

PERFORMANCE THROUGH PROFESSIONALISM!

AEROSTAR S.A.

Annual Report 2018

THE MISSION CONTINUES!



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2018 Annual Report 2018

AEROSTAR S.A.

2018

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REPORT OF THE BOARD OF DIRECTORS 2018

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AEROSTAR S.A.

REPORT OF THE BOARD OF DIRECTORS

This Report of the Board of Directors is prepared in accordance with Annex 15 of the Regulation no. 5/2018 of the Financial Supervisory Authority (ASF), OMFP no. 470/11 January 2018 and OMFP no. 10/03 January 2019.

This report presents:

- *the review of AEROSTAR's current economic & financial situation in comparison with the same period of the previous year*
- *the tangible assets*
- *the securities exchange market*
- *the management of the issuer*
- *the financial & accounting situation*

Also, the report of the Board of Directors includes non-financial data and information, reporting on aspects related to environment, social and manpower aspects, human rights, anticorruption and bribery combat aspects in accordance with the requirements in OMFP 470/11.01.2018 and OMFP no. 10/03.01.2019 respectively, taking into account the methodology for reporting the non-financial information as described in the "Guide regarding the reporting of non-financial information" published in the Official Journal of the European Union, series C no. 215 dated 5 July 2017.

The Annex to the Report of the Board of Directors comprises the description of compliance with the Corporate Governance Code of the Bucharest Stock Exchange.

THE MISSION CONTINUES!

-Message of the President - General Director

In 2018, AEROSTAR made a total gross profit exceeding 87 million lei at a sales volume of 353 million lei. The investments made were close to 29 million lei, with 23% more compared to the year 2017.

The anniversary year AEROSTAR 65 provided not only a retrospect of the company's development but also the consolidation of the perspective and of the vision for the future which we are building.

We have created resources and we shall allocate significant resources for this future.

AEROSTAR's results for the year 2018 confirm the clear drive and the advanced positioning along the strategic direction of growth and development as provided in the Mission statement of the company, successfully fulfilled by successive generations dedicated to the Romanian aviation and defence industry.

The market positioning held by AEROSTAR in the field of the defence systems in the air, ground and navy category, is first of all in relation to the position of first rank supplier to the Ministry of National Defence of Romania.

As a part of the national defence industry, AEROSTAR was nominated Maintenance Centre for the F-16 aircraft in the inventory of the Romanian Army.

AEROSTAR is strongly anchored in the global aviation chains of supply, being a reliable partner to achieve success in the aeronautical manufacturing programmes.

To the same extent, the profile of a regional Centre of Excellence in the field of maintenance for civil aircraft was consolidated and this is a pole of sustainable development under significant growth.

Aerostar met the provisions set in the budget approved in the general meeting of the shareholders and realised a significant investment programme.

We have created significant resources to support the company's development, to be able to successfully honour the mission which we have to achieve.

We can be proud of AEROSTAR's success and we continue to proceed so as to generate the capital of trust of all the parties interested in our success as a Value multiplier to support our vision of growth on long term.

We focus on ever growing performance and on continuous improvement to fulfil at a high level the requirements and expectations of our Customers, for now and in the future.

Grigore FILIP

President of Board of Directors – General Director

Compliance with the non-financial reporting requirements

The report of the Board of Directors for 2018 also comprises non-financial data and information reporting on aspects related to environment, social and manpower aspects, human rights, anticorruption and bribery combat aspects in accordance with the requirements in OMFP 470/11.01.2018 and OMFP no. 10/03.01.2019 respectively, taking into account the methodology for reporting the non-financial information as described in the “Guide regarding the reporting of non-financial information” published in the Official Journal of the European Union, series C no. 215 dated 5 July 2017.

Such data and information are found in the chapters/sections/pages indicated as follows:

Non-financial information	Chapter/Section	Page
Business model	Business model	16
	Context of organization,	17
	Benefits of aviation and aspects of impact	18
Social Responsibility Aspects		
- Environment	Investments for sustainable development	20
	Innovation, ecological processes	20
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REVIEW OF THE ECONOMIC-FINANCIAL SITUATION

YEAR 2018, IN BRIEF

The preliminary results of the year 2018 were presented to all the interested parties on 14 February 2019, in accordance with the applicable legal provisions.

In 2018 AEROSTAR consolidated its position as a leader in Romania for its object of activity.

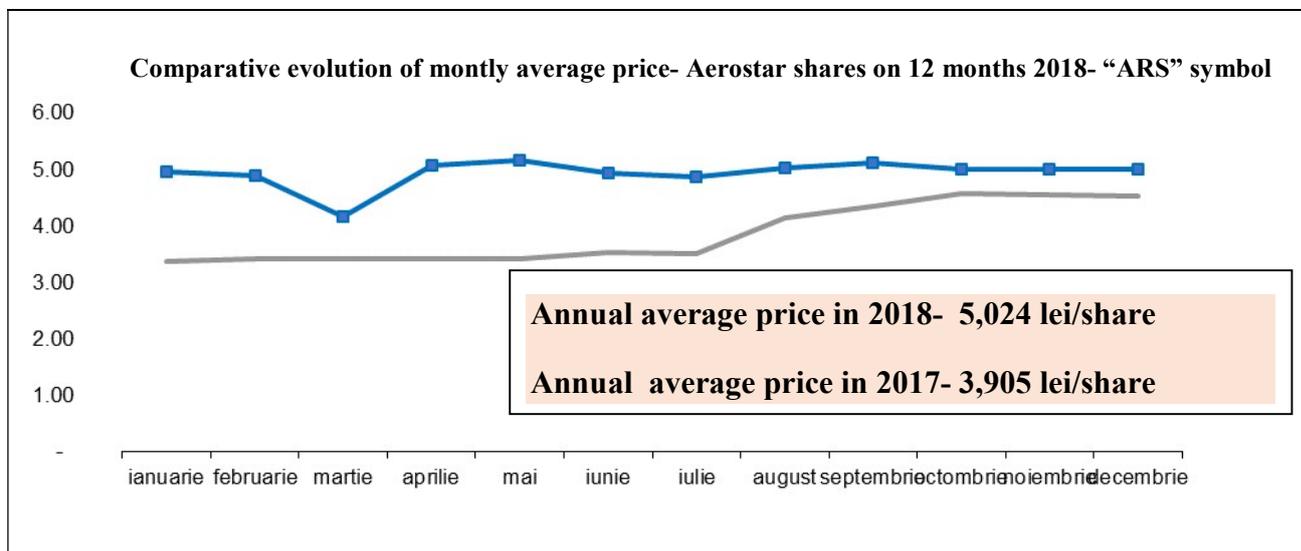
KEY FIGURES

AEROSTAR S.A. prepares and releases the financial statements in accordance with the international financial reporting standards (IFRS).

	MU	31.12.2018	31.12.2017	31.12.2016
Share capital	thousand lei	48.729	48.729	48.729
Turnover	thousand lei	353.413	340.172	356.219
○ Export sales	thousand lei	267.382	258.390	255.274
No of employees, of which:	no.	1.969	2.100	2.164
-own employees	no.	1.855	1.953	1.878
- employees attracted through temporary labour agent	no.	114	147	286
Total gross profit (before tax)	thousand lei	87.420	58.787	65.865

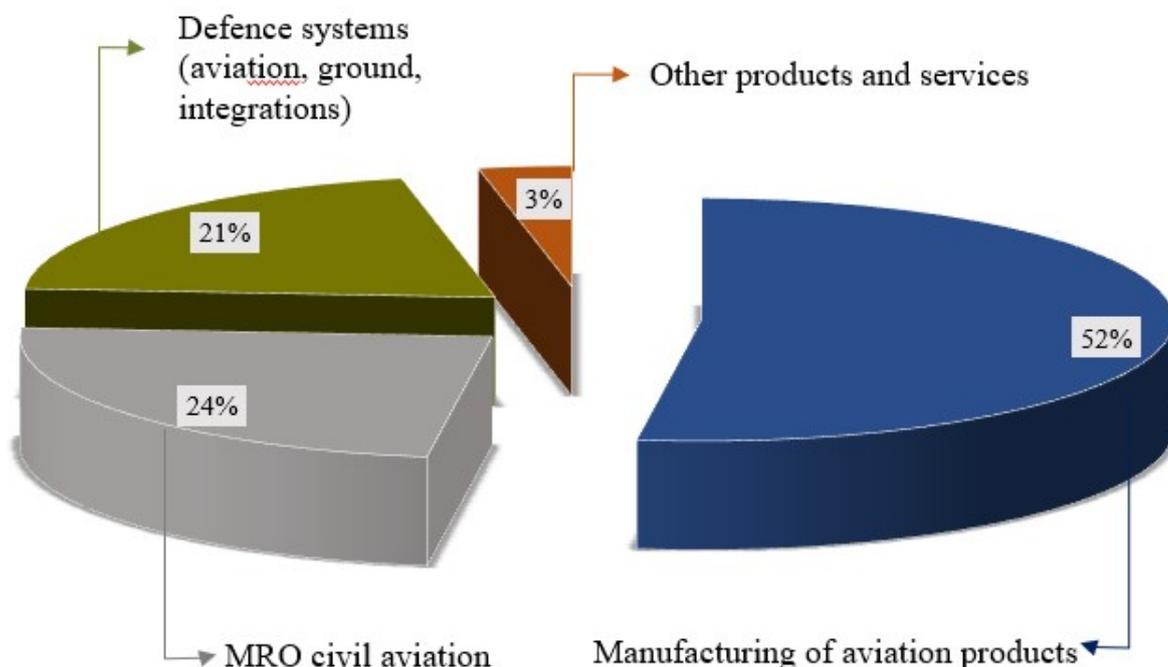
		31.12.2018	31.12.2017	31.12.2016
Cash-flow	thousand lei	167.545	163.886	163.153
General liquidity	-	9,71	7,03	4,74
Investments Expenses from own sources	thousand lei	28.798	23.447	19.498

Evolution of Aerostar shares in 2018



Aerostar shares - in figures	year 2018	year 2017	year 2016
Number of shares	152.277.450	152.277.450	152.277.450
Nominal value per share (lei)	0,32	0,32	0,32
Price at the end of the year (lei)	4,85	4,70	3,27
Stock exchange capitalization (lei)	738.545.633	715.704.015	497.947.262
Maximum price (lei)	5,36	4,78	3,27
Minimum price (lei)	4,65	3,25	2,24
Result per share (lei)	0,525	0,349	0,371

Lines of business in AEROSTAR's total sales in 2018



Company sales are expressed in lei.

The exchange rates of the national currency were as follows:

	UM	2018	2017	2016
Average exchange rate EURO/12 months	lei/euro	4,6534	4,5677	4,4907
Average exchange rate USD/12 months	lei/USD	3,9411	4,0542	4,0585
Average exchange rate GBP/12 months	lei/GBP	5,2600	5,2144	5,5016

Inflation	%	3,27	3,32	0,99
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COMPANY PROFILE, GENERAL ELEMENTS

The main field of activity of AEROSTAR is production.

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

The main business lines of AEROSTAR are:

- **manufacture of aeronautical products;**
- **civil aviation MRO;**
- **defence systems, aviation, ground and naval.**

AEROSTAR S.A. is the successor of Uzina de Reparatii Avioane-URA (Aircraft Repair Plant) (UM 03767), the founder being the Romanian state, established through Resolution of the Council of Ministers (HCM) no 1165 dated 17 April 1953, Bucharest.

The company acted under continuity conditions all along this timeperiod.

The successive names held were URA- 1953, Intreprinderea de Reparatii Avioane-IRA_v (Aircraft Repair Enterprise)- 1970, Intreprinderea de Avioane- IAv (Aircraft Enterprise)- 1978 and since 1991, under the current name Aerostar S.A., when the company was registered as a shareholding company with fully state-owned capital at the Bacau Trade Register under registration no J04/1137/1991.

AEROSTAR shares are traded at the Bucharest Stock Exchange since 1998, under the ARS symbol, and since 2000 it is a fully private company.

