

AEROSTAR S.A. BACAU
QUATERLY REPORT
THE FIRST QUARTER OF 2018

CONTENTS QUATERLY REPORT AT 31 MARCH 2018

REPORT OF THE BOARD OF DIRECTORS FOR 3 MONTHS 2018

ECONOMIC-FINANCIAL INDICATORS

INDIVIDUAL FINANCIAL STATEMENTS

AEROSTAR S.A. BACAU

INDIVIDUAL FINANCIAL STATEMENTS AT 31 MARCH 2018
UNAUDITED

CONTENTS

PROFIT OR LOSS STATEMENT

OTHER ELEMENTS OF THE GLOBAL RESULT

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CASH FLOWS

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	31 March 2018	31 December 2017
ASSETS			
Immobilized assets			
Property, Plant and Equipment	6	149.314	144.613
Intangible assets	5	1.580	1.858
Investment property	6	7.135	6.987
Long-term financial assets	7	225	228
Total immobilized assets		158.254	153.686
Current assets			
Inventories	10	86.048	67.925
Trade receivables and other receivables	8;9	56.143	46.640
Cash and cash equivalents	11	159.397	163.886
Total current assets		301.588	278.451
Deferred tax assets	17	9.771	10.564
Expenses in advance	31	1.103	491
Total assets		470.716	443.192
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	12	48.729	48.729
Current result	12	21.105	53.170
Result carried forward	12	101.562	57.524
Other reserves	12	117.899	110.843
Deferred tax liabilities/assets recognized on equity	17	(9.107)	(7.961)
Distribution of profit for legal reserve	12	(7.056)	(9.338)
Total company capitals	12	273.132	252.967
Deferred income			
Subsidies for investments	14	12.066	12.677
Revenues registered in advance	31	26	28
Total deferred income		12.092	12.705
Non-current liabilities			
Deferred tax liabilities	17	13.612	12.690
Other non-current liabilities	16	51	51
Total non-current liabilities		13.663	12.741
Non-current provisions	13	74.667	75.825
Current liabilities			
Trade liabilities	15	41.073	29.515
Deferred tax liabilities	23	1.952	1.522
Other current liabilities	16	8.179	8.553
Total current liabilities		51.204	39.590
Short-term provisions	13	45.958	49.364
Total provisions		120.625	125.189
Total liabilities		64.867	52.331
Total equity, deferred income, liabilities and provisions		470.716	443.192
General Director, Grigore Filip		Financial Director, Doru Damaschin	

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	31 March 2018	31 March 2017
Income from sales	19	81.774	74.803
Other income	19	628	917
Income related to inventories of products and production in progress	19	11.830	13.698
Income from production of immobilizations	19	161	66
Total operating income		94.393	89.484
Expenses			
Material expenses	20	(33.337)	(35.469)
Expenses with employee benefits	20	(28.844)	(27.217)
Expenses with amortization of assets	20	(6.062)	(5.965)
Influence of adjustments on current assets	20	1.407	(4.191)
Influence of adjustments on provisions	20	4.565	4.305
Expenses related to third party services	20	(7.233)	(6.195)
Other expenses	20	(806)	(533)
Total operating income		(70.310)	(75.265)
Operating profit		24.083	14.219
Financial income	21	1.323	922
Financial expenses	22	(1.560)	(1.090)
Financial profit/loss		(237)	(168)
Profit before tax		23.846	14.051
Tax on current and deferred profit	17;23	(2.741)	(2.986)
Net profit of the financial year		21.105	11.065

**General Director,
Grigore Filip**

**Financial Director,
Doru Damaschin**

S.C. AEROSTAR S.A. BACAU
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S.C. AEROSTAR S.A. BACAU
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31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

S.C. AEROSTAR S.A. BACAU
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AT 31 MARCH 2018
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**General Director,
Grigore Filip**

**Financial Director,
Doru Damaschin**

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

	31 March 2018	31 March 2017
Net profit of the period	21.105	11.065
Deferred income tax recognized on equity	(940)	127
Other elements on the global result	(940)	127
Total global result of the period	20.165	11.192

**General director,
Grigore FILIP**

**Financial director,
Doru DAMASCHIN**

S.C. AEROSTAR S.A. BACAU
INDIVIDUAL FINANCIAL STATEMENTS OF COMPANY CAPITALS MODIFICATIONS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

	Share capital	Reserves	Deferred income tax recognized on account of equity	Result carried- forward	Result of the period	Total equity
Global result						
A. Balance on 1 January 2018	48.729	110.843	(7.961)	57.524	43.832	252.967
The profit of the period					21.105	21.105
Other elements of global result						
Deferred income tax recognized on the account of equity			(1.146)	206		(940)
The takeover of the profit of the financial year 2017 over the result carried-forward representing the undistributed profit, until the distribution on the destinations decided by the shareholders in AGOA from the 19 April 2018 (Note 12)				43.832	(43.832)	-
The distribution of the profit for the legal reserves in gross amount		7.056			(7.056)	-
Total global result relating to the period		7.056	(1.146)	44.038	(29.783)	20.165
B. Balance on 31 March 2018	48.729	117.899	(9.107)	101.562	14.049	273.132
C. Modifications of the company capitals (NOTE 12)	0	7.056	(1.146)	44.038	(29.783)	20.165

General Director,
Grigore FILIP

Financial Director,
Doru DAMASCHIN

S.C. AEROSTAR S.A.
STATEMENT OF TREASURY CASH FLOWS (direct method)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

	Note	31 March 2018	31 March 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Collected from customers		76.640	71.109
Taxes and excises recovered from State Budget		1.009	334
Payments to suppliers and employees		(60.225)	(57.105)
Payment of taxes, contributions and dues to State Budget		(11.811)	(17.455)
Payment of profit tax		(1.522)	(2.215)
NET CASH FROM OPERATING ACTIVITIES	27	4.091	(5.332)
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Interest collected from bank deposits formed		469	89
Collected from sales of tangible immobilizations		9	26
Interest collected from loans granted		1	1
Rates collected from loans granted		1	1
payments for purchasing property, plant and equipment and intangible assets		(8.455)	(4.292)
NET CASH FROM INVESTMENT ACTIVITIES		(7.975)	(4.175)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid but unclaimed, not recovered		0	29
Gross dividends paid		(34)	(31)
NET CASH USED IN FINANCING ACTIVITIES			
	27	(34)	(2)
Net decrease of the cash and of cash equivalents		(3.918)	(9.509)
Cash and cash equivalents at the beginning of the period		163.886	163.153
Effect of the exchange rate variation over the cash and cash equivalents	27	(571)	(252)
Cash and cash equivalents at the end of the period	11	159.397	153.392

**General Director,
Grigore FILIP**

**Financial Director,
Doru DAMASCHIN**

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 1 - Description of the company

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

AEROSTAR S.A. operations take place at its registered headquarters located in Bacau, no.9 Condorilor Street, Code 600302. According to the Decision of the Board of Directors no.2/14.12.2017, it has been approved the establishment of a secondary headquarters without legal personality (working place) in Iasi, on 25B Aeroportului Street.

The main activity field of AEROSTAR is production.

The main object of activity of the company is "Manufacture of aircraft and spaceships" - code 3030.

The company was registered as a shareholding company at the Bacau Trade Register (under number J04/1137/1991), with the current name S.C. "AEROSTAR S.A." and the individual identification code 950531, the European Unique Identifier (EUID) code ROONRC J04/1137/1991.

The Company is listed on the Bucharest Stock Exchange under the ARS code, and the record of its shares and shareholders is kept, as provided by law, by S.C. Depozitarul Central S.A. Bucharest.

During the first quarter of 2018, there was no subscription of new shares, nor of any participation certificates, convertible bonds, warranties, options or similar rights.

In terms of accounting regulations, AEROSTAR S.A. is the subsidiary of the company IAROM S.A. and, therefore, the parent company that consolidates the financial statements of the group is S.C. IAROM S.A., with the individual identification code 1555301, having its registered headquarters in Bucharest, 39 Aerogarii Boulevard. The consolidated financial statements for the financial year 2016 were submitted to ANAF under registration number 123171305/25.08.2017. Copies of the consolidated financial statements can be obtained from the headquarters of the parent company, IAROM S.A. The parent company will prepare and publish a set of consolidated financial statements in accordance with the applicable accounting regulations, for the financial year ended 31.12.2017.

The company has a sole segment of operations in accordance with IFRS 8 and no distinct financial information is available for various components of the entity. The information regarding the sales by categories of products and markets are presented in detail in the Report of the Board of Directors.

The company's policy is focused on maintaining a solid capital basis in order to support the continuous development of the Company and accomplish its strategic objectives.

The company will continue to act firmly so as to ensure the sustainability of its investments and business growth.

The strategy adopted develops the main object of activity of AEROSTAR, so that the aeronautical field represents the major part of the turnover. The general objective is the annual growth of the company's turnover while increasing customer satisfaction. The specific objectives which supports the general objective comprises the continued organic development of the company: the development of the centres of excellence through further modernization, investments and continuous improvement programs and organizational culture development.

The company capitals entirely cover the financing needs of production and achievement of the investment volume. Through its dividend policy, the company develops its equity as the sales and investment volume are increasing.

During the first quarter of 2018, the company did not use loan capital and neither equity contribution from the shareholders.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 2 - Accounting estimates, assumptions and judgements

2.1. Estimates

The preparation and presentation of the individual financial statements in accordance with IFRS requires the use of estimates, judgements and assumptions affecting the implementation of the accounting policies as well as the reported value of the assets, liabilities, revenues and expenses.

The estimates and judgements are made based on the historic experience as well as on a series of factors considered adequate and reasonable. The accounting estimates and judgements are continuously updated and are based on reasonable expectations with respect to future probable events. The reported accounting values of the assets, the liabilities that cannot be determined or obtained from other sources are based on these estimates considered adequate by the company's management.

Such estimates, as well as the reasoning and assumptions behind them are reviewed on a regular basis and the result thereof is registered in the time period when the estimate was reviewed.

Any change in accounting estimates will be recognized prospectively by its inclusion in the result:

- of the period in which the change occurs if it affects only the respective time period; or
- of the period in which the change occurs and of the subsequent periods, if the change also affects such periods.

