion on these annual financial statements, as well as on the degree of conformity of the Report of the Board of Directors with the annual financial statements for the same financial year.

## **2. Management Responsibility for the financial statements**

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), the order of PFM no 881 of 25 June 2012 with reference to the application by the companies listed on a regular stock exchange of the International Financial Reporting Standards, the Order of PFM no 1286/ 2012 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to the companies listed at a regular stock exchange, and the Order no 40/ 2013 of the Vice Prime-Minister, Minister of Public Finance, regarding the main aspects related to the draw-up and submission of the annual financial results and annual accounting reports of the economic agents at the territorial offices of the Public Finance Ministry.

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. Responsibility of the Auditor**

a) Our responsibility is, based on the audit conducted, to express an opinion upon these annual financial statements as resulted from the statutory audit conducted. 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.

b) A statutory 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 with a view to establish the auditing procedures adequate in the circumstances given, but not in the purpose to express an opinion upon the efficiency of the company's internal control.

c) A financial audit also includes the evaluation 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 the conformance of the information existing in the audited annual financial statements with IFRS requirements.

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

#### **4. Opinion**

a) The auditing of the retreated annual financial statements for 31.12.2012 was conducted with a view to express a pertinent opinion on the conformity both of the annual accounts with the accounting references in force, and of the latter with the International Financial Reporting Standards.

Following the various verifications performed, it was found out that the information existing in the financial statements at 31.12.2012 was retreated in compliance with IFRS, the verification balance was made for the synthetic accounts and the correct take-over of the data from these synthetic accounts was provided, while there is consistency between the synthetic and analytic accounts.

No significant deviations were found out from the general accounting standards while the data and information registered in the annual accounts provide a fair image and satisfy the requirements of all categories of finance-accounting information users, and the rules established by the institutions or bodies in Romania, as well as the provisions of the International Financial Reporting Standards are complied with.

b) The audit conducted also found out that the structure of the financial statements meets the IFRS requirements and where applicable relevant subclassifications were made for the mandatory key elements comprised thereon.

c) Subject to the above, the auditor's opinion is with no reserve, that is the financial statements of S.C.AEROSTAR S.A. Bacau, retreated for the financial year 2012, provide a faithful image of the assets, debts, of the financial position and of the global result of this entity. In other words, the financial statements retreated for 31 December 2012, in accordance with IFRS, present faithfully under all significant aspects, the financial position, the global result and the other information related to the activity performed by S.C.AEROSTAR S.A. in accordance with the Accounting Act no 82/1991, republished, of the Regulations no 1/2006 issued by the National securities exchange Commission and in principal, of the International Financial Reporting Standards.

**5.** 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.

**6.** 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.

#### **7. Report upon the conformity of the Report of 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 attached to 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.

**Bacau, 25.03.2013**

**Financial Auditor  
HUSANU Monica**

AEROSTAR S.A.



## **DECLARATION**

The undersigned GRIGORE FILIP, as a President of the Board of Directors and General Director of SC AEROSTAR S.A. and DORU DAMASCHIN, as a Vicepresident of the Board of Directors and Financial Director of S.C AEROSTAR S.A., hereby undertake responsibility for the preparation of individual financial statements at 31.12.2012, and confirm that:

- a) The accounting policies used to draw up the individual financial statements at 31.12.2012 are in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union. The date of the transition to the International Financial Reporting Standards was January 1, 2011, and by consequence, S.C AEROSTAR S.A. presented comparative information as on January 1, 2011, December 31, 2011 and December 31, 2012.
- b) The individual financial statements at 31.12.2012 provide a fair image compliant with the reality of the assets, debts, financial position, global result and of the other information related to the activity performed.
- c) The Report of the Board of Directors for the financial year 2012 comprises a correct review of the development and performance of S.C. AEROSTAR S.A., as well as a description of the main risks and uncertainties specific to the activity performed.
- d) S.C. AEROSTAR S.A. BACAU performs its operations in conditions of continuity.

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

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





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## **DISTRIBUTION OF THE PROFIT ACHIEVED IN THE YEAR 2012**

The General Meeting of Shareholders of 25 April 2013 decided:

The distribution of the net result of the year (profit), that is the amount of 15,068,186 lei, as follows:

- reserves: 4,525,898 lei;
- dividends: 10,542,288 lei.

The value of the gross dividend per share for the year 2012 in amount of 0.090 lei.