AEROSTAR is part of the national defence industry in accordance with Act no 232/2016 under the Authorization no. 23/2018 from the Direction of the Defence Industry of the Ministry of Economy.

The company’s unique identification code at European level (EUID) is ROONRC.J04/1137/1991 while the LEI identification code as a legal entity is 315700G9KRN3B7XDDBB73.

THE EVENTS OF THE YEAR 2018

- On 16 January 2018 AEROSTAR S.A. communicated to the shareholders the **opening of a secondary headquarter with no legal personality (place of business) in Iasi, on Aeroportului Street, no. 25B** after, in 15 January 2018 the Trade Register of Bacau issued the Resolution no. 469/12.01.2018 regarding the admission of the registration application for the secondary place of business.
- The General Meeting of the Shareholders from 19 April 2018 approved the **nomination of the Audit Committee members**, prof. dr. Mihai DEJU and prof. dr. Daniel BOTEZ, according to art. 65 from Law no. 162/2017 regarding the statutory audit of the annual financial statements and consolidated annual financial statements.
- The Ordinary General Meeting of the Shareholders from 19 April 2018 approved the **nomination of the company MAZARS ROMANIA SRL as financial auditor** and execution of the financial audit contract with MAZARS ROMANIA SRL on a minimum period of 2 (two) years, with the possibility of extension.
- AEROSTAR communicated to the shareholders the execution of a **services contract, in the date of 24.05.2018, with the scope of the works for authorization, design, construction of a hangar for MRO commercial aircraft and the technical annex, installations, urban improvements and perimetral fencing of the secondary place of business opened in Iasi.**

The duration of this contract is 18 months and its total value is 5.600.000 Euro excluding VAT. The financing of this acquisition is provided from company's funds.

- **In December 2018, the Government of Romania nominated AEROSTAR as the Centre of Maintenance for the F-16 aircraft in the inventory of the Romanian army.**

The F-16 Centre of Maintenance will develop gradually by allocating and training the personnel, the manufacturing and acquisition of the jigs, fixtures and tooling and testing equipment, and the creation of the company infrastructure for the maintenance of the aircraft.

To date AEROSTAR manufactured and supplied a few batches of jigs, fixtures and tooling and ground support equipment required to perform “O” and “I” level maintenance work in the airforce units where the F-16 aircraft are operated.

- **Starting with 20.09.2018 the dividends were distributed to the shareholders from the profit made in the financial year 2017.**

The coordinates for the payment to the shareholders of the dividends allocated from the profit of the year 2017 were communicated through a press release published on August 20th 2018.

The dividends distributed from the profit realised in the financial year 2017 were paid to the shareholders starting with 20.09.2018 – the Payment Date approved by the ordinary general meeting of the shareholders from 19.04.2018.

The balance on 31.12.2018 of the dividends distributed and not collected by shareholders for different reasons incumbent to them, is in amount of 1.710.829, 06 lei.

The dividends whose collecting period expired were registered as income of the company.

EVENTS AFTER THE REPORTING DATE

AEROSTAR S.A. identified no events after the reporting date which may have impact on the financial statements at 31.12.2018.

Anniversary Events

In 2018, the 65 years anniversary from the foundation of the company outlined the positioning as a representative company for the aviation and defence industry from Romania and Europe, as well as the impact on the local community's development.

THE COMPANY MISSION STATEMENT, initially set at the establishment of the *Economic Enterprise "Aircraft Repair Plant"*, today's AEROSTAR forerunner, has been maintained and updated in the conditions generated by Romania's accession to NATO and to the European Union, and in the present, in order to secure the business development needs of the company, Aerostar's mission focuses on three lines of business, all in aviation and defence:

- Maintain the status of supplier in the field of aviation and ground defence systems, mainly for the Romanian Ministry of National Defence;
- The consolidation of AEROSTAR's position as a supplier of parts, aerostructures, subassemblies and equipment for the commercial and general aviation, in such a way as to become a major subcontractor for the global aviation industry;
- The consolidation of AEROSTAR's activities as a prime supplier of maintenance for civil aircraft and for conversion / upgrade of civil aircraft.

- **On 16 April 2018, the members of the County Council granted the title of an Honorary Citizen of Bacau county to Mr. Mihai Nicolae TONCEA, President- General Director of IAROM S.A., the majority shareholder of the company.**
- **On 17 April 2018 AEROSTAR celebrated 65 years from its establishment by a range of events.** Most of the activities dedicated to these anniversary events were organized and financed by the Cultural Educational Association Aerostar Bacau.
- **On 26 April 2018, the President of Romania, Mr. Klaus Werner JOHANNIS visited AEROSTAR.**
- **On 11 May 2018, a delegation led by the Minister of National Defence, Mr. Mihai FIFOR, together with Mr. Hans Klemm, the USA Ambassador and other government, parliamentary and local officials visited Aerostar.**

AEROSTAR'S BUSINESS MODEL

The value proposed by Aerostar on the market is created in the core business, from PRODUCTION, in the aviation and defence field, with the main business lines:

- Manufacturing of aviation products;
- Maintenance of commercial aircraft;
- Systems for defence- aviation, ground and navy.

The management has adopted an integrated business model, based on the systemic – process approach and on RISK management thinking.

AEROSTAR operates on the market as an independent company, totally respecting the national and international legislation applicable.

During the years, and neither in 2018, there were no significant modifications of the business model adopted.

The Organization's Context and Interested Parties for AEROSTAR

To achieve AEROSTAR's objectives, the factors contributing to the decision-making process, must be aware and able to assume multiple aspects present both in the internal and external context of the company under the form of issues, situations, events which can arise in the future and which may have an impact on obtaining the results intended.

The elements of risk based management thinking, fundamented on understanding Aerostar as an organization and the context in which it operates, as well as on understanding the needs and expectations of the parties interested for the achievement of the organization's planned results, set the general framework for the risk approach, to the extent in which the risks are understood as uncertainties to meet the requirements/expectations of the interested parties, under the effect of certain factors which result from the context in which the organization operates.

The aspects identified part of the external context of the organization AEROSTAR are: political, economic, social, technical, legal and environmental.

The aspects identified as part of the internal context of AEROSTAR are in the categories of: human resource, infrastructure, capabilities and authorizations, governance, but also the organizational performance.

The relevant interested parties which were identified are: customers, employees, investors, applicable technical and regulatory authorities, certification bodies, suppliers, educational establishments, trade unions, the local community and the state.

Aviation Benefits and Impact aspects

In aviation and defence, business is closely connected to the global flows in the world economy. At a global scale, the upwards trend and the sustained demand maintain the stability of the projections with reference to the future.

The context of the current evolutions impose integrating system- and process-based approaches in the management of the business risks.

In the defence industry, the synergy with the aviation industry, security and cyber-security provides effectiveness, as well as meeting the interoperability and cost-effectiveness requirements.

Aviation is in the category of the connectivity industries, having as main impact the economical growth and development while the projections for the future are made on long-term.

The forecasted demand for the next 20 years is over 35.000 new aircraft, passengers and cargo. From these, 25.000 aircraft will be mid-currier, single-aisle, such as Airbus 320 and Boeing 737, but some other models as well.

However, significant reductions in the production rate are expected for certain aircraft types, such as A380 whose manufacturing shall end in 2021.

The absorption of the competition and the response of the chains of supply on this market segment are the subject of close analysis.

Subject to the context and strategy, the challenges of growth can have adverse effects. The production programmes which fail to keep up with the strong growth rate generate a potential fragilization with the reverberations on the entire global chain of supply.

The absorption of growth in the chains of supply and in the production systems for aircraft manufacture on this segment is not fast, being gradually made, but both of the dominant players, Airbus and Boeing, announced a record number of deliveries for the year 2018.

After July 2018, after the Airbus-Bombardier venture entered into effect, the aircraft Bombardier C Series, under the new brand Airbus A220, has attracted a big number of orders.

For the competitor aircraft Embraer E-Jet E2, Boeing and Embraer have now all the approvals to go further. It is not announced if E2 is to have a new brand, but Boeing shall have an 80% participation in this business, but also 49% in the development of the military transport aircraft KC-390.

In April 2018, Germany and France announced an agreement to develop the next European combat aircraft (FCAS), with Airbus and Dassault Aviation sharing roles for the platform of the future combat aircraft.

In the same sustained growth perspective, on a market much farther away, in Pacific-Asia, the aircraft demand will represent 41% of the world total market, contrary to Europe and USA, which will only be 36% of the market.

The Asian market will be the biggest aviation market in the world; the local aviation industry from China is strongly supported by governmental measures, as well through intensive investments made to take-over aviation companies operating on the European and USA markets.

The two dominant players, Airbus and Boeing, continue their intensive actions to secure the production capacities capable to produce a combined number of 120 airplanes A320 and B737 per month until the end of this decade.

However, both companies have programmes in place to reduce the number of subcontractors.

The evolutions of the chains of supply of the big OEMs outline the roadmap to follow in order to maintain the competitiveness and to increase the added value which AEROSTAR brings on mid and long term.

AEROSTAR is anchored for growth in the aeronautical and defence industry.

AEROSTAR's operational performance, confirmed by largely recognized key performance indicators is pursued through an intensive management action, based on budgets and projects management and on participating management approach, which values the operations and resources available integrated as a whole.

94% of AEROSTAR production in 2018 is in the field of aviation.

INVESTMENTS FOR SUSTAINABLE DEVELOPMENT

In 2018, the investment expenses made in Aerostar were in amount of 28.798 thousand lei. Of this, 82% were development investments planned to increase the productivity.

With this purpose, for the manufacturing programmes executed the company purchased state-of-the-art machinery, with low energy consumption.

The replacement investments, to replace the worn out or obsolete fixed assets represented 18%.

The investments in environment programmes represented approx. 9,2% of the investment expenses made in 2018.

The specific activities were continued for the construction of the new MRO Centre for civil aircraft, at Iasi Airport with the purpose to extend AEROSTAR's capacity to supply maintenance services for civil passenger aircraft Airbus A320 and Boeing 737. The target to finalize this investment is 2019.

The scope of this objective is to grow Aerostar's footprint as a supplier of civil aircraft MRO activities.

INNOVATION

Innovative products and processes with minor impact on the environment

The development of AEROSTAR's market profile, as a supplier in the global supply chains in aviation and defence is based on competitiveness, better productivity, investments in capabilities, advanced machinery and technologies, in capacities and infrastructure, in people alike, as well as in organization and planning.

The management of sustainability is firstly a responsibility towards the future.

The development of the ecological production capacities and growing Aerostar's added value in the Value stream are important coordinates in the actions programmes adopted.

AEROSTAR develops and implements innovative technologies, realizes products and processes which have a minor impact over the environment during their whole lifecycle, taking into consideration:

- Minimize the consumption of water, materials, paper and energy, and the quantity of waste produced;
- Introduce local and international logistic processes which limit this type of impact and, especially, the carbon footprint of auxiliary activities;
- Preservation of natural resources;
- Recycling of own waste.

