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Industry Report

Air transport 2016 ROMANIA

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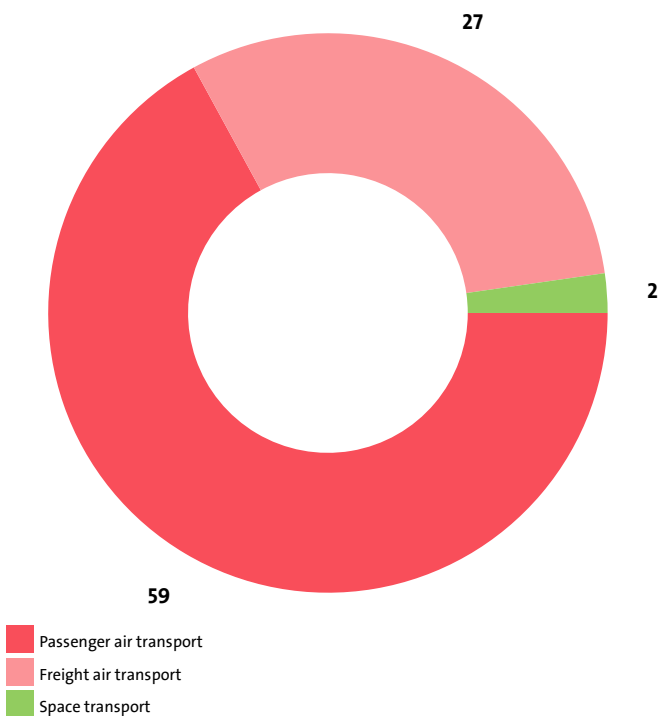
I. KEY INDICATORS

- The Air transport industry in Romania was represented by 88 companies at the end of 2016, compared to 88 in the previous year and 82 in 2014.
- The industry's net loss amounted to RON 141,752,031 in 2016.
- The industry's total revenue was RON 1,531,296,851 in 2016, down by 46.50% compared to the previous year.
- The combined costs of the companies in the Air transport industry reached RON 1,670,416,536 in 2016, down by 42.16% year-on-year.
- The industry's total revenue makes up 0.16% to the country's Gross domestic product (GDP) in 2016, compared to 0.33% for 2015 and 0.29% in 2014.
- A total of 2,706 people were employed in the Air transport industry in 2016, compared to 3,371 in 2015 and 2,982 in 2014.
- Most of the companies in the industry are based in Bucharest, followed by Ilfov and Brasov.

II. INTRODUCTION

In 2016 the companies in the Air transport industry numbered 88, distributed in 3 sectors.

INDUSTRY STRUCTURE BY SECTORS AND NUMBER OF COMPANIES



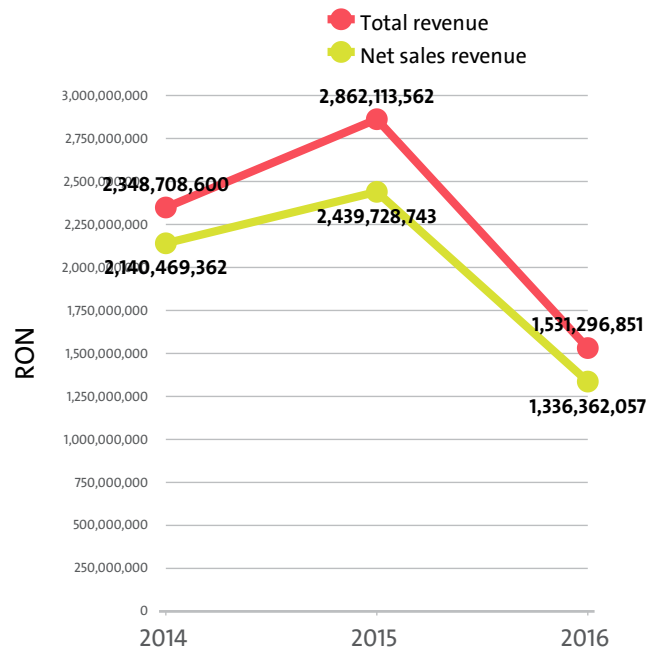
In 2015 there were a total of 88 companies operating in the industry. In 2014 their number totalled 82.

