

Quarterly Report on 31.03.2017

according to Annex 31 to Regulation no. 1/2006 with subsequent modifications regarding the issuers and operations with securities

Date of the report: 31.03.2017

Name of the company: S.C. AEROSTAR S.A. BACAU

Registered headquarters: 9 Condorilor St.

Telephone number: 0234-575070

Sole registration number: 950531

Bacau Trade Register Number: J04/1137/1991

Share capital subscribed and paid: 48.728.784 lei

Regular market on which the issued shares are traded:
BUCHAREST STOCK EXCHANGE (symbol "ARS")

S.C. AEROSTAR S.A. BACAU
REPORT OF THE BOARD OF DIRECTORS
FOR FIRST QUARTER 2017

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INTRODUCTORY DATA

The purpose of this interim report of the Board of Directors of AEROSTAR S.A. Bacau is to inform the investors with reference to the modifications in the position and performance of the company, which took place in the time period January-March 2017.

According to the common practice, the financial statements prepared for the date of 31 March 2017 are not accompanied by the report of the independent financial auditor.

The individual financial statements prepared for 31 March 2017 were audited by the internal auditor of the company AEROSTAR SA Bacau.

MAIN EVENTS DURING THE TIMEPERIOD JANUARY-MARCH 2017

Synthesis/ Relevant Data 3 months 2017

	MU	31.03.2017	31.03.2016
Registered Capital	Thousand lei	48.729	48.729
Turnover	Thousand lei	74.803	81.132
• Export sales	Thousand lei	67.934	74.759
Expenses for Investments	Thousand lei	3.040	4.001
Actual No of Employees, of which:	no.	2.158	1.977
• Own employees	no.	1.880	1.779
• Employees attracted by temporary manpower agent	no.	278	198
Gross Profit	Thousand lei	14.051	19.613
Net Profit	Thousand lei	11.065	16.693
General Liquidity	-	4,39	4,33

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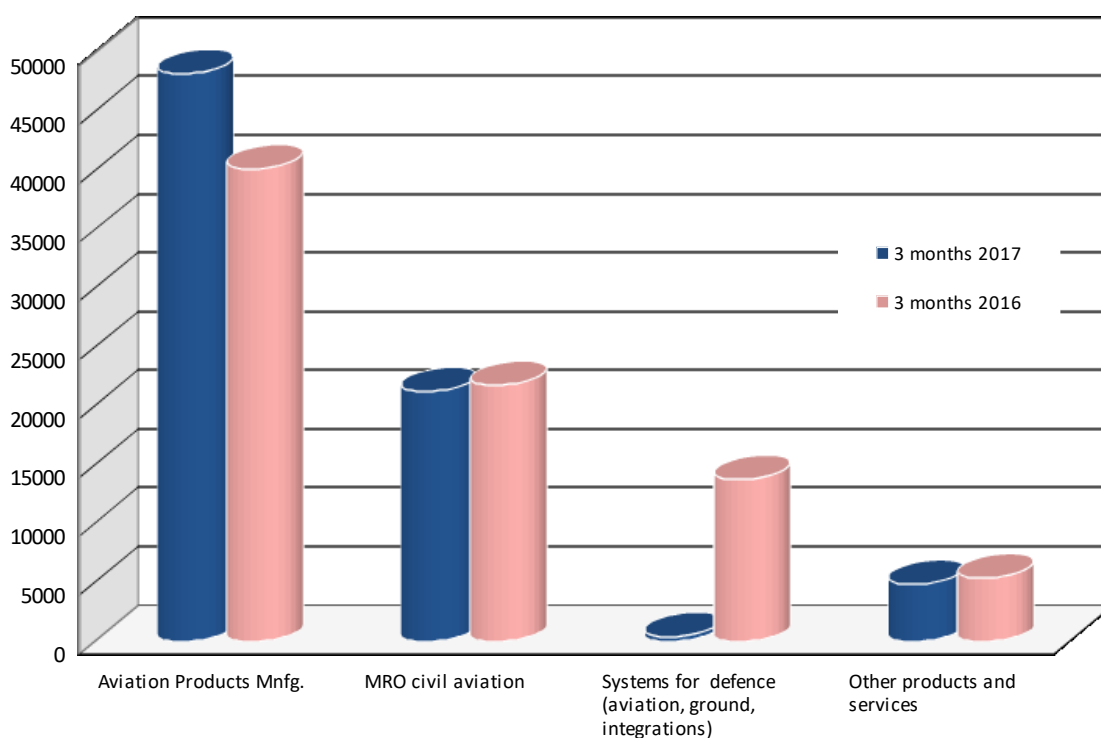
“AEROSTAR” SHARES

