

# **ANNUAL REPORT**

## **under A.S.F. Regulation no. 5/2018 for the financial year 2020**

**Date of the report: 29.04.2021**

**Denomination IAR S.A.**

**Registered Office:** No. 34, Herman OBERTH Street, Ghimbav city, Brasov county

**Telephone/ fax number:** 0268-475107; 0268-476981

**Sole Registration Code with the Trade Registry:** 1132930

**Serial number in the Trade Registry:** J08/IV/21.01.1991.

**Regulated market where the issued securities are traded:** The Bucharest Stock Exchange, the Equities Sector - Standard Class actions

**Subscribed and paid capital:** 47,197,132. 50 RON

**The main characteristics of the securities issued by the company:** 18,878,853 nominal shares, dematerialized, having a nominal value of 2.50 lei each.

### **1. ANALYSIS OF IAR S.A.'S ACTIVITY**

#### **1.1.a. The core activity of the company**

The main activity carried out by the company is the one set out in Class 3030 - "Manufacturing of aircraft and spaceships", which belongs to Group 303 - "Manufacturing of aircraft and spaceships", division 30 – "Manufacturing of other means of transport"

**The object of activity (both the primary and the secondary),** stipulated in the Constitutive Act of IAR S.A., consists of activities defined and codified in accordance with the Classification of Activities of the National Economy - NACE, as updated by Order No. 337 /20.04.2007, issued by the President of the National Institute of Statistics.

**1.1.b.** IAR S.A. Company was founded on 28.01.1991 by the reorganization of the Aeronautics Manufacturing Enterprise Ghimbav, the legal basis for constitution being the G.D. 1200/1990.

**1.1.c.** Mergers or significant reorganization during the financial year 20120- not applicable.

**1.1.d.** Purchases or disposals of assets

In 2020, IAR S.A.did not alienate share capital.

During the year under review, the company made a series of upgradings of its production facilities, purchases of machine-tools, production accessories, small equipment and IT products, amounting 10.052.000 lei. This value contains payments made for the upgrade works of the production facilities (helicopters final painting, helicopters ground tests and flight tests hangar, spedition compartment, FireFighting space, garage, warehouses and other work spaces) and purchase of machine-tools and equipments.

Such acquisitions are set out in section 2.1.

**1.1.e.** The economic and financial results registered by the company at the end of 2020 show that IAR S.A. registered profit incurred both by its operational activity (labour) and by its overall activity, the company continuing to be a profitable company.

#### **1.1.1. Items of general evaluation**

At the end of 2020, the major financial indicators registered by IAR S.A. are as follows:

|                                     | <b>STIPULATIONS IEB 2020 (lei)</b> | <b>ACHIEVEMENTS 2020 (lei)</b> |
|-------------------------------------|------------------------------------|--------------------------------|
| <b>1. Net turnover</b>              | <b>224.682.000</b>                 | <b>256.291.473</b>             |
| <b>2. Sold output</b>               | <b>174.682.000</b>                 | <b>147.589.948</b>             |
| <b>3. Total revenues, of which:</b> | <b>228.932.000</b>                 | <b>262.385.849</b>             |
| - operating revenue                 | 224.932.000                        | 261.639.247                    |
| - financial revenue                 | 4.000.000                          | 746.602                        |
| <b>4. Total expenses, of which:</b> | <b>193.932.000</b>                 | <b>225.466.220</b>             |
| - operating expenses                | 189.332.000                        | 221.234.003                    |
| - financial expenses                | 4.600.000                          | 4.232.217                      |
| of which: interests                 | 3.500.000                          | 886.015                        |
| <b>5. Gross profit</b>              | <b>35.000.000</b>                  | <b>36.919.629</b>              |
| <b>6. Net profit</b>                | <b>29.680.000</b>                  | <b>33.967.230</b>              |

Regarding the quality management system (SMQ) implemented in IAR S.A. we state the following:

- the quality management system implemented in IAR S.A. is certified by AEROQ Bucharest, both in accordance with the standard SR EN 9100 (Certificate no. 004A- initially issued in 2008 and renewed every three years with annual supervision, last recertification on 14.05.2018, expiring on 13.05.2021), and in accordance with the standard SR EN 9001 (Certificate no. 007 originally issued in 1997 and renewed every three years with annual surveillance, last recertification on 14.05.2018, expiring on 13.05.2021).
- IAR S.A. is authorized by the Romanian Civil Aviation Authority, both as a production organization based on EASA PART 21G (Certificate RO.21G.0006, originally issued in 2007, with unlimited validity and annual supervision, current revision from 30.06.2017), and as maintenance organization based on EASA PART 145 (Certificate RO.145.009, originally issued in 2009, with unlimited validity and annual supervision, current revision of 21.10.2020).
- the company is certified by Airbus Helicopters Romania SA as a supplier for military products, respectively PUMA and Alouette III helicopter structure maintenance, PUMA helicopter equipment maintenance, PUMA and Alouette III helicopter spare parts manufacturing, laboratory tests, metrology, but also for manufacturing of spare parts and subassemblies for Airbus Helicopters, former Eurocopter SAS (Initial certificate from 2010 and renewed annually).
- IAR SA is certified by the military body within the Romanian Ministry of National Defense-OMCAS in accordance with the requirements of NATO-AQAP2110 for the design and production of aircraft, aviation systems and equipment, modernization of aeronautical products, spare parts for aircraft, verifications, testing, maintenance and repair of aeronautical products (Certificate no. 11 initially issued in 2012, with annual supervisions, renewed on 24.06.2020, valid until 23.06.2022).

## **1.1.2. Technical level assessment of IAR S.A.**

### **1.1.2.1. The main products manufactured and services provided**

**The products and services offer of the company** may be structured as it follows:

- **IAR 330L Puma helicopters** (SNIAS AEROSPACE license, currently Airbus Helicopter): pre-owned and related services (manufacturing of spare parts, maintenance, repairs, upgrades, training pilots and technicians, technical assistance);
- **IAR 330L Puma SOCAT, SOCAT NATO and NAVAL- Search and Rescue helicopters:** 330 L Puma helicopter upgrade with an advanced system of avionics and weaponry SOCAT, SOCAT NATO and NAVAL Search and Rescue;
- **330 PUMA SM helicopters:** upgrade of the 330 Puma helicopter with Makila 1A1 engines, 4-axis autopilot, new avionics integrated system, monitoring system of the operating parameters of the engine, etc.
- **IAR 316 B Alouette III helicopters** (SNIAS AEROSPACE license, currently Airbus Helicopters): second hand and related services (manufacturing of spare parts, maintenance, repairs, overhauls, upgrades, training pilots and technicians, technical assistance, etc)

**The dynamics of the products' offer** is a consequence of the following actions:

- progress in recent years, of the following upgrade programs:
  - IAR 330L Puma helicopter upgrade with SOCAT, NATO and NAVAL systems;
  - SA/IAR 330 Puma helicopter upgrade to the SA 330 SM version;
  - IAR 330 L Puma Search&Rescue version upgrade.

## **1.1.2.2. Sales Markets**

### **a. Current markets**

#### **The national market (Romania)**

The main local customers of the company's products are:

- The Components of the National Defence System, Public Order and National Security: the Ministry of National Defense, the Romanian Intelligence Service, the Ministry of Interior
- Airbus Helicopter Romania S.A. (former Eurocopter Romania S.A.)

For the above-mentioned, IAR S.A. runs maintenance, repair and overhaul services for 316B Alouette III and IAR IAR 330 Puma helicopter fleets held by local beneficiaries (M.O.D, M.A.I., R.I.S.), as well as upgrade services, according to requirements of their beneficiaries.

IAR SA cooperates with the joint venture company Airbus Helicopters Romania S.A.(former Eurocopter Romania S.A.), by providing maintenance and repair services for helicopter parts, as well as providing spare parts for the SA 316B Alouette III and SA 330 Puma helicopters for own use.

In 2018, Framework Agreements with the Ministry of National Defence have been concluded over the period **2018-2021**, aiming at the overhaul of 8 IAR 330 Puma SOCAT helicopters belonging to the Air Force Staff (SMFA).

Based on this framework agreement, in 2020 a number of 4 IAR 330 Puma SOCAT helicopters were repaired and 2 subsequent contracts were concluded for another 4 helicopters, with delivery deadlines in 2021.

In 2019, a Framework Agreement was concluded with the Ministry of National Defense, for the period **2019-2024**, which have as objective the capital repair and modernization of a number of 15 IAR 330 Puma NATO helicopters, belonging to SMFA. Based on this framework agreement, a helicopter was capital repaired in 2020 and subsequent contracts were concluded for the repair of another 7 helicopters with delivery terms 2021 - 2022.

In 2020, a Framework Agreement was concluded with the Ministry of National Defense, for the period 2020-2024, which aims to apply the Ro34-13 / 2019 Service Bulletin to IAR 330 Puma SOCAT military helicopters, for a number of 22 helicopters. In 2020, 2 subsequent contracts were concluded for a number of 3 helicopters with completion and delivery in 2021.

Also, in 2020, a Framework Agreement was concluded with the Ministry of National Defense, for the period **2020-2024**, which aims to carry out the capital repair of helicopters type IAR 330 Puma NAVAL from the General Staff of the Naval Forces (SMFN), the supply of spare parts as well as repair services to some equipment and aggregates required for helicopter maintenance.

Based on this framework agreement, 3 subsequent contracts were signed in 2020 for the period 2020-2021.

In the period 2019 - 2020, the following contracts were concluded with the Ministry of National Defense, beneficiary of SMFA:

- Contracts for the supply of major aggregates, equipment and spare parts in order to ensure integrated logistical support for IAR 330 L military helicopters - Revitalized and Modernized, for IAR 330 L/M/S helicopters and for military training and school helicopters type IAR316B Alouette;
- Contracts for the provision of repair and maintenance services for IAR330 Puma and IAR316B Alouette equipment and helicopters, as well as technical assistance works at the headquarters of the beneficiary military units.

| <b>Sales by product type on the local market</b>  | <b>Percentage of total sales on the local market</b> |               |                |                |
|---|--|---------------|----------------|----------------|
|   | <b>y. 2017</b>                                       | <b>y.2018</b> | <b>y. 2019</b> | <b>y. 2020</b> |
| IAR 330 PUMA helicopters upgrade+ Overhaul, IAR 316B helicopters Overhaul, IAR 330 and 316B Helic. Major repair works | 50,55%   | 58,90%        | 58,97%         | 45,49%         |
| Spare parts and services for helicopters  | 47,32%   | 29,60%        | 39,87%         | 48,82%         |
| Aircraft –related miscellaneous   | 0,15%  | 10,20%        | 0,14%          | 2,87%          |
| Non-aircraft-related miscellaneous  | 1,98%  | 1,30%         | 1,02%          | 2,82%          |

## **International market**

The main external customers / markets for the company's products are:

- Lebanese Air Force - LEBANON
- Pakistani Army/ Aviation (by AEROTEH SA) - PAKISTAN
- DGP GHQ UAE ARMED FORCES – UNITED ARAB EMIRATES
- AIRBUS HELICOPTERS FRANCE/GERMANY (by AIRBUS HELICOPTER ROMANIA S.A. (former Eurocopter România S.A)

For the above-mentioned, IAR S.A. runs maintenance, repairs and overhauls, spare parts supply and services for 316B Alouette III and IAR IAR 330 Puma helicopter fleets held by external beneficiaries.

IAR SA provides maintenance and repair of helicopters components services, spare parts for the SA 316B Alouette III and SA 330 Puma helicopters for the supply chain of AIRBUS HELICOPTERS.

| Sales by product type on the external market | Percentage of total sales on the external market |         |         |         |
|--|--|---------|---------|---------|
|  | y. 2017  | y. 2018 | y. 2019 | y. 2020 |
| upgraded helicopters                         | 0,00%  | 0,00%   | 0,00%   | 0,00%   |
| spare parts and services for the helicopters | 100,00%  | 100,00% | 100,00% | 100,00% |
| airplanes – spare parts and repair services  | 0,00%  | 0,00%   | 0,00%   | 0,00%   |

## **The pro-rata of each product/service of all sales in the historical period:**

| Sales by type of product  | Percentage of total sales |         |        |        |
|---|---------------------------|---------|--------|--------|
|   | y. 2017                   | y. 2018 | y.2019 | y.2020 |
| IAR 330 PUMA and IAR 316B helicopters upgrade+ Overhaul, IAR 330 PUMA and IAR 316B helicopters revisions. | 38,46%                    | 56,20%  | 58,63% | 43,45% |
| IAR 330 and 316B Helic.major repair works, spare parts and services for helicopters                       | 59,63%                    | 32,80%  | 40,21% | 52,07% |
| Aircraft-related miscellaneous  | 0,12%                     | 9,70%   | 0,14%  | 2,73%  |
| Non-aircraft –related miscellaneous   | 1,78%                     | 1,30%   | 1,02%  | 1,75%  |

## **b. Potential markets**

### **Potential local market**

IAR SA aims to ensure service maintenance, repair and overhaul services for 316B Alouette III and IAR 330 Puma helicopter fleets held by local beneficiaries (M.O.D., M.A.I., R.I.S.), as well as upgrade services, according to requirements of their beneficiaries.

IAR SA aims to continue in the future its cooperation with the joint venture company Airbus Helicopters Romania S.A.(former Eurocopter Romania S.A.), by providing maintenance and repair services for helicopter parts, as well as providing spare parts for the SA 316B Alouette III and SA 330 Puma helicopters for own use and for the supply chain of Airbus Helicopters.

IAR SA is also concerned with the involvement in meeting the currently existing off-set obligations and that will result following the initiation of strategic programs to equip the public institutions in Romania in the following directions:

- a) manufacturing of aircraft structures activities
- b) manufacturing activities for aircraft electrical wiring and electric panels for aircraft
- c) other aviation-profiled activities.

### **Potential external market**

IAR S.A. Company:

- has concluded an overhaul / upgrade contract for the 330 Puma SM helicopter fleet owned by Pakistani Aviation Army.
- aims to increase the volume of orders and services under the Follow on Support Contract concluded with the Lebanese Air Force for its fleet of Puma SM 330 helicopters

- aims to conclude a contract for overhaul / upgrade of 330 Puma SM helicopter fleet owned by GHQ UAE Armed Forces
- aims to conclude manufacturing contracts for spare parts / assemblies for SA 316B Alouette III and IAR / SA 330 PUMA helicopters to support helicopter fleets held by various beneficiaries, as well as for the international distribution chain of Airbus Helicopters.

**1.1.2.3. New products in question, which will need a substantial amount of assets affected to in the financial year 2021:- not applicable**

**1.1.3. Evaluation of technical and material supply activity**

Given that the manufacturing/repair of aircraft fully complies with both requirements on materials and on equipment used, and with the requirements under which suppliers must have specific authorization, technical and material supply was made from certified suppliers.

IAR S.A. chose established, world-renowned companies as **external suppliers**, such as Airbus Helicopters, Elbit Systems, Rokwell Collins, Thales, Safran, Northrop Grumman etc. . The products purchased from them give the guarantee of quality, reliability and safety in operation.

The main **local suppliers** are, on the one hand, those working in the field of aeronautics (Turbomecanica SA, Aeroteh SA and Aerofina SA in Bucharest, Aerostar SA Bacau, Airbus Helicopter Romania SA) and, on the other hand, suppliers of raw materials which meet the quality standards required by manufacturing licenses used by IAR S.A..

Long-lasting cooperation with local providers confer the security of contractual relationships concluded by IAR S.A. with them.

**Prices are established through direct negotiations with the suppliers.**

**The company ensures its utilities**, under contract, from Electrica S.A. Brasov Branch - electricity, Distrigaz S.A. Brasov Branch - methane gas, R.A. Olt Water Directorate Rm Valcea, S.G.A. Brasov - water.

**1.1.4. Evaluation of the sales activity**

**1.1.4.1. The evolution of sales on the local and external markets. Perspectives**

Capitalization of the company's products in 2020 was achieved both on the local market (95,50% of total sales), as well as on the external market (4,50% of total sales).

**a. Export activity**

Export sales actions were conducted on the following distinct relationships: Lebanon MOD, GHQ UAE.

The value of exports under the orders and contracts of 2020 amounted to 11.524 thousand lei (VAT excluded). The export achievements in 2020 have increased compared to the previous year's achievements.

Comparing the period 2017-2020, in terms of types of product recovery, shows that no changes occurred in the exports' structure:

| <b>% of achieved annual export</b> | <b>upgraded helicopters</b> | <b>spare parts and services for helicopters</b> | <b>airplanes - spare parts and repairs</b> |
|------------------------------------|-----------------------------|---|--|
| Year 2017                          | 0%                          | 100.00%   | 0%   |
| Year 2018                          | 0%                          | 100.00%   | 0%   |
| Year 2019                          | 0%                          | 100.00%   | 0%   |
| Year 2020                          | 0%                          | 100.00%   | 0%   |

**b. Sales on the local market**

Locally there were developed and implemented in 2020 orders and contracts amounting to 244.768 thousand lei (VAT excluded). This value represents helicopters upgrade, product, repairs / overhauls of helicopters, spare parts, services, technical assistance and materials as follows:

1. the National Security System components (MOD, MAI, RIS): 222.134 thousand lei (VAT excluded),
2. various local customers: 22.634 thousand lei (VAT excluded).

### **c. Opportunities. The prospect of sales on medium and long term**

#### **- the local market**

**1** IAR SA interest in providing maintenance, repairs and overhauls for the helicopter fleets of IAR 316 Alouette III and IAR 330 L PUMA owned by internal beneficiaries (MoD, MoI, RIS), as well as works of their upgrade, according to the requirements of the beneficiaries.

**2** Continuing the collaboration with Airbus Helicopters Romania SA, by providing maintenance and repair of helicopter components, as well as the works on the spare parts manufactured by IAR SA for the helicopters SA316 B Alouette III and SA330 Puma, both for its own use, as well as for the Airbus Helicopters distribution chain.

**3** Involvement of IAR SA in covering the existing offset obligations and those that will arise as a result of the initiation of the strategic programs for the endowment of public institutions in Romania, as follows:

**a.** manufacturing activities of aircraft frames

**b.** Activities of manufacturing electrical wiring and panels for aircraft

**c.** others activities for the aviation field

**4** Involvement of IAR SA in the future helicopter acquisition programs of the institutions within the National Defense System:

#### **a) multi-role helicopter program, medium-heavy class**

The involvement of IAR SA in the multi-role helicopter program will be made in accordance with the provisions of the Definitive Cooperation Agreement signed between Airbus Helicopters and IAR SA and having as object the industrial and commercial cooperation regarding the execution of IAR-H215M Helicopter Customization Works, and turning it into IAR-H215M, Subassembly Manufacturing and Maintenance works (MRO) throughout the lifecycle of this helicopter, as well as the manufacturing of other components for the Airbus Helicopters manufacturing and distribution chain.

IAR SA Company will be the first contractor in relationship with the Romanian MOD to purchase this type of helicopter, and will be authorized by Airbus Helicopters as the IAR-H215M Helicopter Customization Center.

#### **b) attack helicopter program**

Considering that the Romanian Government has submitted to the American Government a request for offer and availability for helicopters manufactured by Bell Helicopters TEXTRON and for the implementation of the Memorandum of Understanding signed on 16.06.2017 by Bell Helicopters TEXTRON and IAR SA, in October 2017, the parties concluded a "Transition Study Agreement", the overall purpose of which is to make a joint assessment of the possibility of assembling, delivery and logistic support for the AH1Z VIPER attack helicopters.

