

INDEPENDENT AUDITOR'S
REPORT

BENEFICIARY:

- S.C. AEROSTAR S.A.

HEAD OFFICE:

- Bacau, Condorilor Street, No. 9

MANAGEMENT:

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

STATUTORY AUDITOR:

- S.C. H.M. AUDIT CONTAB S.R.L.
- Authorization No. 1019 / 2010

REGISTERED HEAD OFFICE:

- Bacau, Ion Luca Caragiale Street, No. 1, bl. 1, sc. D, ap. 12

PLACE OF BUSINESS:

- Bacau, Pasajul Revolutiei Street, No. 3

MANAGEMENT:

- Financial Auditor - Ec. MONICA HUSANU

CONTRACT no 129 / 15.12.2015

INDEPENDENT AUDITOR'S REPORT

REGARDING THE INDIVIDUAL FINANCIAL STATEMENTS ON 31.12.2016

1. Introduction:

We have audited the individual financial statements prepared by S.C. AEROSTAR S.A. („The Company”), on 31.12.2015, in accordance with the International Financial Reporting Standards adopted by the European Union, which comprise: the Statement of the Financial Position, the Statement of Profit or Loss, Other Elements of the Global Result, the Statement of Company Capital Modifications, the Statement of Treasury Cash Flows, Notes to the Individual Financial Statements. Also attached to this report are the following documents: the Report of the Board of Directors, the Declaration of the Company Management in accordance with the provisions of art. 30 of the Accounting Law No. 82/1991 and the Regulation no. 1/2006 issued by CNVM, currently named the Financial Supervisory Authority (“ASF”), the Proposal for the Distribution of the Net Profit Achieved in the Financial Year 2016, comprising the information determined in accordance with the IFRS provisions.

The above-mentioned financial statements refer to:

2. • Total company capitals 213.908.224 lei;
3. • Net turnover..... 356.219.105 lei;
4. • Total net profit..... 56.471.595 lei.

2. In our opinion, the attached individual financial statements of the Company are elaborated, under all the significant aspects and present the financial situation of the Company at December 31, 2016, as well as its financial performance, cash flows, for the year completed by this date, compliant with the requirements of the Romanian accounting standards specifically the Accounting Law no. 82/1991 (republished), MFP Order no. 2844/2016 for the approval of the accounting regulations compliant with the International Standards of Financial Reporting applicable to the companies whose securities are admitted to trading on a regulated market, MFP order no. 166/2017 from January 25, 2017 regarding the main aspects related to elaboration and submitting of the annual financial statements and of the annual accounting reports for the economic agents to the regional offices of the Public Finance Ministry, as well as the modification and the completion of some accounting regulations and Regulation no. 1/2006 issued by CNVM, presently known as Financial Supervisory Authority (FSA).

3. Basis of Opinion

We conducted the audit in accordance with the Auditing Standards issued by the Romanian Chamber of Auditors and the International Auditing Standards. According to these standards, our responsibility is further described in Auditor Responsibilities section for Financial Statements Auditor from our report. We are independent from the Company according to the Code of Ethics of Professional Accountants (IFAC) emitted by Board of standards of ethics for accountants together with the ethic requirements relevant for the auditor from financial statements in Romania, and we accomplished the other responsibilities regarding ethic, according with these requirements and with IFAC code. We consider that the auditor evidences which we have obtained are sufficient and adequate to constitute a basis for our audit opinion.

4. Business activity continuity

The auditor has not identified any events, conditions or aspects which indicate the existence of material uncertainties which could question in a significant way the Company's capacity to continue its activity according to the principle of business activity.

The Company's responsibilities and to those which are responsible of Individual annual Financial Statements

5. The management is responsible by the establishment and fair presentation of the individual annual Financial Statements according to the requirements of Romanian accounting standards i.e. Accounting Law No. 82/1991 (republished), MFP Order no. 2844/2016 for the approval of the accounting regulations compliant with the International Standards of Financial Reporting applicable to the companies whose securities are admitted to trading on a regulated market and MFP Order no.166/2017 from January 25, 2017 regarding the main aspects of establishing and submitting the Annual Financial Statements and of annual accounting reports for economical agents to the regional offices of the Public Finance Ministry, as well as for the modification and completion of some accounting regulations. This responsibility includes: the design, the implementation and the maintaining of an appropriate for the preparation and the adequate presentation of the individual annual financial statements which should not include significant distortions that may be due to fraud or error, the selection and application of the adequate accounting policies, the elaboration of some reasonable accounting estimations for the given conditions.

6. For the preparation of the individual annual financial statement, the management is responsible for the evaluation of the company's capacity to continue the activity on the basis of the principle of the business continuity, presenting, when necessary, aspects related to business continuity and the suitability of the accounting principle usage of the business continuity .