NUMBER OF COMPANIES IN AIR TRANSPORT INDUSTRY BY SECTORS

SECTOR	2016	2015	2014
PASSENGER AIR TRANSPORT	59	62	53
FREIGHT AIR TRANSPORT	27	24	26
SPACE TRANSPORT	2	2	3

III. REVENUES

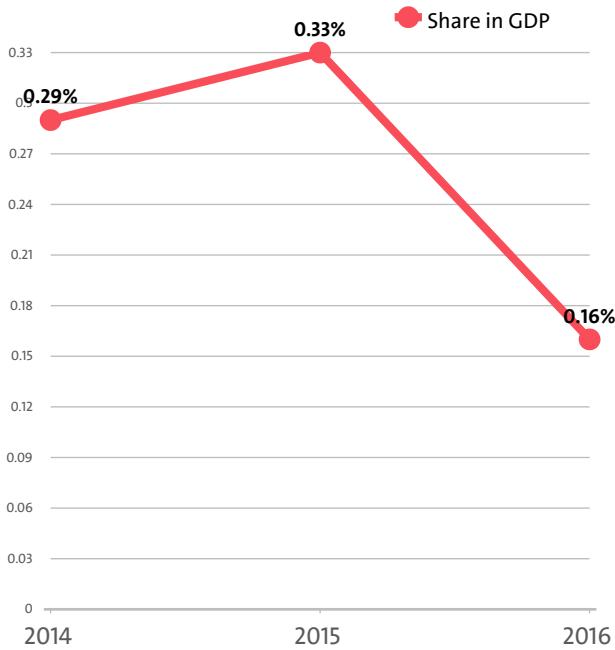
The total revenue in the industry was RON 1,531,296,851 in 2016, RON 2,862,113,562 in 2015 and 2,348,708,600 in 2014.



The companies in the Air transport market of Romania earned combined net sales revenues of RON 1,336,362,057 in 2016.

In annual terms, sales marked a drop of 45.22% compared to 2015. In comparison to 2014 they fell by 37.57%. In 2015 sales fell by 13.98% year-on-year.

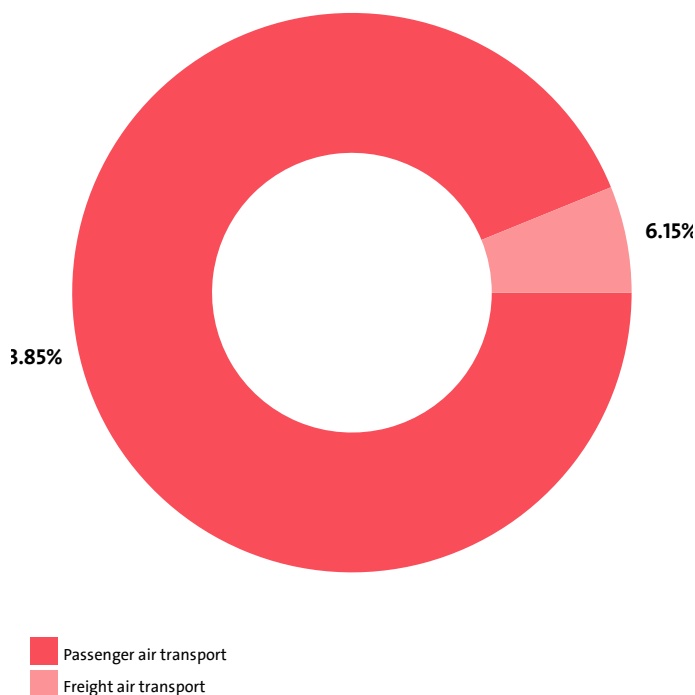
The Air transport industry total revenue make up 0.16% to the country's GDP in 2016, compared to 0.33% for 2015 and 0.29% in 2014.



We expect, based on the trend in the last three years, the total revenue of the Air transport industry to change at a compound annual growth rate (CAGR) of -19.26% in 2017.

Passenger air transport contributed net sales revenue of RON 1,254,156,121 or 93.85% of the total net sales in the industry, sector Freight air transport - RON 82,181,321 (6.15%), and sector Space transport - RON 24,615 (0.00%).

INDUSTRY'S NET SALES REVENUE STRUCTURE BY SECTORS



The highest growth, of 2.76%, was recorded by Freight air transport, while Passenger air transport registered the sharpest decline, of 46.85%.