The conclusion of the study, which was finalized in May 2018, is that IAR SA is fit, capable, has the necessary staff and facilities to ensure the assembly and final tests for the AH1Z Viper helicopter to be purchased by the Romanian Government.

In addition, the facilities and experience gained during final assembly and testing will be used for long-term maintenance of these helicopters.

IAR SA is interested in entering into partnerships for the industrialization of any helicopter models needed by the National Defense System Forces, as well as for ensuring the maintenance, repairs and overhauls to these helicopter types, throughout their life cycle.

#### **- the external market**

**1** IAR SA involvement in overhaul and upgrade works for 330 PUMA SM helicopter fleets operated by Pakistan Aviation Army, Lebanese Air Force and Naval Aviation Group UAE, including ongoing support with spare parts, services and equipment repairs.

**2** IAR S.A. plans to take over the off-set obligations relating to public procurement contracts concluded by the Romanian government bodies with foreign companies.

### **1.1.4.2. The competitive situation in the business environment of the IAR S.A. Company**

The main competitors of the IAR S.A. Company's products are the following:

| Crt no. | Product or group of products   | Competitor   |   |
|---------|--|--|---|
|         |  | on the local market  | on the external market  |
| 1       | PUMA helicopter  | Airbus Helicopters with H215, Ukraine and Russia (Aviakon and Kazan Helicopters) with Mi-8, Mi-17  | Airbus Helicopters – H215/H225, Sikorsky USA – S92, UH 60L, NH Industries (European corporation) – NH 90, Kazan Russia – MI 17  |
| 2       | IAR316B helicopter (currently, IAR S.A. no longer offers newly manufactured IAR316B helicopters) | Airbus Helicopters SAS – AS 350/355, EC120, EC135/635, EC 155, Bell Helicopter Textron – Bell427, Bell 429i, Bell430, Bell412, Bell206, Bell407, Agusta Italy – A109 Power, A119 Koala, Robinson USA – R44, R22, MDHelicopters Belgium – MD500/600 | Airbus Helicopters SAS – AS 350/355, EC120, EC135/635, EC155, Bell Helicopter Textron – Bell427, Bell 429i, Bell430, Bell412, Bell206, Bell407, Agusta Italia – A109 Power, A119 Koala, Robinson USA – R44, R22, MDHe-licopters Belgium – MD500/600 |

### **1.1.4.3 The dependence of the company on a single customer or on a group of customers**

The local beneficiaries of IAR S.A.'s products and services are components of the National Defence System, Public Order and National Security (M.O.D., M.O.I. and R.I.S.).

In order to observe the conditions for maintaining the airworthiness of the helicopter fleets owned by these local customers, it is necessary to periodically perform maintenance/repair/overhaul works and services, so that the budget allocations for these institutions have a strong impact on IAR S.A..

### **1.1.5. Evaluation of the company's employees/ personnel aspects**

#### **1.1.5.a The number and level of training of the company's employees. The unionisation degree**

**In the organization structure of IAR S.A. the following can be identified:**

- the departments directly subordinated to the General Manager of IAR S.A., including the Quality Department;
- the Development-Production Division, which includes the design, software/calculation/ certification departments and training departments/production follow-up, engineering, production facilities;
- the Economic and Commercial Division, which includes the economic and commercial departments.

**On the 31st of December 2020, the company had the following personnel structure which does not differ substantially from the years 2018 and 2019:**

|                                   |     |
|-----------------------------------|-----|
| - chief executive officers        | 2   |
| - heads of departments            | 18  |
| - upper education                 | 98  |
| - specialized secondary education | 26  |
| - foremen                         | 10  |
| - technical quality inspectors    | 7   |
| - workers                         | 194 |
| -support workers                  | 9   |
| - understudies workers            | 4   |

**The average age** of the personnel employed in IAR S.A. at the end of 2020 was **50,44 years at company level**, considering that **the average age with men was of 50,85 and with women of 49,21**. On the 31st of December 2020, **men represented 76,09% of the total personnel**, the difference being represented by women.

Of the total employees of the company, 56,52% are members of the Free Independent Union "ICA".

#### **1.1.5.b Relationship between the manager and employees. Conflicting elements.**

The foundation of labor relations within IAR S.A is the Collective Labor Agreement applicable at company level. Both the Management and the Executive Boards of IAR S.A. consistently showed an attitude of cooperation and understanding towards the employees of the company and, therefore, the representatives of F.I.U. "ICA". During 2020, in IAR S.A., no labor disputes or conflicting elements were recorded.

### **1.1.6. Evaluation of the impact of IAR S.A.'s core business on the environment in 2020**

IAR SA's activity is regulated in terms of environmental protection by means of the Integrated Environmental Authorization no. BV1 of 18/07/2014 issued by the Environmental Protection Agency Brasov, revalidated at 24.05.2019, which is valid until 18.07.2024 and includes also the Water Management Authorization no. 26 of 10.03.2017 issued by the Water Management System Brasov, valid until 10.03.2020, this one being currently undergoing the renewal procedure.

In these regulatory acts are set the conditions and operating parameters for existing activities, ensuring that the unit complies with the provisions concerning integrated pollution prevention and control.

Environmental protection activities during 2020 were conducted in accordance with the specific requirements of environmental legislation and requirements of three environmental permits held by IAR SA.

It should be noted that IAR S.A. has taken all necessary steps to obtain environmental permits required by urban planning certificates for rehabilitation / modernization / relocation work performed on Final Painting Workshop, PSI Shed and Garage.

To this end, the company has monitored the quality of the environment: water, air, soil, in collaboration with companies and accredited laboratories: ECOSIMPLEX NOVA Bucharest for air emissions, ECOBREF Brasov for speciality audits and documentation in the field of environment, SGA Braşov for the analysis of discharged waste water, REMAT Braşov, COMPREST, SC DEMO-TECH INVEST SRL and SC ALTERNATIVE FUELS ROMANIA SRL for removal and disposal of hazardous waste resulting from the activity of the company. In 2020 the minimum 2% value for ammoniacal nitrogen in the wastewater has been exceeded and thus, the company decided to connect to the sewerage network of the Regia Autonoma Apa Brasov, this network being achieved for the International Airport located in the neighbourhood of our company.

All required reports were made by both the authorization and other reports and statements required by the Brasov Environmental Protection Agency, the National Agency for Environmental Protection, the Ministry of Environment, the Ministry of Water and Forests, the Water Management System Brasov.

During checks on the line of environmental protection and environmental law compliance made by the Environment Guard - Brasov County Commission, the Romanian Waters National Administration - Division Olt Basin and the Water Management System Brasov, it has been found that IAR SA meet their environmental obligations.

**1.1.7. Evaluation of the research and development activities** – the company does not carry out research and development activities, thus having no necessity in applying specific policies in this field.

In IAR S.A. there is a design department undergoing certification as per RMAR 21J. The design workshops ensure the support for the production and maintenance activities and achieve the projects regarding the helicopter upgrades, according to contractual requirements.

In 2018, the IAR 330 PUMA helicopter upgrade project was finalized in the Search and Rescue version and its qualification was made with the competent military body.

In the course of 2020, the design organization of IAR SA carried out a series of technical analyzes to establish the technical specifications and started the design activities of new systems, proposed to be mounted upon the major repair of helicopters:

- replacement of physically and morally worn equipment in the IAR 330 L Puma SOCAT helicopter avionics systems;
- replacement of equipment on the IAR 330 L Puma NATO helicopter gyro navigation system;
- extension of operational capabilities for IAR 330 L Puma NAVAL helicopters.

### **1.1.8. Evaluation of the company's activity on risk management**

By nature of the activities carried out, the company is exposed to various risks, which include: currency risk, interest rate risk, liquidity risk, credit risk.



**The currency risk:** The Company is exposed to fluctuations in the exchange rate for the cash, receivables and liabilities entered in other currencies, mainly USD and Euro.

The company, depending on its possibilities, at a certain time, using different currencies, buys the respective currencies that it needs to complete the necessary import payments from different suppliers. The risk of exchange rate changes did not have a significant impact in 2020, despite a sharp deterioration of the exchange rates RON / euro and RON / USD, thanks to an active management and monitoring of the situation.

The Company did not use derivative financial instruments for protection against currency fluctuations.

**The interest rate risk:** The operating cash flows of the company are not affected by movements of the interest rate on the banking market, since currently the company uses a credit line that provides the issuance of bank guarantee letters necessary for commercial contracts and financing of production, where appropriate.

**The liquidity risk (cash-flow):** The company's management has applied and applies a prudent liquidity risk management, pursuing continuously the maintenance of sufficient cash in order to be able to meet all due payments.

The finance facility provided by the company's credit line reduces the liquidity risk.

**The credit risk:** The company carries out commercial relations only with certified third parties, which justifies the financing on credit. The company's policy is that all customers wishing to conduct business relationships under credit conditions should be subject to verification procedures. Moreover, debt balances are permanently monitored, resulting in a negligible exposure of the company to the risk of non-receivable debts.

The management of the company, depending on the current situation on the market, made arrangements for continuation of work in terms of profitability. It has been pursuing and is further pursuing the minimization of the potential negative effects associated with the risk factors presented on the financial performance of the company.

The Company conducts business relationships only with renowned third parties.

As shown in the Internal Regulation of the Board of Directors of IAR SA, the company has established an effective framework for risk identifying, monitoring and management.

A risk management system, which is described in chapter 3 - The corporate governance statement is implemented in the company.

The Company is not subject to any patrimonial legal claims.

### **1.1.9. Elements of perspective on the company's activity**

#### **1.1.9.a Presentation and analysis of trends, items, events or uncertainty factors that affect or could affect the company's liquidity compared to the same period last year**

IAR S.A. intends to provide maintenance, repairs and overhauls for the helicopter fleets IAR 316B Alouette III and IAR 330 PUMA owned by internal beneficiaries, as well as upgrade works according to the requirements of the beneficiaries, having concluded a series of framework agreements, as follows:

- Framework Agreement concluded with the Romanian Air Force, for the overhaul of IAR 330 PUMA SOCAT helicopters - 8 aircrafts, for 7 of them signing subsequent contracts aiming at the delivery of 4 aircraft in 2020 and 3 aircraft in 2021
- Framework Agreement concluded with the Romanian Air Force, for the overhaul of the IAR 330 PUMA NATO helicopters - 15 aircraft, for one of which the subsequent contract for its delivery in 2020 has already been signed.

In addition, the Framework Agreement to be concluded with the General Staff of the Naval Forces for the overhaul of the IAR 330 PUMA NAVAL helicopters is under negotiation.

Running these agreements, in the following years the company IAR is able to load their production capacities and those of its authorized subcontractors: Turbomecanica SA Bucharest, Aerostar SA Bacau, Aerotech SA Bucharest and Aerofina SA Bucharest.

As arises from the action program which puts into practice the development strategy of the national security industry in the aeronautic field:

- IAR S.A. will be involved in the national program for the purchase of helicopters by the institutions of the National Defence System /other budgetary institutions - a program for the next 10-20 years,
- IAR S.A. will take the necessary measures to become a national center for helicopters maintenance as per the Law 232 / 2016.

All measures contained in this program will influence positively, significantly, the dynamics of IAR S.A. on medium and long term.

In parallel, IAR S.A. is looking for orders from other aviation companies, including participation in covering their offset obligations.

However, should IAR SA become involved in the series manufacturing program of some subassemblies and electrical wiring for the H215 helicopters that are to be manufactured by Airbus Helicopters in its new investment on the IAR Brasov platform, the policies, strategies, activities and operations of the company will be significantly influenced.

In the future, IAR S.A. will continue to provide facilities and services for all economic agents within the Aeronautical Technology Park Brasov.

Also, IAR S.A. may initiate/participate in other programs within the Aeronautic Technology Park, in connection with starting the construction project of the International Airport Ghimbav - Brasov, such as the development of airport facilities, providing heliport services, involvement in programs for maintenance/upgrading of airplanes, assets rental.

The evolution of the **current liquidity** and **immediate liquidity** indicators over the last 4 years is as follows:

| Indicator                     | Analysed period |            |            |            |
|-------------------------------|-----------------|------------|------------|------------|
|                               | 31.12.2017      | 31.12.2018 | 31.12.2019 | 31.12.2020 |
| Current liquidity indicator   | 12,63           | 2,78       | 3,38       | 3,39       |
| Immediate liquidity indicator | 7,26            | 1,01       | 0,72       | 0,61       |

**1.1.9.b The presentation and analysis of the effects of capital expenditures, current or anticipated, on the financial statements of IAR SA compared to the same period last year – not applicable**

**1.1.9.c The presentation and analysis of the events, transactions, economic changes that significantly affect revenues from the core activity**

Products and services that the company capitalizes both locally and for export are meant mainly for budgetary users who, basically, are part of the national systems of safety and security forces.

For this reason, the number of agreements depends heavily on the beneficiaries' needs, especially on the budgetary allocations related thereto.

Increasing the budget allocations for the Ministry of Defence at 2% of GDP will have positive effects on IAR SA, by increasing its activity and hence the company's annual business/net income.

In addition, implementing the development strategy of the security industry will significantly affect revenues from the core activity of the company.

Also, IAR SA offers materialization on the overhaul and on completing the equipment of 330 Puma SM helicopters held by external beneficiaries of IAR S.A. could materially affect the export volumes.

If IAR SA becomes involved in the series manufacturing program of the helicopters that are to be purchased by Romania, the policies, strategies, activities and operations of the company will be significantly influenced.

**2. TANGIBLE ASSETS OF THE COMPANY IAR S.A.**

**2.1 The location and characteristics of the main production capacities owned by IAR S.A.**

Currently, IAR S.A.'s assets are initially placed into buildings distinctively highlighted in the patrimonial registers of the company.

The stated objectives of the company regarding its products and services offered to its main customers (see the presentation at Chapter 1.1.2) lead to the achievement of extensive works of modernization of the production facilities and of their machinery / machine-tools/ equipment / test benches / control devices, etc.

To this it is added that much of the equipment and installations currently owned by the company have an advanced degree of physical and moral wear, requiring them to be replaced with new, cutting-edge ones.

In order to accomplish these actions, the management of the company identified an investment requirement for 2018-2020 worth approx. 35 million lei, amount that will be affected by the value, unknown at this time, of the investments that must be made in order to ensure the minimum conditions imposed by the two future programs in which the company will be involved: multi-role helicopters and attack helicopters.

For the year 2020 the company management has identified an investment requirement of 22,514 million lei, financed from its own sources, materialized in:

- 1) rehabilitation / modernization works carried out on existing tangible assets:
  - relocation of PSI (Fire Fighting Brigade) draw and garage, procedure started in 2018 with completion in 2020,
  - modernization / arrangement of production facilities in the Final Painting Plant, procedure started in 2019,
  - air conditioning of productive spaces
- 2) Purchases of machinery, production accessories, small equipment, C&M devices, of which the most important are: plan grinding machine, mobile filter unit, paint gun, tablet bench sets, test bench, oven, AMCs, X-ray generator, turbomotor vibration determination system, VIBREX assembly for rotor balancing and mechanical assemblies, etc.,
- 3) purchases of IT products made / launched in 2019:
  - the implementation and development of the ERP (Enterprise Resource Planning) System,
  - upgrading of hard and soft components.

The production capacities of IAR SA will undergo upgrades over the next few years through the investments to be made by ensuring the technical and technological conditions necessary both for the good development of productive activities.

The unused assets after the reorganization of activities that occurred over time, which are not relevant to the current and medium term development of the company, are in conservation, and they will be valorised by rental or sale, as per the approvals given by competent management bodies.

## 2.2. The degree of wear of IAR S.A.'s properties is as follows:

- the buildings and objectives in which the company currently operates have a wear rate between 30% and 35% depending on the year of their putting into service and on the upgrade works they underwent.
- fixed assets, inventory items and technological equipment used have a wear rate of between 25% and 50%, reaching in certain cases a higher level as well;
- the wear rate is between 30% and 60% on the production buildings and other objectives in the construction category (buildings, roads and platforms) currently in conservation;
- external networks of heating, water/sewage, have a wear rate between 0% (the water network) and 25%.

## 2.3. Issues of ownership of tangible assets owned by IAR S.A. - not applicable

## 3. The corporate governance statement

### 3.1. The statement of compliance with the Corporate Governance Code of BSE

The Statement of compliance of IAR SA in 2020 to the provisions of the Code of Corporate Governance of BSE is presented below:

| The provisions of the Code of Corporate Governance   | Complies | Does not, or only partially complies | Reason of the non-compliance |
|--|----------|--------------------------------------|------------------------------|
| A1 - All companies must have an internal regulation of the Board which includes terms of reference/responsibilities of the Board and the key | x        |                                      |                              |

functions of the management of the company, which applies, inter alia, the General Principles from Section A.