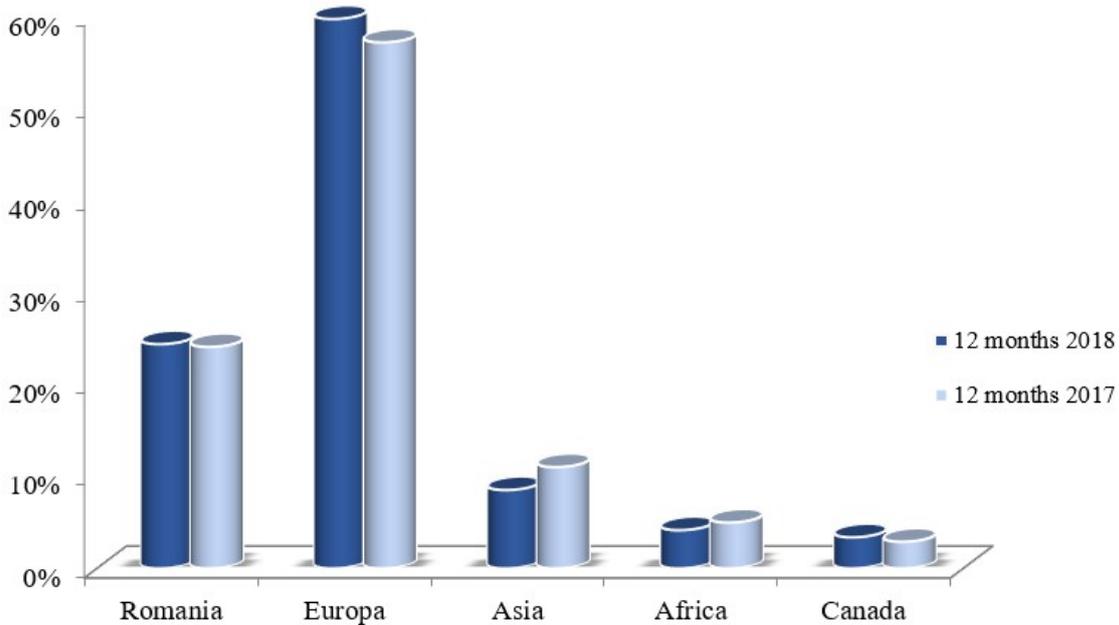
In 2018, the exterior walls refurbishment for thermal insulation of all the buildings in Aerostar was completed, which contributed to a significant improvement of the energy saving features and lower energy consumption, and improved work conditions.

According to the monitoring methodology approved by the National Agency for Environment Protection conforming with the requirements from (EU) regulation no. 601/2012 with reference to monitoring and reporting the greenhouse gas emissions in accordance with the directive 2003/87/CE, Aerostar holds the authorizations regarding the greenhouse gas emissions based on monitoring and compliance within the legal limits for all the installations which produce CO₂ generating sources.

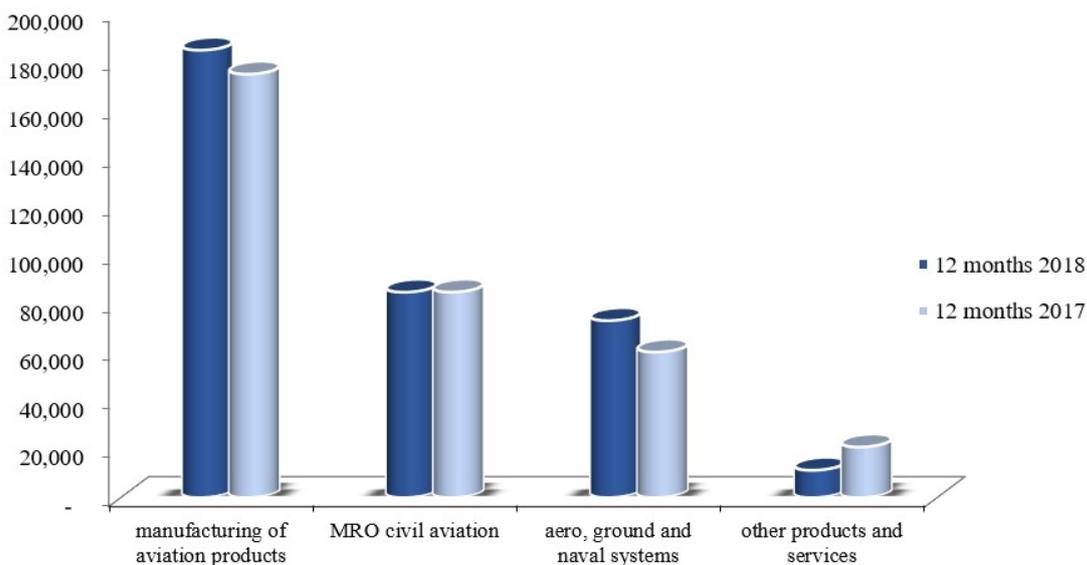
In 2018, in order to prevent accidental pollution, Aerostar rehabilitated 60% of the total transport network for residual waters resulting from certain technological processes.

AEROSTAR BUSINESS IN 2018

In 2018, AEROSTAR had sales of 353.413 thousand lei, from which 76% was export sales, with a high diversity of customers, in a large number of different production programmes.



Comparative evolution of the sales on the main business markets confirm the trend from the previous years:

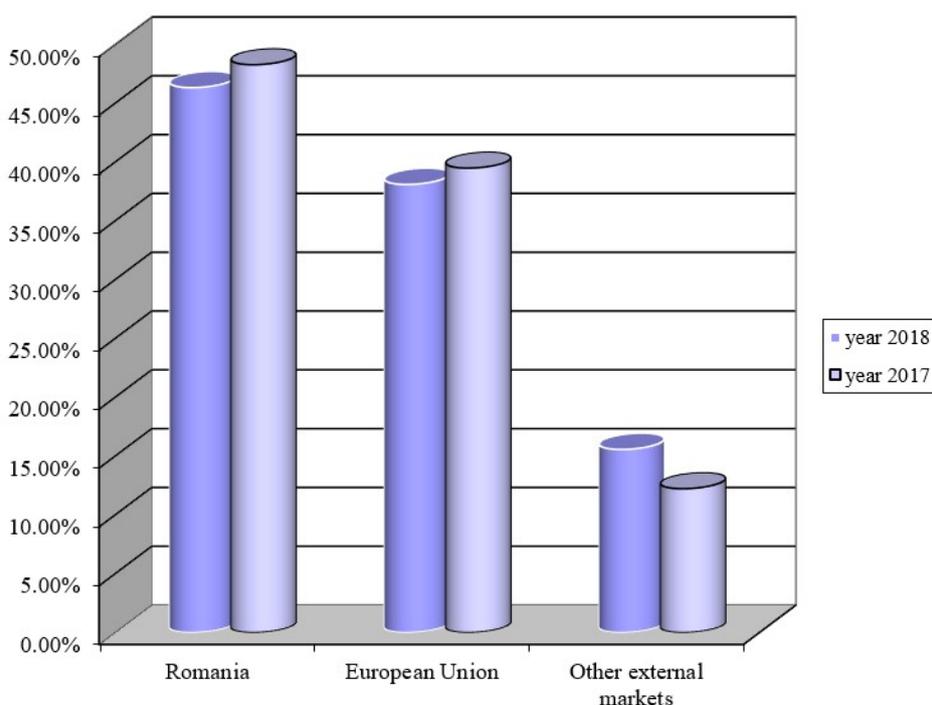


Safe Deliveries

With export sales of large volume, with a high number of ongoing different programmes, the safety of deliveries is confirmed by the key performance indicators (KPI) which are stable at the level of excellence.

The business practice from the company is in compliance with all the applicable regulations which are at the basis of the exports and imports of parts, components and technical data, supplying exact information and obtaining licences and/or export or import agreements, as applicable.

The acquisitions are mostly made from the Romanian marketplace



	year 2018	year 2017
Romania	46,33%	48,28%
European Union	38,10%	39,49%
Other external markets	15,57%	12,23%

In Aerostar are implemented the good practices specific to the aviation field provided in the contracts with customers and suppliers, including to maintain effective methods and adequate processes fit to minimise the risk of introducing counterfeit parts and materials in the products for delivery.

AEROSTAR BUSINESS IN CIVIL AVIATION**LEADER IN MANUFACTURING OF AVIATION PRODUCTS**

AEROSTAR is a leader in Romania for manufacturing of aviation products, being recognized by AIRBUS, as to the expertise level, as a “champion” in the “Specialist” category at the suppliers’ evaluation performed in December 2018 at Toulouse.

In the supply chain of Airbus, Aerostar currently has the position of “Tier 2”, having an Airbus code supplier since 2007, and subsequently also having the GKN Aerospace supplier code.

Aerostar manufactures a significant volume of parts and small aluminum assemblies, of 5-6 million pieces annually, with over 10.000 part numbers of different dimensions, manufacturing technologies and delivery modalities.

AEROSTAR is part of the supply chain of the main global programmes with a significant success rate. The potential fragilization impact from Brexit or from other manufacturing programmes such as F5X or A380 is closely followed to identify solutions to mitigate the reduction effects.

Aerostar is a „Tier 1” supplier, as regards to the manufacturing of landing gears, subassemblies, equipment or hydraulic systems.

The increase of the production volume as a supplier of parts, aerostructures and equipment for civil aviation in modern technologies specific to metal processing: aluminum, titanium, steels s.o. is based on the partnership with the customers.

A pillar of the competitive advantage is the **Centre for Special Processes** and the introduction of the most modern practice and standards related to environment protection.

In 2018, new manufacturing processes were qualified for stainless steel and titanium parts and subassemblies, Zn-Ni coatings for steels and copper alloys, for high resistance steels, including for the local application of such coatings.

The production processes use CNC equipment, 3-5 axis, based on modern infrastructure and IT applications for production planning, tracking and control, of MRP2 type.

The objective to grow the competitiveness is supported by integrated investments for the modernization and expanding the production capacities, by actions to improve the agility at reduced production durations and minimal risks when increasing production.

Civil Aviation MRO Centre of Excellence for Airbus 320 and Boeing 737

AEROSTAR is the main independent supplier of maintenance services for commercial aircraft in this geographical region, having a significant footprint as to the MRO business volume.

Aerostar supplies base and heavy maintenance for commercial airplanes such as the AIRBUS 320 family and Boeing 737.

In 2018 over 100 “heavy check” inspections were performed.

In 2018, AEROSTAR’s Civil Aviation MRO Centre executed the first in Europe “C-check” for several A320 neo- LEAP-1A aircraft.

Also, Aerostar has extended its customers base from the Europe Union while successfully maintaining the trust of all its customers.

The same as in civil aviation manufacturing, Aerostar’s MRO business for commercial aircraft is anchored in the sector market defined as the growth core, the Airbus 320 and Boeing 737; this is also the most competitive and competition.

Starting with the Part-145 approval, Aerostar’s maintenance base developed its market position by obtaining a large range of approvals from civil aviation authorities of many countries in the European Union and beyond.

The experience accumulated in this domain is the base for the development of the future civil aviation MRO Centre Part 145 in Iasi.

The training of the technicians and engineers for the future Civil MRO Centre in Iasi is coordinated with training activities for the Centre in Bacau.

The target is to complete this investment in 2019.

Obtaining the authorization from the FAA, the American Aeronautical Authority, increases the market potential, allowing Aerostar to compete for work from customers whose aircraft are under this jurisdiction.

SYSTEMS FOR DEFENCE

The market positioning held by Aerostar in the field of defence systems in the category of aero, ground and navy, is first of all in relation to the position of first rank supplier for the Romanian Ministry of National Defence.

AEROSTAR is part of the national defence industry in accordance with Act 232/2016 and the Authorization no. 23/2018 from the Direction of the Defence Industry of the Ministry of Economy, having the status of an authorized economic operator registered in the Unique Register of the economic operators and production capacities and/or defence services, having the responsibility to maintain the physical and functional integrity of the assets in the inventory.

In December 2018, Aerostar was nominated by the Romania Government as the Maintenance Centre for the F-16 aircraft in the inventory of the Romanian army.

The F-16 Maintenance Centre will gradually develop by assigning and training the personnel, the manufacturing and acquisition of the jigs, fixtures and tooling and test equipment and create the company's specific maintenance infrastructure for these aircraft.

To date, Aerostar manufactured and supplied to the airforce units operating the F-16 aircraft, a few batches of jigs, fixtures and tooling, ground support equipment required for the "O" and "I" level maintenance, and also consumables for such work.

Aerostar has built a significant position in the field of the technology for the primary and secondary radar systems, IFF identification systems and systems specialized in communication, control and retransmitting of data and information.

As to the radar technologies, the innovative solutions for repairs and upgrades of three-dimensional radars provide the compatibility with the present reconnaissance - secondary radar (IFF) systems, as well as the compatibility with the air data transmitting and processing systems.

Nominated and agreed as sole supplier for the IFF systems installed on the operational platforms of the army, AEROSTAR has successfully implemented IFF mode 4 equipment on different types of platforms (aircraft, helicopters, ships, air defence ground systems) being ready to proceed with the implementation of Mode 5, in accordance with the requirements and needs of the RoMoND.