TOP COMPANIES' REVENUE BY SECTORS

SEGMENT	COMPANY	TOTAL REVENUE (RON)	NET SALES REVENUE (RON)
PASSENGER AIR TRANSPORT			
	TAROM SA	1,240,140,291	1,073,269,470
	TOYO AVIATION SRL	46,481,878	39,385,248
	REGIONAL AIR SERVICES SRL	36,358,414	35,637,454
SPACE TRANSPORT			
	EURO TRACTARI SOLUTIONS SRL	24,615	24,615
FREIGHT AIR TRANSPORT			
	WORLD MEDIATRANS SRL	31,380,886	30,928,272
	EASI LOGISTIC SRL	12,403,305	12,189,356
	SKY - XS AIRCARGO SRL	9,593,096	9,389,810

The top 10 companies in terms of total revenue in Air transport accounted for 95.39% of the industry's total in 2016, 95.68% in 2015 and 96.35% in 2014.

TOP 10 COMPANIES BY TOTAL AND NET SALES REVENUE IN THE INDUSTRY

RANK	COMPANY	TOTAL REVENUE (RON)	NET SALE REVENUE (RON)
1	TAROM SA	1,240,140,291	1,073,269,470
2	TOYO AVIATION SRL	46,481,878	39,385,248
3	REGIONAL AIR SERVICES SRL	36,358,414	35,637,454
4	AIR BUCHAREST TRANSPORT AERIAN SRL	34,587,147	34,002,473
5	WORLD MEDIATRANS SRL	31,380,886	30,928,272
6	ION TIRIAC AIR SRL	30,970,970	26,600,190
7	EASI LOGISTIC SRL	12,403,305	12,189,356
8	AERO NETWORK CONSULTING (ANC) SRL	12,111,385	11,435,917
9	SKY - XS AIRCARGO SRL	9,593,096	9,389,810
10	CHC GLOBAL OPERATIONS INTERNATIONAL ULC. RICHMOND SUCURSALA BUCURESTI	6,705,809	4,211,610

The total revenues of the top 10 companies in the Air transport were 0.16% of GDP in 2016, compared to 0.32% for 2015 and 0.28% in 2014.

The top 10 by assets in the Air transport market made up RON 1,186,321,533, or 88.77% of the total net sales revenue.

TOP 10 BY TOTAL ASSETS IN THE INDUSTRY

RANK	COMPANY	RON
1	TAROM SA	1,338,261,592
2	ION TIRIAC AIR SRL	167,592,248
3	TOYO AVIATION SRL	48,893,615
4	DAC AIR SA	40,085,337
5	REGIONAL AIR SERVICES SRL	38,115,713
6	VEGA OFFSHORE SRL	24,716,679
7	EUROJET ROMANIA SRL	12,696,237
8	BUSINESS AVIATION COMPANY SRL	10,126,958
9	INTERAVIATION CHARTER SRL	9,584,706
10	WIZZ AIR HUNGARY KFT. BUDAPEST SUCURSALA OTOPENI	9,285,890

TOP 10 COMPANIES BY TOTAL REVENUE IN THE SECTOR PASSENGER AIR TRANSPORT WERE:

COMPANY	RON
TAROM SA	1,240,140,291
TOYO AVIATION SRL	46,481,878
REGIONAL AIR SERVICES SRL	36,358,414
AIR BUCHAREST TRANSPORT AERIAN SRL	34,587,147
ION TIRIAC AIR SRL	30,970,970
AERO NETWORK CONSULTING (ANC) SRL	12,111,385
CHC GLOBAL OPERATIONS INTERNATIONAL ULC. RICHMOND SUCURSALA BUCURESTI	6,705,809
WIZZ AIR HUNGARY KFT. BUDAPEST SUCURSALA OTOPENI	6,632,923
DAC AIR SA	6,280,644
BUSINESS AVIATION COMPANY SRL	5,182,805

The 10 largest companies in terms of total revenue in sector Air transport earned total revenue of RON 1,425,452,266 and accounted for 93.09% of the industry's total revenue.