**A2** - The provisions for managing conflicts of interest shall be included in the Board's Regulation. However, the Board members must notify the Board on any conflicts of interest that have arisen or may arise and refrain from participating in discussions (including by no show, unless that no show would prevent the formation of the quorum) and from the vote for adopting a decision on the matter which is the reason of the conflict of interest.

x

**A3** - The Board of Directors or the Supervisory Board must be composed of at least five members.

x

**A4** - The majority of the Board of Directors' members must have no executive function. At least one member of the Board of Directors or of the Supervisory Board must be independent in the case of companies in the Standard Category. For the companies in the Premium Category, no less than two non-executive members of the Board of Directors or of the Supervisory Board must be independent. Each independent member of the Board of Directors or of the Supervisory Board, as appropriate, must submit a declaration at the time of his nomination for election or re-election and when there is any change in his status, indicating the elements on which it is considered that it is independent in terms of its character and judgment and based on the following criteria:

x

**A.4.1.** he/she is not a General Manager/chief executive of the company or of a company controlled by it and has not held such a function in the last five (5) years;

**A.4.2.** he/she is not an employee of the company or of a company controlled by it and has not held such a position in the last five (5) years;

**A.4.3.** he/she does not receive and did not receive additional remuneration or other benefits from the company or companies controlled by it, in addition to those appertaining to a non-executive manager;

**A.4.4.** he/she is or was not an employee or has or had during the previous year a contractual relationship with a significant shareholder of the company, a shareholder who controls more than 10% of the voting rights, or with a company controlled by him/her;

**A.4.5.** he/she does not have and did not have in the previous year a business or a professional relationship with the company or a company controlled by it, either directly or as a customer, partner, shareholder, member of the Board/Manager, general manager/chief executive or employee of a company if, by its significant character, this relationship may affect its objectivity;

**A.4.6.** he/she is not and has not been in the last three years the internal or external auditor or associate partner or

|  |   |          |                        |
|--|---|----------|------------------------|
| <p>employee of the current external financial auditor or of the internal auditor of the company or of a company controlled by him/her;</p> <p><b>A.4.7.</b> he/she is not a general manager/chief executive of another company where another general manager/chief executive of the company is a non-executive manager;</p> <p><b>A.4.8.</b> he/she hasn't been the company's non-executive manager for more than twelve years;</p> <p><b>A.4.9.</b> he/she does not have family connections with a person in the cases referred to in paragraphs A.4.1. and A.4.4.</p> <p><b>A 5 -</b> Other commitments and permanent professional obligations relating to a member of the Board, including executive and non-executive positions in the Board of some companies and non-profit institutions, must be disclosed to shareholders and potential investors before his/her nomination and during his/her mandate.</p> <p><b>A 6 -</b> Any member of the Board must provide information on any relation to a shareholder who holds directly or indirectly shares representing more than 5% of all voting rights. This obligation extends to any relationship which may affect the member's position on issues decided by Board.</p> <p><b>A 7 -</b> The company must appoint a secretary of the Board responsible for supporting the work of the Board.</p> <p><b>A 8 -</b> The corporate governance statement will inform you if there was an evaluation of the Board under the President or the nomination committee and, if so, it will summarize the key measures and changes resulting from it. The company must have a policy / guide on the assessment of the Board including the purpose, criteria and frequency of the evaluation process.</p> <p><b>A 9 -</b> The corporate governance statement must contain information regarding the number of Board meetings and committees over the past year, the participation of managers (in person and in absentia) and a report of the Board and committees on their activities.</p> <p><b>A 10 -</b> The corporate governance statement must include information on the exact number of independent members of the Board of Directors or of the Supervisory Board.</p> <p><b>A 11 -</b> The Premium Category companies Board should establish a nomination committee consisting of non-executive members, who will lead the nominations procedure of new members of the Board and make recommendations to the Board. Most members of the nomination committee must be independent.</p> <p><b>B 1 -</b> The Board must establish an Audit Committee in which at least one member must be an independent non-executive manager. Most members, including the chairman, must have shown to have adequate qualifications relevant to the functions and responsibilities of the committee. At least one member of the Audit Committee must have accounting or auditing experience proven and appropriate. For</p> | <p>x</p> <p>x</p> <p>x</p> <p>x</p> <p>x</p> <p>x</p> <p>x</p> <p>x</p> | <p>x</p> | <p>Not applicable.</p> |
|--|---|----------|------------------------|

|   |   |  |  |
|---|---|--|--|
| <p>companies in the Premium Category, the Audit Committee must be composed of at least three members and the majority of the Audit Committee members must be independent.</p>   |   |  |  |
| <p><b>B 2</b> - The chairman of the Audit Committee must be an independent non-executive member.</p>  | x |  |  |
| <p><b>B 3</b> - Among its responsibilities, the Audit Committee must conduct an annual evaluation of the internal control system.</p>   | x |  |  |
| <p><b>B 4</b> - The assessment must consider the effectiveness and scope of the internal audit function, the adequacy of the reports on the risk and internal control management submitted by the Audit Committee of the Board, the timeliness and effectiveness by which the executive management resolves the deficiencies or weaknesses identified during the domestic inspection and presentation of relevant reports to the Board.</p>   | x |  |  |
| <p><b>B 5</b> - The Audit Committee must assess conflicts of interest in connection with the transactions of the company and its subsidiaries with the related parties.</p>   | x |  |  |
| <p><b>B 6</b> - The Audit Committee must assess the effectiveness of the internal control and of the risk management system.</p>  | x |  |  |
| <p><b>B 7</b> - The Audit Committee must monitor the application of legal standards and generally accepted internal audit standards. The Audit Committee must receive and assess reports of the internal audit team.</p>  | x |  |  |
| <p><b>B 8</b> - Whenever the Code mentions reports or analyzes initiated by the Audit Committee, these must be followed by periodic reports (at least annually) or adhoc that must be submitted later to the Board</p>  | x |  |  |
| <p><b>B 9</b> - No shareholder may be given preferential treatment in relation to other shareholders and their affiliates.</p>  | x |  |  |
| <p><b>B 10</b> - The Board must adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relations whose value is equal to or greater than 5% of the net assets of the company (according to the latest financial report) is approved by the Board following a binding opinion of the audit committee of the Board and disclosed correctly to shareholders and potential investors, to the extent that these transactions fall within the category of events which are subject to reporting requirements.</p> | x |  |  |
| <p><b>B 11</b> - Internal audits must be conducted by a separate structural division (internal auditing) of the company or by hiring an independent third party entity.</p>   | x |  |  |
| <p><b>B 12</b> - In order to ensure the fulfillment of the main functions of the internal audit department, it should report functionally to the Board through the audit committee. For administrative purposes and within the obligations of the management to monitor and reduce risks, it must report directly to the general manager.</p>   | x |  |  |
| <p><b>C 1</b> - The company must publish on its website the</p>   | x |  |  |

|  |   |  |  |
|--|---|--|--|
| <p>remuneration policy and include a statement in the annual report on the implementation of the remuneration policy during the annual period under analysis. The remuneration policy must be formulated so as to allow shareholders to understand the principles and arguments underlying the remuneration of the Board, the General Manager and the Executive Board in the dualistic system. It should describe the running of the process and the decision making process regarding remuneration, detailing components of the remuneration of the executive management (such as salary, annual bonus, long-term incentives linked to shareholder value, benefits in kind, pension and others) and describe purpose, principles and assumptions underlying each component (including the general performance criteria related to all forms of variable remuneration). In addition, the remuneration policy should specify the length of the Executive Manager's contract, the period of notice stipulated in the contract, and any compensation for unjust dismissal.</p> <p>The report on remuneration must present the implementation of the remuneration policy for the individuals identified in the remuneration policy during the annual period under analysis. Any significant change occurred in the remuneration policy must be timely published on the website of the company.</p> <p><b>D 1</b> - The company must set up an Investor Relations service - indicating to the public the individual / individuals in charge or the organization unit. In addition to the information required by the law, the company must include on its website a section dedicated to Investor Relations, both in Romanian and in English, with all relevant information of interest to investors, including:</p> <p><b>D 1.1</b> - The main corporate regulations: the constitutive act, the procedures for shareholders assemblies;</p> <p><b>D 1.2</b> - The professional resumes of the company's management members, other professional commitments of the Board members, including executive and non-executive positions in the boards of directors of companies or non-profit institutions;</p> <p><b>D 1.3</b> - The current reports and periodic reports (quarterly, half-yearly and yearly) - at least those specified in paragraph <b>D.8</b> - including current reports with detailed information on non-compliance with this Code;</p> <p><b>D 1.4</b> - Information on shareholders assemblies: the agenda and the information materials that support the nominations for election to the Board, together with their professional resumes; the shareholders questions about items on the agenda and responses of the company, including decisions taken;</p> <p><b>D 1.5</b> - Information on corporate events such as payment of dividends and other distributions to shareholders, or other events that lead to the acquisition</p> | <p>x</p> <p>x</p> <p>x</p> <p>x</p> <p>x</p> <p>x</p> |  |  |
|--|---|--|--|





|   |  |   |                |
|---|--|---|----------------|
| <p><b>D9</b> - A company will organize at least two meetings/conference calls with analysts and investors every year. The information presented on these occasions will be published in the investor relations section on the website of the company at the time of meetings/conference calls.</p> <p><b>D 10</b> - If a company supports various forms of artistic and cultural expression, sporting, educational or scientific activities and considers their impact on the innovative nature and competitiveness of the company are part of the mission and its development strategy, it will publish the policy on its work in this area.</p> |  | x | Not applicable |
|---|--|---|----------------|

### 3.2. Information on the membership, responsibilities and activities of the Board and of the committees

#### 3.2.1. The Board of Directors of IAR S.A. consists of 5 members.

##### a. Membership, qualifications and experience

| Crt. no. | Name and Surname       | Position in the IAR SA Company | Age | Qualification                                   | The period of the current mandate |
|----------|------------------------|--------------------------------|-----|---|-----------------------------------|
| 1        | Octavian Alin GREBLĂ   | Chairman of the Board          | 39  | economist, jurist                               | 17.12.2019-17.02.2020             |
| 2        | Dragos Florin DAVID    | Chairman of the Board          | 52  | engineer  | 18.02.2020-22.06.2021             |
| 3        | Măriuca-Oana PISTOL    | Member of the Board            | 42  | economist                                       | 17.12.2019-17.02.2020             |
| 4        | Laurian ANASTASOF      | Member of the Board            | 55  | degree in military sciences                     | 19.06.2020-22.06.2021             |
| 5        | Rodica Ruxandra ANGHEL | Member of the Board            | 59  | engineer  | 17.12.2019-22.06.2021             |
| 6        | Emil NIȚĂ              | Member of the Board            | 64  | engineer  | 14.06.2019-18.02.2020             |
| 7        | Mihai Aurel DONȚU      | Member of the Board            | 47  | engineer  | 18.02.2020-22.06.2021             |
| 8        | Cristian Alin BACIU    | Member of the Board            | 44  | degree in political and administrative sciences | 18.02.2020-22.06.2021             |

None of the above nominees: has any agreement, understanding or connection with others, under which he/she has been appointed as manager of IAR S.A.; he/she did not enter into any transaction with IAR S.A.; he/she did not participate in the share capital of IAR S.A..

##### **b. The professional experience of IAR S.A. Board members**

**1. As of 2009, Mr. Octavian Alin GREBLĂ, provisional non-executive member of the Board of Directors of IAR SA Company, as of 16.10.2019, has held the following positions:**

| PERIOD                       | COMPANY / POSITION HELD  |
|------------------------------|--|
| October 2019 – February 2020 | IAR SA - interim non-executive member of the Board of Directors        |
| 2016 – present               | MOE, European Union Directorate, DPIPS-Counsellor for European affairs |

|             |  |
|-------------|--|
| 2012 – 2016 | Romanian Embassy in Paris - Vice-Consul                        |
| 2009 - 2012 | Ministry of European Affairs – Counsellor for European Affairs |

Mr. Octavian Alin GREBLĂ has the following education and professional experience:

- long term studies:

- Babes Bolyai University, Cluj Napoca, Faculty of European Studies, European Business Management Section - 2000-2004
- Babes Bolyai University, Cluj Napoca, Faculty of Law - 2000-2005
- Babes Bolyai University, Cluj Napoca, Faculty of European Studies - Master of Human Resources Management - 2004-2005

- short term studies:

- diplomas and certifications in various fields: IT, European affairs, communication, marketing, human resources, negotiation, photography, sports

**2. Since 2010 Mr. Dragoş Florin DAVID, interim non-executive and independent administrator of IAR SA since 18.02.2020, has held the following management / leadership positions:**

| <b>PERIOD</b>               | <b>COMPANY / POSITION OCCUPIED</b>   |
|-----------------------------|--|
| Starting with February 2020 | IAR S.A. - Interim non-executive member of the board   |
| July 2013 – present day     | Metropolitan Association for the Sustainable Development of Public Transport Brasov - Vice-president |
| January 2012–Decembre 2015  | The Group of Local Action Ținutul Bârsei, Braşov, General Director                                   |
| July 2009 – present day     | Metropolitan Agency for the Sustainable Development Brasov – General Director                        |

Mr. Dragoş Florin DAVID has the following professional experience:

- Long-term studies: Transylvania University Braşov – The Mechanical Faculty, 1990-1995
- Short-term studies, including, but not only:
  - Postgraduate specialization studies:
    - Global Steering of Foreign Trade Enterprises - ASE, 2004-2005
    - Pollution, Protection and Environmental Management, Transylvania University, 2006-2007
    - Diplomacy and International Relations course, Romanian Diplomatic Institute, 2016
    - Environmental Auditor course - SC Management Consulting SRL, 2006
    - Expert on public procurement course, Institute for Human Resources Development
- experience: 22 years of expertise in management/leadership positions

**3. Since 2010 Ms. Măriuca Oana PISTOL, non-executive member of the Board of IAR SA, as of 14.04.2019, has held the following management / leadership positions:**

| <b>PERIOD</b>  | <b>COMPANY / POSITION OCCUPIED</b>   |
|--|--|
| February 2019 – September 2019                           | Ministry of Economy, DPAPS – Director, Corporate Governance and Participation Portfolio Management Directorate                                       |
| June 2016 – July 2018                                    | Ministry of Economy, DPAPS – Head of the Companies Participation Management, Corporate Governance and Participation Portfolio Management Directorate |
| April 2019 – February 2020 and October 2017 – April 2018 | IAR S.A. – Member of the Board of Directors (BD Chairman 04. 2019-10.2019)   |
| May 2016 – March 2017                                    | IOR S.A. - Member of the Board of Directors  |
| October 2015 – March 2017                                | BAITA S.A. - Member of the Board of Directors  |
| October 2012 – August 2013                               | DAMILA AGRO SRL - Sales manager  |

Ms. Măriuca-Oana PISTOL has the following professional experience:

- Long-term studies: The Academy of Economic Studies in Bucharest – The Faculty of Management, 2002
- Short-term studies:
  - Project management training – Ministry of Labour, Family, Social and the Elderly Protection, 2013

○ Expert in public procurement training - Ministry of Labour, Family, Social and the Elderly Protection, 2014

- experience: 16 years of expertise in management/leadership positions

**4. During his career Mr. G-ral Laurian ANASTASOF, interim administrator of IAR SA since 19.06.2020, has held the following management / leadership positions:**

| <b>PERIOD</b>            | <b>COMPANY / POSITION OCCUPIED</b>  |
|--------------------------|---|
| Starting with 09.06.2020 | IAR S.A. - Interim non-executive member of the board  |
| Starting with 17.09.2020 | IAR S.A. – General Director   |
| 10.2017 – 06.2020        | Defence Ministry – Military advisor/counselor of the Minister of National Defense                           |
| 12.2013 – 10.2017        | Defence Ministry – Chief of the Air Force Staff   |
| 03.2009 – 12.2013        | Defence Ministry – Commander Of The Air Base 71, Campia Turzii  |
| 06.2007 – 03.2009        | Defence Ministry – Squadron Commander, 95 Air Base, Bacau   |
| 06.2004 – 05.2006        | Defence Ministry – Squadron 205 Commander Air Force School, School Of Applications For The Air Force, Boboc |

Mr. G-ral Laurian ANASTASOF has the following training and professional experience:

- long-term studies: - Academy of Advanced Military Studies, Faculty of Command and Staff, Aviation and Air Defense Department – BACHELOR'S DEGREE IN MILITARY SCIENCES / GRADUATE OFFICER IN "AVIATION" - garduated in 2004  
 - Air Warfare College, Air University, Maxwell, Alabama - Master's degree in strategic studies - 2007

- short-term studies:

- Air Security Course - French Institute Of Air Safety, Paris 1998
- Squadron Officer Course, Squadron officer School, Air University, Maxwell, Alabama, USA – 1998
- Course of Military Science, Geopolitics and Geo-strategy, the NATO and the EU Policies and Strategies - National Defence College - 2013.
- "Security and Good Governance" Course - National Defence College – 2015

- long experience in leading very large organizations, with significant budgets and complex tasks of continuous modernization of the activity, expert in change management, trained in the operationalization of structures, for 15 years. Experience in the activity of international bodies (committees, commissions, councils), acquired in the activity of international representation of the air forces and the defense staff at the NATO and the EU, for over 5 years, very good practical experience as a project manager and member of management teams for new product development programs or modernization of aeronautical infrastructure, technology and equipment

**5. As of 2011, Ms. Rodica Ruxandra ANGHEL, interim non-executive member of Societății IAR SA as of 09.12.2017, has held the following management positions:**

| <b>PERIOD</b>           | <b>COMPANY / POSITION OCCUPIED</b>                           |
|-------------------------|--|
| 09.12.2017 – 18.06.2020 | IAR SA – Interim non-executive member                        |
| 2013 – present          | Ministry of Economy – Director, Defence Industry Directorate |
| 2011 - 2012             | SC Vel Service SA Bucharest –Tehcnical Director              |

Ms. Rodica Ruxandra Anghel has the following training and professional experience:

- long-term studies: graduate of the Polytechnics Institute Bucharest / Faculty of Metalurgy – licence 1988  
 - short-term studies:  
 ○ post-graduate course in public institutions management, Academy of Economy Studies, Bucharest 2007 – 2008  
 ○ post-graduate course in sustainable professional training and development in the field of critical infrastructure protection management, Academy of Land Forces – Nicolae Bălcescu – Sibiu, 2007  
 ○ numerous short-term studies in the field of management and communication  
 - experience: as of 1998 Ms. Rodica Ruxandra Anghel has held various top-management positions.

6. Since 2008 **Mr. Emil NIȚĂ, provisional independent and non-executive member of the Board of Directors of IAR SA as of 15.06.2019**, has held the following leadership and management positions:

| <b>PERIOD</b>                 | <b>COMPANY / POSITION HELD</b>                                    |
|-------------------------------|---|
| June 2019 – February 2020     | IAR SA-provisional non-executive member of the Board of Directors |
| January 2017 - present        | MUM EXPORT SRL - Manager  |
| December 2012 - December 2016 | Romanian Parliament - Deputy                                      |
| February 2010 – December 2012 | UTB SA - Manager  |
| February 2009 – February 2010 | Brasov County Prefect's Institution – Sub-prefect                 |
| October 2008 – February 2009  | Brasov County Prefect's Institution – Prefect                     |

Mr. Emil NIȚĂ has the following education and professional experience:

- long term studies:
  - Transilvania University of Braşov, Faculty of Technological Equipment - 1976-1981
  - Lucian Blaga University, Sibiu – PhD degree in Economic Sciences, Management specialization - 2008-2011
- short term studies:
  - A specialized training program to occupy a position in the category of senior civil servants (2009) - National Institute of Administration
  - A postgraduate training and professional development program in the field of national security and defense (2013) - National Defense College
  - A training course "Foreign Policy and Diplomacy" (2013-2014) - Romanian Diplomatic Institute
- experience: over 30 years experience in management and / or administration positions

7. Since 2010 **Mr. Mihai Aurel DONTU, interim non-executive and independent administrator of IAR SA since 18.02.2020**, has held the following management / leadership positions:

| <b>PERIOD</b>               | <b>COMPANY / POSITION OCCUPIED</b>                   |
|-----------------------------|--|
| Starting with February 2020 | IAR S.A. - Interim non-executive member of the board |
| 2016 – present day          | SC DONAD TURISM SRL – General Director               |

Mr. Mihai Aurel DONTU has the following training and professional experience:

- long-term studies: The Academy of Economic Studies, Accounting Management Faculty –1992-1996
- short-term studies:
  - In-depth studies: Local Public Administration in the European Integration Process, Lucian Blaga University in Sibiu - 2006-2007
- experience: over 20 years experience in administrative activities (member of boards of directors and representative in the GMS of some companies)

8. Since 2010 **Mr. Cristian Alin BACIU, interim non-executive and independent administrator of IAR SA since 18.02.2020**, has held the following management / leadership positions:

| <b>PERIOD</b>               | <b>COMPANY / POSITION OCCUPIED</b>                                     |
|-----------------------------|--|
| Starting with February 2020 | IAR S.A. - Interim non-executive member of the board                   |
| May 2012 – July 2014        | Foundation of the Moscopolitan Academic Society-Director of Strategies |

Mr. Cristian Alin BACIU has the following training and professional experience:

- long-term studies: Babes-Bolyai University, Cluj Napoca, Faculty of European Studies - period 1995-1999
- short-term studies: Postgraduate studies - National School of Political and Administrative Sciences, Bucharest

### 3.2.4. The activity of the Board of Directors and advisory committees within the Board

The activity carried out in 2020 by both the Board of Directors of IAR SA and by its advisory committees, is summarized in the following table:

| <b>No. of meetings<br/>2020</b> | <b>THE BOARD OF<br/>DIRECTORS</b> | <b>THE AUDIT<br/>COMMITTEE</b> | <b>THE NOMINATION<br/>AND REMUNERATION<br/>COMMITTEE</b> |
|---------------------------------|-----------------------------------|--------------------------------|--|
|                                 | 9                                 | 5                              | 2  |

The Board members of IAR SA were present at all board meetings, which took place either with physical participation or in the form of a teleconference, as a result of the conditions determined by the covid-19 pandemic.