Stock Exchange Symbol “ARS”	31.03.2017	31.03.2016
Number of shares	152.277.450	152.277.450
Market value per share at the end of the period (lei)	3,440	2,660
Stock Exchange Capitalization (lei)	523.834.428	405.058.017
Trading price during the period (minimum level /maximum level) (lei)	3,25 / 3,56	2,24 / 2,79

AEROSTAR BUSINESS

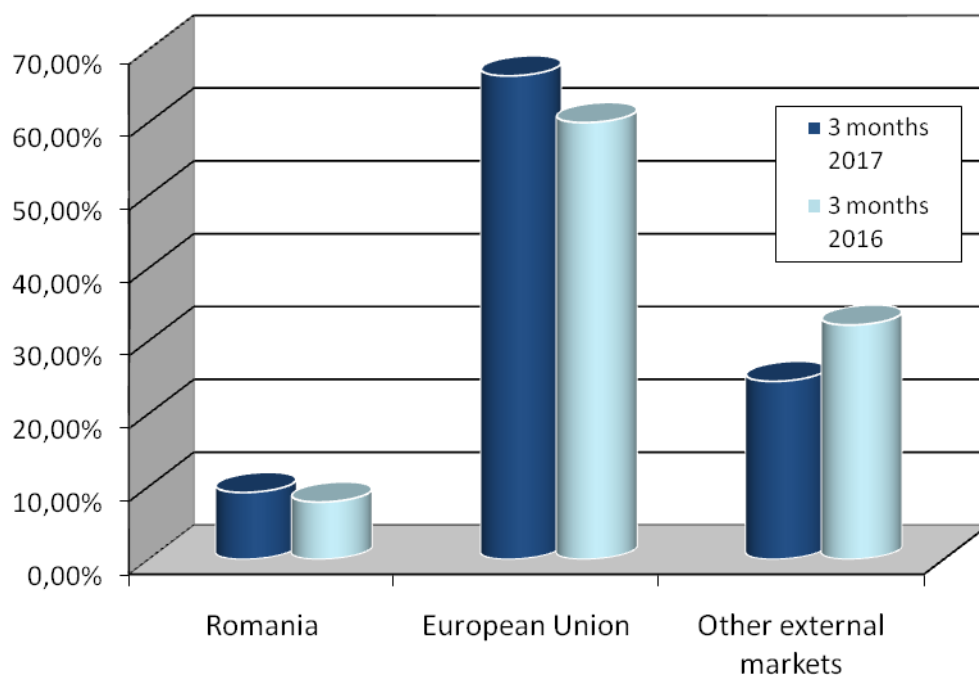
During the first quarter 2017 the sales of AEROSTAR S.A. were in amount of 74.803 thousand lei, of which 67.934 thousand lei from export sales, to a wide diversity of customers, in a large number of different production programmes.

The comparative evolution of sales on products and services:



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Aerostar sales were made on a global market of wide geographical spread both in the civil and defence fields of activity.



INVESTMENTS

The expenses for investments made in the timeperiod January-February 2017 amounted a total of 3.040 thousand lei, fully funded from Aerostar funds.

From this amount, 2.745 thousand lei was spent for the acquisition of technological equipment, hardware, measurement and control equipment, installations, for the completion of certain fitting-out improvement and modernizations of the work spaces for improved comfort of the employees (cafeteria, lockers rooms, etc) started during the previous year, 131 thousand lei for the acquisition of software licenses and 164 thousand lei for the development, further on, of the production management IT system.

AEROSTAR AS AN EMPLOYER

During the first quarter 2017 in Aerostar there was an actual number of 2.158 employees, of whom 278 were attracted and made available by AIRPRO CONSULT S.R.L., which acts on the market as a temporary manpower agent.

AEROSTAR continued with the performance of professional development programmes for the employees by professional formation programmes.

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AEROSTAR performs training for the employees in skills and competences which are not provided otherwise on the labour market.

During the first 3 months of the year 2017, a number of 850 employees attended various professional formation programmes.

The expenses with professional formation of the employees during the first quarter 2017 were in amount of 322 thousand lei.

The average union membership rate during the first quarter 2017 was 77,31%.

On the date of 22 March 2017 the negotiations were ended for a new collective labour agreement valid from 01 April 2017 to 31 March 2019.

QUALITY AND ENVIRONMENT

Aspects related to the Quality and Environment Management System

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

Regarding the quality system, a monitoring audit was performed in Aerostar by the Romanian Civil Aeronautical Authority with a view to maintain the Part 145 approval, while other audits were performed by the customers.

Regarding the environment, an inspection was performed by the Environment Guard on the conformance with the Integrated Environment Authorization and for the validation audit to confirm the number of greenhouse effect gas (GES) certificates corresponding to the year 2016. At the same time, the certificates were handed in, to provide for the compliance with the applicable legislation in force.