TOP COMPANIES BY TOTAL REVENUE IN THE MARKET SPACE TRANSPORT WERE:

COMPANY	RON
EURO TRACTARI SOLUTIONS SRL	24,615

TOP 10 COMPANIES BY TOTAL REVENUE IN THE FIELD FREIGHT AIR TRANSPORT WERE:

COMPANY	RON
WORLD MEDIATRANS SRL	31,380,886
EASI LOGISTIC SRL	12,403,305
SKY - XS AIRCARGO SRL	9,593,096
SKYBRIDGE NETWORKS SRL	6,525,879
AVIATION SERVICES BUCHAREST SRL	5,998,954
NIPPON EXPRESS DEUTSCHLAND GMBH MONCHENGLADBACH - SUCURSALA TIMISOARA	3,599,839
SKY CARGO EXPRESS SRL	3,022,888
R-BAG AIR CARGO SRL	2,978,998
BCL EXPEDITII SRL	2,399,195
XQAIR AIRCARGO SRL	1,721,938

The 10 largest companies in terms of total revenue in sector Air transport earned total revenue of RON 79,624,978 and accounted for 5.20% of the industry's total revenue.

IV. EXPENSES

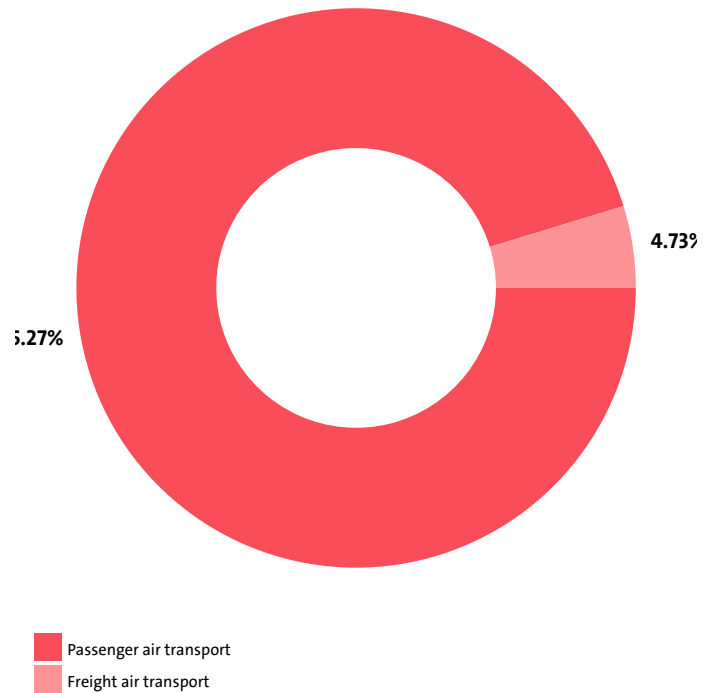
The combined costs of the companies in the Air transport industry reached RON 1,670,416,536 in 2016.

In annual terms, total expenses decreased by 42.16% compared to 2015 and fell by 32.93% in comparison to 2014.

We expect, based on the trend in the last three years, the total costs of the Air transport industry to change at a compound annual growth rate (CAGR) of -18.10% in 2017.

Passenger air transport reported the highest total costs, of RON 1,591,427,621, followed by Freight air transport with RON 78,957,575 and Space transport with total costs of RON 31,340.

INDUSTRY'S TOTAL COSTS STRUCTURE BY SECTORS



Space transport marked the highest annual increase in total expenses, of 64.76%, while total expenses went down the most, by 43.36%, for Passenger air transport.

The biggest spenders in the industry, with costs of over 10% of industry's costs, numbered 1, including TAROM SA. Below 5% threshold are 87 companies, including AVIRO AIR SRL, AERO VIP REGIONAL SERVICES SRL, NIPPON EXPRESS DEUTSCHLAND GMBH MONCHENGLADBACH - SUCURSALA TIMISOARA, OLYMPIC AIR SA ATENA SUCURSALA BUCURESTI, ASHIFA AVIATION SERVICES SRL.

Employment expenses in the Air transport industry dropped by 12.44% on the year to RON 270,189,612 in 2016.

The highest growth in labour costs, of 15.59%, was registered by Freight air transport, while Passenger air transport marked the sharpest fall, of 13.30%.

The monthly costs per employee in the Air transport industry averaged RON 8,321 in 2016, RON 7,628 in 2015 and RON 7,536 in 2014.