The secretary of the Board of Directors of the Company is Ms. Aurelia SUMEDREA. She is also the secretary of the two advisory committees within the Board.

In 2020, the Board of Directors approached in its meetings various topics of interest to the company, such as:

- approval of the yearly investment plan for 2020 – February 2020;
- endorsement of the IEB 2020 – February 2020;
- the summarizing information on the work carried out by the company between the Board meetings - on the date of each meeting;
- the analysis and approval of financial statements: during May and November for quarterly statements, in August for the half-yearly statements and in March for the annual statements for the previous financial year;
- the development of the periodic (quarterly/half-yearly/annual) reports - together with the approval of financial statements for the respective periods;
- approval of the extension of the mandate contract between the company and its general manager - in May 2020;
- approval of the mandate contract between the company and its new general manager - in September 2020;
- approval of the directing quotas and the industrial hour value for 2020 - in May 2020
- approval of the 2020 Collective Labor Contract – in June 2020;
- the analysis of the general manager fulfillment of criteria and performance targets approved for 2019 – May 2020, – after the approval of the 2019 financial statements;
- approval of the key performance indicators related to the current financial year- in March 2020, after the approval of the IEB 2020;
- approval of the participation of employees in the profit registered at the end of 2019 - in November 2020;
- any other analysis in the limits of the Board of Directors' prerogatives - in the moment of occurrence of such situations;
- the convening of the GSM for issues falling within its competence.

As provided in the Internal Regulations of the Board of Directors of IAR SA, under the leadership of its Chairman and in accordance with the best practices, the Board is considering conducting an annual self-evaluation of its performance, its committees and its cooperation with the managers, making, based on the evaluation results, the action plan necessary for the improvement of the board performances.

According to the principles taken into account:

- the Board's assessment took into account the balance between skills, experience, independence and knowledge of the Board, its diversity, the way the Board works as a whole and other factors relevant to its effectiveness;
- the evaluation of the board performances was realized making the combination of some methods, based on questionnaires, with other methods based on individuals and group interviews;
- the assessment process was focused primarily on the achievement of three objectives:
  - a) the assessment of the way in which the Board and its committees have operated during 2019;
  - b) the preparation and discussion of important issues in the Company's activity;
  - c) the presence of the management in the Board meetings and relevant advisory committees and their constructive involvement in discussions and decision-making.

The purpose of Board evaluation for 2019 was to show whether each member continues to contribute effectively and to demonstrate commitment to the role assumed (including allocation of time for Board meetings and committees, as well as any other duties).

Through the activity that took place during 2020, the Audit Committee has sought to assist the Board in carrying out its duties mainly related to financial reporting, internal control and risk management.

The activities of this committee during 2020 focused on:

- the monitoring of the external auditor's independence, objectivity and effectiveness of the audit process;
- the monitoring and reviewing of the appropriateness and effectiveness of the internal audit function and internal financial controls in context of the entire risk management system of the Company;
- the monitoring of transactions between related parties (noting the absence of such transactions);
- the identification of persons affiliated with IAR SA (noting that there are no other individuals affiliated to IAR SA);
- the analysis of reports prepared by the internal auditor and the commission responsible for risk management at company level;
- the monitoring of the integrity of financial statements of the Company;
- the development of policies for detecting and preventing fraud and bribery;

By the activity that took place during 2020, the Nomination and the Remuneration Committees provided assistance to the Board of Directors in the following matter:

- the analysis of the way in which, in 2019, the criteria and performance targets have been met in relation to the mandate contract concluded with the General Manager of the Company
- the establishment, for the current year, of the key performance indicators
- the identification of the most suitable candidate with whom the company concluded the mandate contract of general manager as a result of the termination, on 16.09.2020, of the mandate contract between IAR SA and Mr. Neculai BANEA.

The Nomination and the Remuneration Committees had an important role in monitoring the executive management of IAR SA during 2020, one of the criteria under which the evaluation of the way the General Manager of IAR SA provides the executive management of the company is the fulfillment of criteria and performance targets set out for 2019.

It must be said that the Nomination and the Remuneration Committee members have conducted activities on remuneration in the context in which IAR SA, with majority state ownership, has been subjected to relevant legal regulations applicable to budgetary entities (majority state owned entities).

The principles on remuneration of the Board and of the General Manager of IAR SA, which were established by applying the provisions of GO no. 26/2013 and GEO 109/2011, subject to the GSM resolution no. 02/30.01.2018, published in the Official Gazette of Romania, transmitted to ASF and BVB and posted on the website of IAR SA.

Complying to the principles on remuneration of the Board of Directors and of the General Manager of IAR SA, in 2020:

- the non-executive members of the Board of Directors of IAR SA were granted a monthly gross indemnity established in accordance with the OGSM Resolution no. 02 / 30.01.2018, by indexing by 20% of the value of the allowance approved by GSM Resolution no. 11 / 28.11.2017, according to the provisions of art. 18 of GEO 90/2017, in order to comply with the new mandatory social contributions due under Law no. **227/2015**, as subsequently amended and supplemented, as amended by Government Emergency Ordinance no. **79/2017**
- the members of the Advisory Committees within the Board shall not be remunerated in addition to their work in the respective committees
- the upper limit of the fixed remuneration due to the General Director of IAR SA established by the OGSM Resolution no 01/30.01.2018 is the value corresponding to 6 times the average gross monthly salaries for the last 12 months prior to his appointment, communicated by the National Institute of Statistics for the Machine Construction Industry – Aircraft and Spaceships Manufacturing (corresponding to the main activity object of IAR SA)
- the upper limit of the annual gross variable remuneration component that may be granted to the General Manager of IAR SA, established by the OGSM Resolution no. 06 / 27.04.2018, is of 65,000 euro, the actual value of the annual variable component being determined by the degree of accomplishment of the key performance indicators set out annually, calculated after approval of the annual financial statements
- special pension rights and/or benefits are not provided.

The principles of the remuneration policy is posted on the website of the company.

### **3.3. Information on risk management and internal control**

IAR SA has implemented an effective framework for risk identifying, monitoring and management.

The risk management activity, which includes all processes concerning identifying, evaluating and assessing risks, establishing responsibilities, taking measures to mitigate or to anticipate them, periodic reviewing and monitoring of progress, is regulated procedurally in the Company in order to provide a method by which IAR's risk management becomes operational, so it can be streamlined and strengthened.

During 2020, by implementing the risk management system, the executive management of the company:

- identified key risks, by assessing and monitoring these risks in terms of potential impact and the probability of their materialization;
- monitored the activity of the commission responsible for risk management at company level;
- determined key risk indicators for monitoring the performance of the company in relation to the types of risks (eg., operational risk, human resources risk, legal risk, etc.);
- informed the Board of Directors, through the Auditors' Committee on the status of significant risks, including on the risk on the company's shares, in order to manage such risks.

The risk management system implemented in the IAR SA is complemented by an internal control system which during 2020:

- assured both exercising the internal control (excluding internal audit), as defined under the profile legislation in force and performed the detailed administrative control in all departments and divisions of the company
- foresaw an appropriate level of policies, procedures and processes to limit risks and the achievement of the company's envisaged objectives for the analyzed year,
- intended to provide reasonable assurance regarding the achievement of the objectives which fall into the following categories: effectiveness and efficiency of operations; the accuracy of financial reporting; compliance with the applicable laws and regulations.

The internal audit function, legally regulated, provided in 2020, intended:

- to reasonably offer, objective and independent assurance both to the administrative management and to the executive management, according to which the organization, the company's policies and procedures are working effectively and as expected,
- to provide assurances regarding the effective implementation at the company level of the framework of risk management and of internal control system,
- to independently make decisions on matters of audit,
- to conduct, independently, activities from an operational perspective compared to other departments within the company and to the executive management of the Company,
- to develop risk plans, by consulting with:
  - o the commission responsible for risk management,
  - o the audit committee of the Board of Directors.
- to elaborate the justifying documents that are supported by the conclusions drawn by it while performing its activity.

### **3.4. Information regarding the shareholders**

The share capital of IAR S.A. is 47,197,132.5 lei, representing a total of 18,878,853 nominal shares, with a nominal value of 2.5 lei each. Each share gives right to one vote in the general meeting of shareholders.

The record of IAR SA 's shareholders is held, under a service agreement by the Depozitarul Central SA. Company.

In IAR SA a department dedicated to handling all issues related to ownership of the company is organized and operates on: the evolution of the shareholder structure, rights arising from the IAR SA's shares, organizing of the general assemblies of shareholders, the dividend distribution, the relationship with the ASF, the BVB and the Depozitarul Central, any matters of corporate governance, as they are governed by the applicable law on capital market issuers whose securities are traded in the Bucharest Stock Exchange.

On the webpage of the company, [www.iar.ro](http://www.iar.ro), are posted all the information that might be of interest to shareholders and to potential investors.

The information on the shareholder activity may also be obtained from any of the persons below, who work in this department, daily from 07:15 to 15:15:

1. eng. Aurelia SUMEDREA - tel +40-268-475269, extension 1018
2. ec. Camelia CEAPRAZARU – tel +40-268-475269, extension 1026

### **3.4.1. Markets on which the shares issued by IAR S.A. are traded**

The shares issued by IAR S.A. were traded on the Bucharest Stock Exchange, the Equity Sector - Standard Category shares- symbol IARV.

The evolution of the market value of the company's shares in the past 5 years (2016-2020) is shown in the chart below:



From the analysis made based on public information posted on the BSE website the following evolution of IAR S.A.'s shares trading over 2020 emerges:

| The total number of transactions | The total number of traded shares | The total value of traded shares (lei) | The price variation (%) |
|----------------------------------|-----------------------------------|--|-------------------------|
| 5.834                            | 995.812                           | 12.847.043,50                          | 28,16%                  |

It may be noted that the market value of the IAR's shares, resulting from all the transactions carried out in 2020 had a general positive evolution,

Also, analyzing the above chart one can see how the share price has been significantly influenced by informing just in time of the shareholders and investors regarding any significant event which concerns the company.

### **3.4.2. The amount of dividends paid by the IAR S.A. Company in the past three years**

For 2017, the amount allocated to be shared as dividends to IAR S.A. shareholders was 4.247.742 lei in dividends, representing a gross dividend per share is 0,225 lei. At the same time through GMS Resolution no5/27.04.2018, the general meeting of shareholders approved the prescription of unpaid dividends for the financial year 2013 (older than 3 years). Dividends were paid via S.C. Depozitarul Central SA, shareholders registered in the shareholders' register on 15.06.2018.

For the year 2018, the amount allocated to be shared as dividends to IAR S.A. shareholders was 11.515.677 lei, resulting in a gross dividend value per share of RON 0,63. At the same time through GMS Resolution no. 5 / 31.05.2019, the general meeting of shareholders approved the prescription of unpaid dividends for the 2014 financial year (older than 3 years). Dividends were paid via S.C. Depozitarul Central SA, shareholders registered in the shareholders' register on 14.06.2019.

For the year 2019, the amount allocated to be shared as dividends to IAR S.A. shareholders was 18.278.853 lei in the form of dividends, resulting in a gross dividend per share of 1 leu. At the same



time through GMS Resolution no 4/29.04.2020, the general meeting of shareholders approved the prescription of unpaid dividends for the financial year 2015 (older than 3 years). Dividends were paid via S.C. Depozitarul Central SA, shareholders registered in the shareholders' register on 26.06.2020.

For the year 2020, starting from the specific legal provisions in force, the Board of Directors and the executive management of IAR S.A. propose the distribution of the amount of 7.725.000 lei as dividends, resulting in a value of the gross dividend per share of 0,4226195 lei.

The dividend payment date will be 15.07.2021, which will be paid via Depozitarul Central SA to the shareholders registered in the register of shareholders on 25.06.2021, identification date of shareholders who will be impacted by the GMS resolution approving the financial statements. Expenses incurred by the distribution of dividends shall be borne by the shareholders.

If:

- For objective reasons, (related either to not cashing-in by some shareholders of the dividends owned by them, or the very low total value of dividends due to some of the shareholders) some of the total amount of dividends to be distributed could not be paid,
- IAR S.A. fulfilled a legal obligation to disclose information relating to the distribution of dividends fixed by the general meeting of shareholders with the approval of the distribution of the annual profit made by the company and by publishing it in the press and on its website, in press releases issued on this subject and by transmitting these releases to the Financial Supervisory Authority and the BSE,

**The Board of Directors and the executive management of IAR S.A. propose that the general meeting of shareholders to approve:**

- **prescribing unpaid dividends for the fiscal year 2016, which meets the condition for achieving the deadline of 3 years from the date of chargeability of distributed dividends stipulated by art. 2517 of the Civil Code**
- **the proposal for their registration under "other income" - account 758 under the law provisions.**

The date of prescribing these amounts will be 30.06.2021.

#### **3.4.3. Purchase activities of own shares**

In 2020, the company IAR SA has not taken any action in relation to the package of shares acquired following the withdrawal from the company, in 2018, of SIF III Transylvania.

#### **3.4.4. Subsidiaries of IAR S.A. - not applicable.**

#### **3.4.5. Issuance of shares or other debt instruments - not applicable**

### **3.5. The operational management of IAR S.A.**

In compliance with Law no. 31/1991, republished, as amended and supplemented, the leadership, organization, representation and management of the activity of IAR S.A. were ensured until 16.09.2020, by **Mr. Eng. Neculai BANEA - GENERAL MANAGER**. He represented the company in relation to third parties and was responsible for how the company carried out acts of leadership under the mandate contract number E425 / 30. 03.2009.

Mr. Neculai BANEA holds 0.00042375% of the shared capital (the share owned by assigning shares under the mass privatization process and as a result of shares acquisition on the share capital market).

Starting with 17.09.2020, the leadership, organization, representation and management of the activity of IAR S.A. are ensured by **Mr. Laurian ANASTASSOF - GENERAL MANAGER**. He represented the company in relation to third parties and was responsible for how the company carried out acts of leadership under the mandate contract number E1695 / 04. 09.2020.

Mr Laurian ANASTASSOF has no shares within IAR SA.

During 2020, IAR S.A.'s executive management was provided as follows:

- **Commercial and Economic Executive Director: ec. Ion DUMITRESCU**
- **Development and Production Executive Manager: eng Ioan CHIRITA**

The respective executives are employees of the company (based on individual employment contracts signed with the company). None of the above nominees has any agreement, understanding or connection with others, under which they have been appointed to IAR S.A.'s management and was not involved in litigation or administrative procedures in the past 5 years.

The executive directors held the following shares of the share capital of the IAR S.A. Company, as at 31.12.2020:

- Mr. Ion DUMITRESCU: 0.00125537% of the share capital (the share owned by assigning shares under the mass privatization process and as a result of shares acquisition on the capital market)
- Mr Ioan CHIRITA: has no shares within IAR SA.

### 3.6. Litigation or administrative procedures regarding the activity of the people in the management of IAR S.A. – not applicable

## 4. FINANCIAL-ACCOUNTING STATEMENTS; FINANCIAL-ACCOUNTING ADMINISTRATION ELEMENTS

### 4.1. THE FINANCIAL-ACCOUNTING STATEMENT FOR 2020 COMPARED TO THE PREVIOUS 3 YEARS

The current financial and economic situation compared to the past three years is as follows:

#### a) Balance sheet items

|   | lei                |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|
| BALANCE SHEET ITEMS                         | 31.12.2017         | 31.12.2018         | 31.12.2019         | 31.12.2020         |
| <b>I. Fixed assets</b>                      | <b>63,588,814</b>  | <b>66,603,308</b>  | <b>74,440,418</b>  | <b>83,860,281</b>  |
| Stocks                                      | 115,650,817        | 164,987,911        | 211,201,751        | 211,074,582        |
| Debentures                                  | 93,019,623         | 91,808,774         | 48,901,225         | 35,878,560         |
| Petty-cash and banking accounts             | 63,574,862         | 2,197,721          | 8,770,824          | 9,772,708          |
| Short-term financial investments            | -                  | -                  | -                  | -                  |
| <b>II. Circulating assets</b>               | <b>272,245,302</b> | <b>258,994,406</b> | <b>268,873,800</b> | <b>256,725,850</b> |
| <b>III. Expenses reg. in advance</b>        | <b>-</b>           | <b>11,298</b>      | <b>52,177</b>      | <b>69,421</b>      |
| <b>TOTAL ASSETS</b>                         | <b>335,834,116</b> | <b>325,609,012</b> | <b>343,366,395</b> | <b>340,655,552</b> |
| Share capital                               | 47,197,132         | 47,197,132         | 47,197,132         | 47,197,132         |
| Reserves from reevaluation                  | 26,044,409         | 27,246,254         | 27,246,254         | 26,013,109         |
| Reserves                                    | 31,040,545         | 52,688,068         | 72,902,699         | 99,904,427         |
| Profit                                      | 24,191,976         | 31,184,158         | 49,128,541         | 33,967,230         |
| Reported result                             | 3,951,194          | 3,951,194          | 3,951,194          | 5,011,230          |
| Profit distribution                         | 2,934,211          | 4,637,500          | 5,183,650          | 1,335,690          |
| <b>I Shareholder's equity</b>               | <b>129,491,045</b> | <b>150,921,306</b> | <b>188,534,170</b> | <b>204,049,438</b> |
| <b>II Provisions for risks and expenses</b> | <b>85,127,600</b>  | <b>75,987,746</b>  | <b>69,994,375</b>  | <b>55,584,221</b>  |
| Loans and assimilated debts                 |                    |                    | 53,217,815         | 45,936,405         |
| Suppliers                                   | 14,150,533         | 25,848,112         | 18,814,153         | 20,415,019         |
| Creditor clients                            | 93,994,288         | 63,978,111         | 16,617             | 15,467             |
| Other debts                                 | 13,070,650         | 8,873,737          | 12,691,542         | 14,609,233         |
| <b>III Total payables</b>                   | <b>121,215,471</b> | <b>98,699,960</b>  | <b>84,740,127</b>  | <b>80,976,124</b>  |
| <b>IV Settlement accounts</b>               | <b>0</b>           | <b>0</b>           | <b>97,723</b>      | <b>45,769</b>      |
| <b>TOTAL LIABILITIES</b>                    | <b>335,834,116</b> | <b>325,609,012</b> | <b>343,366,395</b> | <b>340,655,552</b> |

The share of fixed assets in the total assets was of 18,90% in 2017, of 20,45% in 2018, of 21,67% in 2019 and of 24,62% in 2020.