AEROSTAR has developed a large expertise in the field of 122 mm multiple launch rocket systems manufactured and upgraded afterwards at NATO standards, as well as in the field of advanced launching and artillery systems; this is an experience proven in multiple successive manufacturing, repair and upgrading programmes.

By signing the Memorandum of Understanding between Aerostar and Raytheon International Defence Systems in October 2017, the company made a first step for the long-term co-operation in the field of equipment and components related to the multilevel air defence integrated system – the acquisition programme of the Romanian Army for the Patriot systems.

The status obtained by AEROSTAR in 2018 as an approved Raytheon supplier, the qualification of certain specific processes and procedures, resulted in the first part of 2019 in the order placed for manufacturing of components and mechanical assemblies for the installation and support of the electronics inside the radar shelter.

This way, AEROSTAR will enter in Raytheon's global supply chain.

QUALITY, A COMPETITIVE ADVANTAGE

On a quality and environment line, Aerostar has maintained its strategic objectives defined through the Declaration of the General Director and has established the actions required through the Quality and Environment Programme 2018.

The reconfiguration of the Quality and Environment Management System in Aerostar in accordance with the latest editions of the standards SR EN ISO 9001, AQAP 2110, AS 9100 Rev D, SR EN ISO 14001 places a special emphasis on the risk management.

The recertification obtained after the external audit for each of these certifications confirms the preoccupation and the good practice established in Aerostar.

From the social responsibility and sustainable development point of view, as to environment, Aerostar has set the objectives to improve its performance in the field of the pollution prevention, sustainable use of the resources and the climate changes mitigation, following the guidelines of SR ISO 26000.

Compliance, the results of the policies applied

All the certifications and authorizations obtained both from the certification bodies, and from the customers or other regulatory authorities, national civil aeronautical authorities, NADCAP, were maintained, providing the framework to achieve the objectives set.

For a systematic and dynamic approach of the issues related to environment protection - based on the continuous improvement principle – the environment management system implemented and maintained in Aerostar has the SR EN ISO 14001: 2015 standard as a reference and was recertified in 2018.

The improvement of the environment performance, pollution prevention and meeting the compliance requirements related to environment, represent a permanent preoccupation of the company.

The activities with impact on the environment are held under control through the scheduled internal inspections, through monitoring and measuring activities executed according to the provisions in the integrated Environment Authorization and in the water management authorization.

In 2018, following the inspections performed, the control authorities in the field of environment protection ascertained the compliance by Aerostar with the legal provisions and with the environment requirements in the approvals held.

Also, the authorization regarding the Greenhouse Gas Emissions was reviewed.

For the water site „Baza Izvoare”, situated on Chimiei Street, a new water management authorization was obtained.

As regards the safety of the products and services supplied, no events were reported for Aerostar’s activity in the relevant domains, such as the military and civil aircraft maintenance, the production of parts and subassemblies for civil aviation, the production of radio-electronic equipment.

As regards the environment, Aerostar has entirely complied with the legal requirements. The confirmation of this fact is both the absence of penalties as well as the review of the Integrated Environment Authorization with validity until 2027.

As regards the pollution prevention, Aerostar reduced the waste footprint as a result of its own activity, maintaining a high percentage of recoverable waste.

Also, the emissions of volatile organic compounds decreased, while the actions continued to replace the solvent based paints with water based paints.

As to the sustainable utilization of the resources, Aerostar continued to decrease the water quantity discharged in the sewage system, both in absolute value and in relation to the turnover figure, as a result of using industrial water recirculation and reprocessing stations.

As regards the climatic changes mitigation, Aerostar fulfilled all its obligations resulted from the Greenhouse Gas Emissions Authorization. The investments continued for increased effectiveness in the heating agent distribution, as well as for better energy saving features of the buildings.

The main risks and their management as regards quality and environment

In Aerostar there is a unitary mode to identify, assess and deal with the risks for the failure to meet the targets, for all the processes involved, from purchasing to delivery. The risks and actions for their mitigation are under track and reported.

The verification of the risks is also performed through internal audits throughout the organization. From an operational point of view, the environment aspects are also verified by inspections made company's own environment protection analysts.

At the level of the entire company, the main risks, as regards both the conformance and the performance improvement, are related to the carbon emissions and the use of dangerous chemicals. For both of these aspects, risk mitigation and performance improvement actions are established.

OUR EMPLOYEES

In 2018, AEROSTAR carried out activities providing the consolidation of the organizational culture specific to the aviation industry and the professionalisation of the young generations of employees, the absorption of the fragilization elements generated by the current socio-economical context in which the company operates.

At 31.12.2018 AEROSTAR had a total number of 1.969 employees, of which around 600 university graduates. A number of 180 employees are staffed in management positions.

The average union membership on 12 months 2018, was of 73,27%.

The average work duration in AEROSTAR is 17 years.

The average age of AEROSTAR employees is 46 years.

The number of temporary employed personnel (through the temporary work agent) reached the number of 114.

The activities for growing a competent and motivated workforce are:

- The professional development of the employees by including them in professional training programmes and annual assessment of the individual performance;
- non-discrimination in recruiting as well as at the workplace;
- optimal conditions regarding labour safety and health for all the employees, as well as regarding the interventions in emergency situations;
- job practice stages for a number of 206 students from technical high schools.

In 2018, training courses for the company employees were organized, with focus on the instruction needs in the fields of interest for the execution of the production activities, as follows:

- 56 courses (formation training programmes) with external suppliers
- 241 programmes of continuous training/ internal certification

AEROSTAR, an employer motivated by success

We have the obligation towards both our employees and our customers, suppliers, investors, local community representatives, other business partners, to be honest, correct and sincere in all our business activities.

We perform our business in accordance with the Romanian law, the European Union legislation and the most advanced international practice.

We are honest and correct in our actions and comply with high ethical and business conduct standards.

By our effectiveness we contribute to the wealth and development of the society: shareholders, customers, of our employees and of our business partners, of the community we are part from.

The satisfaction of our customers is the cornerstone of our set of values.

Credit for the results

Aerostar shows zero tolerance on any kind of **human rights** violation and is committed to the development and consolidation of this principle in order to make sure that human rights are respected, both as regards its own business standing and as regards its suppliers.

No restrictions on the labour rights, freedom of work, equal treatment, negotiation of the working conditions, enhancement of professional training, the right to health and labour safety, are just a few of the principles which warrant the respect of human rights, incorporated in the collective labour agreement of the company and a proof of the permanent social dialogue between the management of the company and the social partners.

The major investments from past years resulted in a significant improvement of the working conditions in the company, the current standards in Aerostar being comparable with any other leading company in the global aerospace industry.

Code of business conduct & ethics

Being part of the supply chain for global aerospace industry leaders, Aerostar has adopted business conduct standards and integrity principles that meet the most demanding requirements coming from its business partners, or the legal regulations respectively, applicable on the markets where Aerostar currently operates.

The commitment of the Board of Directors, as well as of the entire executive management, is to lead the Aerostar business with integrity, honesty and transparency, complying with the laws and regulations applicable to the company, with zero tolerance for any form of corruption or bribery.

The conduct standards and integrity principles are found in **Aerostar's Code of Business Conduct and Ethics**. The Code is also available on the company webpage www.aerostar.ro.

By including this code as well in the company's collective labour agreement, we ensure that it is precisely known and respected not just by the company's management, but by all our employees.

No employee of Aerostar has the right to engage in any corruption activity, neither public nor private, active or passive. No employee of Aerostar must offer, try to offer, authorize or promise any kind of bribe, payment or other facilities to a civil servant or to any other person for the purpose of obtaining or retaining a business or other inappropriate advantage. Furthermore, no employee of Aerostar shall demand or accept bribe or other benefits from a public official or any other person. It is also not allowed to get someone under contract to do anything that is not ethical or legal for himself/ herself.

We are convinced that the commitment we undertake today in supporting these fundamental values will ensure tomorrow's success of the company.

General principles and considerations regarding labour practices

AEROSTAR acknowledges and applies fundamental principles such as:

- Labour is not a commodity and therefore the employees cannot be treated as a production factor and subject to the same marketplace mechanism applicable to commodities;
- Respect of each person's right to earn one's living by work freely chosen, as well as the right to beneficial work conditions;
- Provide the free access to justice for both the employees and their organizations;
- Create jobs, pay the salaries and other money benefits for the work done, have major consequences in human development, in raising the life standards and ultimately, a major impact over equity and social stability. As such, AEROSTAR gets a significant social responsibility the labour practice in place.

Manpower occupational relations

As an employer of high economic potential, AEROSTAR decisively contributes to the improvement of the life standards of the local community's members by creating secure work places, accepting and applying at the same time the principle according to which providing jobs for the people offers rights and imposes obligations both to the employer and to the employees in the interest of both parties. As a matter of fact, such rights and obligations are specified in the Collective Labour Agreement concluded at the company level, and in the Individual Labour Agreement concluded between the employer and each employee.

Also, by recognizing the importance of occupying the workforce in stability conditions for the employee, and to the same extent for the local community, AEROSTAR currently has 83,5% of the individual employment contracts concluded on indefinite duration, avoiding the use in excess of temporary work.

Work conditions and social protection

Whereas the work conditions affect the quality of life for the employees and their families, and consequently, the economic and social development, AEROSTAR is permanently preoccupied to provide for its employees:

- work conditions in compliance with the legislation and regulations in force;
- respecting the provisions established by the Collective Labour Agreement concluded at the company level;
- decent salaries according to the salary system and the principles in the Collective Labour Agreement made with the social partner such as: equal salary for equal complexity work, the right person in the right job, better motivated employees, payment against competence and performance a.s.o.;
- balance of work and resting time (weekly rest, vacations) which offer the possibility to combine work with family responsibilities, professional life with personal life;
- maternity protection by allocating the women who are pregnant, recent moms or nursing in work places as provided in the Collective Labour Agreement and specific legal regulations;
- respecting the local traditions (aviation day) or the religious ones (winter holidays and Easter holidays) by organizing events and vacations on Christmas and Easter holidays.

The Social Dialogue

As a voluntary process which includes the negotiation, consultancy and exchange of information between the social partners with the purpose to set joint agreements, the social dialogue, based on mutual trust, promptly, in good faith and transparency is provided in the Collective Labour Agreement. As such, AEROSTAR recognizes the importance of the social dialogue institution by permanently respecting the rights of the employees to adhere to the unions and to benefit from collective negotiations. To mention, in 2018 there was the union membership in the company was 73,27%.

Health and Safety at work

Since December 2014, AEROSTAR has the Occupational Health and Safety Management System certified as per the SR OHSAS 18001: 2008 by the authorized certification body AEROQ Bucharest.

Aerostar protects the health, safety and well being of its employees, of its contractors, visitors or other persons who can be affected by the company's activities by respecting the legislation and the applicable regulations regarding the environment, health and safety at work.

The policy regarding health and safety at work is based on:

- minimising the risks;
- regular maintenance of the work equipment;
- employees knowing the health and safety legislation and regulations;
- safe work equipment for the employees;
- perform medical checks when first employed in the company and on a regular basis;
- refusing work which is reasonably considered an imminent danger for their life or health or of other participants in the work process;
- reporting the safety and health problems to the competent authorities;
- participation in the decision- making process regarding the occupational health and safety through the Health and Safety Committee jointly set with an equal number of representatives of the employees and of the administrative management, respectively, and with the labour specialized physician under contract with the company.

Human development and professional training

For more than 15 years, AEROSTAR applies an Annual Professional Training Plan which covers over half of the employees training in certain areas, the company providing for each employee an internal or external training programme at every 2 years.

Also, AEROSTAR has in place partnership agreements with 6 technical high school colleges and 6 universities in Romania, in order to support the training for skills and competences specific to aeronautics or related fields, providing the practical training of the high school and university students.

Community relations, social and economical development of the local communities

AEROSTAR has constantly had an important place and role in the local community regarding the responsible professional training, fully consistent with the actual needs of labour market in Bacau.