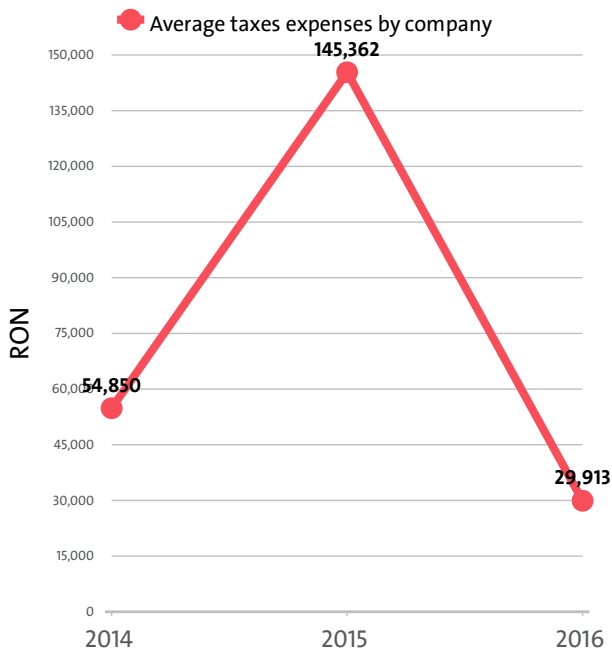
EMPLOYMENT EXPENSES IN AIR TRANSPORT BY SECTORS IN 2016

RANK	SECTOR	EMPLOYMENT EXPENSES (RON)	AVERAGE EXPENSES PER EMPLOYEE (RON)
1	PASSENGER AIR TRANSPORT	259,606,921	102,490
2	FREIGHT AIR TRANSPORT	10,569,355	61,450
3	SPACE TRANSPORT	13,336	13,336

THE TOP 10 COMPANIES BY AVERAGE MONTHLY COSTS PER EMPLOYEE IN THE INDUSTRY

RANK	COMPANY	RON
1	DAC AIR SA	86,488
2	C & I CORPORATION SRL	22,484
3	ALITALIA-SOCIETA AEREA ITALIANA S.P.A ROMA SUCURSALA BUCURESTI	17,971
4	AVIATION SERVICES BUCHAREST SRL	17,223
5	SKY - XS AIRCARGO SRL	15,234
6	SKYBRIDGE NETWORKS SRL	14,471
7	R-BAG AIR CARGO SRL	12,913
8	VEGA OFFSHORE SRL	12,862
9	TAROM SA	9,081
10	AVIRO AIR SRL	8,545

The industry's tax expenses stood at RON 2,632,346 in 2016. In 2015 it paid taxes of RON 12,791,856. In 2014 the industry paid RON 4,497,749 in taxes.



EXPENSES ON TAXES BY SECTORS

RANK	SECTOR	RON	Y/Y CHANGE
1	PASSENGER AIR TRANSPORT	1,734,815	-85.31%
2	FREIGHT AIR TRANSPORT	896,797	-8.30%
3	SPACE TRANSPORT	734	14.69%

V. PROFITABILITY

The industry's net loss amounted to RON 141,752,031 in 2016, compared to a net loss of RON 38,613,668 in 2015 and a net loss of RON 146,382,372 in 2014.