#### b) the profit and loss account

| <b>THE PROFIT AND LOSS ACCOUNT</b>  | <b>31.12.2017</b>  | <b>31.12.2018</b>  | <b>31.12.2019</b>  | <b>31.12.2020</b>  |
|---|--------------------|--------------------|--------------------|--------------------|
| Income from the sale of goods   | 24,989,304         | 75,757,859         | 118,726,782        | 108,701,525        |
| Sold production   | 167,735,650        | 183,516,349        | 247,084,488        | 147,589,948        |
| Turnover  | 192,724,954        | 259,274,208        | 365,811,270        | 256,291,473        |
| Income from the stored production– S.C.                                       | 10,285,478         | 41,893,827         | 7,584,303          | 3,644,713          |
| Income from the stored production – S.D.                                      | 0                  | 0                  | 0                  | 0                  |
| Other operating income  | 335,619            | 134,441            | 8,288,704          | 1,703,061          |
| <b>OPERATING INCOME –TOTAL</b>  | <b>203,346,051</b> | <b>301,302,476</b> | <b>381,684,277</b> | <b>261,639,247</b> |
| Expenditure on goods, com discounts received                                  | 21,975,914         | 63,706,581         | 94,844,103         | 87,463,953         |
| Expenditure on raw mat. and consumable mat.                                   | 102,902,438        | 144,557,196        | 169,960,270        | 89,507,307         |
| Expenditure on water and energy   | 1,558,516          | 1,629,160          | 1,909,901          | 2,109,961          |
| Other mat. expenditure  | 767,457            | 927,016            | 1,181,606          | 705,793            |
| External services-related expenses  | 8,391,942          | 12,098,149         | 9,873,917          | 8,403,781          |
| Duties, taxes and similar levies-related expenses                             | 236,386            | 397,048            | 579,120            | 614,157            |
| Salaries-expenses, participation to the company's profit, restaurant vouchers | 19,450,005         | 30,001,442         | 39,489,700         | 43,887,406         |
| Insurance and social protection-related expenses                              | 4,705,495          | 1,182,381          | 1,606,107          | 1,704,741          |
| Staff-related expenses  | 24,155,500         | 31,183,823         | 41,095,807         | 45,592,147         |
| Compensation, environment and transferred assets-related expenses             | 390,067            | 5,480,336          | 12,520,845         | 688,314            |
| Expenditure on provisions reduced by income from provisions                   | 8,198,688          | 1,300,389          | -5,956,105         | -17,688,224        |
| Expenditure on the amortization and, constitution and provisions adjustments  | 4,416,362          | 4,481,332          | 3,764,086          | 3,836,814          |
| Tangible assets re-assessment-related expenses                                | 0                  | 0                  | 0                  | 0                  |
| Adjustments to circulating assets   | 0                  | 0                  | 5,563              | 0                  |
| <b>EXPENDITURE ON OPERATING -TOTAL</b>  | <b>172,993,270</b> | <b>265,761,030</b> | <b>329,779,113</b> | <b>221,234,003</b> |
| <b>RESULT FROM OPERATING - PROFIT</b>   | <b>30,352,781</b>  | <b>35,541,446</b>  | <b>51,905,164</b>  | <b>40,405,244</b>  |
| <b>TOTAL INCOME</b>   | <b>206,592,170</b> | <b>304,717,092</b> | <b>387,183,732</b> | <b>262,385,849</b> |
| <b>TOTAL EXPENDITURE</b>  | <b>176,335,159</b> | <b>267,646,471</b> | <b>330,836,749</b> | <b>225,466,220</b> |
| <b>GROSS RESULT - PROFIT</b>  | <b>30,257,011</b>  | <b>37,070,621</b>  | <b>56,346,983</b>  | <b>36,919,629</b>  |

**The share of operating costs in the total expenditure:** in 2017 is of 98.10%, and in 2018 is of 99.29%, in 2019 is of 99.68%, and in 2020 is of 98.13%.

**The share of operating income in the total income:** in 2017 is of 98.42%, in 2018 is of 98.87%, in 2019 is of 98.57%, and in 2020 is of 99.72%.

**The production** of the company is based only on firm contracts and multiannual master agreements with secured end-users. The values of "turnover" and "income from stored production" indicators are given by the delivery schedule and the product transport modality agreed with the beneficiaries.

In 2020, **the workload of production capacities** has averaged 110%.

c) **cash flows** - the available funds of the company on 31.12.2020 were 9,772,708 lei.

#### **4.2. ELEMENTS OF FINANCIAL-ACCOUNTING MANAGEMENT**

In 2020 the financial and economic activity of the IAR S.A. was coordinated by the Commercial and Economic Executive Manager of the company.

The economic department is operated by specialized personnel with secondary and higher education.

The entire financial-accounting activity took into account the following principles:

- the principle of prudence;
- the principle of consistency;

- the principle of going concern;
- the principle of matching;
- the principle of opening balance;
- the principle of offsetting;
- the principle of substance over form.

The general accounting principles underlying the accounting registration of operations, transactions, assessment of items presented in the annual financial statements and the financial statements are as follows:

**The principle of prudence** according to which assets and income shall not be overstated and liabilities and expenses understated. In the individual situation of the global result only the profit made on the date of the financial statements may be included.

In the financial statements all debts incurred in the current financial year or in the previous year are highlighted, even if they become obvious only between the date of the balance sheet and the date of their establishment.

In the financial statements all liabilities and potential losses arising in the current financial year or in the previous financial year are highlighted even if they become obvious only between the date of the balance sheet and the date of their establishment.

To this end the possible provisions, and liabilities resulting from a contract are also being considered. They shall stand in the balance sheet or in the explanatory notes by debt type.

All depreciation is taken into account, whether the result of the period is a loss or profit. The registration of adjustments for depreciation or value loss is made at the expense of expense accounts, regardless of their impact on the statement of the global result.

**The principle of consistency:** The assessment methods and accounting policies are applied consistently from one financial year to another.

**The principle of going concern:** The Company continues to operate normally, without going into liquidation or significant reduction of activity.

**The principle of matching:** the income and expenditure relating to the financial year are highlighted, regardless of the income collection date or the expenditure payment date.

**The principle of valuation of asset and liability items** according to which, components of assets and liabilities must be valued separately.

**The principle of offsetting:** The assets and liabilities, income and expenses are not offset unless offsetting is required or permitted by a standard or an interpretation.

**The principle of substance over form** according to which, the presentation of the amounts in the balance sheet and in the profit and loss account is taken based on the economic substance of the reported transaction or arrangement, and not only their legal form.

The IAR S.A. accounting, as the main instrument of knowledge, management and control of assets, provides chronological and systematic registration, processing and storage of information on the property situation, its outcomes, both for internal use and for the business relations with the customers, banks and tax authorities, etc..

IAR SA relies on double-entry accounting, in compliance with the Norms of the Ministry of Public Finance, compiling monthly reports, and at the end of the semester and at the end of the year presenting a balance sheet.

Accounting records are chronological and systematic, according to the chart of accounts and norms in force, any asset transaction being registered in an accompanying document.

The accounting registration of movable and fixed assets was carried at the acquisition value or production as appropriate.

The fixed assets accounting is made based on categories, on each item and on jobs.

The accounting of material values is made based on types of management, and within these, on the types of materials, tools, devices, checkers, etc.

The types of management are organized both at central and at the manufacturing divisions, by monthly compiling with the trial balance, which is facing the company's synthetic records.

In addition, the financial-accounting department is organized in order to obtain a process established to achieve high quality financial reporting. The roles and responsibilities are specifically defined and a control process is implemented in order to ensure fairness and accuracy of financial reporting process.

Regarding the **unfinished production**, this is organized based on production orders, technical plan and household expenses, and within them, on beneficiaries.

The accounting of providers, of customers, of other claims and obligations, is made by categories and, within them, by each natural or legal person.

The accounting income is made based on the kinds of income and expenditure according to their nature.

Monthly, to verify the correct recording in the accounting of property transactions, the synthetic balance checking is prepared, which on its turn is based on analytical balances on the accounts.

The property inventory was conducted in accordance with the legal regulations in force: Law 82/91 republished, OMPF 2861/2009 - on the rules for organizing and conducting the inventory of assets, liabilities and equity and by Decision no. 15/12.10.2020. The inventory aimed at establishing the actual status of the assets, liabilities and equities of the company and the goods and values owned by any title, belonging to other legal or natural persons, in drawing up the annual financial statements that must provide a true and fair view of the financial position and performance of IAR SA for the financial year 2020.

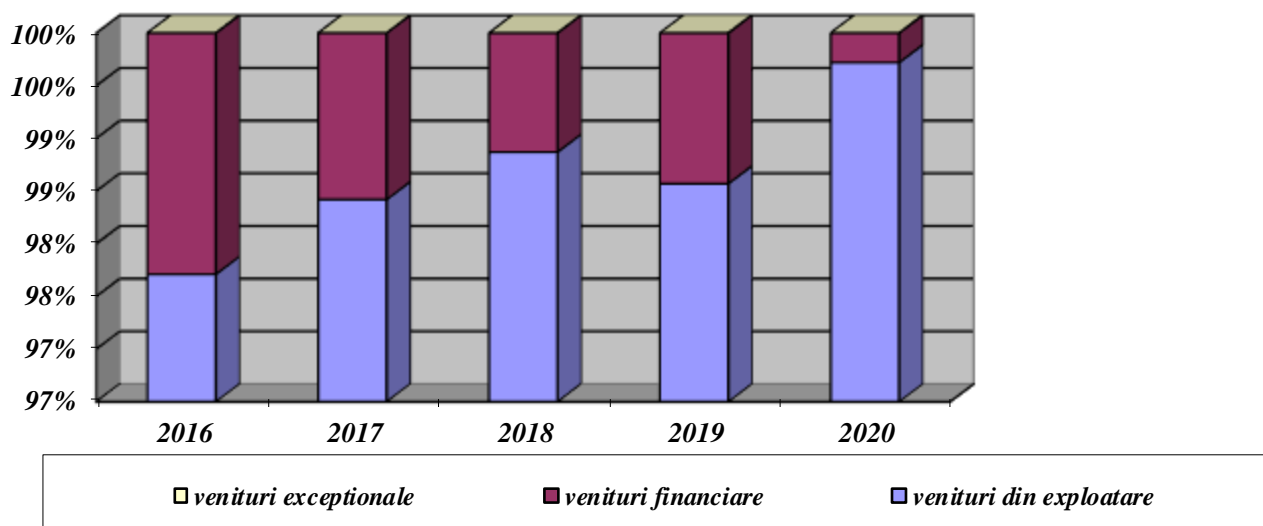
IAR SA's balance sheet for the period 01.01.2020-31.12.2020 was compiled based on the trial balance accounts that were registered in all economic and financial operations based on legal documents drawn up, on the principles and by the provisions of the Accounting Law no. 82 / 1991 approved the company's accounting policies and in compliance with the company's approved accounting regulations harmonized with the Directive no. IV of the European Economic Community, the MFO no. 2844/2016 for approving the Accounting regulations compliant with the International financial reporting standards, applicable to commercial companies whose securities are admitted to trading on a regulated market, as amended and supplemented.

## **THE DEVELOPMENT OF THE MAIN ECONOMIC AND FINANCIAL INDICATORS IN THE LAST 5 YEARS**

**The evolution of the components of the total income in the past 5 years is as follows:**

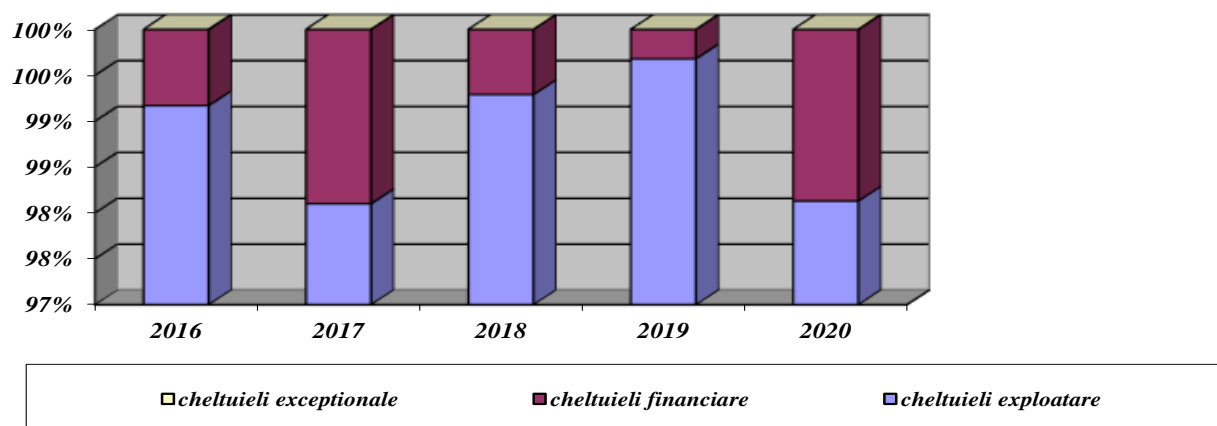
|                           | %           |             |             |             |             |
|---------------------------|-------------|-------------|-------------|-------------|-------------|
|                           | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> |
| Operating income          | 97.71       | 98.42       | 98.87       | 98.57       | 99.72       |
| <b>Financial income</b>   | 2.29        | 1.58        | 1.13        | 1.43        | 0.28        |
| <b>Exceptional income</b> | 0           | 0           | 0           | 0           | 0           |

The main share, respectively 99.72% of total revenues achieved by the company in 2020, is represented by the income from operating activities.



The evolution of the components of total expenditure in the past 5 years is as follows:

|                                | 2016  | 2017  | 2018  | 2019  | 2020  |
|--------------------------------|-------|-------|-------|-------|-------|
| Operating expenditure          | 99.17 | 98.10 | 99.29 | 99.68 | 98.13 |
| <b>Financial expenditure</b>   | 0.83  | 1.90  | 0.71  | 0.32  | 1.87  |
| <b>Exceptional expenditure</b> | 0     | 0     | 0     | 0     | 0     |



The main share, respectively 98.13% of total expenditure made by the company in 2020, is the expenditure on operating activities.

#### THE PATRIMONY OF IAR S.A. IS AS FOLLOWS:

##### ✓ ASSESTS

The value of non-current assets at 31.12.2020 is of 83,860 thousand Lei and represents the value of the intangible assets, the tangible fixed assets affected by the amortization value, as well as the financial assets.

**Other tangible assets titles** are maintained in the amount of 5,430 thousand lei on 31.12.2020 and they are:

- shareholder titles in SC Airbus Helicopters Romania SA: 5,390 thousand lei, representing 48.99997% of the share capital of the company;
- shareholder titles at SC Aerodrom "Iosif Silimon" SA: 39 thousand lei, representing 39% of the share capital of the company.  
SC Aerodromul "Iosif Silimon" SA did not register any activity in 2014 and is under liquidation as decided by the shareholders.

### ✓ STOCKS

In the stocks category are comprised:

- raw materials directly involved in the manufacturing of products and are found fully or partly in the finite product, either in their original or processed shape;
- consumables (auxiliary materials, fuel, packaging materials, spare parts and other consumables), which participate or support the manufacturing or operating process without usually being found in the finite product;
- inventory objects materials;
- products, namely:
  - semi-finite products;
  - finite products;
  - scrap, recoverable materials and waste;
  - merchandise;
  - packaging, including reusable packaging, purchased or manufactured, designed for sold products that can be temporarily stored by third parties, having the restitution obligation as stipulated in the agreements;
  - production in progress;
  - the goods in custody for processing or on consignment with third parties.

Certain stocks that were bought are reflected separately, for which risks and benefits were transferred, and are in the supply process.

The accounting of stocks is held quantitatively and qualitatively by using the perpetual inventory. In these circumstances, in the accounting are registered all incoming and outgoing transactions, which allow the establishment and knowledge, at all times, of the stocks, both in quantity and in value.

Valoarea stocurilor la 31.12.2020 este de 211.075 mii lei, valoare ce se mentine constanta față de anul precedent. The value of the stocks at 31.12.2020 is 211,075 thousand lei, value that maintains constant as compared to the previous year.

The balance of the production under execution mainly includes the value of the IAR 330 PUMA SOCAT, NAVAL helicopters, which are to be delivered in 2021.

### ✓ RECEIVABLES

On 31.12.2018 the situation of the receivables is as follows:

|  | lei               |
|--|-------------------|
| Total receivables                            | <b>35,878,560</b> |
| - commercial receivables                     | 23,573,085        |
| - long-term receivables                      | 0                 |
| - paid deposits                              | 2,248,194         |
| - other receivables, of which:               | 10,057,281        |
| • Other taxes-excises                        | 177,195           |
| • Sundry debtors                             | 247,689           |
| • Interests to be received                   | 91,323            |
| • VAT to be recovered                        | 4,628,783         |
| • Other receivables related to the personnel | 4,266,043         |
| • Undue VAT                                  | 181               |
| • Medical leaves and indemnities             | 646,067           |

In the total receivables, the commercial receivables in the amount of 23,573 thousand lei hold a share of 65.71%, thousand lei. Their include:

- the amount of 21,972,516 lei, which represent letters of guarantee of good execution, related to the commercial contracts developed by IAR SA and guaranteed with cash / collateral deposit, of which:

1. UM (Military Unit) 01836 OTOPENI, Supply Contract no. A13043 / 14.12.2018, SGB reference G074703 / 820, amounting to 737,479 lei;
2. UM 01836 OTOPENI, Supply Contract no. A7942 / 29.08.2019, SGB reference G078059 / 828, amounting to 617,931 lei;
3. UM 01836 OTOPENI, Subsequent Service Contract no. 3/2019 Framework Agreement A5558 / 13.06.2018, SGB reference G080154 / 820, amounting to 718,140 lei;
4. UM 01836 OTOPENI, Supply Contract no. A13998 / 16.12.2019, SGB reference G080252 / 828, amounting to 686,804 lei;
5. UM 01836 OTOPENI, Subsequent Service Contract no. 4/2020 Framework Agreement A5558 / 13.06.2018, SGB reference G081619 / 813, amounting to 239,380 lei;
6. UM 01836 OTOPENI, Subsequent Service Contract no.2 / 2020 Framework Agreement A13999 / 16.12.2019, SGB reference G081623 / 866, amounting to 533,750 lei;
7. UM 01836 OTOPENI, Supply Contract no. A12764 / 11.12.2018, SGB reference G074636 / 867, amounting to 371,826 lei;
8. UM 01836 OTOPENI, Subsequent Services Contract no.3 / 2020 Framework Agreement A13999 / 16.12.2019, SGB reference G084744 / 828, amounting to 1,334,375 lei;
9. UM 02150 BUCHAREST, Subsequent Contract no. 2/2020 Framework Agreement A5-1321 / 30.09.2020, SGB reference G085097 / 870, amounting to 620,468 lei;
10. UM 01836 OTOPENI, Subsequent Service Contract no.2 / 2020 Framework Agreement A1-6562 / 04.08.2020, SGB reference G085551 / 828, amounting to 163,328 lei;
11. UM 01836 OTOPENI, Supply Contract A1-10880 / 22.12.2020, SGB reference G085550 / 828, amounting to 401,147 lei;
12. UM 01836 OTOPENI, Supply Contract A1-6507 / 03.08.2020, SGB reference G083748 / 828, amounting to 374,515 lei;
13. UM 01836 OTOPENI, Subsequent Service Contract no.1 / 2020 Framework Agreement A1-6562 / 04.08.2020, SGB reference G083817 / 828, amounting to 81,664 lei;
14. UM 02150 BUCHAREST, Subsequent Contract no. 1/2020 Framework Agreement A5-1321 / 30.09.2020, SGB reference G085079 / 870, amounting to 336,225 lei;
15. Bank counter-guarantee, reference G061408 / 844, amounting to AED 13,624,628, issued in favor of TAWAZUN ECONOMIC COUNCIL EAU 14,713,484 lei;
16. MISCELLANEOUS 42,000 lei.