The Company uses estimates in order to determine:

- the uncertain customers and the adjustments for impairment of related receivables;
- the value of the provisions for risks and expenses to set up at the end of a time period (month, quarter, year) for litigations, for the dismantling of property, plant and equipment, for restructuring, for collateral granted to customers, for obligations towards manpower and other obligations;
- the adjustments for impairment of property, plant and equipment and intangible assets. At the end of each reporting period, the company estimates whether there is any impairment. If such signs are identified, the recoverable amount of the asset is estimated to determine the extent of impairment (if any).
- the lifetimes of property, plant and equipment and intangible fixed assets. The company reviews the estimated periods of use of tangible and intangible fixed assets at least at the end of each financial year to determine the adequacy.
- the inventories of raw materials and materials requiring to set up adjustments for impairment.
- deferred taxes.

Presentation of information

To the extent possible, the company will present the nature and value of a change to an accounting estimate which has an effect in the current/ subsequent period(s).

2.2. Errors

Errors may arise in recognizing, evaluating, presenting or describing the items of the financial statements.

The company corrects retrospectively the significant errors of the previous period in the first set of financial statements whose publication was approved after discovering them, by:

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

- restatement of comparative amounts for the prior period in which the error occurred, or
- if the error occurred before the prior period, by restatement of the opening balances of assets, liabilities and equity for the previous presented period.

In the event of an error being identified, the Company shall disclose the following information:

- the nature of the error for the prior period;
- the value of the adjustment for each of the previously presented period, to the possible extent:
 - for each item - row affected from the financial statement;
 - for the basic result and diluted per share.
- the amount of the correction at the beginning of the first period, previously presented;
- if retrospective reprocessing is impossible for a specific prior period, the circumstances that lead to the existence of such circumstance and a description of how and when such error was corrected.

2.3. Changes in the accounting policies

The change of the accounting policies is only permitted if requested by IFRS or if it results in more relevant or more reliable information with reference to the company operations.

The company modifies an accounting policy only if such change:

- is required by an IFRS or
- results in financial statements that provide reliable and more relevant information with reference to the effects of the transactions, of other events or conditions over the financial performance or cash flows of the entity.

Applying changes in Accounting Policies:

- The entity takes into account a change in the accounting policy that results from the initial implementation of an IFRS in accordance with the specific transitory provisions, if any, of that IFRS; and
- When the entity changes an accounting policy to the initial application of an IFRS that does not include specific transitory provisions.

Presentation of the information:

When the initial application of an IFRS has an effect over the current or prior period of time, the company presents, in the explicative notes the following:

- the title of IFRS;
- the nature of the accounting policy change;
- when it is the case, the fact that the change is made as an effect of the transitory dispositions and a description of these transitory provisions;
- for the current period and for each prior period, the amount of adjustments for each affected element from the situation of the financial position, to the extent possible

When it is impossible to determine the specific effects for one or more accounting prior periods, the Company will apply the new accounting policy of assets and liabilities for the first period for which retrospective application is possible, that may also be the current period.

When a voluntary change of the accounting policy has an effect over the current or prior period, the company presents in the explicative notes:

- the nature of the change of accounting policy;
- the reasons for which the application of the new accounting policy offers more reliable and relevant information;

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

- for the current period and for each prior period, the amount of the adjustments for each affected item from the financial position, to the extent possible.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
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NOTE 3. Accounting and evaluation principles

3.1. Basis for the preparation and presentation of financial statements

The individual financial statements of AEROSTAR SA are prepared in accordance with the provisions of:

- the International Financial Reporting Standards (IFRS) adopted by the European Union;
- Accounting Law no. 82/1991, republished, as subsequently amended and supplemented;
- O.M.F.P. no. 881/2012 on the application of International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market.
- O.M.F.P. no. 2.844/2016 on the approval of the Accounting Regulations conforming to the International Financial Reporting Standards.
- OM.F.P. no. 2.861/2009 for the approval of the Norms regarding the organization and execution of the inventories of elements such as assets, debts and own capital;
- O.M.F.P. no. 1.826/2003 on the approval of the Explanatory Memorandum regarding some measures of organization and management of the business accounting;
- O.M.F.P. no. 2.634 / 2015 regarding the financial accounting documents, including subsequent amendments and additions.

The accounting is kept in Romanian and in the national currency.

The accounting for transactions in foreign currency is carried out both in national currency and in foreign currency.

The financial year is the calendar year.

The financial statements are prepared and reported in thousand lei and all values are rounded to the nearest thousand lei. Due to rounding, the numbers presented do not always accurately reflect the totals provided, and the percentages do not accurately reflect absolute figures.

The financial statements are prepared based on historical cost.

The financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". The Company has opted for a presentation by nature and liquidity in the statement of financial position and a presentation of income and expenses by nature in the statement of profit or loss, considering that these methods offer information that is relevant to the Company's situation.

3.2 Applied Accounting Policies

Aerostar SA describes the accounting policies applied in each of the notes to the individual financial statements and avoids repeating the text of the standard, unless it is considered relevant to understanding the content of the note.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
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The most significant accounting policies are presented below:

- **Accounting Policies regarding property, plant and equipment**

The Company has chosen the cost-based model as accounting policy. After recognition as asset, the property, plant and equipment are accounted at their cost less accumulated impairment and any accumulated impairment losses.

The depreciated cost is allocated systematically over the useful life of the asset and represents the cost of the asset except the residual value.

Taking into account the specific activity and the types of property, plant and equipment in the patrimony of the company, it was considered that the residual values of the property, plant and equipment are insignificant. Practically, the residual value was calculated at the level of metal waste that may be valued after deduction of dismantling, disassembly and sales expenses.

The impairment methods and useful life are reviewed at least at the end of each financial year and are appropriately adjusted. The useful lifetimes are determined by the commission made up of company's specialists. Any changes are accounted prospectively.

Subsequent expenditures related to property, plant and equipment are added to the net value of the good, when:

- they have as effect the improvement of the initial technical parameters;
- are the sources of future economic benefits materialized by cash-flows that are supplementary to those initially estimated; and
- may be reliably assessed.

The benefits are realized directly through the increase of revenues and indirectly through reducing maintenance and operating expenses.

All other repair and maintenance expenses performed to ensure the continued use of the property, plant and equipment are recognized in profit or loss when they are carried out. These are performed in order to keep the initial technical parameters. The spare parts are generally accounted for as inventories and recognized as expense when consumed. If the spare parts and service equipment, with significant values, may only be used in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment if the initial acquisition cost (upon commissioning) of the replaced part can be determined.

To decide whether the recognition is done separately, on separate components, each case is analysed using professional reasoning.

The property, plant and equipment to be used in production or in administrative activities are presented in the situation of the financial position of cost, less any loss accumulated from impairment. Such assets are classified in the respective asset classes when they are completed and ready for use in the manner desired by the management, for the intended purpose.

The management of the company has set an amount for the capitalization of assets at 2.500 lei. All purchases below this amount will be considered as expenses of the period.

Exceptions: Computers are considered to be impaired property, plant and equipment, irrespective of the amount of inventory inflow and will depreciate over expected useful life set by the receiving department. Work tools and devices are also accounted for as inventories and recognized as expenses of the period when consumed, irrespective of their initial value, taking into account that they have a useful lifetime less than a year, as well as their degree of specialization (intended to be used for a particular type of product/ service).

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
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In the case of internally generated **intangible assets**, the phases of the production are clearly separated, namely:

- *The research phase.* The research costs are treated as expenses of the period
- *The development phase.* The development costs are registered as an intangible asset, if the following conditions are demonstrated:
 - the technical feasibility of completing the asset, so that it is available for use or sell;
 - the availability of adequate resources - financial, human, financial - to complete the development;
 - the intention to complete and use or sell the intangible asset;
 - the ability to use or sell the asset;
 - how the asset will generate future economic value;
 - the ability to assess costs.

If the company cannot distinguish between the research phase and the development phase of an internal project to create an intangible asset, the company treats the costs of the project as being exclusively incurred during the research phase.

The company has chosen as accounting policy the cost model that requires that the intangible assets to be valued at their net asset value, equal to their cost, except the accumulated impairment and any impairment losses, for those assets.

A **investment property** is initially valued according to its cost, including any other directly attributable expenses. After the initial recognition, the company has opted for the cost model for all its investments property in accordance with the provisions of IAS 16 for that model.

The transfers to and from the investment property category are made if and only if there is a change in their use.

The transfers between categories do not change the accounting value of transferred property and do not change the cost of that property for the purpose of evaluation or presenting the information.

The investment property is amortized according to the same rules as for the property, plant and equipment.

In the category of **financial assets**, are highlighted:

- Shares held in affiliated companies.
- Other property, plant and equipment.
- Long-term loans as well as interest on them. In this category are included the amounts granted to third parties based on interest-rate contracts, according to the law.
- Other fixed liabilities as well as interests related to them. This category includes collateral, deposits and bills placed with third parties, receivables related to financial leasing contracts.

The financial assets recognized as an asset are measured at the cost of acquisition or at the amount set in their acquisition contract.

The financial assets are presented in the statement of the financial position at the incoming value, except any recognized impairment losses.

• **Accounting policies on inventory items**

The registration of inventories is recorded at the time of the transfer of risks and benefits.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
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The material goods received for processing, custody or consignment are incoming received and recorded distinctly as inventory entries.

In the accounting, the value of these goods is recorded in off-balance sheet accounts.

The calculations of those inventories that are not usually fungible and of those goods or services, products are determined by specific identification of their individual costs.

At the inventory outflow and of those active fungible, those are assessed and recorded in the accounting by applying the FIFO method.

Periodically, the management of the company approves the level of the normal technological losses.

The inventory is kept according to quantity and value, by applying the permanent inventory method.

The value adjustments are made for the current assets of the inventory, upon each reporting period, based on the age of inventories, of the resolutions given by the inventory commissions and/ or by the leaders of the modules, for the presentation of assets at the lowest value between cost and net realizable value.

- **Accounting policies on company's liabilities**

Company's liabilities are highlighted in the accounting based on third parties accounts. Suppliers and other liabilities accounts are kept by category, as well as by each individual or legal entity.

Income tax to be paid is recognized as a liability within the limit of the unpaid amount.

The registration in the accounting of the excise duties and special funds included in prices or tariffs is made based on the corresponding debt accounts, without transferring through the revenue accounts.

Operations that cannot be separately recorded in the appropriate accounts and for which further clarification is required are recorded in a separate account 473 (Deposits from operations under clarification).

Foreign currency liabilities are recorded in the accounting both in RON as well as in foreign currency.

A liability is classified as a short-term liability, also called current liability when:

- it is expected to be settled in the normal course of the company's operating cycle, or
- it is due within 12 months from the balance sheet's date.