AEROSTAR promotes the education of the young generations and cultivation of the sporting spirit by financing activities for a number of over 200 children through the association **Clubul Sportiv Aerostar**. Over the years, some will become employees of the company.

Aerostar supports through donations and sponsorship diverse associations, non-governmental organizations, foundations and activities for educational, cultural and learning or religious purposes.

Among these, the AROSTAR Educational- Cultural Association functioning under Government Ordinance no. 26/2000. The association proposes, among other things, to support and promote AEROSTAR interests and image, performing certain social, cultural, artistic, and sporting activities— performed by the members of the association, their families as well as the employees of the company or their family members.

TANGIBLE ASSETS

The company operations take place at its registered headquarters located in Bacau, 9, Condorilor Street, postal code 600302.

AEROSTAR has a second site without legal personality, a secondary place of business, in Iasi, 25B Aeroportului Street.

Currently, AEROSTAR does not perform economic activities at this secondary place of business.

Aerostar's production facilities and capacities are found at the site in Bacau, where there is also the registered headquarter of the company.

The company owns in its property the land surface of 45,29 ha, with direct access to the European road E85.

Aerostar has direct access to the "George Enescu" airport's runway in Bacau.

At the registered headquarter are build all the types of facilities required for the proper performance of the production activities according to the object of activity.

The production space comprises hangars, industrial buildings, technological testing benches, spaces for administrative and social activities. Also, the company holds spaces for office work such as technical and economical activities.

All these spaces are maintained in good condition.

The built surface of the buildings is approximately 13,47 ha.

AEROSTAR assets are compliant with the health, safety and environment management system provisions, fully respecting the applicable legislation and occupational safety regulations, as well as the property protection and security requirements.

At 31 December 2018 the tangible assets held in property by AEROSTAR to perform the activities are in gross value of 245.346 thousand lei, which comprise the land, buildings, special constructions, installations, technological equipment, transport vehicles:

Category of tangible assets	Gross value (thousand lei)	Degree of wear (%)	Estimated useful life (years)
Land	28.401	N/A	N/A
Constructions	55.736	30,4%	30-50 years
Investment property	10.260	22,7%	25-50 years
Technical installations, of which:	149.601	47,2%	
• technological equipment	144.757	46,9%	4-25 years
• transport vehicles	4.844	56,6%	4-18 years
Other tangible assets	1.348	34,5%	2-18 years
TOTAL	245.346	N/A	N/A

In 2018 there were no issues related to the ownership right over the tangible assets of the company.

AEROSTAR SHARES ('ARS')

AEROSTAR shares are listed on the Bucharest Stock Exchange ('ARS' symbol) – the standard category.

The main characteristics: the shares issued are nominative, ordinary, of equal value, fully paid, issued in dematerialized form and recorded through registration in the Shareholders's Register. The register of AEROSTAR shares is under the administration by Depozitarul Central S.A. Bucharest.

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



Aerostar Shares – in figures	year 2018	year 2017	year 2016
Number of shares	152.277.450	152.277.450	152.277.450
Nominal value per share (lei)	0,32	0,32	0,32
Price at the end of the year (lei)	4,85	4,70	3,27
Stock exchange capitalization (lei)	738.545.633	715.704.015	497.947.262
Maximum price (lei)	5,36	4,78	3,27
Minimum price (lei)	4,65	3,25	2,24
Result per share (lei)	0,525	0,349	0,371

The dividend policy is decided by the General Meeting of the Shareholders on a yearly basis, subject to the financial result of the previous year and of the investment needs in accordance with the company's development programme.

The evolution of the dividend's gross value per share is the following:

- year 2015 – gross dividend 0,084 lei/share;
- year 2016 – gross dividend 0,09 lei/ share;
- year 2017 – gross dividend 0,094 lei/ share.

During 2018 there was no acquisition programme to buy company's own shares.

During 2018 Aerostar did not issue securities or other similar bonds.

MAIN SHAREHOLDERS

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

Further to these, a large number of shareholders is added, natural and legal persons, under the significance threshold as specified in the regulations of the Financial Supervisory Authority and the Bucharest Stock Exchange.

According to the data from the Bucharest Stock Exchange, the shareholding structure at 31 December 2018 is presented below:

Shareholder	Number of shares held	Participation owned (%of the share capital)
IAROM S.A. Bucharest	108.585.664	71,3078
SIF MOLDOVA Bacău	22.919.887	15,0514
Other shareholders	20.771.899	13,6408
Total	152.277.450	100,0

There are no litigations with the persons mentioned earlier.

In 2018, there were no subscriptions of new shares, nor participation certificates, convertible bonds, options or similar rights.

RELATION WITH THE SHAREHOLDERS AND THE CAPITAL MARKET

AEROSTAR monitors the activity related to the evolution of ARS shares at Bucharest Stock Exchange without interfering in its operations with such activity.

In the relation with the shareholders, AEROSTAR took into account in 2018 as well, to protect and secure the rights of the shareholders, that is:

- to participate in the Ordinary General Meetings directly or by representation– by providing them special proxy forms, voting bulletins by correspondence, other useful information;
- to have a fair treatment, no matter the stakeholdings;
- to receive dividends proportional with the holdings of each shareholder.

In the relation with the capital market, AEROSTAR fulfilled in 2018 as well, all the reporting obligations arising from the legal provisions by publishing the mandatory current and periodical reports in the electronic system of the Financial Supervisory Authority and of the Stock Exchange, on the internet page of the company and by press releases.

According to the provisions of the Corporate Governance Code, the continuous and periodical reports were simultaneously released, both in Romanian and English.

The shareholders can obtain information about AEROSTAR and its main events on the internet page www.aerostar.ro. Also, annual reports, as well as half-year and quarterly reports can be downloaded for the last five years, as well as the current reports and other useful information for the shareholders.

Aspects regarding the capital and administration of the company

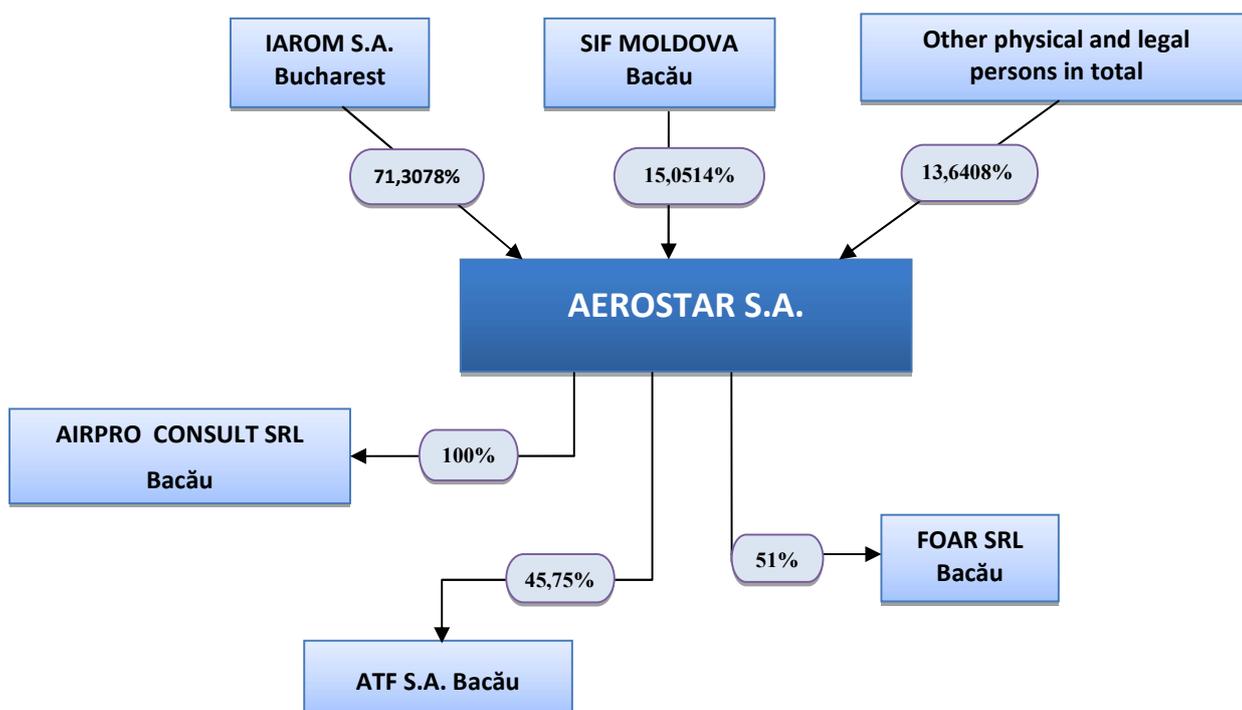
There were no modifications which affect the capital and administration of the company.

The company was not in the impossibility to respect its financial obligations during the period.

There are no modifications regarding the rights of the shareholders. There were no major transactions concluded by the company with the persons with which the company operates in collaboration or in which such persons were involved in the relevant period.

AEROSTAR'S RELATION

with the parent company and with the related companies



In 2018 there was no merger or significant reorganization, neither in AEROSTAR nor of the companies controlled by AEROSTAR.

The General Meeting of the Shareholders of “AEROSTAR TRANSPORTURI FERROVIARE” S.A. Bacău, held in statutory conditions at 08.11.2018, decided in unanimity the modification of art. no. 1 of the constitutive deed, that is to change the company name from “AEROSTAR TRANSPORTURI FERROVIARE S.A.” to “ATF” S.A., while maintaining the organization of the company as a shareholding company.

RELATED PARTIES

On 31.12.2018, AEROSTAR participations in other companies are the following:

thousand lei

Name of the subsidiary/related company	Basic activity	No. of shares held	Voting rights	Value of the holding (thousand lei)	Financial information for the last financial year (for 2017) for which the financial statements of the related companies were approved			
					Sales	Company capitals	Net profit	
Airpro Consult SRL	Basic activity according to CAEN code 7820	100	100%	10	9.138	171	106	
Foar SRL	Basic activity according to CAEN code 7739	408	51%	4	479	1.966	219	
Aerostar Transporturi Feroviare SA (renamed ATF SA)	Basic activity according to CAEN code 2822	9150	45,75%	92	-	273	1	
				Total	106	9.617	2.410	326

The transactions with the related parties in 2018 consisted in:

- Supply by Airpro Consult to AEROSTAR of services with temporary manpower;
- Supply by FOAR to AEROSTAR of equipment renting services;
- Supply by AEROSTAR to Foar of services for space and utilities renting;
- Dividends collected by AEROSTAR from Airpro Consult and from Foar.

In January – December 2018, no transactions were made with the company Aerostar Transporturi Feroviare S.A. Bacau, its activity being suspended since the year 2016. Starting with November 2018, the company changed its name into ATF SA.

The contributions of AEROSTAR in these companies are registered on cost.

During 2018, the company did not register modifications such as increase/decrease of the contribution percentage, AEROSTAR maintaining the same influence as in 2017.

All the companies where Aerostar holds participations are registered in Romania.

AEROSTAR MANAGEMENT

AEROSTAR's Board of Directors was elected for a period of four years (from 11.07.2016 until 10.07.2020) during the Ordinary General Meeting of the Shareholders from 5 July 2016 and has the following members:

Name and surname	Position	Profession
FILIP GRIGORE	President of the Board of Directors	Aviation Engineer
DAMASCHIN DORU	Vicepresident of the Board of Directors	Economist
TONCEA MIHAIL- NICOLAE	Member of the Board of Directors	Aviation Engineer
DOROȘ LIVIU-CLAUDIU	Member of the Board of Directors	Economist
VÎRNĂ DANIEL	Member of the Board of Directors	Legal advisor

The attributions and responsibilities of the Board of Directors are provided in the Constitutive Act.

The direct participation of the administrators to the registered capital of the company is lower than 1%.

There is no agreement, understanding or family tie in connection with the nomination of the administrators of the company. There were no resignations or dismissals from among the members of the Board of Directors, or in connection with the auditor.

There is no litigation between the company and the administrators with reference to their activity.