- the amount of 1,600,569 lei, represents the remaining value to be collected according to the commercial contracts, of which:

1. Airbus Helicopters Romania SA: 709,997 lei;
2. Lebanon MoD: 673,415 lei;
3. Aeroteh SA: 96,737 lei;
4. Turbomecanica Bucharest: 29,993 lei;

#### ✓ **PETTY CASH AND BANK ACCOUNTS**

Regarding the cash funds of the company as at 31.12.2020 are valued at 9,772,708 lei, of which:

- |   |               |
|---|---------------|
| - Cash in lei in other bank accounts<br>(card accounts, dividend distribution account,<br>CECs, Brasov Treasury account, BRD current account) | 4,808,134 lei |
| - Cash in foreign currency  | 4,942,904 lei |
| - Availability in the company's cashier's office  | 661 lei       |
| - Other values  | 21,009 lei.   |



## ✓ PAYABLES

The debts of the company stand out in the accounting based on the third parties accounts. The providers and other payables accounting is kept on categories and on each person or entity.

|  |                   |
|--|-------------------|
| <b>Total payables, including “incomes from downpayments” (lei):</b>                | <b>81,021,893</b> |
| • financial debts  | 45,936,405        |
| • trade debts  | 20,415,019        |
| • creditor customers   | 15,467            |
| • incomes registered in advance  | 45,769            |
| • other debts to: personnel, budget, social insurance, unemployment fund, of which | 14,609,233        |
| profit tax   | 0                 |
| other creditors, (the Unemployment Agency)   | 5,133,155         |
| dividends  | 4,042,234         |
| current salary contributions   | 4,613,021         |

The company's debt structure is as follows:

- **commercial debts**, amounting to 20.415 thousand lei, respectively 25,20% of the total debts;  
**Commercial debts are current debts, in line with the deadlines stipulated in the commercial contracts, and the significant amounts are:**
  - AIRBUS HELICOPTERS ROMÂNIA SA 8.918 thousand lei
  - TURBOMECANICA SA 4.354 thousand lei
  - ELBIT SYSTEMS ISRAEL 1.909 thousand lei
  - AEROFINA SA București 619 thousand lei
  - ELECTROPRECIZIA A.G 611 thousand lei
  - ONELUC CONSTRUCT 542 thousand lei
  - DESHONS HYDRAULIQUE SAS 394 thousand lei
- “**other creditors**” (AJOFM), amounting to 5,133 thousand lei, respectively 6.34% of the total debts.

Regarding the debt to the County Agency for Territorial Employment and Labor (AJOFM), depending on the residence that the employees made redundant by the company had, which represents the compensation granted to the insurance of unemployment budget, of IAR SA's employees whose individual labor agreements were terminated by collective redundancies, under restructuring programs in 2009-2010, as a result of privatization and reorganization of the units in the defense industry, in compliance with Article 12 of GEO 95/2002, industry which includes also IAR SA ( according to GD 0813/2002).

We must emphasize the fact that under Art 12, ind. 8 of GEO 95/2002 - "the amounts granted from the unemployment insurance fund as compensations will be recoverable from the economic agents in the defense industry, in the limit of 20% of rental, sales of assets and shares' sales revenues in the share capital of companies."

Regarding the aspects noted above, it is clear that the amounts due as compensation payments have no due date expressly stated, these liabilities becoming due on the date and to the extent that IAR SA achieved revenues from the activities above.

Please note that these amounts do not bear interest, penalties or other system accessories.

- The amount of 4.042 thousand lei, represents dividends due to shareholders unpaid or paid and returned because of the impossibility of payment from their negligence, respectively the change of address or the communication of incomplete addresses.

The company's payables at the end of 2020 are worth 81.022 thousand lei, of which short-term debts worth 75.861 thousand lei are current debts, whose chargeability is consistent with the legal and contractual deadlines stipulated in the Fiscal Code.

We mention the fact that in the total debts that must be paid in a period of more than one year, whose value is 5,161 thousand lei, the majority share is represented by the obligation towards AJOFM (The County Unemployment Agency) mentioned above.

We mention that IAR SA paid on time and in full its obligations to the state budget and the budget of the State Social Insurance, as well as the local ones.

We mention that IAR S.A. doesn't have outstanding payments on 31.12.2020.

## ✓ PROVISIONS

Provisions are intended to cover liabilities whose nature is clearly defined and which, at the balance sheet date, are likely to exist or it is certain that they will exist, but are uncertain in terms of the amount or the date when they will occur.

The accounting of provisions is kept on types, depending on the nature, purpose or object for which they were established.

In 2020 provisions have been established and increased in compliance with Article 26 of Law 227/2015, with Order no. 2844/2016 for approving the Accounting Regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market.

The set-up/increased provisions value in 2020 is of 29,424 thousand lei, presenting them in the following structure:

- provision for employees participation to profit, amounting to 2.894 thousand lei;
- provision for the retirement bonus, amounting to 556 thousand lei;
- provision to cover risks, good performance guarantees for the contracts concluded in 2020, amounting to 25.974 thousand lei,

Also, provisions in the amount of 47,112 thousand lei have been canceled or diminished by the resumption on income, as follows:

- provision for performance guarantees granted to local customers, amounting to 24,075 thousand lei;
- provision for employees participation to profit, amounting to 2,583 thousand lei.
- provision for the retirement bonus, amounting to 655 thousand lei;
- provision for depreciation of fixed assets constructions, amounting to 3,200 thousand lei;
- provision for depreciation of unfinished production, amounting to 78 thousand lei;
- provision related to the Compensation Office for special technical acquisitions, amounting to 6,263 thousand lei;
- other OFFSET risk provisions, amounting to 10,258 thousand lei.

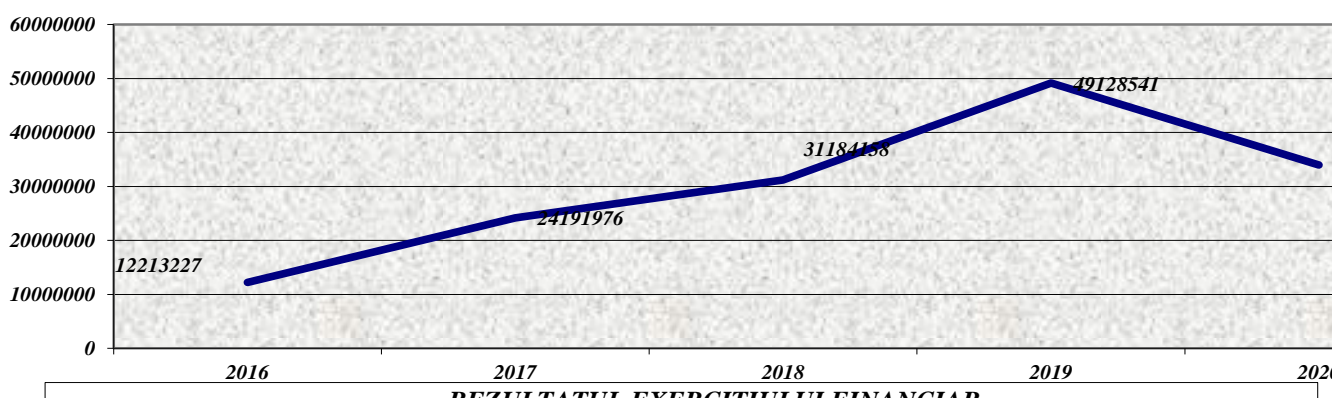
Thus, the adjustments for provisions represent in 2020 the amount of -17,688 thousand lei.

## ✓ SHAREHOLDERS' EQUITIES

Capitalul propriu al societății la 31.12.2020 este de 204.049 mii lei și prezintă o creștere cu 8,23 % față de 2019.

**The evolution of economic and financial results of the company in the period 2016-2020 is as follows:**

|                  | 2016       | 2017       | 2018       | 2019       | 2020       |
|------------------|------------|------------|------------|------------|------------|
| Net profit (lei) | 12,213,227 | 24,191,976 | 31,184,158 | 49,128,541 | 33,967,230 |
| Loss (lei)       | -          | -          | -          | -          | -          |



At the end of 2020, the company IAR SA no longer fulfilled the legal conditions for establishing the legally deductible reserve from profit, taking into account the provisions **according to the MoF Order 2844/2016, the Law 31/1990 and the Law No. 227/2015 as amended and supplemented.**

## THE ANALYSIS OF THE MAIN ECONOMIC AND FINANCIAL INDICATORS

### A. Current liquidity ratio:

$$\frac{\text{Current assets}}{\text{Current debts}} = \frac{256.725.850}{15.815.105} = 3,39\%$$

### B. Liquidity coverage ratio:

$$\frac{\text{Current assets-stocks}}{\text{Current debts}} = \frac{45.651.268}{5.815.105} = 0,61\%$$

### C. Efficiency indicators:

#### 1. The financial rate of return

$$\frac{\text{Net profit}}{\text{Equity}} \times 100 = \frac{33.967.230}{204.C} = 16,65\%$$

#### 2. The rate of return on advanced capital

$$\frac{\text{Current result}}{\text{Fixed assets+current assets}} = \frac{6.919.629}{340.586.131} = 10,84\%$$

#### 3. The profit rate

$$\frac{\text{Gross profit}}{\text{Turnover}} = \frac{36.919.629}{256.291.473} = 14,41\%$$

#### 4. The rotation speed of debits-customers

$$\frac{\text{Med.balance of customers} \times 365}{\text{Turnover}} = \frac{7.998.068 \times 365}{291.473} = 11,39 \text{ days}$$

#### 5. The rotation speed of fixed assets

$$\frac{\text{Turnover}}{\text{Fixed assets}} = \frac{256.291.473}{860.281} = 3,06 \text{ times}$$

#### 6. The rotation speed of total assets

$$\frac{\text{Turnover}}{\text{Total assets}} = \frac{256.291.473}{340.655.552} = 0,76$$

#### 7. The total amount invested in 2020 was of 10.052 thousand lei.

The financial-accounting statement complies with the documents attached to this annual report: the financial statements of 31.12.2020 and the financial auditor's report for the financial year 2020.

#### 4. ANNEXES: the list of companies in which IAR S.A. holds shares.

**THE CHAIRWOMAN of the BOARD of DIRECTORS**

**Dragoş Florin DAVID**

**GENERAL DIRECTOR**

**Laurian ANASTASOF**

## ANNEX TO THE ANNUAL REPORT 2020

### List of companies in which IAR S.A. owns participations

1. At 31.12.2020 IAR S.A. owned shares in **AIRBUS HELICOPTERS ROMÂNIA S.A.** as follows:

| Company name                    | Trade Registry registration number | Object of activity                | % of the share capital owned by IAR S.A. in this company | Total value of the shares owned by IAR SA in this company (RON) | Partner in the joint venture |
|---------------------------------|------------------------------------|-----------------------------------|--|---|------------------------------|
| AIRBUS HELICOPTERS ROMÂNIA S.A. | J08/53/<br>23.01.2002              | Aircraft manufacturing and repair | 48.99997   | 5,389,997   | AIRBUS HELICOPTERS S.A.S.    |

The value of the participation is recorded in the accounting files at the nominal value per share of 0.10 lei.

AIRBUS HELICOPTERS ROMÂNIA SA is a closed company, its shares not being traded on the share market.

Its social headquarters is: 40 1 A, Hermann Oberth Street, Ghimbav, county of Braşov 507075, tel. 0268303000.

2. IAR S.A. owns shares in **SC AERODROM “IOSIF ŞILIMON” SA** as follows:

- participation titles SC Aerodrom “Iosif Şilimon” SA: 39 thousand lei, representing 39 % of the share capital of this company.

SC Aerodromul “Iosif SILIMON“ SA has not had any activity since 2014 and its liquidation is in progress as per the resolution of the shareholders.

**FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR CONCLUDED ON 31 DECEMBER 2020**

**Drawn up in accordance with:**

**Order of the Public Finance Ministry no. 2844 /2016 and subsequent  
amendments**

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Balance sheet

Profit and loss statement

Statement of Changes in Shareholders' Equity

Treasury Cash Flow Statement

Notes to the Financial Statements

## BALANCE SHEET 2020

|   | <u>Row</u> | <u>Note</u> | <u>31 December</u><br><u>2019</u> | <u>31 December</u><br><u>2020</u> |
|---|------------|-------------|-----------------------------------|-----------------------------------|
| <b><u>A. Non current assets</u></b>   |            |             |                                   |                                   |
| <b>I. INTANGIBLE ASSETS</b>   |            |             |                                   |                                   |
| 1. Set up expenses  | 1          |             |                                   |                                   |
| 2. Development expenses   | 2          |             |                                   |                                   |
| 3. Concessions, rights, patents, licenses, trade marks and other similar rights and other intangible assets | 3          |             | 529,497                           | 615,988                           |
| 4. Goodwill   | 4          |             |                                   |                                   |
| 5. Downpayments and intangible assets in progress   | 5          |             |                                   |                                   |
| <b>TOTAL</b>  | <b>6</b>   | <b>1(a)</b> | <b>529,497</b>                    | <b>615,988</b>                    |
| <b>II. Tangible assets</b>  |            |             |                                   |                                   |
| 1. Land and buildings   | 7          |             | 53,881,832                        | 54,715,403                        |
| 2. Technical equipment & machinery  | 8          |             | 7,297,124                         | 7,809,566                         |
| 3. Other equipment & furniture  | 9          |             | 69,303                            | 139,904                           |
| 4. Advances and tangible assets in progress   | 10         |             | 2,470,406                         | 11,578,227                        |
| 5. Advances (acc. 4093)   | 10a        |             | 4,702,859                         | 3,526,007                         |
| <b>TOTAL</b>  | <b>11</b>  | <b>1(b)</b> | <b>68,421,524</b>                 | <b>77,769,107</b>                 |
| <b>III. Right of use of leasing assets</b>  |            |             | 60,400                            | 46,189                            |
| <b>IV. Financial Investments</b>  |            |             |                                   |                                   |
| 1. Shares in subsidiaries   | 12         |             |                                   |                                   |
| 2. Loans to subsidiaries  | 13         |             |                                   |                                   |
| 3. Participating interests  | 14         |             |                                   |                                   |
| 4. Loans to entities who own participating interests  | 15         |             |                                   |                                   |
| 5. Investments held as non-current assets   | 16         |             | 5,428,997                         | 5,428,997                         |
| 6. Other loans  | 17         |             |                                   |                                   |
| <b>TOTAL</b>  | <b>18</b>  | <b>1(c)</b> | <b>5,428,997</b>                  | <b>5,428,997</b>                  |
| <b>Non-current assets - Total</b>   | <b>19</b>  |             | <b>74,440,418</b>                 | <b>83,860,281</b>                 |
| <b><u>b. Current assets</u></b>   |            |             |                                   |                                   |
| <b>I. Inventories</b>   |            |             |                                   |                                   |
| 1. Raw materials and consumables  | 20         |             | 38,285,017                        | 70,270,120                        |
| 2. Work in progress   | 21         |             | 61,787,829                        | 58,905,282                        |
| 3. Finished goods and merchandise   | 22         |             | 71,821,889                        | 47,075,072                        |
| 4. Advances for inventory acquisition   | 23         |             | 39,307,016                        | 34,824,108                        |
| <b>TOTAL:</b>   | <b>24</b>  |             | <b>211,201,751</b>                | <b>211,074,582</b>                |
| <b>II. Receivables</b>  |            |             |                                   |                                   |
| 1. Trade receivables  | 25         | 12          | 42,138,455                        | 23,573,085                        |
| 2. Advances paid  | 26         |             | 348,062                           | 2,248,194                         |
| 3. Amounts receivable from participating interests  | 27         |             |                                   |                                   |
| 4. Other receivables  | 28         | 13          | 6,414,708                         | 10,057,281                        |
| 5. Share capital called up but not paid up  | 29         |             |                                   |                                   |
| <b>TOTAL</b>  | <b>30</b>  |             | <b>48,901,225</b>                 | <b>35,878,560</b>                 |
| <b>III. Short term investments</b>  |            |             |                                   |                                   |
| 1. Shares in subsidiaries   | 31         |             |                                   |                                   |
| 2. Other short term investments   | 32         |             |                                   |                                   |
| <b>TOTAL</b>  | <b>33</b>  |             | <b>0</b>                          | <b>0</b>                          |

|   |           |           |                    |                    |
|---|-----------|-----------|--------------------|--------------------|
| <b>IV. Cash and bank accounts</b>   | <b>34</b> | <b>11</b> | <b>8,770,824</b>   | <b>9,772,708</b>   |
| <b>Current assets - Total</b>   | <b>35</b> |           | <b>268,873,800</b> | <b>256,725,850</b> |
| <b>C. Prepayments</b>   | <b>36</b> |           | <b>52,177</b>      | <b>69,421</b>      |
| <b>D. Liabilities payable in a period of one year</b>                             |           |           |                    |                    |
| 1. Debenture loans  | 37        |           |                    |                    |
| 2. Bank loans   | 38        |           | 53,217,815         | 45,936,405         |
| 3. Advance payments from customers  | 39        |           | 16,617             | 15,467             |
| 4. Trade payables   | 40        | 14        | 18,814,153         | 20,415,019         |
| 5. Trade notes payable  | 41        |           |                    |                    |
| 6. Amounts due to associates  | 42        |           |                    |                    |
| 7. Amounts due to entities with participating interests                           | 43        |           |                    |                    |
| 8. Other payables, including debts to the state budget and social security budget | 44        | 15        | 7,308,332          | 9,448,214          |
| <b>TOTAL</b>  | <b>45</b> |           | <b>79,356,917</b>  | <b>75,815,105</b>  |
| <b>e. Current assets, net current liabilities</b>                                 | <b>46</b> |           | <b>189,471,337</b> | <b>180,920,468</b> |
| <b>f. Total assets minus current liabilities</b>                                  | <b>47</b> |           | <b>263,911,755</b> | <b>264,794,678</b> |
| <b>g. Amounts payable in a period above a year</b>                                |           |           |                    |                    |
| 1. Debenture loans  | 48        |           |                    |                    |
| 2. Bank loans   | 49        |           |                    |                    |
| 3. Advance payments from customers  | 50        |           |                    |                    |
| 4. Trade payables   | 51        |           | -                  |                    |
| 5. Trade notes payable  | 52        |           |                    |                    |
| 6. Payables to subsidiaries   | 53        |           |                    |                    |
| 7. Amounts due to entities with participating interests                           | 54        |           |                    |                    |
| 8. Other payables, including debts to the state budget and social security budget | 55        |           | 5,383,210          | 5,161,019          |
| <b>TOTAL</b>  | <b>56</b> |           | <b>5,383,210</b>   | <b>5,161,019</b>   |
| <b>h. Provisions for risks and expenses</b>                                       |           | <b>2</b>  |                    |                    |
| 1. Provisions for pensions and other similar items                                | 57        |           | 3,995,729          | 3,896,095          |
| 2. Provisions for employees' benefits   | 58        |           | 2,582,555          | 2,894,160          |
| 3. Other provisions   | 59        |           | 63,416,091         | 48,793,966         |
| <b>TOTAL PROVISIONS</b>   | <b>60</b> |           | <b>69,994,375</b>  | <b>55,584,221</b>  |
| <b>i. Deferred Income</b>   |           |           |                    |                    |
| - Investment subsidies  | 61        |           |                    |                    |
| - Deferred income   | 62        |           | 97,723             | 45,769             |
| <b>Total</b>  | <b>63</b> |           | <b>97,723</b>      | <b>45,769</b>      |
| <b>j. Capital and reserves</b>  |           |           |                    |                    |
| <b>I. Capital</b>   |           |           |                    |                    |
| out of which  |           |           |                    |                    |
| - Paid in capital   | 64        |           | 47,197,132         | 47,197,132         |
| - Un-paid capital   | 65        |           |                    |                    |
| - Company's patrimony   | 66        |           |                    |                    |
| <b>TOTAL</b>  | <b>67</b> |           | <b>47,197,132</b>  | <b>47,197,132</b>  |



|   |           |                    |                    |
|---|-----------|--------------------|--------------------|
| <b>II. Share premium</b>  | <b>68</b> |                    |                    |
| <b>III. Revaluation reserve</b>   | <b>69</b> | <b>27,246,254</b>  | <b>26,013,109</b>  |
| <b>IV. Reserves</b>   |           |                    |                    |
| 1. Legal reserves   | 70        | 9,439,426          | 9,439,426          |
| 2. Statutory and contractual reserves                                   | 71        |                    |                    |
| 3. Reserves representing the surplus obtained from revaluation reserves | 72        |                    |                    |
| 4. Other reserves   | 73        | 63,463,273         | 90,465,001         |
| <b>TOTAL</b>  | <b>74</b> | <b>72,902,699</b>  | <b>99,904,427</b>  |
| Own shares  | 75        | 6,708,000          | 6,708,000          |
| Gains related to own shares instruments                                 | 76        |                    |                    |
| Losses related to own shares instruments                                | 77        |                    |                    |
| <b>V. Result carried forward</b>  |           |                    |                    |
| <b>Credit balance</b>   | <b>78</b> | <b>3,951,194</b>   | <b>5,011,230</b>   |
| <b>Debit balance</b>  | <b>79</b> |                    |                    |
| <b>VI. Result of the financial year</b>                                 |           |                    |                    |
| <b>Credit balance</b>   | <b>80</b> | <b>49,128,541</b>  | <b>33,967,230</b>  |
| <b>Debit balance</b>  | <b>81</b> |                    |                    |
| Profit appropriation  | 82        | 3                  | 5,183,650          |
| <b>Total equity</b>   | <b>83</b> | <b>188,534,170</b> | <b>204,049,438</b> |
| Public patrimony  | 84        |                    |                    |
| <b>TOTAL CAPITAL</b>  | <b>85</b> | <b>188,534,170</b> | <b>204,049,438</b> |