All other liabilities are classified as long-term liabilities.

Debts that are payable over a term longer than 12 months are long-term debts.

Are also considered to be interest-bearing long-term liabilities even when they are due within 12 months of the date of the financial statements, if:

- a) the initial term was for a period longer than 12 months; and
- b) there is a refinancing or rescheduling agreement that is concluded before the date of the financial statements.

- **Accounting policies on company's receivables**

Receivables include:

- commercial receivables, which are amounts owed by customers for goods sold or services rendered in the normal course of the activity;
- commercial revenue (effects) to be collected, third party instruments;
- amounts owed by the employees or affiliated companies

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

- advance payments to the suppliers of property, plant and equipment, of goods and services;
- receivables related to personnel and state budget.

Receivables are accounted for under the accrual basis, according to the legal or contractual provisions.

Customer accounting is kept on categories (internal customers for services and products, as well as external customers for services and products) and on each natural or legal person.

Receivables settled in foreign currency or in RON according to the foreign exchange rate:

Receivables in foreign currencies, which are the result of the company's transaction, are recorded both in RON, as well as in foreign currency.

The transactions in foreign currency are initially recorded at the foreign exchange rate, communicated by the National Bank of Romania, from the date of the operation.

Impairment of receivables with prescribed collection deadlines is performed only after all legal steps have been taken, for their settlement.

The uncertain receivables are recorded separately in the account 4118 Uncertain customers when the payment term stipulated in the contract has exceeded by more than 30 days or there is a dispute with the customer.

In the annual financial statements, receivables are valued and presented in the value which is likely to receive.

When a receivable from a customer has not been collected in full at the payment term stipulated in the contract, there are recorded impairment adjustments to the terms and percentages approved by the Board of Directors in the Accounting Policy Manual.

- **Accounting Policies for Revenue Recognition**

In the revenue-related category are included both the revenues received or to be received in own name, as well as gains from any source.

Revenues are classified as follows:

- revenues from operations;
- financial revenues.

The revenue is recognized on an accrual basis.

The revenue is measured at the fair value of the amount received or to be received. The sales revenue is diminished for returns, commercial rebates and other similar discounts.

Revenues from operations include:

- sales revenue (goods, services, commodities, residual products);
- revenues related to the cost of product inventories;
- revenues from the production of property, plant and equipment;
- revenues from changes in adjustments of assets respectively from impairments or reversals of provisions;
- other operating revenues.

Revenues from the sale of goods are recorded when all of the following conditions are met:

- the company had transferred to the buyer the risks and rewards of ownership of the goods;
- the company does not retain the continuous managerial involvement to the level usually associated with the ownership or the actual control over the sold goods;
- the amount of revenue can be accurately assessed;
- it is likely that the economic benefits associated with the transaction will be directed to the entity;
- the costs incurred or to be incurred in connection with the transaction can be precisely measured.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

Specifically, the proceeds from the sale of goods are recognized when the goods are delivered and the legal title is transferred.

Revenues from rendering of services

The service contracts in the company's portfolio are usually contracts with execution at a specific time, which coincides with the delivery of goods subject to the rendering of services.

As a result, the revenues from the rendering of services are registered when the following conditions are met:

- the company had transferred to the customer the control over the services rendered;
- the amount of the revenue can be accurately measured;
- it is probable that the economic benefits associated with the transaction will be directed to the entity;

If the result cannot be estimated, the revenue is recognized up to the recoverable amount.

The **rental revenues** from real estate investments are recognized in the income statement on a straight line basis over the period of the lease.

The **financial revenues** include interest revenue, foreign exchange revenue, dividend revenue and other financial revenue.

The **interest revenues** are recognized in the income statement on the basis of accrual accounting using the effective interest method. The interest revenues generated by a financial asset are recognized when it is probable that the company will obtain an economic benefit and when that revenue can be measured accurately.

The **dividend revenues** generated by investments are recognized when the shareholder's right to receive payment has been determined. The company records dividend revenues at the gross amount that includes dividend tax (when it is the case), which is recognized as income tax expense.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

- **Accounting policies for provisions**

Provisions are recognized when the company has a present obligation (legal or implicit) as a result of a past event, it is probable that the company will be required to settle the obligation and a reliable estimate of the amount of the obligation.

The value recognized as provision is the best estimation that can be made regarding the amount required to settle the current obligation at the end of the reporting period, taking into account the risks and uncertainties around the obligation.

The accounting for provisions is kept on the basis of the nature, the purpose or the object for which they were set up.

Provisions for collateral

The company makes provision for collateral when the products or services covered by the collateral are sold.

The amount of the provision is based on historical or contractual information about the collateral granted and is estimated by the share of all possible results with the probability of the realization of each.

Provisions for Risk and Expense

When identifying risks and expenses that the events that occur or are occurring make them probable and whose object is determined with certainty but whose realization is uncertain, the company hedges these risks by making provisions.

The provisions for risks and expense are constituted for items such as litigations, fines, penalties, compensations, damages and other uncertainties.

Provisions for the decommissioning of property, plant and equipment

When the initial recognition of a property, plant and equipment is estimated, the cost of dismantling, removing the item and restoring the site where it is located, as a consequential cost of using the item over a certain period of time.

These consequential costs are reflected by the constitution of a provision that is recorded in the income statement during the lifetime of the property, plant and equipment, by including it in the impairment expense.

The revision of the estimates for the decommissioning and restoration provision is determined by the annual review of the dismantling costs. The Committee of specialists from the company, appointed by decision, establishes, on a regular basis, whether the initial estimates of dismantling costs are appropriate.

- **Accounting Policies on grants and other non-refundable funds**

The subsidies are distinctly reflected:

- government grants;
- non-refundable subsidies in the form of grants;
- other amounts received in the form of grants.

Grants are recognized at their approved value. Grants received as non-monetary assets are recognized at fair value.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

Government grants are initially recorded as deferred revenue at fair value when there is reasonable assurance that it will be received and the Company will respect the conditions associated with the grant.

Grants that compensate the Company for the expenditures incurred are systematically recorded in the income statement, in the same periods in which expenses are recorded. Grants that compensate the company for the cost of an asset are recorded on a systematic basis in the income statement over the entire lifetime of the asset.

Grants related to income are recorded on a systematic basis as revenues from the periods corresponding to the related expenditures that these grants are to compensate.

In case that, during a specific period, a grant is received for expenses that have not yet been incurred, the subsidies received do not represent income for that current period. They are recognised in the accrual accounting as advance income and are resumed in the income account as the incurred expenses compensate the surplus.

- **Accounting policies for the production of goods and services**

The accounting of SC Aerostar SA is based on the applicable legal provisions and the manual of procedures and work instructions specific to the management accounting, adapted to the specific activity of the Company.

The management accounting object consists of:

- collecting direct, indirect and ancillary costs by their nature;
- indirect cost allocation;
- direct and indirect costs deduction.

The purpose of the management accounting is principally to determine the result on production orders or services and on each organizational structure.

According to the accounting regulations, the following items are recognized in the cost of goods, works and services that are recognized as expenses of the period in which occurred:

a) material losses, labour or other production costs related to the scrap and the sub-activity costs;

b) general administration expenses.

The calculation method used in Aerostar SA is the method based on orders.

This method is suitable for individual and serial production. The object of highlighting and calculate the cost within this method is the order launched for a certain quantity (batch) of products.

The production costs are collected directly on each order (those that are direct) or by distribution (the indirect ones).

The actual cost per unit of product are calculated upon completion of the order by dividing the production costs collected from the respective order to the quantity of products produced on the order.

The orders are launched at a planned price, as the case may be.

In the case of orders related to export sales the price is expressed in RON by converting the currency to the budgeted foreign exchange rate.

In applying the accounting policies, the Company issues procedures, instructions and work arrangements approved by the executive management.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 4 – TRANSACTIONS IN FOREIGN CURRENCIES

AEROSTAR considers as a functional currency the Romanian LEU and in the financial statements they are presented in thousand LEI.

The currency transactions are recorded at the exchange rate of the functional currency at the date of the transaction.

At the end of the Financial Position Statement, the assets and financial debts denominated in currency are evaluated in the functional currency using the exchange rate, communicated by the Romanian National Bank, valid that day.

Currency	31.03.2018
EUR (Euro)	4,6576
USD (American Dollar)	3,7779
GBP (British pound)	5,3090

The favourable and unfavourable exchange rates differences which result from the settlement of the assets and financial debts denominated in currency are recognized in the Profit or Loss Situation for the financial year in which they occur.

Considering that 85% from the turnover registered in the reporting period is denominated in USD and EUR, while a significant part of the operating costs is denominated in LEI, the foreign exchange rates variations will affect both its net incomes as well as the financial position as it is expressed in the functional currency.

In perioada de raportare expunerea neta valutara rezultata ca diferenta intre incasarile activelor financiare si platile datoriilor financiare denominate in valuta se prezinta astfel:

The first quarter of 2018	thousand EUR	thousand USD	thousand GBP
Proceeds from financial assets	2.818	10.278	0
Payments of financial liabilities	1.564	3.469	144
Currency net exposure	1.254	6.809	(144)

In the first quarter of 2018 the medium appreciation of 2,60% of the USD/LEU currency exchange compared to the beginning of the year has determined the reporting of the financial loss from unfavourable differences of exchange rate the amount of 771 thousand LEI.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 5 - INTANGIBLE ASSETS

<u>Gross values</u>	<u>Development expenses</u>	<u>Licenses</u>	<u>Other intangible assets</u>	<u>Total</u>
On 1 January 2018	-	4.602	1.196	5.798
Inputs	9	119	49	177
Outputs	(9)	(26)	-	(35)
On 31 March 2018	-	4.695	1.245	5.940

<u>Amortization</u>	<u>Development expenses</u>	<u>Licenses</u>	<u>Other Intangible assets</u>	<u>Total</u>
On 1 January 2018	-	3.122	818	3.940
Inputs	9	226	220	455
Outputs	(9)	(26)	-	(35)
On 31 March 2018	-	3.322	1.038	4.360

NET ACCOUNTING VALUE OF INTANGIBLE ASSETS ON 31 MARCH 2018

	<u>Gross value</u>	<u>Amortization</u>	<u>Adjustments for loss of value</u>	<u>Net accounting value</u>
1. Development expenses	9	9	-	0
2. Licenses	4.695	3.322	-	1.373
3. Other intangible assets	1.245	1.038	-	207
Total (1+2+3)	5.949	4.369	-	1.580

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

The category of intangible assets includes the following classes of assets of similar nature and use:

- Development expenses
- Licenses
- Other intangible assets

The IT programmes are registered in other intangible assets.