TOP 10 COMPANIES BY HIGHEST NET PROFIT IN AIR TRANSPORT

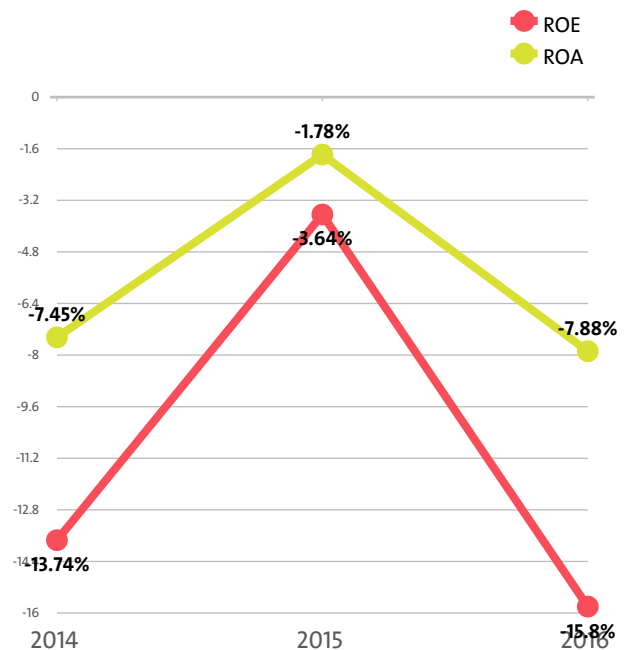
RANK	COMPANY	RON
1	AERO NETWORK CONSULTING (ANC) SRL	3,493,618
2	DAC AIR SA	3,171,360
3	SKY - XS AIRCARGO SRL	933,162
4	AVIATION SERVICES BUCHAREST SRL	886,139
5	SKY CARGO EXPRESS SRL	762,388
6	REGIONAL AIR SERVICES SRL	653,305
7	SKYBRIDGE NETWORKS SRL	496,774
8	WORLD MEDIATRANS SRL	493,443
9	AIR BUCHAREST TRANSPORT AERIAN SRL	356,691
10	R-BAG AIR CARGO SRL	225,951

TOP COMPANIES BY HIGHEST NET LOSS IN AIR TRANSPORT

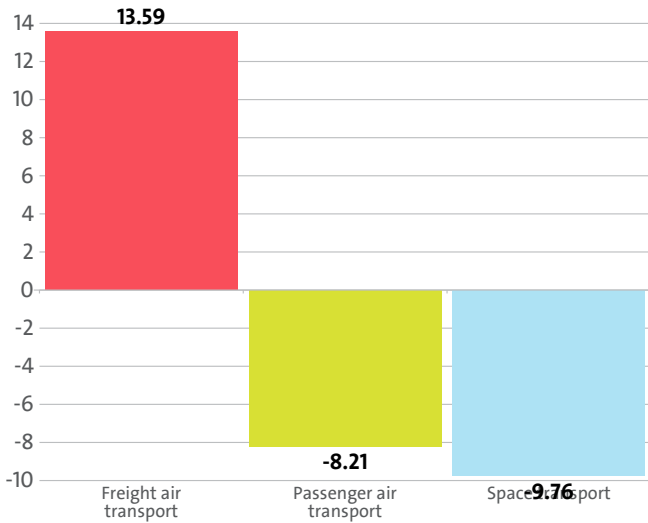
RANK	COMPANY	RON
1	WIZZ AIR HUNGARY KFT. BUDAPEST SUCURSALA OTOPENI	54,592,709
2	TAROM SA	46,966,754
3	VEGA OFFSHORE SRL	14,042,420
4	ION TIRIAC AIR SRL	12,520,633
5	AVIRO AIR SRL	7,354,184

The Air transport industry's return on equity (ROE) is -15.80% compared to -3.64% in 2015 and -13.74% in 2014.

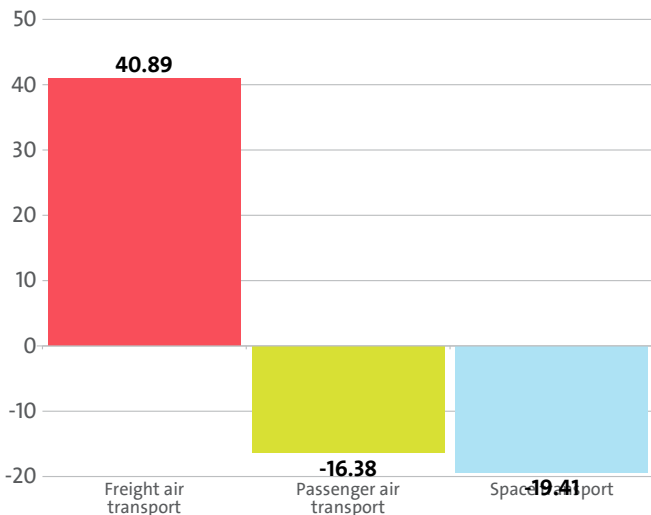
The Air transport's return on assets (ROA) was -7.88%, while in 2015 it amounted to -1.78% and -7.45% in 2014.