**GENERAL DIRECTOR,  
Laurian ANASTASOF**

**ECONOMIC AND COMMERCIAL DIRECTOR,  
Ec. Ion DUMITRESCU**

|   | <b>Row</b> | <b>Note</b> | <b>31 Dec. 2019</b> | <b>31 Dec. 2020</b> |
|---|------------|-------------|---------------------|---------------------|
| <b>1. Net turnover</b>  | <b>1</b>   |             | <b>365,811,270</b>  | <b>256,291,473</b>  |
| Sold production   | 2          |             | 247,084,488         | 147,589,948         |
| Income from sale of goods   | 3          |             | 118,726,782         | 108,701,525         |
| Income from interests registered by entities whose main activity is the leasing   | 4          |             |                     |                     |
| Income from operating subsidiaries related to net turnover  | 5          |             |                     |                     |
| 2. Changes in inventories of finished goods and production in progress  | 6          |             |                     |                     |
| Balance C   |            |             | 7,584,303           | 3,644,713           |
| Balance D   | 7          |             |                     |                     |
| 3. Production made by the entity for its own purposes and capitalized   | 8          |             |                     |                     |
| 4. Other operating income   | 9          |             | 8,288,704           | 1,703,061           |
| <b>Operating income- Total</b>  | <b>10</b>  |             | <b>381,684,277</b>  | <b>261,639,247</b>  |
| 5. a) Raw materials and consumables expenses  | 11         |             | 169,960,270         | 89,507,307          |
| Other material expenses   | 12         |             | 1,181,606           | 705,793             |
| b) Other external expenses (on power and water)   | 13         |             | 1,909,901           | 2,109,961           |
| c) Merchandise expenses   | 14         |             | 94,844,103          | 87,463,953          |
| Commercial discounts received   |            |             |                     |                     |
| 6. Personnel expenses   | 15         |             | <b>41,095,807</b>   | <b>45,592,147</b>   |
| a) Salaries   | 16         |             | 39,489,700          | 43,887,406          |
| b) Social security costs  | 17         |             | 1,606,107           | 1,704,741           |
| 7. a) Value adjustments related to tangible and intangible assets   | 18         |             | 3,764,086           | 3,836,814           |
| a.1) Expenses   | 19         |             | 3,764,086           | 3,836,814           |
| a.2) Income   | 20         |             |                     |                     |
| 7. b) Adjustment on the value of circulating assets   | 21         |             |                     |                     |
| b.1) Expenses   | 22         |             | 5,563               |                     |
| b.2) Income   | 23         |             | 5,563               |                     |
| <b>8. Other operating expenses</b>  | <b>24</b>  |             | <b>22,973,882</b>   | <b>9,706,252</b>    |
| 8.1 Expenses regarding external services  | 25         |             | 9,873,917           | 8,403,781           |
| 8.2 Expenses with other taxes, duties and assimilated payments  | 26         |             | 579,120             | 614,157             |
| 8.3 Expenses on compensations, donations and disposed assets, environment expenses, other operating expenses, revaluation of tangible assets expenses | 27         |             | 12,520,845          | 688,314             |
| Expenses on refinancing interests registered by the entities whose main activity is represented by the leasing  | 28         |             |                     |                     |
| <b>Adjustments related to provisions for risks and expenses</b>   | <b>29</b>  |             | <b>-5,956,105</b>   | <b>-17,688,224</b>  |
| Expenses  | 30         |             | 20,481,319          | 29,423,393          |
| Income  | 31         |             | 26,437,424          | 47,111,617          |
| <b>Operating expenses - total</b>   | <b>32</b>  |             | <b>329,779,113</b>  | <b>221,234,003</b>  |

|   |    |   |                    |                    |
|---|----|---|--------------------|--------------------|
| <b>Operating result</b>   |    |   |                    |                    |
| - Profit  | 33 | 4 | <b>51,905,164</b>  | <b>40,405,244</b>  |
| - Loss  | 34 |   |                    |                    |
| <b>9. Income from participating interests</b>   | 35 |   | <u>2,291,702</u>   |                    |
| - out of which, income from subsidiaries  | 36 |   |                    |                    |
| <b>10. Income from other investments and loans which are a part of the non-current assets</b>           | 37 |   |                    |                    |
| - out of which within the group   | 38 |   |                    |                    |
| <b>11. Income from interests</b>  | 39 |   | <u>501,866</u>     | <u>229,121</u>     |
| - out of which within the group   | 40 |   |                    |                    |
| <b>Other financial income</b>   | 41 |   | <u>2,705,887</u>   | <u>517,481</u>     |
| <b>Financial income- total</b>  | 42 |   | <b>5,499,455</b>   | <b>746,602</b>     |
| <b>12. Adjustment of the value of financial assets and financial investments held as current assets</b> | 43 |   |                    |                    |
| Expenses  | 44 |   |                    |                    |
| Income  | 45 |   |                    |                    |
| <b>13. Expenses on interests</b>  | 46 |   | 280,678            | 886,015            |
| - out of which within the group   | 47 |   |                    |                    |
| Other financial expenses  | 48 |   | 776,958            | 3,346,202          |
| <b>Financial expenses - total</b>   | 49 |   | <b>1,057,636</b>   | <b>4,232,217</b>   |
| <b>Financial result</b>   |    |   |                    |                    |
| - Profit  | 50 |   | <b>4,441,819</b>   |                    |
| - Loss  | 51 |   |                    | <b>3,485,615</b>   |
| <b>14. Current result</b>   |    |   |                    |                    |
| - Profit  | 52 |   | <b>56,346,983</b>  | <b>36,919,629</b>  |
| - Loss  | 53 |   |                    |                    |
| 15. Extraordinary revenues  | 54 |   |                    |                    |
| 16. Extraordinary expenses  | 55 |   |                    |                    |
| <b>17. Extraordinary result</b>   |    |   |                    |                    |
| - Profit  | 56 |   |                    |                    |
| - Loss  | 57 |   |                    |                    |
| <b>Total income</b>   | 58 |   | <b>387,183,732</b> | <b>262,385,849</b> |
| <b>Total expenses</b>   | 59 |   | <b>330,836,749</b> | <b>225,466,220</b> |
| <b>Gross result</b>   |    |   |                    |                    |
| - Profit  | 60 |   | <b>56,346,983</b>  | <b>36,919,629</b>  |
| - Loss  | 61 |   |                    |                    |
| <b>18. Income tax</b>   | 62 |   | <b>7,218,442</b>   | <b>2,952,399</b>   |
| 19. Other expenses on taxes not presented among the above items   | 63 |   |                    |                    |
| <b>20. Net result of the financial year</b>   |    |   |                    |                    |
| - Profit  | 64 |   | <b>49,128,541</b>  | <b>33,967,230</b>  |
| - Loss  | 65 |   |                    |                    |

All the Company's activities are continuous (going-concern).

Signed on behalf of the Board of Directors

**GENERAL DIRECTOR,**  
**Laurian ANASTASOF**

**ECONOMIC AND COMMERCIAL DIRECTOR,**  
**Ec. Ion DUMITRESCU**

**SITUATION OF CHANGES IN OWN CAPITAL FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020**

| Item denomination   |           | Balance on<br>31-12-2019 | Increases                  |                | Decreases                  |                | total,<br>31-12-2020 |
|---|-----------|--------------------------|----------------------------|----------------|----------------------------|----------------|----------------------|
|   |           |                          | total,<br>out of<br>which: | by<br>transfer | total,<br>out of<br>which: | by<br>transfer |                      |
| A   |           | 1                        | 2                          | 3              | 4                          | 5              | 6                    |
| Un-paid capital   |           |                          |                            |                |                            |                |                      |
| Paid up capital   |           | 47,197,132               |                            |                |                            |                | 47,197,132           |
| The company's patrimony   |           |                          |                            |                |                            |                |                      |
| Share premiums  |           |                          |                            |                |                            |                |                      |
| Revaluation reserves  |           | 27,246,254               |                            |                | 1,233,145                  |                | 26,013,109           |
| Legal reserves  |           | 9,439,426                |                            |                |                            |                | 9,439,426            |
| Statutory or contractual reserves   |           |                          |                            |                |                            |                |                      |
| Reserves representing the surplus obtained from revaluation reserves        |           | 618.316                  | 671.820                    |                |                            |                | 1.290.136            |
| Other reserves  |           | 63,463,273               | 27,001,728                 |                |                            |                | 90,465,001           |
| Own shares  |           | 6,708,000                |                            |                |                            |                | 6,708,000            |
| Reported result representing the undistributed profit or the uncovered loss | Balance C | 826.475                  | 388.216                    |                |                            |                | 1.214.691            |
|   | Balance D |                          |                            |                |                            |                |                      |
| Reported result arising from the first adoption of IAS, except for IAS 29   | Balance C | 213.709                  |                            |                |                            |                | 213.709              |
|   | Balance D |                          |                            |                |                            |                |                      |
| Reported result from the correction of accounting errors                    | Balance C | 2.292.694                |                            |                |                            |                | 2.292.694            |
|   | Balance D |                          |                            |                |                            |                |                      |
| Profit or loss of the financial year  | Balance C | 49,128,541               | 33,967,230                 |                | 49,128,541                 |                | 33,967,230           |
|   | Balance D |                          |                            |                |                            |                |                      |
| Profit appropriation  |           | 5,183,650                | 1,335,690                  |                | 5,183,650                  |                | 1,335,690            |
| <b>Total equity</b>   |           | <b>188,534,170</b>       | <b>60,693,304</b>          |                | <b>45,178,036</b>          |                | <b>204,049,438</b>   |

**GENERAL DIRECTOR,**

**Laurian ANASTASOF**

**ECONOMIC AND COMMERCIAL DIRECTOR,**

**Ec. Ion DUMITRESCU**

**TREASURY CASH FLOWS STATEMENT 2020**

| Item denomination   | Financial year     |                    |
|---|--------------------|--------------------|
|   | 2019               | 2020               |
| <b>Operational activities</b>   |                    |                    |
| Net profit before taxation  | 49,128,541         | 33.967.230         |
| Adjustments for the reconciliation of net result to net cash used in operational activities | 9,730,187          | 11.309.901         |
| <i>Depreciation and other provisions for fixed assets</i>                                   | 3,764,086          | 3.836.813          |
| <i>Provisions for current assets</i>  | -5,956,109         | -17.688.224        |
| <i>Profit from the sale of tangible assets</i>  | 7,289              | 331.598            |
| <b>Cash from exploitation before the changes to current capital</b>                         | <b>56,673,994</b>  | <b>31.757.318</b>  |
| Changes to current capital (Note 18)  | -70,295,195        | 16.889.432         |
| <i>Paid interests</i>   | -280,678           | -886.015           |
| <i>Interests received</i>   | 501,866            | 229.118            |
| <i>Paid income tax</i>  | -6,051,284         | -8.385.600         |
| <b>Cash generated from / (used in) operational activities</b>                               | <b>-19,451,297</b> | <b>39.604.253</b>  |
| <b>Investment activity:</b>   |                    |                    |
| Acquisition of fixed assets   | -17,097,465        | -12.319.832        |
| Receivables from the sale of fixed assets   | 4,563              | 624.254            |
| Receivables from shares   | 2.291.702          | 0                  |
| <b>Net cash used for investment</b>   | <b>-14,801,200</b> | <b>-11.695.578</b> |
| <b>Financing activity:</b>  |                    |                    |
| Net (decrease)/increase of credits and long-term payables                                   | -188,744           | -222.191           |
| Net increase (decrease) of short term credits   | 53,217,815         | -7.281.410         |
| Paid dividends  | -10,613,139        | -17.061.480        |
| Amounts paid in respect to employees' participation to profit                               | -1,590,332         | -2.341.710         |
| <b>Net cash (used)/generated from the financing activity</b>                                | <b>40,825,600</b>  | <b>-26.906.791</b> |
| <b>Changes in cash and cash equivalents</b>   | <b>6,573,103</b>   | <b>1.001.884</b>   |
| Balance at the beginning of the year  | 2,197,721          | <b>8.770.824</b>   |
| Increase/(decrease) in cash and cash equivalents  | 6,573,103          | 1.001.884          |
| <b>Balance at the end of the year</b>   | <b>8,770,824</b>   | <b>9.772.708</b>   |

**GENERAL DIRECTOR,**  
Laurian ANASTASOF

**ECONOMIC AND COMMERCIAL DIRECTOR,**  
Ec. Ion DUMITRESCU

NOTES ON THE FINANCIAL STATEMENTS

1 NON-CURRENT ASSETS

a) Intangible assets

- lei -

| Intangible items                           | row no.   | Gross value      |                |           |                              | Depreciation (amortization and provisions) |                  |                              |  |  |
|--|-----------|------------------|----------------|-----------|------------------------------|--|------------------|------------------------------|--|--|
|  |           | Decreases        | Increases      | Decreases |                              | Final balance<br>(row 5 = 1+2-3)           | Opening balance  | Depreciation during the year | Depreciation related to written-off assets | Depreciation at the end of the year<br>(row 9 = 6+7-8) |
|  |           |                  |                | Total     | out of which decommissioning |  |                  |                              |  |  |
| A  | B         | 1(1)             | 2(2)           | 3(3)      | 4(4)                         | 5(5)                                       | 6(1)             | 7(2)                         | 8(3)                                       | 9(4)   |
| <b>INTANGIBLE ASSETS</b>                   |           |                  |                |           |                              |  |                  |                              |  |  |
| Set up and development expenses            | 01        |                  |                |           |                              |  |                  |                              | 0  |  |
| Other fixed assets                         | 02        | 1,839,890        | 338,783        |           |                              | 2,178,673                                  | 1,310,393        | 252,292                      |  | 1,562,685  |
| Advances and intangible assets in progress | 03        |                  |                |           |                              |  |                  |                              |  |  |
| <b>TOTAL ( rows 01 to 03)</b>              | <b>04</b> | <b>1,839,890</b> | <b>338,783</b> |           |                              | <b>2,178,673</b>                           | <b>1,310,393</b> | <b>252,292</b>               |  | <b>1,562,685</b>                                       |

**b) Tangible assets**

- lei -

| Items of fixed assets              | row no.   | Gross value       |                   |                  |                              |                               | Depreciation (amortization and provisions) |   |   |   |
|------------------------------------|-----------|-------------------|-------------------|------------------|------------------------------|-------------------------------|--|---|---|---|
|                                    |           | Opening balance   | Increases         | Decreases        |                              | Final balance (row 5 = 1+2-3) | Opening balance                            | Depreciation during the year and provisions | Depreciation related to written-off assets and cancellation of provisions | Depreciation at the end of the year (row 9 = 6+7-8) |
|                                    |           |                   |                   | Total            | out of which decommissioning |                               |  |   |   |   |
| A                                  | B         | 1(1)              | 2(2)              | 3(3)             | 4(4)                         | 5(5)                          | 6(1)                                       | 7(2)  | 8(3)  | 9(4)  |
| <b>TANGIBLE ASSETS</b>             |           |                   |                   |                  |                              |                               |  |   |   |   |
| Land                               | 05        | 27,770,954        |                   | 110,568          |                              | 27,660,386                    |  |   |   |   |
| Buildings                          | 06        | 44,174,038        | 6,557             | 1,355,190        | 1,059,724                    | 42,825,405                    | 18,063,160                                 | 2,068,936                                   | 4,361,708   | 15,770,388  |
| Technical equipment and machinery  | 07        | 15,429,438        | 1,988,465         | 365,332          | 355,799                      | 17,052,571                    | 8,132,314                                  | 1,476,023                                   | 365,332   | 9,243,005   |
| Other equipment and furniture      | 08        | 639,369           | 95,951            | 9,050            | 9,050                        | 726,270                       | 570,066                                    | 25,350                                      | 9,050   | 586,366   |
| Tangible assets in progress        | 09        | 2,470,406         | 11,362,197        | 2,254,376        |                              | 11,578,227                    | -  |   |   |   |
| Advances given for tangible assets | 10        | 4,702,859         |                   | 1,176,852        |                              | 3,526,007                     | -  |   |   |   |
| <b>TOTAL(rows05to10)</b>           | <b>11</b> | <b>95,187,064</b> | <b>13,453,170</b> | <b>5,271,368</b> | <b>1,424,573</b>             | <b>103,368,866</b>            | <b>26,765,540</b>                          | <b>3,570,309</b>                            | <b>4,736,090</b>  | <b>25,599,759</b>                                   |

The tangible assets of the Company were assessed at historical cost to which were added the reassessments ordered by normative acts; The tangible assets in Group 1, Buildings, were evaluated according to the Romcontrol evaluation report

**c)**

|                             |    |        |  |  |  |        |       |        |  |        |
|-----------------------------|----|--------|--|--|--|--------|-------|--------|--|--------|
| Right to use leasing assets | 12 | 63,953 |  |  |  | 63,953 | 3,553 | 14,211 |  | 17,764 |
|-----------------------------|----|--------|--|--|--|--------|-------|--------|--|--------|

c) Financial fixed assets\*\*\*\*

- lei -

| Items of fixed assets                            | row no.   | Gross value        |                   |                  |                              |                               | Depreciation (amortization and provisions) |   |  |                                     |
|--|-----------|--------------------|-------------------|------------------|------------------------------|-------------------------------|--|---|--|-------------------------------------|
|  |           | Opening balance    | Increases         | Decreases        |                              | Final balance (row 5 = 1+2-3) | Opening balance                            | Provisions established during the financial year, deprec. | Provizioane Provisions charged to income | Closing balance (row.13 = 10+11-12) |
|  |           |                    |                   | Total            | out of which decommissioning |                               |  |   |  |                                     |
| A  | B         | 1(1)               | 2(2)              | 3(3)             | 4(4)                         | 5(5)                          | 6(1)                                       | 7(2)  | 8(3)                                     | 9(4)                                |
| FINANCIAL FIXED ASSETS                           | 13        | 5,428,997          |                   |                  |                              | 5,428,997                     |  |   |  |                                     |
| <b>TOTAL row 11)</b>                             | <b>14</b> | 5,428,997          |                   |                  |                              | 5,428,997                     |  |   |  |                                     |
| <b>NON-CURRENT ASSETS - TOTAL (row 04+10+11)</b> | <b>15</b> | <b>102,519,904</b> | <b>13,791,953</b> | <b>5,271,368</b> | <b>1,424,573</b>             | <b>111,040,489</b>            | <b>28,079,486</b>                          | <b>3,836,812</b>  | <b>4,736,090</b>                         | <b>27,180,208</b>                   |



**List of companies in which IAR S.A. holds participations**

| <b>Company name</b>                    | <b>Trade Registry registration number</b> | <b>Object of activity</b>                | <b>% of the share capital owned by IAR S.A. in this company</b> | <b>Total value of the shares owned by IAR SA in this company (RON)</b> | <b>Partner in the joint venture</b>          |
|--|---|--|---|--|--|
| <b>AIRBUS HELICOPTERS ROMÂNIA S.A.</b> | <b>J08/53/23.01.2002</b>                  | <b>Aircraft manufacturing and repair</b> | <b>48.99997</b>   | <b>5,389,997</b>   | <b>AIRBUS HELICOPTERS S.A.S.</b>             |
| AERODROM "IOSIF ŞILIMON" SA            | J08/793/2011                              | Airfield constructions and exploitation  | 39,00   | 39,000   | The townhall of Brasov<br>Other shareholders |

AIRBUS HELICOPTERS ROMANIA SA is a closed company, its shares not being traded on the capital market.