The estimated useful lifetimes of intangible assets are established in years.

The useful lifetimes are established by committees of specialists from the company.

The fiscal durations of operation of the intangible assets are stipulated by the fiscal legislation on assets.

The expenses with amortization are recognized in the profit or loss account using the linear method of calculation.

The intangible assets in the balance sheet account as on 31.03.2018 are not depreciated and no adjustments were made for the depreciation thereof.

When determining the gross accounting value of the intangible assets, the company uses the historical cost method.

The value of the completely amortized software licenses on 31 March 2018 and which are still in use is 932 thousand LEI.

All the intangible assets recorded in the balance sheet as on 31 March 2018 are property of AEROSTAR.

Increases in gross values of intangible assets were obtained by:	<u>177</u>
• capitalization of the development expenses fully financed by AEROSTAR	9
• development of the IT management system of AEROPROD production	49
• purchasing of software licenses	119

In the first quarter of 2018 there were no enterings of licenses generated internally or acquired through business combinations.

In the first quarter of 2018 there were no assets classified as held for sale in accordance with IFRS 5.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

<u>Gross values</u>	<u>Lands</u>	<u>Constructions</u>	<u>Technical Equipment and transport vehicles</u>	<u>Other Property, Plant and equipment</u>	<u>Property, Plant and equipment in progress</u>	<u>Real estate investments</u>	<u>Total</u>
<u>On 1 January</u>							
2018	28.433	54.160	119.436	937	6.806	8.810	218.582
input	-	111	7.577	2	10.525	274	18.489
transfer					(7.964)		(7.964)
output	(32)		(226)	(1)			(259)
<u>On 31 March 2018</u>	28.401	54.271	126.787	938	9.367	9.084	228.848

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

<u>Amortization</u>	<u>Lands</u>	<u>Construction s</u>	<u>Technical Equipmen t and transport vehicles</u>	<u>Other Property, Plant and Equipment</u>	<u>Property, Plant and Equipment in progress</u>	<u>Real estate investme nts</u>	<u>Total</u>
<u>On 1 January 2018</u>	-	12.256	52.550	353	-	1.823	66.982
input	-	1.158	4.295	28	-	126	5.607
output		-	(189)	(1)			(190)
<u>On 31 March 2018</u>	-	13.414	56.656	380	-	1.949	72.399

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NET ACCOUNTING VALUE OF PROPERTY, PLANT AND EQUIPMENT
AT 31 MARCH 2018

	<u>Gross value</u>	<u>Amortization</u>	<u>Adjustments for loss of value</u>	<u>Net accounting value</u>
1. Lands	28.401	-	-	28.401
2. Constructions	54.271	13.414	-	40.857
3. Technical equipment and transport vehicles	126.787	56.656	-	70.131
4. Other Property, Plant and Equipment	938	380	-	558
5. Real estate investments	9.084	1.949	-	7.135
6. Property, Plant and Equipment in progress	9.367	-	-	9.367
Total (1+2+3+4+5+6)	228.848	72.399	-	156.449

The Property, Plant and Equipment are grouped by the company in the following classes of assets of the same nature and similar uses:

- Land;
- Constructions;
- Technical equipment (plant, machinery, installations);
- Means of transport;
- Other Property, Plant and Equipment;
- Real estate investments.

When determining the gross accounting value of the Property, Plant and Equipment, the company used the historical cost method.

Property, Plant and Equipment are amortized by the Company using the linear method, as it follows:

- constructions 30-50 years
- technological equipment 4-25 years
- means of transport 4-18 years
- other Property, Plant and Equipment 2-18 years
- real estate investments 25-50 years

The useful lifetimes are established by committees formed by Company's specialists. The useful lifetimes of the Property, Plant and Equipment will be reviewed at the end of the financial year 2018.

The fiscal operational durations of the Property, Plant and Equipment are stipulated by the fiscal legislation on assets.

The company did not purchase assets from business combinations, nor did it classify assets for future sale.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

The Property, Plant and Equipment contain a number of 11 real estate – buildings and related lands which are rented to third parties based on lease contracts.

The values from lease incomes in the first quarter of 2018 was of 298 thousand LEI (the first quarter of 2017: 244 thousand LEI).

In the first quarter of 2018, AEROSTAR has made expenses of 274 thousand LEI by enveloping a building (classified in the real estate category).

At the date of transition to IFRS, the Company has estimated and included in the cost of the Property, Plant and Equipment the costs estimated with their decommissioning at the end of a useful lifetime.

These costs were reflected in the set-up of a provision, which is recorded in the profit and loss account throughout the lifetime of the Property, Plant and Equipment, by inclusion in the amortization expense.

The expenses with amortization are recognized in the profit and loss account using the linear method of calculation.

The amortization of an asset begins when the asset is available for use (i.e. when the asset is in the location and condition necessary to operate as wanted by the management) and ends on the day when the asset is reclassified in another category or when it is derecognized.

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

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

The land has an unlimited useful lifetime and, therefore, is not submitted to amortization.

In accordance with the provisions of IAS 36-Depreciation of assets, the company proceeded to the identification of any signs of asset depreciation, using internal sources.

External information source

Market value (market capitalization) has registered a growth of 12% on 31 March 2018 in comparison with 31 December 2017.

The indicator which offers information regarding the interest from the investors in the company listed on the capital market is the market capitalization reported to company capital (MBR).

For AEROSTAR the evolution of this indicator is presented as follows:

<u>MBR-Market indicator to book ratio</u>		<u>31.03.2018</u>	<u>31.12.2017</u>
Stock exchange capitalization/ equity	3,0		2,8

Internal information sources:

- the economic performance of the assets is good, all the immobilizations in operation bring benefits to the company

- in the first quarter of 2018 no changes occurred with adverse effects on the extent and manner in which the assets are used. The rotation of Property, Plant and Equipment (turnover/Property, Plant and

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

Equipment – indicator monthly monitored) has been in a slight increase in the first quarter of 2018 in comparison with the prior similar period, from 0,49 rotations to 0,52 rotations.

In conclusion, the Property, Plant and Equipment in the balance sheet on 31.03.2018 are not depreciated and no adjustments were made for the depreciation thereof.

The gross accounting value of the fully amortized Property, Plant and Equipment which were still in operation on 31 March 2018 is of 4.286 thousand LEI.

On 31.03.2018 no mortgages were set on tangible real estate assets in the property of AEROSTAR S.A.

Increases in gross values of the Property, Plant and Equipment, achieved by:
18.489

- acquisition on technical equipment, hardware equipment, equipment of measuring and control, modernization of buildings, etc. 7.964
- investments performed in the first quarter of 2018 10.525

Decreases in gross values of Property, Plant and Equipment, achieved by: **8.223**

- the transfer of the investments in progress in Property, Plant and Equipment 7.964
- derecognition of certain Property, Plant and Equipment, due to the fact that the company no longer expects future economic benefits from their use 227
- expropriation, for a public use cause, of a land surface of 452 mp owned by AEROSTAR – to realize the objective of local interest investments „Upgrading the Aeroportului Street” 32

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 7 – Long-term financial assets

	Shares held by affiliated entities	Other immobilized securities	Long-term loans	Other assets receivables- supplier warranties	Total
On 1 January 2018	14	92	87	35	228
Increases/Decreases	-	-	(3)	-	(3)
On 31 March 2018	14	92	84*)	35	225

*) The company registers in financial immobilizations the remaining balance (thousand LEI) from the loans granted by AEROSTAR to an employee, with due date in over 12 months, for which AEROSTAR charges interest.

The details on the entity's investments in other companies as on 31.03.2018 are the following:

Subsidiary name/ Registered headquarter	CAEN Code	No. of shares/ shares issued	Voting rights (%)	Value of shares held by AEROS TAR (thousan d LEI)	Financial information		related to 2016		
					Shared capital of the compan y	Reserve	Net Profit	Nominal value/sha re	Net asset/sha re
SC Airpro Consult SRL Bacau Condorilor Street, no .9	- main activity according to CAEN code 7820	100	100%	10	10	55	97	0,1	1,6
SC Foar SRL Bacau Str. Condorilor nr.9	- main activity according to 7739 CAEN code	800	51%	4	8	1.739	180	0,01	2,4
SC Aerostar Transporturi Feroviare S.A Bacau Condorilor Street, no. 9	- main activity according to 2822 CAEN	20.000	45,75%	92	200	38	1	0,013	0,010

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018

(unless specified otherwise, all amounts are stated in thousand lei)

	code								
TOTAL	x	x	x	106	218	1.832	278	x	x

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

The contribution of AEROSTAR in these companies is recorded depending on cost.

In the first quarter of 2018, the company recorded no modifications i.e. no increases/decreases as to the stake-holding percentage, maintaining the same influence as in 2017.

All companies in which AEROSTAR holds shares are registered in Romania.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 8 – TRADE RECEIVABLES

	31 March 2018	31 December 2017
TRADE RECEIVABLES FROM WHICH:		
Customers	49.271	38.050
Domestic customers	6.005	4.470
Foreign customers	43.266	33.580
Uncertain customers	278	1.162
Adjustments for depreciation of customer receivables	(182)	(1.162)
Suppliers – debtors	4.032	6.371
Customers – invoices to draw up	-	-
Effects to receive from the customers	25	-
Other immobilized receivables with due date less than 12 months	132	132
Total of trade receivables	53.556	44.553

To cover the risk of non-recovery of the amounts representing uncertain receivables, the company recorded adjustments for depreciation of uncertain customers in the value of 182 thousand LEI.

When determining the recoverability of a trade receivable, we took into account the changes occurred in the customer's credit rating from the time when the credit was granted till the time of reporting.

Debtors-suppliers have a discount limit in year 2018.

In the category of Other immobilized receivables, with a due date less than 12 months, are to be found the warranties of proper performance of some agreements signed with commercial partners.

The receivables expressed in foreign currency were evaluated at the market exchange rate communicated by the National Bank of Romania to close the month of 31 March 2018.