LEADING INDUSTRY'S SECTORS BY ROA



LEADING INDUSTRY'S SECTORS BY ROE



TOP 10 COMPANIES BY HIGHEST AVERAGE NET PROFIT PER EMPLOYEE IN AIR TRANSPORT

RANK	COMPANY	RON	COMPANY HEADQUARTERS (CITY)
1	DAC AIR SA	3,171,360	BUCHAREST
2	SKY CARGO EXPRESS SRL	762,388	ILFOV
3	SKY - XS AIRCARGO SRL	311,054	ILFOV
4	AVIATION SERVICES BUCHAREST SRL	295,380	ILFOV
5	AVIATIA UTILITARA 2002 SRL	189,804	VALCEA
6	SKYBRIDGE NETWORKS SRL	165,591	ILFOV
7	GHIDIAIR SRL	102,450	BUCHAREST
8	AERO NETWORK CONSULTING (ANC) SRL	85,210	BUCHAREST
9	R-BAG AIR CARGO SRL	75,317	ILFOV
10	NIPPON EXPRESS DEUTSCHLAND GMBH MONCHENGLADBACH - SUCURSALA TIMISOARA	65,300	TIMIS OARA

About 50.00% of the 10 leading companies in terms of net profit per employee are located in Ilfov, while 30.00% are Bucharest-based and 10.00% are headquartered in Valcea.

The average net sales revenue per employee in the Air transport industry amounted to RON 493,851 in 2016, down by 31.76% compared to 2015 and down by 31.20% compared to 2014.

The Air transport market generated an average RON 565,889 in total revenue per employee. In 2015 and 2014 the figure was RON 849,040 and RON 787,629, respectively.

The average total revenue per company in the Air transport industry went down to RON 17,401,101 in 2016 from RON 32,524,018 in 2015. The 2014 value was RON 28,642,788.

A company in the Air transport sector made on average a net sales revenue of RON 15,185,932 in 2016, compared to RON 27,724,190 in 2015 and RON 26,103,285 in 2014.

The Air transport industry made 0.11% of the overall sales country-wide, reducing its market share by 0.10 pp.

AVERAGE REVENUES PER EMPLOYEE IN AIR TRANSPORT IN 2016

SECTOR	AVERAGE NET SALES REVENUE (RON)	AVERAGE TOTAL REVENUE (RON)	NUMBER OF EMPLOYEES
PASSENGER AIR TRANSPORT	495,127	571,523	2,533
SPACE TRANSPORT	24,615	24,615	1
FREIGHT AIR TRANSPORT	477,798	486,078	172

AVERAGE REVENUE PER COMPANY IN AIR TRANSPORT IN 2016

SECTOR	AVERAGE NET SALES REVENUE (RON)	AVERAGE TOTAL REVENUE (RON)	NUMBER OF COMPANIES
PASSENGER AIR TRANSPORT	21,256,883	24,536,725	59
FREIGHT AIR TRANSPORT	3,043,753	3,096,498	27
SPACE TRANSPORT	12,308	12,308	2

The total indebtedness of the companies in the Air transport industry was RON 792,191,873 versus RON 810,326,674 a year ago. In 2014 the industry's indebtedness totalled RON 733,071,913.

INDUSTRY'S INDEBTEDNESS BY SECTORS (RON)

SECTOR	2016	2015	2014
PASSENGER AIR TRANSPORT	773,844,143	796,284,657	708,912,519
FREIGHT AIR TRANSPORT	18,309,714	14,042,017	24,138,303
SPACE TRANSPORT	38,016		21,091

Debt-to-assets ratio of the companies in the industry is 0.44 in 2016. It was 0.37 in 2015 and 0.37 in 2014.

