

Independent Auditor's Report*

(*This represents a non-official English translation of the original audit report issued in Romanian language)

To the shareholders of AEROSTAR S.A.

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of **AEROSTAR S.A.** ("the Company"), with registered office in 9 Condorilor Street, Bacau, Romania, registered with the Trade Registry under no. J4/1137/1991 and having fiscal identification code RO950531, which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss, statement of other elements of the global result, statement of changes in equity and statement of cash flows for the financial year then ended, and explanatory notes to the financial statements, including a summary of significant accounting policies, presenting the following:

- Net Assets / Total equity and reserves: RON 315,139 thousand
- Net result of the year: RON 79,921 thousand (profit)

2. In our opinion, the accompanying financial statements of the Company present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended, in accordance with the provisions of the Order of the Ministry of Public Finance 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, as subsequently amended ("OMFP 2844/2016") and as described in the accounting policies presented in the notes to the financial statements.

Basis for Opinion

3. We conducted our audit in accordance with the International Standards on Auditing ("ISA"), the EU Regulation No. 537/2014 of the European Parliament and of the Council of the European Union ("Regulation (EU) 537/2014") and with the Law 162/2017 ("Law"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and in accordance with all other ethical requirements relevant for the audit of financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide an opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	Audit procedures performed to address the key audit matter
Correction of accounting errors	
<p>As disclosed in Note 13 to the financial statements, the Company has in balance at 31 December 2018 total provisions in amount of RON 112,551 thousand, out of which long-term provisions in amount of RON 95,796 thousand.</p> <p>Estimating a provision involves significant professional judgment from the Company's management with regard to the probable outcome of the relevant events and the quantification of the related probable liability.</p> <p>Due to the importance of the amounts reported in the Provisions and the fact that, by their nature, the provisions imply a significant degree of professional judgment, we consider that Provisions represent a key audit matter for the 2018 audit.</p>	<p>In order to obtain reasonable assurance we have performed the following procedures:</p> <ul style="list-style-type: none"> • We have reviewed the Company's current obligations under which provisions were recognized • We have reviewed the professional judgment used by the management of the Company in order to determine the probable outcome of the relevant events and the quantification of the related probable liability; • We have obtained, where appropriate, the point of view of the legal department of the Company regarding the probability of settling disputes in progress, as well as the best estimate of the consideration necessary to settle the probable liability arising from these disputes; • We have analyzed the maturity of the obligations that have generated the provisions and their classification in the short and long term.

Other matters

5. The financial statements prepared as at 31 December 2017 in accordance with OMFP 2844/2016 have been audited by another auditor, who issued an unmodified audit report thereon on 30 March 2018.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

6. The Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with OMFP 2844/2016 and with the accounting policies presented in the notes to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
8. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

9. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
10. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
11. As part of the audit process, we communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
12. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
13. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our

report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Conformity of the Administrators' Report with the Financial Statements

The Company's Administrators are responsible for the preparation and presentation, in accordance with the requirements of articles 15-19 from the Accounting Regulations approved by OMFP 2844/2016, of an Administrators' Report which is free from significant misstatements, and for such internal control as the Management considers necessary to enable the preparation of the Administrators' Report which shall be free from material inconsistencies, whether due to fraud or error.

The Administrators' Report is presented as an Annual Report and is not part of the Company's financial statements.

Our opinion on the accompanying financial statements does not cover the Administrators' Report.

In connection with our audit of the financial statements of the Company as at 31 December 2018, we have read the Administrators' Report attached to the financial statements and we report the following:

- a) we have not identified in the Administrators' Report any information which is not consistent, in all material respects, with the information presented in the accompanying financial statements;
- b) the Administrators' Report identified above includes, in all material respects, the information required by articles 15-19 from the Accounting Regulations approved by OMFP 2844/2016;
- c) based on our knowledge and understanding acquired during the audit of the financial statements for the year ended 31 December 2018 regarding the Company and its environment, we have not identified in the Administrators' Report any information that would be significantly misstated.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as auditors of the Company through the Decision from 19 April 2018 of the General Meeting of Shareholders ("GMS") to audit the financial statements of the Company for the financial years 2018-2020. Our uninterrupted engagement is of 3 years, covering the financial years ended from 31 December 2018 until 31 December 2020.

Consistency with the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 19 March 2019 in accordance with Article 11 of Regulation (EU) No. 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services, as referred to in Article 5(1) of Regulation (EU) No. 537/2014, were provided by us to the Company. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the financial statements.

Bucharest, 21 March 2019

Vasile Andrian

Auditor registered in the Public Electronic Register under no. 1554 / 2004

On behalf of **MAZARS ROMANIA S.R.L.**

Audit firm registered in the Public Electronic Register under no. 699/2007.