The favorable and unfavorable differences between the market exchange rate used for accounts of the receivables in foreign currency and the market exchange rate communicated by the National Bank of Romania available for 31 March 2018 were recorded in the related revenue or expense account from the exchange rate differences, as applicable.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 9 - OTHER RECEIVABLES

	<u>31 March 2018</u>	<u>31 December 2017</u>
Receivables relating to manpower and assimilated accounts	24	30
Receivables related to the budget of social insurance and the state budget, from which:	2.059	1.573
– TVA to be recovered	1.270	768
– non-chargeable TVA	107	154
– excises to recover related to fuel consumption	369	504
Interest to receive from bank deposits	409	346
Diverse debtors	192	233
Adjustments for the depreciation of the receivables – diverse debtors	(98)	(113)
Other receivables	1	18
Total other receivables	2.587	2.087

To cover the risk of non-recovery of the amounts representing uncertain receivables – diverse debtors, the company recorded adjustments for depreciation of uncertain debtors in the amount of 98 thousand LEI.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 10 - INVENTORIES

	31.03.2018	31.12.2017
of which:		
	<hr/>	<hr/>
Raw materials	16.702	14.789
Consumables	29.543	25.444
Other materials	141	146
Semi-finished products	1.917	-
Packaging	31	34
Finished products	18.952	17.796
Products under execution	31.901	23.271
Goods	0.4	0.6
Adjustments for impairment inventories	(13.139)	(13.556)
	<hr/>	<hr/>
	86.048	67.925
TOTAL		
Gross inventory (unadjusted)	<hr/> 99.187 <hr/>	<hr/> 81.481 <hr/>

The inventories are assessed at the lowest value between the cost and the net realizable value.

The net realizable value is the estimated sale price for inventories minus all estimated costs for completion and the estimated costs required for the sale.

The cost of inventories includes: acquisition costs, conversion costs as well as other costs incurred to bring inventories to the state and in the place where they are currently found.

Adjustments are made on a periodic basis based on the findings of the inventory commissions and/ or the managers of the modules in order to present them at the lowest value between the cost and the net realizable value.

Within the Company, the goods are considered to be depreciated are those that are older than the storage period established by internal decision of the Board of Directors. The total value of inventories recognized as an expense during the period is of 29,478 thousand ROL.

S.C. AEROSTAR S.A. holds inventories of Finished Products (for safety reasons) at the levels agreed through the contracts with the customers.

S.C. AEROSTAR S.A. has no pledged inventories.

Starting with January 1, 2018, with the approval of the Board of Directors, it was decided to voluntarily change the accounting policy of the output inventory valuation, from the Weighted Average Cost to the FIFO method. The reasons for this change are:

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

- the new policy provides reliable and more relevant information on the effects of transactions on the financial position and financial performance of the Company;
- the change of the initial terms (characterized by significant inflation and the volatility of the exchange rate) from the application of the Weighted Average Cost method;
- better inventory record keeping and traceability, by batches;
- better performance in operating the production and inventories management information systems.

From the data analysis, results the impossibility of accurately determining the effects of the change of this policy over the previous presented periods.

Therefore, the estimated influence of the value of the consumption of material inventories was calculated for the previous period (Q1 2017), assuming the FIFO method, resulting an extra amount of 573 thousand lei.

The restated inventory situation is the following:

INVENTORY	31.03.2018	31.12.2017
of which:		
	16.702	14.789
Raw materials		
Consumables	29.543	25.444
Other materials	141	146
Semi-finished products	1.917	-
Packaging	31	34
Finished products	18.952	17.796
Products under execution	31.901	23.271
Goods	0.4	0.6
Adjustments for impairment of inventories	(13.139)	(13.556)
	86.048	67.925
TOTAL		
Gross inventory (unadjusted)	99.187	81.481

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 11 - CASH AND CASH FLOW EQUIVALENTS

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

	31.03.2018	31.03.2017
Cash	11.787	4.027
Bank deposits		149.295
CECs and trade effects receivable		70
Numerar si echivalente de numerar in situatia fluxurilor de trezorerie	159.397	153.392

The cash comprises the available current amount in the cash account and at banks;
The cash equivalents comprise:

- short-terms bank deposits
- cheques and trade effects (promissory notes) submitted at banks for collection.

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

There are no restrictions on the liquidity accounts in the banks.

The value of Credit facilities, usable under the form of an overdrawn, available for the future operating activity, is of 9.445 thousand LEI (2.500 thousand LEI).

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 12 - EQUITY

The equity at the date of 31 March 2018 are of 273.132 thousand LEI.

The net increase of the equity in the first quarter of 2018 in comparison with the first quarter of 2017 was of 20.165 thousand LEI.

The modifications of the main elements of the equity incurred in the first quarter of 2018 compared with 2017 as follows:

- **The share capital remained unchanged**

At the date of 31 March 2018, the share capital of SC AEROSTAR SA Bacau is 48.728.784 lei, divided in 152.277.450 shares with a nominal value of 0,32 LEI.

- **The reserves increased with 7.056 thousand LEI on the account of the reinvested profit related to the first quarter of 2018.**

- **Other capital elements have increased with the amount of 1.146 thousand LEI on the account of the deferred income tax recognized in equity.**

- **The result carried forward has increased with:**

- 206 thousand LEI on the account of the deferred profit tax recognized on the account of the equity;
- 43.832 thousand LEI representing the profit to be distributed related to the financial year 2017, taken over the reported result until its distribution on the destinations approved by the shareholders in the ordinary general meeting from 19 April 2018:
 - ✓ For reserves the amount of 29.518 thousand LEI
 - ✓ For dividends the amount of 14.314 thousand LEI

The net increase of the result reported in the first quarter of 2018 being of 44.038 thousand LEI.

The balance of the result reported on 31 March 2018 is of 101.562 thousand LEI, constituted by:

- the result carried forward obtained from the use, on the date of the transition to IFRS, of the fair value as presumed cost = 37.417 thousand LEI;
- result carried forward, representing a surplus obtained from re-evaluation reserves, capitalized as the property, plant and equipment and intangible assets amortized = 20.313 thousand LEI;
- the result carried forward representing the undistributed profit related to the financial year 2017 = 43.832 thousand LEI.

- **The result of the period was of 21.105 thousand LEI.**

During the period the amount of 43.832 thousand LEI was registered representing the distributable profit from 2017.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

The amount of 29.783 thousand LEI which has influenced the equity on 31.03.2018 represent the arithmetical difference between the result of the period (21.105 thousand LEI) and the distributions of the period (50.888 thousand LEI).

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 13 - PROVISIONS

	31 December 2017	Increases/ Set provisions	Reductions/ Provisions resumed	31 March 2018
Total provisions	125.189	2.090	6.654	120.625
Provisions for warranties granted to customers	40.504	2.090	4.401	38.193
Provisions for decommissioning property, plant and equipment	16.116	0	0	16.116
Provisions for the employee benefits	5.754	0	2.122	3.632
Provisions for litigations	5.810	0	2	5.808
Other provisions	57.005	0	129	56.876
- from which:				
Long-term provisions	75.825	533	1.691	74.667
Provisions for guarantees granted to customers	6.913	533	1.564	5.882
Provisions for decommissioning property, plant and equipment	16.116	0	0	16.116
Provisions for litigations	5.110	0	2	5.108
Other provisions	47.686	0	125	47.561
Short-term provisions	49.364	1.557	4.963	45.958
Provisions for guarantees granted to customers	33.591	1.557	2.837	32.311
Provisions for employee benefits	5.754	0	2.122	3.632
Provisions for litigations	700	0	0	700
Other provisions	9.319	0	4	9.315

Provisions set up for guarantees granted to customers

Provisions set up for guarantees granted to customers are made to cover the non-compliances of the products sold and the services performed, in accordance with the contractual provisions.

Provisions for decommissioning the tangible immobilizations

Provision for decommissioning of property, plant and equipment are formed to cover the decommissioning costs, of removal of the elements and restoration of the locations in which are placed and included in their cost. The value was estimated using an update annual rate of 5%;

Provisions for benefits granted to employees

The provisions for benefits granted to employees are formed for the clauses granted according to the clauses of the applicable Collective Labor Agreement (clauses for the end of the financial year, the end of the year of production, performance).

Provisions for litigations

Provisions for litigations are set up for any indemnities owed to the company's ex-employees.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

The provisions are reanalyzed at the end of each reporting period and are updated in order to reflect the best estimation of the probable payments.

Other provisions

In other provisions category are to be found the provisions made for:

- the coverage of the risks specific to aviation industry;
- the coverage of the potential customers of the Company, according to the specific clauses from the contracts concluded with them;
- coverage of the potential obligations towards third parties and for obligations derived from contracts for valuable consideration;
- coverage of some expenses regarding the Company's obligations towards A.J.O.F.M., in O.U.G. 95/2002 base.

The provisions set up in foreign currency were reevaluated in accordance with the applicable regulations, resulting in a net decrease from exchange rate differences in amount of 618 thousand LEI.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 14 – SUBSIDIES

Subsidies related to assets

AEROSTAR recognizes as deferred revenue the assets-related subsidiaries.

	31.03.2018	31.03.2017
Balance on 1 January	12.649	14.972
Subsidies related to assets	0	0
Subsidies registered as revenues related to calculated amortization	(608)	(570)
Balance on 31 March	12.041	14.402

The subsidies related to the immobilized assets were received for the implementation of 3 investment projects under 3 non-reimbursable financing agreements:

1. Contract no. 210304/22.04.2010: 'Extension of the manufacturing and assembly capacities for aerostructures for civil aviation', performed between April 2010 and October 2012, the value of the subsidy received from the Ministry of Economy, Trade and Business Environment (MECMA) being of 5,468 thousand Lei;
2. Contract no. 229226/14.06.2012: 'Set-up of a new manufacturing capacity for diversifying production and export growth', performed between June 2012 and May 2014, the value of the subsidy received from the Ministry of Economy, Trade and Business Environment (MECMA) being of 6.011 thousand Lei;
3. Contract no. 5IM/013/24.03.2015: 'Consolidation and sustainable development of the mechanical processing and painting sectors by high performance investments', performed between March and December 2015, the value of the subsidy received from the Ministry of European Funds (MFE) being of 8,299 thousand Lei;

All investment projects in immobilized assets were implemented and finalized in accordance with the contractual provisions assumed.