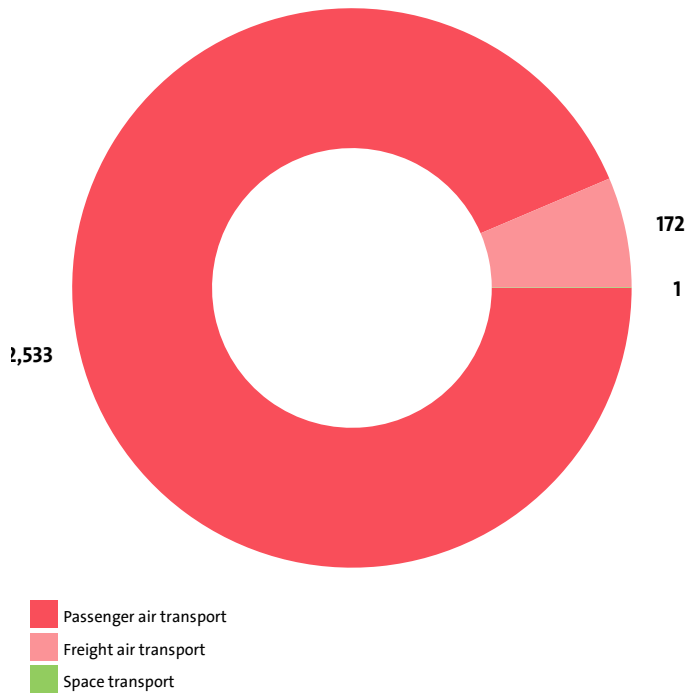
VI. EMPLOYMENT

A total of 2,706 people were employed in the Air transport field at the end of 2016, compared to 3,371 in 2015 and 2,982 in 2014.

NUMBER OF EMPLOYEES BY INDUSTRY SECTORS

SECTOR	NUMBER	SHARE OF INDUSTRY TOTAL
PASSENGER AIR TRANSPORT	2,533	93.61%
FREIGHT AIR TRANSPORT	172	6.36%
SPACE TRANSPORT	1	0.04%

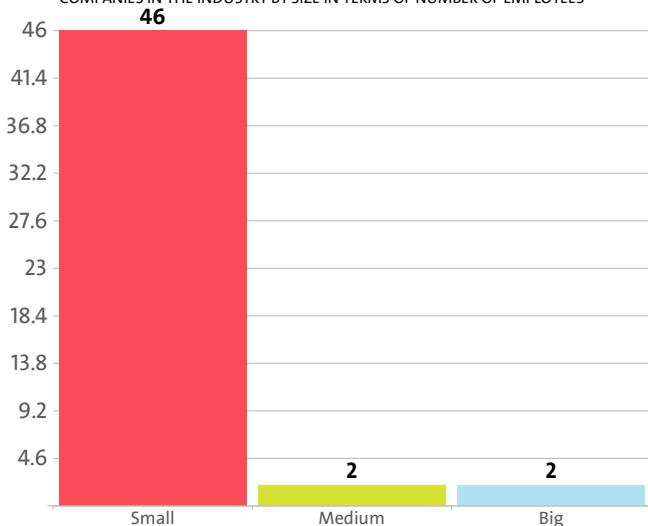
ALLOCATION OF EMPLOYEES BY INDUSTRY'S SECTORS



The analysis on companies' sizes by the number of employees, shows that 46 firms have less than 50 employees*, 2 have between 50 and 250 employees* and 2 companies employ more than 250*.

* Companies without data in the number of employees at end of the year are not taken into consideration.

COMPANIES IN THE INDUSTRY BY SIZE IN TERMS OF NUMBER OF EMPLOYEES



The employees of the leading 10 companies in terms of numbers make up 94.35% of the workforce in the industry in 2016.

TOP 10 FIRMS BY SHARE IN INDUSTRY'S TOTAL NUMBER OF EMPLOYEES

RANK	COMPANY	NUMBER OF EMPLOYEES	SHARE
1	TAROM SA	1,841	68.03%
2	WIZZ AIR HUNGARY KFT. BUDAPEST SUCURSALA OTOPENI	327	12.08%
3	REGIONAL AIR SERVICES SRL	107	3.95%
4	WORLD MEDIATRANS SRL	105	3.88%
5	AERO NETWORK CONSULTING (ANC) SRL	41	1.52%
6	TOYO AVIATION SRL	33	1.22%
7	AIR BUCHAREST TRANSPORT AERIAN SRL	33	1.22%
8	ION TIRIAC AIR SRL	26	0.96%
9	COBREX TRANS SRL	22	0.81%
10	EASI LOGISTIC SRL	18	0.67%

The Air transport industry is the 73rd largest employer in the country with 2,706 employees with the largest employer being Retail trade, except of motor vehicles and motorcycles with 437,697 and Activities of extraterritorial organisations and bodies at the bottom with 1 employees.

We expect, based on the trend in the last three years, the number of employees of the Air transport industry to change at a compound annual growth rate (CAGR) of -4.74% in 2017.

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