Also, the procedure was initiated to renew the Integrated Environment Authorization and the revised GES Authorization 2013-2020 was obtained.

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IMPORTANT EVENT AFTER THE REPORTING PERIOD

METHOD AND PERIOD FOR THE DISTRIBUTION OF THE DIVIDENDS FROM THE PROFIT OF THE YEAR 2016

In the general meeting of the shareholders held on 20 April 2017, AEROSTAR's shareholders approved the distribution of the net profit of the year 2016, that is the amount of 56.471.594,73 lei, as follows:

- **Distribution as legal reserve of the reinvested profit, in amount of 9.094.374,24 lei**
- **Distribution as statutory reserve for the working capital, in amount of 33.672.250,49 lei**
- **Distribution as dividends, the amount of 13.704.970,0 lei and set a gross dividend per share of 0,09 lei, corresponding to a share with the nominal value of 0,32 lei**
- **Set the date for the payment of the dividends on 20 September 2017.**

The distribution of the dividends for AEROSTAR's shareholders for the year 2016 will be made in accordance with the legal provisions applicable.

The costs for the distribution will be charged from each shareholder's net dividend.

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FINANCIAL POSITION AND PERFORMANCE OF AEROSTAR S.A.
IN THE TIME PERIOD JANUARY- MARCH 2017

Financial Position

	31 March 2017	31 December 2016
ASSETS		
Immobilized Assets		
Tangible Immobilizations	143.184	146.007
Intangible Immobilizations	1.735	1.689
Investment Property	6.361	6.499
Financial Immobilizations	200	202
Total Immobilized Assets	151.480	154.397
Circulating Assets		
Inventories	66.568	50.272
Commercial Receivables and other receivables	53.396	42.749
Cash and cash equivalent	153.392	163.153
Total Circulating Assets	273.356	256.174
Expenses in advance	1.146	521
Total Assets	425.982	411.092
COMPANY CAPITALS AND DEBTS		
Capital and Reserves		
Registered Capital	48.729	48.729
Current Result	11.065	56.472
Result carried forward	104.012	56.331
Other reserves	68.835	67.833
Debts /Receivables regarding the tax deferred recognized on account of company capitals	(6.539)	(6.362)
Distribution of the profit of the period as legal reserve	(1.003)	(9.095)
Total Company Capitals	225.099	213.908
Long term Debts		
Subsidies for investments	14.432	15.001
Revenues registered in advance	32	33
Debts regarding the deferred tax profit	4.266	3.804
Total long term debts	18.730	18.838
Long term provisions	70.625	71.448
Current Debts		
Commercial debts	50.083	37.472
Debt with tax on current profit	2.398	2.215
Other currents debts	9.733	14.414
Total Current Debts	62.214	54.101
Short term provisions	49.314	52.797

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Financial Position (continued)

	31 March 2017	31 December 2016
Total Provisions	119.939	124.245
Total Debts	80.944	72.939
Total company capitals, debts and provisions	425.982	411.092

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Performance achieved

	31 March 2017	31 March 2016
Revenues from sales	74.803	81.132
Other revenues	917	517
Revenues related to the cost of inventories of products and production in progress	13.698	5.619
Revenues from the production of immobilizations	66	155
Total Revenues from Operations	89.484	87.423
Expenses		
Expenses with materials	(35.469)	(34.935)
Expenses with employees' benefits	(27.217)	(22.285)
Expenses with amortization of immobilizations	(5.965)	(3.816)
Influence of adjustments related to current assets	(4.191)	(503)
Influence of adjustments related to provisions	4.305	3.693
Expenses related to external services	(6.195)	(8.179)
Other expenses	(533)	(568)
Total Operational Expenses	(75.265)	(66.593)
Profit from Operations	14.219	20.830
Financial Revenues	922	1.416
Financial Expenses	(1.090)	(2.633)
Financial Loss	(168)	(1.217)
Profit before tax	14.051	19.613
Tax on current profit, deferred	(2.986)	(2.920)
Net Profit of the Period	11.065	16.693

General Director,
GRIGORE FILIP

Finance-Accounting Director,
DORU DAMASCHIN

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B. ECONOMIC & FINANCIAL INDICATORS

Indicator	Calculation Algorithm	Result
1. Current Liquidity Indicator	Current assets / Current debts	4,39
2. Endebtness Degree Indicator	Capital borrowed /Company Capital x 100	0
3. Rotation speed of customer debts	Average customer balance/ Turnover x 90	62
4. Rotation speed of immobilized assets	Turnover / Immobilized Assets	0,49

General Director,
GRIGORE FILIP

Finance-Accounting Director,
DORU DAMASCHIN