The balance of 12.041 thousand LEI represents the subsidies related to investments in immobilized assets which are to be recorded at the incomes while the costs of the calculated amortization are registered, structured on the 3 contracts as follows:

1. contract no. 210304/22.04.2010: 2.642 thousand LEI
2. contract no. 229226/14.06.2012: 3.144 thousand LEI
3. contract no. 5IM/013/24.03.2015: 6.255 thousand LEI

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 15 - COMMERCIAL DEBTS

	31 March 2018	31 December 2017
Advance payments received on customers account	8.240	4.896
Domestic customers-creditors	3.967	3.985
Foreign customers-creditors	4.273	911
Suppliers	32.833	24.580
Domestic suppliers	10.411	9.269
Foreign suppliers	18.259	11.540
Suppliers-invoices not arrived	2.173	1.803
Suppliers of assets	1.990	1.968
Commercial effects to pay	-	39
Debt with current profit tax	41.073	29.515

The advance payments received from the foreign customers are for works of aircraft maintenance and reparation, with settlement time in the year 2018.

For the highlighted debts no mortgages were established.

At the end of March 2017, the Company has commitments under letters of bank guarantee for the amount of 2.427 mii USD issued in favor to the trade business partners according to the contractual requirements.

The favorable or unfavorable exchange rate differences between the market exchange rate to which are registered the debts in foreign currencies and the market exchange rate communicated by the National Bank of Romania for the 31 March 2018, were registered in the corresponding accounts of revenues or expenses.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 16 – OTHER LIABILITIES

	31 March 2018	31 December 2017
Other current liabilities, of which:	8.179	8.553
• <i>Liabilities related to manpower and assimilated accounts</i>	<i>1.869</i>	<i>2.242</i>
• <i>Liabilities related to social security budget and state budget, of which:</i>	<i>4.601</i>	<i>4.503</i>
– VAT payable	0	1.451
– social insurance	3.423	2.016
– assurance contribution for work	222	-
– tax on revenues of the nature of the wages	687	741
• <i>Other liabilities, of which:</i>	<i>1.709</i>	<i>1.808</i>
– dividends	1.492	1.492
– diverse creditors	166	204
Non-current liabilities	51	51

Dividends in balance on 31 March 2018, with the amount of 1.492 thousand LEI represent amounts to be distributed to the shareholders from the dividends of the year:

- 2014, amount of 427 thousand LEI;
- 2015, amount of 508 thousand LEI
- 2016, amount of 557 thousand LEI

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 17 – THE DEFERRED TAX

The deferred tax is determined for the temporary differences which occur between tax base of the assets and liabilities and their accounting basis. The deferred income is calculated by the income tax of 16% applicable to the temporary differences at their resumption.

The Company has estimated and registered liabilities regarding the deferred income related to non-current assets (which results from differences between carrying amount and fiscal values, the different useful lifespan, and so on) and of the reserves and recognised receivables regarding the deferred income related to the stocks which have supported adjustments for depreciation, provisions for warranties accorded to the customers, provisions for benefits granted to the employees and other provisions.

The structure of deferred income tax registered at 31.03.2018 is:

Debts on deferred tax

1. Liabilities related to deferred tax generated by the differences between accounting bases (greater than) and the fiscal ones (lower than) of the non-current assets	3.467
2. Liabilities related to the deferred tax concerning legal reserves	1.559
3. Liabilities on deferred tax related to reserves from the fiscal facility	8.525
4. Liabilities on deferred tax related to the reported result representing a surplus realised from revaluation reserves	61
Total liabilities on deferred tax	13.612

Receivables on deferred tax

1. Receivables on deferred tax related to other provisions established in 2010	977
2. Receivables on deferred tax related to provisions for warranties granted to customers established between 2014-2018	6.111
3. Receivables on deferred tax related to provisions for manpower benefits	581
4. Receivables on deferred tax related to the adjustments for depreciation of the inventories	2.102
Total receivables on deferred tax	9.771

The Company did not recognised receivables on deferred tax related to other provisions for the aviation industry risks due to an uncertainty regarding the fiscal deductibility of the expenses which may occur from the settlement of the future periods. Therefore, the differences between the tax base and the accounting base would be null.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 18 - FINANCIAL INSTRUMENTS

A financial instrument is any contract generating simultaneously a financial asset for an entity and a financial liability or an equity instrument for another entity.

The financial assets and liabilities are recognized when AEROSTAR SA becomes part of the contractual provisions of the instrument.

On the reporting date AEROSTAR S.A. does not hold:

- financial instruments kept for making transactions (including derived instruments)
- financial instruments kept till due date
- financial instruments available for sale

The financial assets of AEROSTAR S.A. include:

- cash and cash equivalents
- trade receivables
- trade effects received
- immobilized receivables (third parties guaranties)
- loans granted with interest

The financial liabilities of AEROSTAR S.A. include:

- trade liabilities
- trade effects to pay

On the reporting date AEROSTAR does not have financial debts concerning financial leasing, overdrafts and long-term bank loans.

The main types of risks generated by the financial instruments held, to which AEROSTAR S.A is exposed are:

- a) credit risk
- b) liquidity risk,
- c) currency risk,
- d) interest rate risk.

a) Credit risk

The credit risk is the risk that one of the parties involved in a financial instrument generates a financial loss for the other party as a result of the failure to meet a contractual obligation, related mainly to cash, cash equivalents (bank deposit) and commercial receivables.

The cash and cash equivalents are placed only at first-rank bank institutions considered to have a high solvency rate.

In some cases, specific instruments of commercial credit risk decrease (receipts in advance, letters of payment bank security, confirmed export credentials).

AEROSTAR has no significant exposure toward a single partner and records no significant concentration of receivables on a single geographical area.

Exposure to credit risk

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

The maximum exposure to the credit risk on the reporting date was:

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

	31.03.2018	31.03.2017
Cash and cash equivalents	159.397	153.392
Trade receivables net of depreciation adjustments	46.937	40.259
Trade effects received	25	4
Immobilized receivables	167	0
Loans granted with interest	85	95
Total	206.611	193.750

The maximum exposure to the credit risk on geographical areas for commercial receivables net of the depreciation adjustments is:

	31.03.2018	31.03.2017
Domestic market	6.005	3.590
Euro zone countries	22.390	20.506
Great Britain	12.273	11.612
Other European countries	1.778	387
Other regions	4.491	4.164
Total	46.937	40.259

Depreciation adjustments

The timeframe structure of gross commercial receivables on the reporting date was:

	Gross value 31.03.2018	Adjustments for depreciation 31.03.2018	Gross value 31.03.2017	Adjustments for depreciation 31.03.2017
In due time	46.691		40.259	0
Past due, total of which:	428	182	5.317	5.317
1-30 days	0	0	2.591	2.591
31-60 days	255	86	186	186
61-90 days	68	0	699	699
91-120 days	18	9	444	444
Over 120 days	87	87	1.159	1.159
Over 1 year	0	0	238	238
Total	47.119	182	45.576	5.317

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

The movement in the adjustments for the depreciation of the trade receivables during the year is presented in the following table:

	31.03.2018	31.03.2017
Balance on January, 1	1.162	1.024
Adjustments set for depreciation	95	4.293
Adjustments for depreciations resumed as revenues	(1.075)	0
Balance on 31 March	182	5.317

On 31.03.2018, 99,60% of the trade receivable in balance are related to customers with good payment records.

b) Liquidity risk

The liquidity risk is the risk that AEROSTAR encounters difficulties to meet the obligations associated to the financial liabilities which are settled by cash delivery.

AEROSTAR policy regarding this risk is to maintain an optimum level of liquidity so as to pay for the liabilities, as they become due.

To evaluate the liquidity risk, the treasury cash flows from operations, from investments and from financing operations are monitored and reviewed weekly, monthly, quarterly and yearly in order to determine the estimated level of net liquidity modifications.

Also, the specific liquidity indicators are analysed monthly (general liquidity, immediate liquidity and rate of general solvency) against the budgeted levels.

Besides, in order to reduce the liquidity risk, AEROSTAR maintains annually a liquidity reserve as a Credit Line (usable as an overdraft) granted by banks to a maximum limit of 2,500 thousand USD.

The time intervals used to analyse the contractual due dates of the financial debts, with a view to highlighting the placement of cash flows in due time, are shown in the table below:

	Financial debts	Accounting value	Contractual cash flows	0-30 days	31-60 days	over 60 days
31.03.2018	Trade liabilities	30.260	(30.260)	(24.371)	(4.464)	(1.425)
	Trade effects to be paid	0	0	0	0	0
31.03.2017	Trade liabilities	32.074	(32.074)	(21.757)	(7.305)	(3.012)
	Trade effects to be paid	158	(158)	(158)	0	0

The cash flows included in the analyses of the due dates are not expected to take place sooner or at significantly different values.

On the reporting date AEROSTAR has in its records no financial liabilities related to financial leasing, bank account overdraft and long-term bank accounts.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

On 31.03.2018 AEROSTAR has in its records no overdue financial liabilities.

c) Foreign currency risk

The foreign currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuate because of the changes in the currency exchange rates.

Exposure to the foreign exchange currency risk

AEROSTAR is exposed to the foreign currency risks, as 85% from the turnover recorded in the reporting period is denominated in USD and EUR, while a significant part of the operating expenses is denominated in LEI.

The net exposure to the foreign currency risks of the financial assets and liabilities is presented in the basis of the accounting values denominated in currency registered at the end of the reporting period:

31.03.2018	thousand EUR	thousand USD	thousand GBP
Cash and cash equivalents	1.551	1.021	8
Trade receivables	1.942	8.440	0
Trade liabilities	(1.399)	(3.176)	(97)
Net exposure in original currency	2.094	6.285	(89)

Sensitivity analysis

Taking into consideration the net exposure calculated in the above table it can be considered that AEROSTAR is exposed mainly to the foreign exchange risk generated by the variation of the foreign exchange rate USD/RON and EUR/RON.

Taking into consideration the evolution of USD/LEU exchange rate from 2015, 2016, and 2017, a highly volatility of (+/- 10%) can be observed. Thus, a possible reasonable variation of 10% can be observed at the end of the financial year.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

The following table details the effect of reasonably possible variations of the exchange rates USD/LEU over the financial year of AEROSTAR.

31.03.2018

Total net exposure in the currency of origin (thousand USD)	6.285
USD/LEU exchange rates	3.78
Net exposure in functional currency	23.757
Possible reasonable variation of exchange rate	+/- 10%
Effect of variation in profit and loss account	+/- 2.376 thousand LEI

e) Interest rate risk

For the reporting period AEROSTAR has contracted a multi-product Credit Facility of 7.000 thousand USD, destined to financing the Company's operations, which includes:

- 1) Product A: in the amount of 2.500 thousand USD, usable as overdraft, set up to provide at any given time the necessary financial liquidity and flexibility (liquidity reserve);
- 2) Product B: in the amount of 7.000 thousand USD (with the condition that the sum of the use from Product A and Product B does not exceed the value of the multi-product Credit Facility), usable under the form of a facility by issuing warranties instruments to ensure the commercial contractual obligations by issuing bank warranties letters and import credentials.

