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THE IAR J.S.C. GENERAL SHAREHOLDERS MEETING

As you know, the products and services in the activity of IAR J.S.C. have a long cycle of manufacture, a decisive aspect not only for the delivery and payment deadlines agreed in trade agreements negotiated by it, but also for the financial terms contained within these products/services sale agreements.

As a result of the high value of the commercial agreements concluded by IAR J.S.C. (specific aspect of aeronautical products), whether they concern export activities or internal activities, the Contracting Parties shall negotiate and agree as generally mandatory terms various ways of guarantee such as:

- issuance of a letter of bank guarantee covering the collection of a deposit, usually up to 30% of the contract value*
- issuance of a letter of bank guarantee for performance / operation which must be valid for a period that exceeds by 30 days the duration of the contract, the amount of this letter is usually 10% of the contract value*
- contractual terms on offset operations related to procurement contracts for defence, public order and national security, where IAR JSC is obliged to conclude an offset agreement with the Offsetting Office for Special Technique Procurements. It is required that IAR JSC guarantees these offset obligations by a guarantee letter that rises to the level of 8% of the contract value.*

Given that such situations occur in the negotiation of all commercial agreements and the procedure for approval by the General Shareholders Assembly of bank loans is one that runs in a period of approximately two months (convening of the Board of Directors to endorse the bank loan, convening the GSM, holding the meeting and issuing the related resolutions), negotiating commercial agreements for the sale of products/services is adversely affected by the delay in contracting bank loans consisting of the issuance of the aforementioned letters of guarantee, and could even lead to the loss of customers and sensitive damage of the agreements and orders portfolio and, therefore, the turnover of the company.

In order to avoid such situations which would seriously affect the company, the administrative management of IAR JSC, analyzing the history of commercial agreements encumbered by financial guarantee terms and taking into account the trade forecasts for the next five years, proposes allowing the following competencies to contract short term and medium term bank loans (up to 5 years), without real estate guarantee, which are needed for carrying out commercial agreements, both in the executive management of the company, and in its Administrative Board:

LIMIT*	RELEVANT MANAGING BODY
<i>up to 125 million, inclusively</i>	<i>The General Manager of IAR JSC</i>
<i>between 125 million lei and 250 million lei inclusively</i>	<i>The Board of Directors of IAR JSC</i>

** The proposed limits are the maximum cumulative loans of the company.*

Also, the administrative management of IAR JSC proposes that bank loans on short and medium term (up to 5 years), without real estate guarantees, necessary for the commercial agreements whose value exceeds the limit of 250 million be subject to approval by the IAR JSC General Shareholders Meeting.

These proposals were formulated by starting from both Law no. 31/1990 on companies, and the provisions of Art. 16 (3) of the Constitutive Act of IAR JSC, which states that "The Board of Directors is responsible for carrying out all the necessary and appropriate measures to achieve the activity object of the company, except those reserved by law for the General Meeting of Shareholders.", in conjunction with the provisions of article 12, letter h of that Constitutive Act, which specify that:

- it is for the General Meeting of Shareholders to decide on long term bank loans, including the external ones,*
- The General Meeting of Shareholders:*
 - o establishes competencies and the limit of bank loans, trade credits and guarantees,*
 - o approves any loans granted by the company.*

Considering all these aspects and taking into account that the granting of such competences would be beneficial for the proper operation of the company, the proposal for the allocation of competencies for contracting bank loans on short and medium term (up to 5 years), without real estate guarantees, is subject to review and approval by the IAR JSC General Meeting of Shareholders, which is necessary for the commercial agreements, within the limits indicated throughout this substantiation note.

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CHAIRMAN OF THE BOARD OF DIRECTORS