7. The persons responsible for the governance have the responsibility for supervision of the company's process of financial reporting.

The auditor's responsibilities for the Individual Annual Financial Statements Audit

8. Our objectives consists in obtaining of a reasonable insurance in the extent to which the individual annual financial statements, as a whole, do not have significant distortions caused by fraud or by error, as well as in the issuing of an auditory report which includes our opinion. The reasonable insurance represents a higher level of insurance, but does not grant the fact that an audit performed in accordance with the ISA s regulations will always detect a significant distortion if that exists. The distortions may be caused by fraud or by error and are considered as being significant if they may be reasonably foreseen, such as those, individually or cumulated, will influence the economic decisions of the users, based on this individual annual financial statements.

As a part of an audit in accordance with the Audit's Standards issued by Romanian Chamber of Auditors and with the International Auditing Standards, the auditor performs its professional judgment and maintains a professional skepticism throughout the audit period. Also:

- shall identify and evaluate the significant distortion risks of the individual annual financial statements, caused by fraud or by error, projects and executes the audit's procedures as a response to those risks and obtains sufficient audit evidences and adequate to supply a base for its opinion. The non-detection risk of a significant distortion caused by fraud is higher than the one of the non-detection of a significant distortion caused by error, false declarations and the avoidance of the internal review;
- shall understand the internal review relevant for audit, towards the projection of the audit procedures adequate to the circumstances , but without having the purpose to express an opinion towards the efficacy of the internal review of the Company;
- shall evaluate the appropriateness of the utilized accountant policies and the reasonable character of the accountant estimations and the relating presentations realized by the management;

- shall make a conclusion regarding the appropriateness of the utilization by the management of the accountancy based on activity's continuity and it determines, based on the obtained audit evidence, if there is a significant uncertainty regarding the events or conditions which may generate significant doubts regarding the Company's capacity to evaluate its activity. Our conclusions are based on the audit evidence obtained until the audit's report.
- shall communicate to the persons responsible with governance, among other aspects, the planned area and the scheduling in time of the auditor, and also the main findings of the auditor, including any deficiencies of the internal review which are identified during the audit.

Other aspects

9. This report is addressed exclusively to the company's shareholders as a whole. Our audit was effectuated in order to report to the company's shareholders those aspects which must be reported in a financial audit report, and not with another purposes. In a law permitted measure we do not accept and do not assume responsibility only to the company and its shareholders, as a whole, for our audit, for this report or for the formed opinion.

10. The individual annual financial statements attached are not meant to present the financial position, the result of the operations and a set of annual financial explicative notes in accordance with the regulations and accountant principles accepted in countries and jurisdictions other than Romania. Therefore, the individual annual financial statements attached are not established for the use of the persons who do not know the accountant and legal regulations from Romania i.e. Accountability Law no. 82/1991 (republished), MFP Order no. 2844/2016 for the approval of the accountant regulations in accordance with the International Financial Reporting Standards, applicable in companies whose real estate are allowed to trading on a regulated market, and the Order of the Ministry of Public Finance no. 166/2017 from January 25, 2017 regarding the main aspects related to the establishment and **lodging/submission** of the annual financial statements and of the annual accounting reporting of the economical agency to the territorial unities of the Minister of the Public Finance.

Report on the conformity of management's report with the individual annual financial statements concluded upon 31.12.2016

11. The managers responsible for the establishment and with the management report presentation in accordance with the requirements of MFP Order no. 2844/2016 for the approval of accountant regulations in accordance with the International Financial Reporting Standards, applicable to the companies whose real estate are admitted to trading on a regulated market, Chapter 3 and to the requirements of Financial Supervisory Authority (FSA), report which must not contain significant distortions, and for the intern review which the management considers necessary to allow the establishment of the management report which must not contain significant distortions, caused by fraud or error. The management report presented in its attached is not part of the individual annual financial statements. Our opinion towards the individual annual financial statements does not cover the management report.

12. Regarding our audit on individual annual financial statements, we read the attached management report and we concluded the following:

- a) in the management report we did not identified information which are not consistent, in all the significant aspects, with the information presented in attached individual annual financial statements;
- b) the management report identified above includes, in all significant ways, the information requested by the legal accountant regulations regarding the individual annual financial statements – MFP Order 2844/2016.
- c) based on our knowledge and arrangements acquired during the audit of the individual annual financial statements, for the financial exercise concluded on 31.12.2016, regarding S.C. AEROSTAR S.A., and to its environment, we did not identified information included in management report which must be misleading.

S.C. H.M. AUDIT CONTAB S.R.L.

Authorization CAFR 1019/2010

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Monica Husanu

Financial auditor registered to the Romanian Chamber of Financial Auditors no. 2401/2008

Bacau, 16.03.2017