The bank interest is applicable only for the overdraft utilized, within the sub-limit of 2,500 thousand USD of Product A.

As during the reporting period AEROSTAR did not use Product A, the company revenues and cash flows are independent from the interest rate variations on the banking market.

On 31.03.2018, the level of guarantees granted by AEROSTAR under commercial agreements, by issue of bank guarantee letters amounts to 2.427 thousand USD (equivalent to 9.169 thousand LEI).

On 31.03.2018 no mortgages are set on the property assets owned by AEROSTAR

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 19 – OPERATING REVENUE

	31 March 2018	31 March 2017
Revenues from sales, from which:	81.774	74.803
Revenues from product sales	48.275	48.799
Revenues from services supplied	31.974	24.098
Revenues from selling goods	856	1.280
Revenues from renting	530	462
Trade discounts granted	(1)	-
Revenues from other activities	140	164
Revenues related to inventories of products finished and in progress of execution	11.830	13.698
Other revenues from operations	628	917
Revenues from the production of assets	161	66
Total operating income	94.393	89.484

Starting with 1st January 2018 the company has adopted the new standard of IFRS 15 *Revenue from contracts with customers* for the accounting reports of the financial year 2018 without the restatement of the financial year 2017, due to the following considerations:

- The impact of the new standard over the key figures of the Company is limited due to the fact that the revenues are already recognized at the delivery of the goods and/or services;
- Exception: revenues from services performed evaluated according to IAS 18, depending on the stage of completion of the agreement, their value in 2017 being of 477 thousand LEI, revenues which were derecognized at the end of the financial year, for the purposes of early applying IFRS 15.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 20 – OPERATING EXPENSES

	31 March 2018	31 March 2017
Expenses with employee benefits, from which:	28.844	27.217
Wages and salaries	25.611	21.262
Expenses with benefits in kind and expenses with ticket meals granted to employees	2.012	1.291
Expenses with social security	1.221	4.664
Expenses with raw materials and materials	26.894	28.189
Power supply, water and gas	3.445	3.525
Other material expenses, of which:	2.998	3.756
Expenses with non-stored materials	413	906
Expenses with goods	650	1.012
Expenses with packages	147	-
Expenses with other materials	1.788	1.838
Expenses with external services, from which:	7.233	6.195
Repairs	3.173	1.996
Transport costs	792	962
Commission and honors	718	559
Movements, deployments	123	225
Renting expenses	201	203
Other expenses with services supplied by third parties	1.880	1.739
Trade discounts received	(11)	-
Amortizations	6.062	5.965
Increase/decrease of adjustments regarding provisions	(4.565)	(4.306)
Increase/decrease of adjustments regarding depreciation on circulating assets	(1.407)	4.191
Other operational expenses	817	533
Total operating expenses	70.310	75.265

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 21 - FINANCIAL REVENUES

	<u>31 March 2018</u>	<u>31 March 2017</u>
Revenues from exchange differences	789	752
Revenues from interest	534	170
Total financial revenues	1.323	922

The company is exposed to the currency risk generated mainly by the exchange differences USD/RON, with significant influences over the financial result. Aspects regarding the Company's exposure to the risks generated by the financial instruments held are presented in *Note 18 Financial instruments*.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 22- FINANCIAL EXPENSES

	31 March 2018	31 March 2017
Expenses from exchange rate differences	1.560	1.090
Total financial expenses	1.560	1.090

The company registers in the financial expenses category only expenses from unfavorable exchange rates differences, it does not register expenses regarding financial investments disposed, with the interests or other financial expenses.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 23 - TAX ON PROFIT

Tax on profit

The profit tax is recognized in the statement of the profit or loss.

The profit tax is the tax to be paid relating to the profit realized in the current period determined in accordance with the fiscal regulations applicable at the reporting date.

The rate of the tax on profit applicable for 31.03.2018 was of 16% (the same rate was applied also for the financial year 2017).

31 March 2018

Gross accounting profit	23.846
Expenses with current tax on profit	1.952

Reconciliation of accounting profit with fiscal profit				Differences
Accounting revenues*	95.485	Fiscal revenues	86.339	-9.146
Accounting expenses*	71.591	Fiscal expenses	66.918	-4.673
Restated Gross accounting profit*	23.894	Fiscal profit	19.421	-4.473
Accounting tax (16%)	3.823	Fiscal tax (16%)	3.107	-716
Tax reductions	-	Tax reductions	1.155	+1.155
Tax on final profit	3.823	Tax on final profit	1.952	-1.871
The applicable legal rate	16,00%	The legal rate applicable	16,00%	
The effective medium rate, calculated on restated accounting gross profit		8,17%		

** The revenues and expenses are the ones obtained after the deduction from the total revenues and the total expenses of the revenues and expenses related to activities subject to the specific tax.*

The main factors which have affected the effective tax rate:

- the non-taxable revenues from the recovery of some non-deductible expenses (from which the revenues from resuming certain provisions for guaranties and of other provisions represented a significant part);
- fiscal facilities representing the tax exemption on profit corresponding to the investments made in accordance with Art.22 of the Fiscal Code, **in the amount of 1.129 thousand LEI**;
- Non-deductible expenses in fiscal terms (expenses concerning the set-up or increase of certain provisions which are non-deductible fiscally, expenses with fiscally non-deductible accounting amortization; losses from receivables and so on).

The company has registered on 31 March 2018 a liability regarding the current income tax in the amount of 1.952 thousand LEI related to first quarter of 2018.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

The specific tax of activities

Starting with 01.01.2017 Aerostar S.A. became taxable for restaurant and public alimentation activities. The specific tax related to the first quarter of 2018 was in the amount of 13 thousand LEI.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 24 - PROFIT PER SHARE

The profit per basic share was calculated based on the profit which can be distributed to the ordinary shareholders and on the number of ordinary shares:

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

IN LEI	<u>31.03.2018</u>	<u>31.03.2017</u>
Profit distributable to ordinary shareholders	21.104.504	11.064.844
Number of ordinary shares	152.277.450	152.277.450
	<hr/>	<hr/>
Profitul per share	<u>0,139</u>	<u>0,073</u>

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 25 - THE AVERAGE NUMBER OF EMPLOYEES

The average number of employees for the first quarter of 2018 is 1.827 and for 2017 was 1.794.

To these is added a medium number of manpower attracted through temporary employment business and used in the production process of AEROSTAR.

The total personnel employed in the activity of company AEROSTAR was:

	First quarter of 2018	First quarter of 2017
total personnel	1.973	2.064

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 26 - TRANSACTIONS WITH AFFILIATED PARTIES

Acquisitions of goods and services	The first quarter of 2018	The first quarter of 2017
S.C Airpro Consult SRL Bacau	2.070	2.878
S.C Foar SRL Bacau	132	154
TOTAL	2.202	3.032

Sales of goods and services	The first quarter of 2018	The first quarter of 2017
S.C Airpro Consult SRL Bacau	-	5
S.C Foar SRL Bacau	1	1
TOTAL	1	6

Debts	Balance at 31.03.2018	Balance at 31.03.2017
S.C Airpro Consult SRL Bacau	741	1.039
S.C Foar SRL Bacau	84	113
TOTAL	825	1.152

The transactions with the affiliated parties in the first quarter of 2018 consisted in:

- Services provided by SC AIRPRO CONSULT SRL Bacau to SC AEROSTAR SA Bacau for temporary manpower
- Machinery rental services provided by SC FOAR SRL Bacau to SC AEROSTAR SA Bacau;
- Services provided by SC AEROSTAR SA Bacau to SC AIRPRO CONSULT SRL Bacau and SC FOAR SRL Bacau for space rental and supply of utilities

In the first quarter of 2018 no transactions were made with the company Aerostar Transporturi Feroviare SA Bacau, its activity being suspended from year 2016.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 27 – INFORMATION REGARDING CASH FLOW

The method used in the Cash Flow Situation is the direct method.

The cash flows situation represents the cash flows and cash equivalents classified on operating activities, of investment and financing, thus highlighting the mode in which AEROSTAR generates and uses the cash and cash equivalents.

In the context of Cash Flows Situation:

- the cash flows are the receipts and cash payments and cash equivalents;
- the cash contains the money availability from banks and register.
- the cash flows contain the deposits formed in banks and CEC-s and order tickets deposited on banks to be collected.

The cash flows provided from the transactions performed in currency are registered in the functional currency by applying over the value in the exchange currency between the functional currency (LEU) and the currency from the date of the cash flow (date of making payments and receipts).

The gains and losses which come from the exchange rate variation are not cash flows. Nevertheless, the effect of the exchange rate variation over the cash and equivalent flows detained or due in foreign currency is reported in the cash flows situation, but separately from the cash flows provided from operations, investments and financings, with the purpose to reconcile the cash and cash equivalents at the beginning and at the end of the reporting period.

The operations activities are the main cash-generating activities of AEROSTAR. Thus, in year the first quarter of 2018 the receipts from customers were 76.640 thousand LEI, from which 11.027 thousand LEI represent the receipts in advance from the customers, and the payment to the suppliers and employees were the amount of 60.225 thousand LEI.

The activity of operating has generated a net cash of 4.091 thousand LEI.

To increase the operating capacity, 8.455 thousand LEI were used from own resources to purchase Property, Plant and Equipment and intangible assets.