None of the administrators was involved in a litigation or administrative procedure with AEROSTAR during the last 5 years.

BUSINESS MANAGEMENT

AEROSTAR is under unitary administration, by delegating the executive management of the company to the General Director, Mr. Grigore FILIP, and to the Financial Director, Mr. Doru DAMASCHIN.

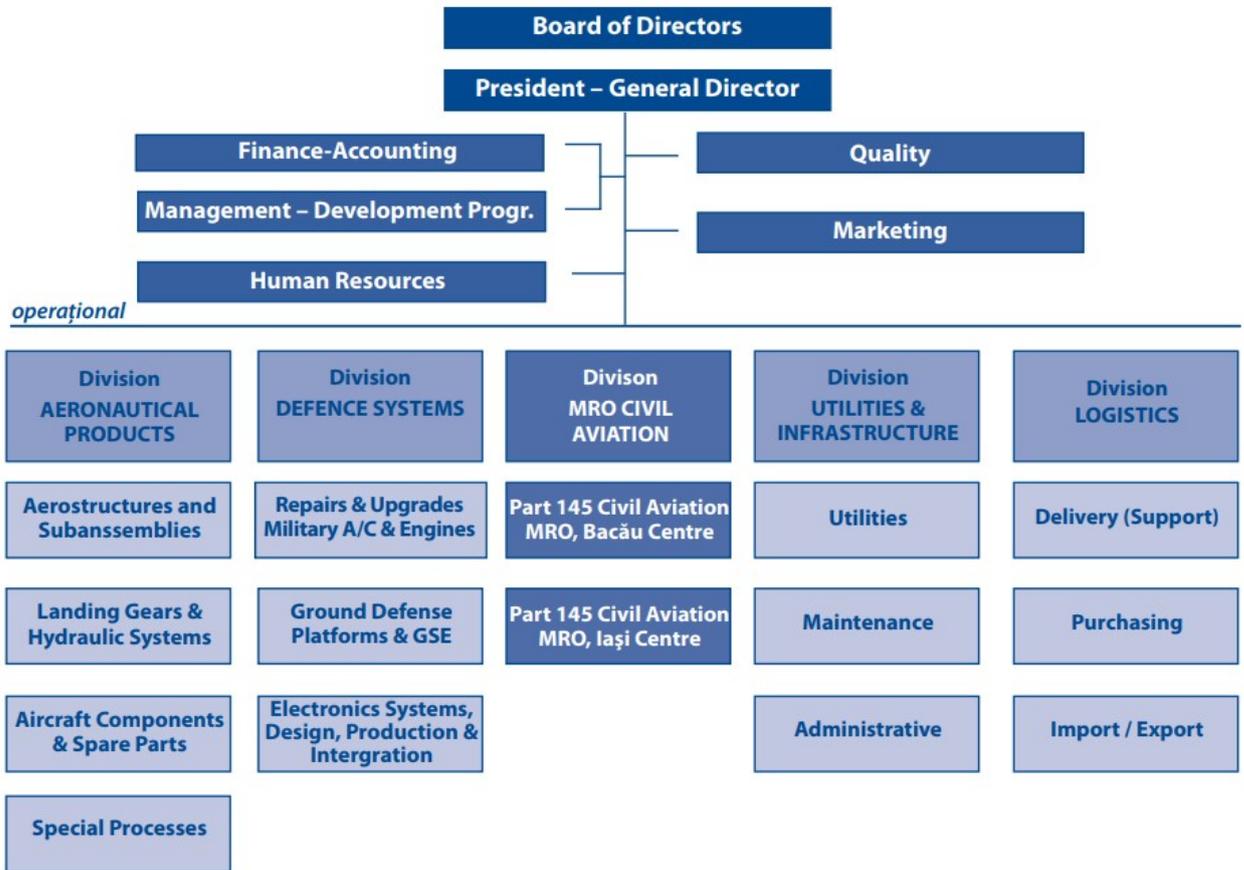
As for the organization and management system in Aerostar, the management structure at operational level provides the activities based on a divisional type organization, with accounts management centres in the areas of operations, auxiliary and functional activities.

AEROSTAR performs its object of activity using the common resources of the organization in an integrated mode.

The organizational structure implemented since the beginning of 2018 generated the results envisaged while maintaining the principles for the organization and utilization of the resources in a unitary, competitive and integrated mode.

This organization provides the development of the capacities in order to realise the new programmes for defence as well as the necessary investments in this purpose.

From 1 January 2018, the organizational structure is:



At 31 December 2018 the management structure which provides the management of the company functions subject to the division type organisation is:

Name and surname	Position
FILIP GRIGORE	General Director
DAMASCHIN DORU	Director Finance-Accounting
ROGOZ VASILE-LAURENTIU	Quality Director
POPA DAN PAUL MALIN	Director HR & Industrial Engineering
IOSIPESCU SERBAN	Director Aeronautical Products Division
BUHAI OVIDIU	Director Defence Systems Division
VELEȘCU IOAN-DAN	Director MRO Civil Aviation
FILIP ALEXANDRU	Director Logistics Division
BRANCHE CATALIN BOGDAN	Director Utilities & Infrastructure Division

The direct participation of the executive management to the registered capital of the company is lower than 1%.

There are no litigations with the persons mentioned above.

Aerostar has operated organisational changes starting with 1 January 2018 with the purpose of a better mobilisation and use of the resources, to better exploit the market opportunities and to respond better to the requirements of the customers.

This reorganisation preserves intact the overall industrial and manpower capabilities, providing the business development conditions and the realisation of complex programmes with an increased competitiveness.

The Special Products Division was reorganized, the current GSE manufacturing programmes and the Ground Defence Systems, respectively, forming one single organizational structure under the name of “Ground Defence Platforms and GSE” as part of the new division named “Systems for Defence”.

As such, the former “Aviation Maintenance and Upgrades Division”, reorganized, is now the **Defence Systems Division**, focusing exclusively on military programmes, and comprises: Military, Aircraft and Engines Repairs and Upgrades, Ground Defence Platforms and GSE, the Programme for the Design, Production and Integrations of Electronic Systems, as well as other new programmes under development.

Starting with 1 January 2018, the new **MRO Civil Aviation Division** was set, which comprises the maintenance units related to the MRO Civil Aviation Organisation, Part 145 approved, namely the Part 145 MRO Civil Aviation Centre in Bacau and the future Part 145 MRO Aviation Centre from Iasi.

At the level of the Defence Systems Division, the structures were established, also the functioning mode and the corresponding responsibilities in order to provide the business development related to the new programmes in the field of defence.

CORPORATE GOVERNANCE

As a company listed on the Bucharest Stock Exchange, AEROSTAR S.A. follows the compliance with the principles and recommendations provided in the Code of Corporate Governance of the Bucharest Stock Exchange adopted on 11 September 2015.

At the same time, AEROSTAR's Corporate Governance System is in accordance with the provisions of the constitutive act of the company and respects the dispositions of the law no. 31/1990 and 24/2017, the Regulation no. 5/2018 of the Financial Supervisory Authority.

The implementation of the corporate governance rules provide a transparent decision-making process, founded on clear rules and objectives meant to lead to the growth of the shareholders' trust in the company. AEROSTAR focuses on corporate governance, reviewing the level of compliance with the provision of the Corporate Governance Code issued by the Bucharest Stock Exchange entered in force on 4 January 2016. The annex to the Report herein presents the current stage of implementation of the Bucharest Stock Exchange corporate governance code.

The administration of the company is in unitary system.

The president of the Board of Directors is also the General Director of the company.

The executive management is provided by the General Director and the Financial Director.

THE CORPORATE GOVERNANCE STRUCTURES

The corporate governance structures are:

- Shareholders – the General Meeting of Shareholders
- The Board of Directors
- The Audit Committee
- The executive management

The General Meeting of the Shareholders

The General Meeting of Shareholders is the main corporate body, with decision-making attributes for all the aspects specified in the Constitutive Deed.

The shareholders exercise their rights during the General Meeting of the Shareholders („GMS” or „General Meeting”).

The procedure for the organization and performance of the general meeting of the shareholders is published on the internet page [www.aerostar.ro/ Investors Relation / Reference Documents](http://www.aerostar.ro/InvestorsRelation/ReferenceDocuments).

The shares of the company are indivisible and provide equal rights to their owners, any one share entitles to one vote in the General Meeting of the Shareholders.

The General Meeting is convened by the Board of Directors with at least 30 days before the date established.

The General Meetings are ordinary and extraordinary. The Ordinary General Meeting is held at least once a year, no later than 4 months from the ending of the financial year, while the Extraordinary General Meeting is held whenever is necessary.

In order to provide equal treatment and full and fair exercise of the rights of the shareholders, the company makes available all the relevant information with reference to the GMS and the resolutions adopted both in the regular communication system (national newspaper, reports to the Financial Supervisory Authority and BSE), as well as in the special section „Investors Relation” on company’s website, easily identifiable and accessible.

AEROSTAR does its best efforts, in compliance with the legal requirements in the field, to facilitate the participation of the shareholders in the General Meetings, as well as for the full exercise of their rights. The shareholders can participate and vote in the General Meeting, but also have the possibility to vote by proxy or by correspondence.

The General Meetings of the Shareholders are presided by the President of the Board of Directors, thus allowing an open and effective dialogue between the Directors and the shareholders.

Each share of the company held by a shareholder on the “record date” gives the right to receive dividends for the previous financial year, in the amount and terms set by the General Meeting of the Shareholders.

The approval competencies of the General Meetings of the Shareholders, the conditions for organizing and validations of the meetings are set out in the Constitutive Deed of the company, according to the applicable legal and regulatory framework.

The General Meetings of Shareholders took place with full compliance of the Law 31/1990 regarding the companies, the Law 297/2004 regarding the capital market and the applicable regulations issued by FSA, as well as any applicable provision.

During the last years, the company distributed dividends to the shareholders and consolidated a dividend policy which provides satisfaction to the shareholders as well as resources for the development of the company.

In accordance with the legal provisions applicable, the claim to collect the dividends approved by the General Meeting of the Shareholders cease to generate effects after the expiry of a period of three years calculated from the dividend’s “payment date” for each financial year.

During the year 2018 the company did not purchase its own shares and did not issue bonds or other securities as receivables.

The Board of Directors

AEROSTAR's Board of Directors was elected for a period of 4 years (from 11.07.2016 until 10.07.2020) in the General Meeting of the Shareholders from 5 July 2016.

In 2018 seven (7) meetings of the Board of Directors the owners.

All the BOD members were present in three (3) meetings, in two (2) of the meetings were present four (4) members while the fifth participated in telecon mode, and in one meeting were present four (4) members and one was absent.

The attributions and responsibilities of the Board of Directors are provided in the Constitutive Deed and in the Internal Regulation of the Board of Directors on [www.aerostar.ro/Investors Relation](http://www.aerostar.ro/InvestorsRelation).

The direct participation of the administrators to the share capital of the company is under 1%.

There is no agreement, understanding or family tie in connection with the nomination of the administrators of the company. There were no resignations or dismissals from among the members of the Board of Directors, or in connection with the auditor.

There is no litigation between the company and the Directors (administrators) with reference to their activity.

None of the administrators was involved in a litigation or administrative procedure with AEROSTAR during the last 5 years.

The Audit Committee

Based on the provisions of Corporate Governance's Code in conjunction with the provisions of the Law no. 162/2017, an independent **committee audit** was established, formed from two members named by the General Meeting of the Shareholders on 19 April 2018.

The attributions of the independent audit committee are provided in the Internal Regulations of the audit committee, approved by the Board of Directors, completed with the provisions of the Law no. 162/2017 and the EU Regulation no. 537/2014, which is found also on www.aerostar.ro/Investors Relation/Reference documents.

Since 2018, an Audit Committee is acting in Aerostar in accordance with the provisions of the Law no. 162/2017 regarding the statutory audit of the annual financial statements and of the consolidated financial statements.

The **Audit Committee** has the role to assist the Board of Directors in realizing its attributes regarding the financial reporting process, the effectiveness of the internal quality control system and of the risk management system and of the internal audit regarding the financial reporting.

