

# SUBSTANTIATION NOTE

## TO THE PROPOSAL TO DISTRIBUTE THE NET PROFIT REGISTERED BY THE COMPANY IN 2018

### GENERAL PRESENTATION

- Short presentation - document and date of establishment  
Establishing the state-owned company it arises from, through the restructuring of another state company in 1990, following the creation of the legal framework for the establishment of commercial companies.  
The legal basis of incorporation: IAR S.A. was established as per the provisions of the Law no. 15/1990 on the reorganization of state companies into commercial companies and as per the Government Decision no. 1200 / 12.11.1990, by taking over the patrimony of the Aeronautical Constructions Company Ghimbav.
- IAR SA is an open company whose shares are traded on the capital market through the market operator Bucharest Stock Exchange.
- IAR SA is an economic operator that is part of the defense industry.

### SHARE CAPITAL AND SHAREHOLDING STRUCTURE

- The share capital of IAR SA is 47,194,132.50 lei.
  - The nominal value of one share - 2.5 lei
  - Total number of shares -18,878,853
  - Type of shares - nominative

#### • Shareholding structure on 29.11.2018

Shareholding name	No. of shares	Share capital	%
THE ROMANIAN STATE BY THE MINISTRY OF ECONOMY	12,250,488	30,626,220,00	648900
Ministry of Labour and Social Justice	1,378,156	3,445,390,00	73000
Other juridical bodies	1,680,739	4,201,847,50	89028
Natural persons	3,569,470	8,923,675,00	189072
TOTAL	18,878,853	47,197,132,50	1000000

### FIELD OF ACTIVITY

The object of activity consists of activities defined and codified according to the Classification of Activities in the National Economy - CAEN, as updated by the Order no. 337 / 20.04.2007 issued by the President of the National Institute of Statistics.

The main object of activity: is that provided in the CAEN Code for class 3030 - "Manufacture of aircraft and spacecraft".

### REQUIRED AMOUNTS FOR INVESTMENTS 2019-2021 : 45,000 THOUSAND LEI, AS FOLLOWS:

YEAR	2019	2020	2021
AMOUNT (THOUSANDS LEI)	15,117	14,000	14,000

By Decision no. 01 / 26.02.2019, the Board of Directors of IAR SA approved the Investment Program for 2019, amounting to 15,117 thousand lei.

The Income and Expenditure Budget of 2019 contains this amount, from its own sources of funding.

In designing and substantiating the investment expenses, consideration was given to the fact that IAR S.A. is an important component of the national defense industry and is involved in the complex IAR 330 PUMA SOCAT helicopter works, as well as in the major retrofit and upgrading programs of the IAR 330 PUMA Helicopter Search&Rescue helicopters with which Romania will participate, as of October 2019, at the UN mission in Mali.

These programs are conditioned by extensive modernization works of the production facilities, as well as their equipping with machinery / equipment / test benches / verification devices, etc. These are added the fact that much of the equipment and installations currently owned by the company are in an advanced degree of physical and moral wear, requiring their replacement with new ones.

In order to accomplish these actions, the management of the Company identified an investment requirement for the years 2019-2021 of approx. 45 million lei, which will be substantially increased by the amount - not yet known - of the investment to be made to ensure the minimum conditions imposed by the two future programs in which the company will be involved: multi-role helicopters and attack helicopters.

We hereby point out that the company intends, in 2019, to make a series of investments in the existing tangible assets (upgrades) amounting to 12,127 thousand lei consisting of:

- modernization / rehabilitation of the painting workshop;
- modernization / rehabilitation of the plastics workshop;
- re-location / modernization of the steel heat treatment workshop;
- production hall objective 100 of replacement;
- rehabilitation of the industrial floor in the general assembly hall;
- modernization / rehabilitation of objectives 101 and 102, started in 2018, for the relocation of the following sectors and / or activities: expeditions, central warehouse, jigs and standards storage, Fire Safety quarter, garage.

These are added other acquisitions of tangible assets, as they are included in the Investment Plan in 2019, amounting to 2,990 thousand lei, among which:

- continuation of the implementation of the Integrated Enterprise Resource Planning (ERP) system;
- continuation of the action related to IT development for purchasing;
- the purchase of modern equipment for machining and MCD strictly necessary for the production activity.

We state that the distribution of the profit to the companies with full or majority state ownership is governed by GO 64/2001 and Law 232/2016.

Thus, considering the provisions of Article 1, letter f) of GO 64/2001, which stipulates

"(1). In the case of national enterprises, national companies and companies with full or majority state ownership, as well as autonomous regies, the profit after deduction of the profit tax shall be allotted to the following destinations, unless otherwise provided by special laws: ... (f) at least 50% deposits to the state or local budget, in the case of autonomous regies, or dividends, in the case of national enterprises, national companies and companies with full or majority state capital",

and taking into account the fact that IAR SA is part of the defense industry sector and is thus subject to the Law 232/2016 on the national defense industry, as well as that for amending and completing some normative acts, a legal act stipulating in art. Article 40, paragraph (5)

"By way of derogation from the provisions of art. 1 let. f) of the Government Ordinance no. 64/2001 on the distribution of profits to the national enterprises, national companies and companies with full or majority state capital, as well as to the autonomous regies, approved with amendments by Law no. 769/2001, with the subsequent amendments and completions, for the realization of investment programs, the economic operators in the defense industry with full or majority state may not pay 50% of the dividends to the state budget, and the General Assembly of the Shareholders may establish another distribution of the profit after deducting the corporate tax. "

and considering that the Company's 2019 Investment Program, which affects the production capacities that are part of the Defense Production Inventory,

we propose the following distribution of the net profit made by the company in 2018, in the amount of 31,184,151 lei:

- Legal reserves:	1.853.531 lei
- Reinvested profit in 2018:	2.783.969 lei
- <b>Unappropriated profit:</b>	<b>26.546.658 lei</b>
o Dividends :	11.515.677 lei
o Other reserves - self-financing sources:	15.030.981 lei

The gross value of the dividend is of **0,63** lei/share.

The necessary investments to be made by the company as a result of its involvement in the future Helicopter Procurement Programs of the National Defense System Force institutions (multi-role helicopters and attack helicopters) will be evaluated at the time the investments programs are known for each program separately.

**Magdalena NICULESCU**

**CHAIRMAN OF THE BOARD**