The value of the cash flows allocated on the first quarter in 2018 to increase the operating capacity represents 10% from the aggregate value of the cash used in the framework of operating activities, of investment and financing.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 28 – LIABILITIES AND OTHER OFF-BALANCE ITEMS

Aerostar registers in off-balance sheet accounts, the rights, liabilities and goods which cannot be integrated in the company assets and liabilities, i.e.:

	31 March 2018	31 December 2017
<ul style="list-style-type: none"> • Liabilities: <ul style="list-style-type: none"> ○ guaranties granted to customers as letters of bank guarantee ○ guarantees received from suppliers – as letters of bank guarantee 	5.392 31.803	 11.809 43.311
<ul style="list-style-type: none"> • Goods <ul style="list-style-type: none"> ○ inventories of other materials released for use (toolings, devices, verifiers, protection equipment, equipment of measuring and control, technical library etc.) ○ material values received in custody ○ Property, Plant and Equipment and intangible assets –obtained or purchased as result of the cofinanced activity ○ material values received for processing/repairs ○ other goods off-balance sheet from third parties 	24.733 1.822 4.151 1.925 178	25.026 1.799 4.151 1.016 178
<ul style="list-style-type: none"> • Other values off-balance sheet <ul style="list-style-type: none"> ○ commitments on the covering of some future obligations to A.JO.F.M. under O.U.G. 95/2002 ○ debtors cleared from assets, yet still monitored ○ material guarantees 	6.109 579 200 883	6.215 579 185 498
<ul style="list-style-type: none"> • Greenhouse Gas Emission Certificate 		

At the date of 31 March 2018, AEROSTAR owned 17680 greenhouse gas emission certificates. From the 17680 certificates, 13099 are owned from 2017 and 4581 certificates have been allocated for 2018.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

At the date of 3 April 2018 AEROSTAR has reimbursed a number of 3076 greenhouse gas emission certificates related to the gas emissions from 2017, remaining in the present with 14604 certificates.

The market value from the last transaction day from the first quarter of 2018 of a GES certificate was of 12,99 Euro, according to the TDR Energy market journal (in December 2017: 8,18 Euro).

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 29 – REMUNERATION OF THE DIRECTORS

On the date of 31 March 2018, the structure of AEROSTAR's Board of Directors remained unchanged in comparison with the one from 31 December 2017.

The Board of Directors of AEROSTAR S.A.:

	Surname and first name	Position	Proffesion
▪	FILIP GRIGORE	President of the Board of Directors	Aviation engineer
▪	DAMASCHIN DORU	Vice-president of the Board of Directors	Economist
▪	TONCEA MIHAIL - NICOLAE	Member of the Board of Directors	Aviation engineer
▪	LIVIU-CLAUDIU DOROȘ	Member of the Board of Directors	Economist
▪	VÎRNĂ DANIEL	Member of the Board of Directors	Lawyer

In the first quarter of 2018, the Company AEROSTAR has not granted advanced payments or credits to the members of the Board of Directors and has not taken any commitments into their accounts with any type of guarantee title.

The compensations of the Directors are approved by the General Meeting of the Shareholders.

The shareholders of the company have decided in the Ordinary General Assembly from 14 December 2017, the following remunerations for the members of the Board of Directors:

- a net remuneration of the members for the financial year 2018 of 4.500 LEI;
- at a maximum level, additional remunerations for the executive members of the Board of Directors, of not more than 10 (ten) or (including) the net remuneration;
- the empowering of the Board of Directors for their negotiation on additional remuneration, with the executive members, within the limit of the ceiling approved by the Ordinary General Assembly.

The amount of the gross remunerations accorded to the members of the Board of Directors in the first quarter of 2018, by virtue of their responsibilities, was of 115,38 thousand LEI.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 30 - RISK MANAGEMENT

AEROSTAR is exposed to a variety of 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.

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.

Still, there may be risks and uncertainties further to the ones presented as follows, which are not currently known, or which are considered insignificant but which may affect in the future the business lines followed by AEROSTAR.

Operational risk

It is the risk to register losses or not to achieve the estimated profits, caused by:

- use of inadequate processes, systems or human resources, or which did not conduct their function properly;
- external events and actions: degradation of the global economic conditions, natural catastrophies or other events which may affect AEROSTAR's assets.

Assimilated to the operational risk is the **Legal Risk**, defined as the risk of loss due to penalties, fines and sanctions for which AEROSTAR is liable in case of failure to apply or inadequate application of the dispositions, of the legal or contractual regulations, or in case the contractual rights and obligations are not properly set for AEROSTAR and/ or its business partner.

The monitoring and the elimination of the effects of the legal risk is implemented by means of a permanent updating system about the legislative changes, as well as through a system for the review, advise and approval of the terms and conditions included in the commercial agreements.

AEROSTAR allocates and will continue to allocate investment expenses and other operational expenses in order to prevent and manage the operational risk.

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, in order to minimize the operational risk, AEROSTAR annually renews the liability insurance contract with prime insurance-reinsurance companies in connection with its main business lines (aviation products manufacturing and maintenance of commercial aircraft).

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

Credit Risk is the risk of AEROSTAR bearing a financial loss as a result of the failure to meet the contractual business obligations by a customer, mainly determined by cash, cash equivalents (bank deposits) and trade receivables.

The cash and cash equivalents are placed solely in first rank banking institutions and are considered to have a high solvency degree.

The credit risk, including the risk of the country where the customer performs its operations, is administered for each business partner. When considered necessary, specific mitigation tools are required (advance payments, letters of bank guarantee, confirmed letters of credit).

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

A presentation of the quantitative information regarding AEROSTAR exposure to the credit risk is detailed in Note 18 (Financial Instruments) of the Financial Statements.

Liquidity Risk is the risk for AEROSTAR to encounter difficulties in fulfilling its liabilities-related obligations as they become due.

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.

In order to reduce liquidity risk, AEROSTAR keeps an annual cash-reserve in the form of a Credit Line (used as overdraft) granted by banks. During the reporting period, AEROSTAR did not use the contracted credit line in amount of 2.500.000 USD, all the activities being financed from company's own sources.

The **Market Risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices.

The market risk includes 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.

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.

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 of certain suppliers.
- Long term contracts, with fixed price clauses.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

AEROSTAR is exposed to currency risk as 85% of the turnover is related to USD and EUR, while a considerable amount of the operational expenses is related to the operational currency (LEI).

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

An analysis of AEROSTAR's sensitivity to the currency fluctuations is detailed in Note 18 (Financial Instruments) of the Financial Statements.

As far as the interest rate risk is concerned, due to the fact that AEROSTAR S.A. 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.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 31- EXPENSES AND INCOMES IN ADVANCE

	<u>31 March 2018</u>	<u>31 December 2017</u>
Expenses registered in advance	1.103	491
Incomes registered in advance	26	28

The expenses effectuated and incomes realized in the current period, but which concern the periods or the next financial exercises, are recorded distinctively in accountability, at expenses registered in advance or incomes registered in advance, where appropriate.

In **expenses in advance** category, the Company has registered the amounts related to the periods or to the next financial years, representing: subscriptions, assurance policies, commissions, trade fairs and conferences participations, taxes and duties, on-line services, IT maintenance, etc., which shall be allocated on expenses, according to the due.

In **advance revenues** category, the Company has registered incomes related to the periods or of the future financial years for the following elements of financial immobilizations.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

NOTE 32 - EVENTS AFTER THE REPORTING PERIOD

The judgements of the Ordinary General Meeting of the Shareholders from 19 April 2018

In the Ordinary General Meeting of the Shareholders from 19 April 2018 the shareholders of AEROSTAR have approved the following:

- The distribution of the net profit related to the financial year 2017, of the amount of 53.169.632,90 LEI, as following:
 - the distribution at the legal reserve of the reinvested profit in the amount of 9.337.715,64 LEI;
 - the distribution to the reserves in the amount of 29.517.837,26 LEI;
 - the distribution for dividends of the amount of 14.314.080 LEI and the establishment of a gross dividend per share of 0,094 LEI, according to a share with the nominal value of 0,32 LEI;
 - **the establishment of a payment date of the dividends for the date of 20 September 2018.**

The distribution of the dividends to the shareholders for AEROSTAR relating 2017 shall be made in accordance with the applicable legal provisions.

The costs related to the distribution activity shall be supported by the value of the net dividend due to each shareholder.

- The establishment of a Committee formed from the following members: Mihai Deju and Daniel Botez.

The time period of the agreements signed with the Audit Committee is for a period between 19 April 2018 and 10 July 2020.

The net compensations of the members of Audit Committee were approved by the shareholders at the level of 50% from the compensation of one member of the Board of Directors of AEROSTAR.

- Naming MAZARS ROMANIA SRL as a financial auditor.

The financial audit contract with MAZARS ROMANIA SRL is concluded on a minimum period of 2 years, with the possibility of extension through an amendment approved by the Board of Directors of AEROSTAR.

On 17 April 2018 AEROSTAR has celebrated 65 years from its establishment.

A representative company for the Romanian and European aviation and defence industry, AEROSTAR has marked the celebration of 65 years from its establishment through a series of events.

The Open Doors Day were organised in AEROSTAR on 13 and 14 April 2018.

The Cultural-Educational Association AEROSTAR Bacau, sponsored by AEROSTAR S.A. held a series of public events with the purpose to promote the history and the image of the company.

S.C. AEROSTAR S.A. BACAU
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AT 31 MARCH 2018
(unless specified otherwise, all amounts are stated in thousand lei)

On **16 April 2018**, the members of the County Council have voted to award the title of the **Honorary Citizen of Bacau county** to **Ms. Mihail Nicolae TONCEA**, President – General Director of IAROM S.A., the main shareholder of the company.

The plaque and the diploma of honorary citizen of Bacau County were handed by Ms. Sorin Brasoveanu, the president of Bacau County Council.

On **26 April 2018**, the **President of Romania, Ms. Klaus Werner JOHANNIS**, has visited AEROSTAR. The management of the company has presented a couple of the production and maintenance centres from the civil aviation field, as well as future perspectives in these activity fields. The visit has also included discussions with the management of the company regarding the importance of the aviation industry for the Romanian economy.

On 27 April 2018, the Extraordinary General Meeting of the SIF Moldova shareholders has approved the modification of the name of the company from Societatea de Investitii Financiare MOLDOVA S.A. in FIRST ROMANIA CAPITAL INVEST S.A.

SIF Moldova is a significant shareholder of AEROSTAR. At the date of 31 December 2017, he held 15,0514% from the share capital of AEROSTAR.

Financial Calendar 2018 – the following events which will take place:

Presenting the half year financial results of 2018	16.08.2018
Meeting the press and investors interested for the half year financial results of 2018.	16.08.2018
Presenting the financial results on 30 September 2018	09.11.2018

AEROSTAR S.A. has not identified events following the reporting date which would have an impact over the financial statements related to the first quarter of 2018.

These individual financial statements which contain: the situation of the financial position, the situation of the profit or loss, other elements of the global result, the situation of the modifications of the company capital, the situation of the treasury cash flows and explicative notes to the financial statements have been approved by the Board of Directors on the date of 9 May 2018 and signed in its name by:

Grigore FILIP,
President and General Director

Doru DAMASCHIN,
Vice-President and Financial Director