The Audit Committee has the goals to:

- monitor the financial reporting process;
- monitor the statutory audit of the financial statements;
- monitor and evaluate the independence of the statutory audit;
- monitor the effectiveness of the risk management activity;
- monitor the internal audit's activity regarding the financial reporting.

The Audit Committee meets the legal attributions provided in art. 65 from the Law no. 162/2017 regarding the statutory audit of the consolidated annual financial statements, respectively:

a) monitors the financial reporting process and transmits recommendations or proposals to ensure its integrity;

b) monitors the effectiveness of the internal quality control system and of the risk management systems of the entity and, as applicable, of the internal audit regarding the financial reporting of the audited entity, without infringement of its independence;

c) monitors the statutory audit of the annual financial statements and of the consolidated annual financial statements, especially its execution, taking into

consideration the findings and conclusions of the competent bodies, in accordance with art. 26 paragraph (6) from (EU) Regulation no. 537/2014;

d) evaluates and monitors the independance of the financial auditors or of the audit companies in accordance with art. 21-25, 28 and 29 and Law no. 162/2017 and with art. 6 from the (EU) Regulation no. 537/2014 and, especially, the opportunity to perform certain non-audit services to the entity audited in accordance with art. 5 from such regulation.

The audit committee shall meet on a regular basis, at least 4 times a year, as well as exceptionally, as applicable.

In the execution of its atributions and the improvement of the activities which they review, endorse, monitor, the committee collaborates with:

- a) The economic direction, including its related structure;
- b) The internal audit;
- c) The internal accounts management control;
- d) The management, with the representatives of the functional structures in AEROSTAR.

AEROSTAR's Code of business conduct & ethics

AEROSTAR pursues the company principles and values in an honest and fair way, with integrity while consistently acting to comply with the highest ethic standards in business, by adopting voluntarily for many years already AEROSTAR's Code of business conduct and ethics. This code is posted on the internet page of the company www.aerostar.ro and is part of the provisions of the work contract.

To the extent in which this Code requires a higher standard than the one requested by the commercial practice or by the applicable laws, rules or regulations, we adhere to these higher standards. This code is mandatory for the administrators, employees and is adopted in all the aspects related to the employees, as well as for investors, customers, suppliers, representatives of the local community, other business partners.

The Board of Directors pays special attention to respecting the corporate governance principles in order to provide:

- obtaining performance in long-term sustainable development conditions of the company;
- accuracy and transparency of the decision-making process of the company;
- respecting the laws and fair treatment of the shareholders by protecting and implementing their prerogatives in practice;
- transparency and access to information by periodically publishing the relevant financial and operational information.

The details about the compliance with the principles and recommendations provided in the Corporate Governance Code of the Bucharest Stock Exchange are provided in the Declaration „Comply or explain”, which is integral part of this report, as the Annex.

Management of the conflict of interest

The members of the Board of Directors must notify the Board of Directors regarding any conflicts of interest which occurred or may arise and must refrain from participating in any discussions (including by non-attendance, except when the non-attendance would prevent the quorum set-up) or casting such votes for the adoption of any decision regarding the matter at the origin of the conflict of interest.

Respecting the requirement of the Internal Regulations of the Board of Directors, art. 3.5, all the members of the Board filled in and signed a Declaration regarding the Conflicts of Interest, for the year 2018.

Following the assessment, based on these declarations, the following were observed:

- no member of the Board of Directors in independent;
- no member is in conflict of interests regarding the position held in the Board of Directors;
- no measures or changes are required in the Board of Directors.

Executive management

AEROSTAR is managed in a unitary system, with the delegation of the executive management of the company to the General Director, Mr. Grigore FILIP and to the Financial Director, Mr. Doru DAMASCHIN.

The internal control system

The internal control system of AEROSTAR comprises the following components:

- Accounts control
- Budgetary control
- Controlling
- Internal audit

Accounts control

In AEROSTAR there is a dedicated department responsible with accounts control.

This department provides the inventory of all the elements related to assets, debts and company capitals in the company records.

Throughout 2018, the inventory activity was made in compliance with the legal provisions and company regulations.

The results of the inventory processes were registered in the company's accounting records.

No significant deviations were found compared to the scriptic records.

Budgetary control

The budgetary control is performed by the persons in charge with the budget.

From the budgeting perspective, the company is organised in:

- profit centres
- cost centres.

There are 19 budgets set in the company underlying activity programmes, corresponding to the functions of the company.

The budgetary control provides:

- conformity with the values provided for each budgetary indicator
- fundamenting possible corrective actions

Quarterly, both the profit centres and the cost centres report to the executive management on the budgetary execution and on the necessary, due, effective and legal character of the expenses made by the company.

Controlling

Controlling was implemented and constantly developed in AEROSTAR as a higher phase of the budgetary control.

Controlling also provides compliance with the mission statement and the strategic objectives of the company.

Also, it provides conformity with the planned treasury cash flows, while making the periodic review of the necessity, opportunity and legality of the amounts collected and paid by the company.

Internal Audit

The company has organised the Internal Audit with members registered with the Chamber of Financial Auditors of Romania.

AEROSTAR's internal auditing activity is organized according to law, as a distinct compartment in the organisational structure, in accordance with the organizational chart.

The internal audit is directly subordinated to the Board of Directors and is an independent and objective activity for enforcement and consultancy, designated to evaluate and improve the company's operations.

The company management pursues to ensure that the established internal control function operates efficiently, effectively and sufficiently, in order to mitigate and eliminate the identified risks.

The internal audit activity is structured in:

- effectiveness audit;
- management audit;
- operational audit;
- conformance audit;
- financial audit.

The internal auditing activity is conducted based on the annual activity programme approved by the Board of Directors.

The internal audit tasks confirmed the positive impact of the internal audit activity on the activities performed in the company.

The internal audit reports are periodically submitted for the attention of the Board of Directors meetings.

RISK MANAGEMENT

AEROSTAR is exposed to multiple risks and uncertainties which may affect its financial performances.

The business lines followed by AEROSTAR, the operational results or the financial situation of the company, could be affected by the materialization of the risks presented as follows.

With a significant proportion of the export and import operations in the company's transactions, the internal control programme is a major component of the risk management activities.

About the coordination of the Internal Control Programme

Aerostar entirely respects Romania's laws and regulations.

Aerostar respects all the policies, laws, regulations and procedures in the export control field issued by the competent authorities, namely the Ministry of Foreign Affairs – the Export Control Department.

The Internal Control Programme defines the operational procedures and responsibilities which enforce the compliance with the law in force, being an important instrument in the preventive management of the potential risks associated with the business of the company.

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

The risk management processes provide the identification, analysis, evaluation and administration of the risks in order to minimize their effects down to an agreed level.

The reconfiguration of the Management System and of the Quality Management System in AEROSTAR compliant with the latest editions of the standards ISO 9001 of 2015, AQAP 2110 of 2016, AS 9100 Rev D of 2016, ISO 14001 of 2016 places a particular emphasis on the risk management.

The recertification obtained after the external audit for each of these certifications and authorisations confirms the preoccupation and good practice implemented in AEROSTAR for the risk management.

By adopting an integrated approach for the risk management, AEROSTAR has in place a robust risk management system.

The risks are structured as follows:

Operational risk, Credit Risk, Liquidity Risk and Market Risk.

The **Operational risk** is monitored through the intensive Management System actions applied at all levels, and this process is supported by the used applications and implemented through the digitisation programme.

Associated to the **Operational risk** is the **Risk connected to reaching the turnover value**, for which the management and the mitigation of the possible consequences are based on actions specific to the phases of the P-D-C-A (strategic planning on the business lines, diversification and scheduling on divisions, component subunits and on products, regular reviews at each management level, updating the scheduling if relevant aspects are identified given the organisational context).

These actions lead to the achievement of the production under contract and maintaining a low level of the **risk related to immobilizations of inventories** and of the **business' discontinuity risk**; a defining positive factor is the fact that the company has implemented a robust production management system assisted by adequate IT systems.

There are no risks regarding the production financing as the company operations are secured from its own funds.

The company has financial provisions for the risks which may arise.

Also associated to the **Operational risk** is the **Legal risk**.

The highly varied spectrum of AEROSTAR's suppliers and customers, at multi-continental level, makes the legal risk extremely important, detailed and outlined by:

-Risks regarding the geopolitical changes/ uncertainties due to the actions of the major global actors (changes in the US Administration position in the field of economic trade and related commercial taxes, the Brexit Agreement execution and completion between Great Britain and the European Union with potential impact on the sales volume to UK companies, a.s.o.);

- Risks regarding the commercial competitiveness, in the competition contractual landscape in aviation, including the concentration of the customers;

- Risks regarding the changes of the laws/ regulations regarding the legislation in force (including anti-trust, anti-corruption, embargo/ sanctions legislation, etc).

The effects of the **legal risk** are monitored and eliminated by means of a permanent information update system about the legislative changes, as well as through a system for the review, endorsement and approval of the terms and conditions included in the commercial agreements.

AEROSTAR allocates and will continue to allocate funds for investment expenses, development and other operational expenses in order to prevent and administrate the **operational risk**, including for the **Lease risk** possible to arise.

We appreciate that currently the **operational risk** level in Aerostar is low.

In addition, AEROSTAR seeks to have available adequate capital, by setting provisions for risks and related expenses, company funds to cover its risks of exposure, also taking into account the possible **association/ partnerships risk**.

In this context, the emphasis is on the possible syncopes in the development and execution of certain programmes possible to be abandoned by the partners due to extraordinary events or to certain collaborations where additional delayed, postponed, unmaintainable Programmes may arise (**Risk of discontinuity of the Programmes' lifecycle**).

Also, by allocating adequate resources, the monitoring is focused on the mitigation of the possible dangers specific to cyber-attacks, including to minimize the **Risk of the computer system to operate in security and safety terms**.

With a strong and proactive organisational culture in the human resources area, with adequately budgeted programmes, AEROSTAR mitigates the **Risk related to the increased mobility of the manpower**, which leads to additional costs for the identification of skills and competences and for professional adaptation.

At the same time, the activity of the employees is monitored in order to react quickly and focused to the potential events related to **Psycho- social risks** (both stress, as well as harassment and/ or accusation of violence at work) and the Possible **Health and Occupational Safety Risks**, which are largely diminished because the company has an integrated management system (Quality – Environment- Occupational Health and Security), certified according to the standards in force.

By following the laws specific to work and social protection, AEROSTAR records no possible **Risks related to pension funds**.

Also, in order to minimize the **Operational risk**, AEROSTAR annually renews the liability insurance contract with first rank insurance-reinsurance companies in connection with its main business lines (aviation products manufacturing and maintenance of commercial aircraft), knowing and respecting the provisions specific to the **Insurance risk** while the possible signs of influence on the organisation's reputation, the **Risk of affecting the image** of the company, are attentively monitored and mitigated.

The **Risk of affecting the company image** is mitigated by a continuous set of fundamental and conjugated actions, communicated according to the legal regulations in force, taking into account the stakeholders' requirements and based on AEROSTAR's results.

The Credit Risk

The cash flows and the statement of the amounts collected and paid for each partner are permanently monitored and controlled, maintaining a close relation with them, so we appreciate that this risk is very low.

The cash and cash equivalents are placed only in first rank banking institutions, considered to have high solvency.

The **Credit risk**, including the **Country risk** in which the customer carries out the activity, is managed on each business partner.

When deemed necessary, the company requires specific credit risk mitigation tools (prepaid expenses, letters of credit with bank guarantee, confirmed export letters of credit).

AEROSTAR has no significant exposure to a single partner and does not record a significant concentration of the turnover on a single geographic area.

However, there is a significant exposure to the global market of the Airbus programmes, a large share of the company's products being embedded in Airbus aircraft.

The Liquidity Risk

In this period, this risk is practically non-existent.

For the administration of the **liquidity risk**, the cash flows are monitored and reviewed weekly, monthly, quarterly and annually in order to establish the estimated level of net modifications of the cash.

Such reviews provide the basis for the financing decisions and for the capital undertakings. For the administration of the **liquidity**, AEROSTAR keeps an annual cash-reserve in the form of a Credit Line usable as a bank overdraft in amount of 2.500.000 USD.

During the reporting period, AEROSTAR did not use the Credit Line, all the activities being financed from company's own sources.

The Market Risk

The market risk is relevant subject to the **price risk**, **currency risk** and **interest rate risk**.

AEROSTAR is mainly exposed to the **price risk** determined by the fluctuations of the price of raw materials and materials used in the production processes, due to some extraordinary events (the Brexit Agreement with an impact on the purchasing of materials from Great Britain, implementation of certain international sanctions with consequences on the limitation of the possibility to provide the necessary parts and materials, etc.), as well as the increase of the costs of specific duties for the import/ export of metallic products (steel and/ or aluminium) to and from USA.

The management of this risk is made by:

- diversification of the range of suppliers, which provides increased negotiation levers in case of price increase for the materials from certain suppliers.
- long term contracts, with fixed price clauses.

AEROSTAR is exposed to the **currency risk** as 76% of the turnover is related to USD and EUR, while a considerable amount of the operational expenses is related to the operational currency in LEI.

As such, AEROSTAR is exposed to the risk of the exchange rate fluctuations, affecting both its net revenues and its financial position, as they are both expressed in LEI.

As far as the **interest rate risk** is concerned, due to the fact that AEROSTAR did not use the contracted Credit Line during the reporting period, the cash revenues and flows are independent from the interest rate variation on the banking market.

Description of the trends for the main risks and uncertainties for the following period

For the following period, AEROSTAR does not foresee other significant risks, additional to the ones managed in the current period and presented as following:

The operational risk: the risk of registration of loss or failure to make the estimated profits is carefully monitored through the management system applied.

The legal risk: the risk of loss due to fines, penalties and sanctions chargeable to AEROSTAR in case of failure to apply or misapplication of the dispositions, legal or contractual regulations. The internal control systems provide an effective management of these risks.

The credit risk: the risk that AEROSTAR suffers a financial loss as a result of a partner's failure to meet the contractual obligations is monitored by the methods of the management by programmes.

Still, there may be additional risks and uncertainties, which currently are not known or are considered insignificant, but which can affect the business lines performed by AEROSTAR in the future.

FINANCIAL STATEMENTS, SUMMARY

Summary of Assets, Equity, Liabilities and Provisions	31.12. 2018	31.12.2017
Total non-current assets	156.876	153.686
Total current assets	318.289	278.451
Prepaid expenses and receivables related to deferred tax	11.636	11.055
Total assets	486.801	443.192
Total company equity	315.139	252.967
Total provisions	112.551	125.189
Income in advance	10.239	12.705
Total liabilities	48.872	52.331
Total Equity, Liabilities, Provisions	486.801	443.192

Summary of Income, Expenses, Results	year 2018	year 2017
Total operating income, of which:	371.245	355.511
- income from sales	353.413	340.172
Total operating expenses	(288.168)	(295.371)
Profit from operating activity	83.077	60.140
Financial income	7.806	4.413
Financial expenses	(3.463)	(5.766)
Profit/financial loss/profit	4.343	(1.353)
Profit before tax	87.420	58.787
Tax on current and deferred profit	(7.499)	(5.617)
Net profit of the financial year	79.921	53.170

Cash Flow Summary	31.12. 2018	31.12.2017
Collected from operating activities	357.608	352.964
Payments for operating activities	(311.155)	(311.161)
NET CASH FROM OPERATING ACTIVITIES	46.453	41.803
Collected from investment activities	3.341	819
Payments for investment activities	(32.669)	(27.597)
NET CASH FROM INVESTMENT ACTIVITIES	(29.328)	(26.778)
Paid dividends but unclaimed, recovered	47	73
Gross dividends paid	(13.658)	(13.289)
NET CASH USED IN FINANCING ACTIVITIES	(13.611)	(13.216)
Net increase of the cash and cash equivalents	3.514	1.809

MAIN ECONOMIC-FINANCIAL INDICATORS ON 12 MONTHS 2018

Indicator	31.12.2018	31.12.2017
Current liquidity indicator	9,7	7,03
Indebtedness indicator	0	0
Rotation speed of the customers debits	70 days	50 days
Rotation speed of the non-current assets	2,25 days	2,21 days

RESOURCES ARE PROVIDED FOR A SOLID FUTURE!

The economic, social, geo-politic and capital factors and trends which operate at a global scale influence on Aerostar's business.

The transformation of AEROSTAR's market profile has been realised throughout multiple successive stages, the company's footprint being present distinctly with a significant contribution in programmes of global scale, mainly in the field of civil aviation.

The current transformation stage of the company envisages the successful completion of a transformation cycle in which new programmes gradually replace, entirely, the traditional programmes – on all the directions of AEROSTAR's defence production profile.

Completing the cycle of transformations and new technologies initiated in the company after the year 2000 is a commitment, as well as a great responsibility.

The development of the company's agility in the context of the global market is a permanent, renewed challenge.

The resources necessary to support the growth in this context are important, to prepare the organization for this is important alike, in relation to the new reality flows, including the awareness and generalization of the changes related to the digital processes and cybersecurity.

The targets do not change but the processes to achieve the objectives shall be adapted to the current reality in the political, social, economic and digital context of the company.

The development vision envisages a business model based on selective growth in a framework generally recognised that AEROSTAR's success is determined by the requirements and expectations of the Customers, as well as by the evolutions on the aviation and defence industry market.

Also, the strategic objectives provide the growth of the company's market footprint, mainly on the foreign market, so that the export shall represent over 80% from the turnover.

AEROSTAR's competitive advantage shall be maintained and improved: quality, capabilities, state-of-the-art equipment and technologies, reactivity to opportunities, adherence to the improvement programmes.

On behalf of the Board of Directors,

Grigore FILIP

President – General Director

Annex

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE OF THE BUCHAREST STOCK EXCHANGE, 2018

Code provisions	Comply	Not comply or partially comply	Reason of non-compliance
A.1	x		
A.2	x		
A.3	x		
A.4		x	Three of the five BoD members are non-executive. The Board of Directors does not comprise an independent member, being voted in this structure by the General Meeting of Shareholders.
A.5	x		
A.6	x		
A.7	x		
A.8	x		
A.9	x		During 2018 a number of 7 meetings took place, of which: - In 3 meetings all the BoD members were present; - In 2 meetings, 4 members were present, the fifth attended by telecon; - In 1 meeting there were 3 members present, the other 2 attended by telecon; - In 1 meeting, 4 members were present, the fifth being absent.
B.1	x		The company has constituted an independent committee audit according to article 65 from Law no. 162/2017
B.2	x		The members of the audit committee are independent persons elected by the GMS and hold competences in the accounting and statutory audit.
B.3	x		
B.4	x		
B.5	x		
B.6	x		
B.7	x		
B.8	x		
B.9	x		
B.10	x		

B.11	x		
B.12	x		
C.1	x		All the GMS resolutions regarding the remuneration of BoD members were published. Currently there is a distinct section in the BoD Regulation.
D.1	x		
D.1.1	x		
D.1.2		x	The information in this section is available, on request, but are not published on the company's website.
D.1.3	x		
D.1.4	x		
D.1.5	x		
D.1.6	x		
D.1.7	x		
D.2	x		
D.3	x		
D.4	x		
D.5	x		
D.6	x		
D.7	x		
D.8	x		
D.9	x		
D.10	x		

Dezvoltarea continuă a Forțelor Aeriene Militare, capacității de lucru a atelierelor pentru repararea avio- motoarelor de avion, precum și fabricarea piștelor de agregatelor pentru motoare și aparatelor de bord.

Actualele ateliere sunt insuficiente pentru a face față cerințelor menționate mai sus și în special cerințelor reparării avioanelor și motoarelor cu piston și cu reacție din tehnica nouă.

În scopul rezolvării acestei probleme, s'a prevăzut în planul pe anul 1951, 1952 și 1953 crearea unui atelier central situat în comuna Vasile Roaită Raionul Bacău.

În prezent parte din clădiri sunt terminate și gata a fi folosite, iar altele vor fi terminate în cursul anului 1953.

Desenearea au început să sosească și mașinile unelte din țară astfel încât se prevede ca în cursul anului 1953 să se realizeze totalitatea utilajului necesar înzestrării atelierului.

Realizarea sarcinilor ce se impun a fi executate de acest atelier, necesită în cursul anului 1953 o sumă de bani pentru finanțarea, de confecționare a utilajelor și echipamentelor și reparație.

Față de această situație urmează să se realizeze atelierul ca întreprindere economică și să se treacă la numirea conducerii acestuia pe linii tehnico-administrativ, întocmirea planului tehnico-economic a unității și instruirea cadrelor și muncitorilor.

Atelierul astfel organizat și înzestrat la data de 1 Ianuarie 1954, va avea o capacitate de producție de 1.200.000 de piese și circa 700 angajați, dintre care 500 muncitori calificați.

De asemenea, în urma studiilor efectuate s'a constatat că este necesar să se acorde o atenție deosebită de înaltă calitate și importanță atelierului, astfel încât să se realizeze acestuia ca întreprindere de gradul I.

Pentru finanțarea operațiunilor de producție a acestei întreprinderi, în perioada 1951-1953, Ministerul Forțelor Armate a prevăzut suma necesară cheltuielii, fondul investițiilor pe anul 1953, ce provine din dispozițiunile art.3 din Decretul Nr.59 din 27 Aprilie 1953.

În scopul organizării atelierului și asigurării chibzuit, s'a întocmit alăturatul proiect de plan pe care, dacă s'ar aproba, s'ar acorda cu dispozițiunile art.3 din Decretul Nr.59 din 27 Aprilie 1953.

MINISTRUL FORTELOR ARMATE
General de Armată

Ștefan Bodnarag
Ștefan Bodnarag

Consiliul de Miniștri
al
Republicii Populare Române

HOTARARE Nr. 1145
pentru

înființarea întreprinderii economice "Atelierul de reparare și construcție"

Consiliul de Miniștri în ședința de la ...
Văzând referatul Ministrului Forțelor Armate

În temeiul art.2,5,6 și 9 din Decretul Nr.59 din 27 Aprilie 1953 și art.3 din Decretul Nr.59 din 27 Aprilie 1953

HOTARASTE

Art.1.- În scopul asigurării, reparării, modernizării și fabricării aparatelor de bord, precum și fabricării aparatelor de aviație, necesare Forțelor Armate aeriene, se înființează pe data de 1 Ianuarie 1954, sub îndrumarea Ministerului Forțelor Armate, întreprinderea economică "Atelierul de reparare și construcție" cu sediul în comuna Vasile Roaită, județul Bacău.

Art.2.- Întreprinderea prevăzută la art.1 este o întreprindere economică de gradul I și se va organiza pe baza dispozițiilor gospodăririi chibzuite, numindu-se în mod corespunzător.

Art.3.- Fondul de bază al întreprinderii "Atelierul de reparare și construcție" constă din clădirile, mașinile, utilajele și mijloacele de transport, ce se pun la dispoziția Ministerului Forțelor Armate, iar până la sfârșitul anului 1953 s'ar realiza și se ceară ajutor financiar de la Ministerul de Finanțe.

Art.4.- Finanțarea cheltuielilor pentru anul 1953, necesare organizării întreprinderii, instruirii cadrelor și muncitorilor se va suporta din fondul de investiții pe anul 1953 și din veniturile colective pe anul 1952 și 1953. Ministerul Forțelor Armate, iar pentru colectivele de conducere și al uzinei în termen de una lună de la apariția prezentei Hotărâri se va înainta propuneri de plan forțe de muncă și plată.

Art.6.- Ministrul Forțelor Armate, Ministrul Finanțelor și Ministrul Muncii vor prezenta Comitetului de Stat al Planificării vor aduce la îndeplinire dispozițiunile prezentei Hotărâri.

București la ... 17 Aprilie 1953

Ștefan Bodnarag
Ștefan Bodnarag