Aerodrome SC "Iosif SILIMON" SA has not had activity since 2014 and is being dissolved according to the shareholders' decision.

**GENERAL DIRECTOR**  
Laurian ANASTASOF

**ECONOMIC AND COMMERCIAL DIRECTOR,**  
Ec. Ion DUMITRESCU

## 2. PROVISIONS FOR RISKS AND EXPENSES (RON)

| Denomination of the provision*)         | Balance at the start of the financial year | Transfers**)      |                    | Balance at the end of the financial year |
|---|--|-------------------|--------------------|--|
|   |  | into the account  | out of the account |  |
| 0                                       | 1  | 2                 | 3                  | 4 = 1+2-3                                |
| Provisions for receivables and payables | 199,775                                    |                   |                    | 199,775                                  |
| Provisions for risks and expenses       | 37,594,317                                 |                   | 19,720,531         | 17,873,786                               |
| Provisions for inventories              | 14,906,551                                 |                   | 78,316             | 14,828,235                               |
| Provision for retirement premiums       | 3,995,729                                  | 555,545           | 655,179            | 3,896,095                                |
| Provision for participation to profit   | 2,582,555                                  | 2,894,160         | 2,582,555          | 2,894,160                                |
| Provision for Contracts Dec 2018        | 14,619,561                                 |                   | 12,916,932         | 1,702,629                                |
| Provision for Contracts 2019            | 17,562,268                                 |                   | 11,158,104         | 6,404,164                                |
| Provision for Contracts 2020            |  | 25,973,688        |                    | 25,973,688                               |
| <b>TOTAL</b>                            | <b>91,460,756</b>                          | <b>29,423,393</b> | <b>47,111,617</b>  | <b>73,772,532</b>                        |

## 4. NET PROFIT APPROPRIATION

| Destination  | RON               |                   |
|--|-------------------|-------------------|
|  | 31-12-2019        | 31,12,2020        |
| <b>Net profit to be appropriated:</b>                | <b>49,128,541</b> | <b>33,967,230</b> |
| - Legal reserve                                      | 2,319,392         | 0                 |
| - Reinvested profit                                  | 2,864,258         | 1,335,690         |
| - Shares buy-back                                    |                   |                   |
| - Unappropriated profit                              |                   | 32,631,540        |
| Out of which:  |                   |                   |
| - Offsetting the accounting loss from previous years |                   |                   |
| - Shareholders' current dividends                    | 18,278,853        |                   |
| - Own financing source                               | 25,666,038        |                   |

The above appropriations were made according to official regulations on the appropriation of profit performed by the company in accordance with the law no. 31/1990 on commercial companies and law no. 232/2016 on the national defense industry.

#### 4. ANALYSIS OF THE RESULT FROM EXPLOITATION

RON

| Crt. No. | Indicator  | Fiscal year Prior year | Fiscal year Current year |
|----------|--|------------------------|--------------------------|
| 1        | <b>Net turnover</b>  | <b>365,811,270</b>     | <b>256,291,473</b>       |
| 2        | Cost of sold goods and services rendered ( 3+4+5 )           | 294,658,682            | 192,258,666              |
| 3        | Main activities expenses                                     | 267,360,946            | 165,009,531              |
| 4        | Auxiliary activities expenses                                | 7,679,678              | 8,264,335                |
| 5        | Production overheads   | 19,618,058             | 18,984,800               |
| 6        | <b>Gross result corresponding to the net turnover ( 1-2)</b> | <b>71,152,588</b>      | <b>64,032,807</b>        |
| 7        | Selling expenses   | 970,320                | 1,177,140                |
| 8        | General administration expenses (with acc.658)               | 34,150,111             | 27,798,197               |
| 9        | Other expenses / operating income                            | 15,873,007             | 5,347,774                |
| 10       | <b>Operating result (6-7-8+9)</b>                            | <b>51,905,164</b>      | <b>40,405,244</b>        |

#### 5, SITUATION OF RECEIVABLES AND PAYABLES

##### A. SITUATION OF RECEIVABLES (RON)

|                                    | Balance at        | Term of liquidity |             |
|------------------------------------|-------------------|-------------------|-------------|
|                                    | 31/12/2020        | Under 1 year      | Over 1 year |
| 1. Trade receivables               | 23,573,085        | 23,573,085        |             |
| 2. Paid advances                   | 2,248,194         | 2,248,194         |             |
| 3. Other receivables               | 10,057,281        | 10,057,281        |             |
| 4. Investment held as fixed assets |                   |                   |             |
| 5. Other fixed receivables         |                   |                   |             |
| <b>TOTAL:</b>                      | <b>35,878,560</b> | <b>35,878,560</b> |             |

##### B. SITUATION OF PAYABLES (RON)

|                                    | Balance on        | maturity for balance |                       |                  |
|------------------------------------|-------------------|----------------------|-----------------------|------------------|
|                                    | 31/12/2020        | Under 1 year         | Between 1 and 5 years | Over 5 years     |
| 1. Trade payables                  | 20,415,019        | 20,415,019           |                       |                  |
| 2. Other payables                  | 14,609,233        | 9,448,214            | 32,641                | 5,128,378        |
| 3. Payables to credit institutions | 45,936,405        | 45,936,405           |                       |                  |
| 4. Advance payments from customers | 15,467            | 15,467               |                       |                  |
| <b>TOTAL:</b>                      | <b>80,976,124</b> | <b>75,815,105</b>    | <b>32,641</b>         | <b>5,128,378</b> |

GENERAL DIRECTOR,

Laurian ANASTASOF

ECONOMIC DIRECTOR,

Ec. ION DUMITRESCU

## 6 ACCOUNTING PRINCIPLES, POLITICS AND METHODS

The main accounting policies adopted in preparing these financial statements are summarized below.

### General information

These financial statements have been prepared in accordance with the Accounting Regulations in conformity with the Directive IV of the European Economic Community and with International Accounting Standards, approved by the Romanian Public Finance Ministry's Order No. 2844/2016 for the approval of Accounting Regulations in accordance with the European directives. This order requires these financial statements to be prepared in accordance with:

- The Accounting Law no. 82/1991 (republished);
- The disclosure requirements contained in the FMO 2844/2016

These specific provisions stipulate that the annual financial statements are compiled based on the trial balance resulting after applying the IAS.

These financial statements have been prepared based on the historical cost convention, with the exceptions set out in the accounting policies.

### Basics of accounting

The Company keeps the accounting records in lei ("RON") and prepares the financial statements in accordance with the Accounting and reporting Standards issued by the Ministry of Finance.

The statements are based on the company's accounting records, drawn up on an going concern principle and history of costs basis and modified to their current form which is in conformity with Order no. 2844/2016. The financial statements ensure the comparability with the financial statements for the previous period.

### Use of estimates

The preparation of financial statements in accordance with PMFO 2844/2016 requires the management of the Company to make estimates and hypotheses that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the financial statement preparation date and the expenses reported for that period.

### Going concern

The nature of the company's main activity and the uncertainty existing in Romania regarding the outcome of current economic policies implemented in real operational conditions, enable the emergence of considerable unpredictable variations regarding future cash inflows. However, the directors believe that the Company will be able to continue its activity using the going concern principle in the near future and therefore, the financial statements have been prepared on the basis of this principle.

### Conversion of transactions in foreign currency

The company's transactions in foreign currencies are registered at the exchange rates from the transaction date: the gains and losses resulting from the settlement of transactions in a foreign currency and from the conversion of monetary assets and liabilities in foreign currencies, are specified in the profit and loss account. Such balances are converted in lei at the exchange rates established by the end of the year.

On December 31, 2020, the exchange rate used was 1 euro = 4,8694 lei , 1 usd = 3,9660 lei,

### Trade receivables

The trade receivables are registered at anticipated attainable value, which is the amount originally invoiced except for a provision for doubtful receivables. For the doubtful receivables an estimation is made based on a review of all outstanding amounts at the end of the year.

## **Cash and cash equivalents**

These are registered in the balance sheet under cost. For the treasury flow statement, these include cash in hand, sight deposits and other short-term investments with high liquidity.

## **Tangible assets**

### **(i) Cost**

The cost of purchase of the fixed assets is the value of the element taken into consideration when purchasing the assets and other directly attributable costs that are incurred when bringing the assets at the present location and the necessary condition provided for their use.

The costs incurred with the maintenance and repair of fixed assets are included in the profit and loss account, as they were executed. The improvements that significantly increase the life of the assets or their technical performance are capitalized.

The fixed assets elements that are written off or sold are removed from the balance sheet together with the corresponding accumulated depreciation. Profit or loss resulting from such an operation is determined as a difference between the amount obtained and the net accounting value and are included in the operating profit for that period.

Profit or loss resulting from such an operation is determined as a difference between the amount obtained and the net accounting value and are included in the operating profit for that period. Fixed assets registered as inventory objects, including equipment and tools, are registered as expenses when put into use and are not included in the accounting value of fixed assets.

### **(ii) Depreciation**

Depreciation is determined by linear method, in order to distribute the cost of the recorded asset during the estimated lifespan, as follows:

| <b><u>Asset</u></b>           | <b><u>Depreciation method</u></b>    |
|-------------------------------|--------------------------------------|
| Buildings                     | 40-50 years, using the linear method |
| Other equipment and furniture | 8-10 years, using the linear method  |
| Technical equipment           | 5-10 years, using the linear method  |
| Transportation means          | 5 years, using the linear method     |

### **(iii) Land**

Land is registered at the value given by the measurement. Land is not depreciated as it is deemed to have an indefinite lifespan.

## **Intangible assets**

### ***Development expenses for IT programs***

Expenses which increase and extend the benefits of IT programs beyond their description and initial lifespan are recorded as improvements and added to the original cost of the IT program. IT programs development costs recognized as assets are depreciated on a linear method basis over their lifespan, which does not exceed 3 years.

## **Financial assets**

Our company holds non-trading financial assets, obligatorily measured at fair value through profit or loss.

These assets were valued before the application of IFRS 9 at fair value according to IFRS 39.

Consequently, the application of IFRS 9 did not bring a value impact in the company's financial statements, nor did the reclassification of the financial instruments held generate an impact considering that the company has financial instruments valued as performing exposures and recognized the gains in the profit and loss account loss.

### ***Other intangible assets***

Intangible assets are not re-evaluated.

### **Inventories**

Raw materials' inventories, materials, inventory objects are recorded at the purchase price. The cost of finished goods and of production in progress includes materials, labour force and related production costs.

The storage and picking method is FIFO.

Inventories are recorded at the lowest value between the cost and net realizable value. The cost is generally determined on the basis of the weighted average cost. The cost of finished goods and work in progress includes materials, labor force and related production overheads. Where necessary, provisions are made for slow moving or defective inventories. The net realizable value is the normal selling price, except for costs of completion and selling expenses.

### **Taxation**

The company records the current income tax based on the net profit in the Romanian financial statements, under Romanian law on income tax.

The differences between the International Accounting Standards and the Romanian Accounting and Taxation Principles do not lead to the emergence of differences between the accounting basis of certain assets and liabilities, namely income and expenses in connection with their tax basis.

### **Income recognition**

Income from sales is recorded when the goods are delivered to the customer at an amount that does not include commercial rebates or discounts offered.

### **Turnover**

Turnover, excluding VAT, represents the amounts invoiced to third parties.

Turnover totaling 256,291,473 lei, is obtained as a result of activity in the field: repair and maintenance of aircraft and spacecraft (NACE code 3030).

### **Cost of debt**

Cost for interest on all loans are registered on expenses when they are made. Interest on loans obtained for financing of construction of fixed assets are capitalized only until commissioning. Future interests are registered on costs.

### **Pensions and other post retirement benefits**

In the normal course of business, the Company makes payments to the Romanian state in its employees' account. All employees of the Company are included in the state pension system. The company does not operate any other pension scheme or post retirement benefits and, consequently, has no other obligations related to pensions. Furthermore, the Company is not required to provide additional benefits to employees.

### **Liabilities**

Liabilities are recorded at nominal value.

In 2020, the Company established provisions for risks and expenses. Rate exchanges related to obligations were recorded under costs.

Provisions are recognized when the Company has a legal or implicit obligation arising from past events, when in order to settle the obligation an outflow of resources is necessary, encompassing economic benefits, and when a reliable estimate can be made regarding the value of the obligation.

## Provizioane

In 2020, the following provisions were established:

### ❖ **Nondeductible, amounting to 29,423,393 lei out of which:**

- Provision for employees' participation to profit amounting to 2,894,160 lei;
- Provision for the pension premium amounting to 555,545 lei;
- Provision for performance guarantees given to internal customers amounting to 25,973,688 lei

### **Also, provisions amounting to 47,111,617 lei were cancelled as follows:**

- Provision for performance guarantees given to internal customers, amounting to 24,075,036 lei;
- Provision for employees' participation to profit amounting to 2,582,555 lei;
- Provision for the pension premium, amounting to 655,179 lei;
- Provision related to the Compensation Office for acquisitions of special equipment, amounting to 6,262,955 lei;
- Provision for depreciation of fixed assets constructions, amounting to 3,199,754 lei;
- Provision for depreciation of production in progress, amounting to 78,316 lei;
- Other OFFSET risk provisions, amounting to 10,257,822 lei,

## Warranties

The Company is not registered with any responsibility for the repair and replacement of products under warranty at the balance sheet date. This provision has not been established based on the costs level of earlier repairs and replacements, but based on the theoretical maximum risk value stipulated in economic contracts.

## 7 SHARES AND BONDS

### a) Shares

The shareholding structure is as follows:

| SHAREHOLDERS                                 | NUMBER OF SHARES<br>2019 | HELD PERCENT<br>ANGE | NUMBER OF SHARES<br>2020 | HELD PERCENTAGE |
|--|--------------------------|----------------------|--------------------------|-----------------|
| <b>TOTAL OF SHARES</b>                       | <b>18,878,853</b>        | <b>100%</b>          | <b>18,878,853</b>        | <b>100%</b>     |
| MINISTRY OF ECONOMY AND BUSINESS ENVIRONMENT | 12,250,488               | 64,89%               | 12,250,488               | 64,89%          |
| LEGAL PERSONS                                | 3,149,369                | 16,682%              | 3,031,929                | 16,0599%        |
| NATURAL PERSONS                              | 3,478,996                | 18,428%              | 3,596,436                | 19,0501%        |

All shares are ranked pari passu (have equal voting rights) and have a nominal value of 2.5 RON / share.

## 7 INFORMATION REGARDING EMPLOYEES, ADMINISTRATORS AND DIRECTORS

### Remuneration of directors and administrators

|                                       | Fiscal year<br><b>2019</b> | Fiscal year<br><b>2020</b> |
|---------------------------------------|----------------------------|----------------------------|
| <b>REMUNERATION PAID TO DIRECTORS</b> |                            | <b>RON</b>                 |
| BANEA NECULAI                         | 682,788                    | 621,777                    |
| ANASTASOF LAURIAN                     |                            | 113,273                    |
| <b>TOTAL</b>                          | <b>682,788</b>             | <b>735,050</b>             |

**BOARD OF DIRECTORS AND GSM**

|                        | 2019           | 2020           |
|------------------------|----------------|----------------|
| NICULESCU MAGDALENA    | 18,880         |                |
| IOAN TOMA              | 28,320         |                |
| MIHU IRINA             | 14,160         |                |
| ALIN GUTU              | 33,040         |                |
| NITA EMIL              | 33,040         | 9,440          |
| GREBLA OCTAVIAN ALIN   | 14,160         | 9,440          |
| BUSCU ALEXANDRU        | 18,880         |                |
| PISTOL MARIUCA OANA    | 42,480         | 9,440          |
| ANGHEL RUXANDRA RODICA | 56,640         | 56,640         |
| BODEA ILIE CALIN       | 37,760         |                |
| DAVID FLORIN DRAGOS    |                | 51,920         |
| DONTU MIHAI AUREL      |                | 51,920         |
| CONDUROVICI MARCEL     |                | 4,720          |
| BACIU CRISTIAN ALIN    |                | 51,920         |
| ANASTASOF LAURIAN      |                | 13,903         |
| <b>TOTAL</b>           | <b>297,360</b> | <b>259,343</b> |

**b) Employees**

In the fiscal year ended on the 31<sup>st</sup> December 2020, the company had an average of 389 employees (in the fiscal year in 2019 = 390 employees).

In the normal course of business, the company makes payments to the Romanian state institutions on behalf of its employees' pensions. All company employees are members of the Romanian State pension plan. The company does not operate any other pension scheme or post retirement benefits and, consequently, has no other obligations in respect of pensions. The Company is not obliged to provide additional benefits to employees after retirement.

**9 ANALYSIS OF MAIN ECONOMIC AND FINANCIAL INDICATORS**
**9.1. Liquidity indicators**

| Denomination                | Calculation formula   | (A)<br>year<br>2019 | (B)<br>year 2020 | (B - A)<br>Variation | Observations |
|-----------------------------|---|---------------------|------------------|----------------------|--------------|
| Rapid ration<br>(acid test) | $\frac{\text{current assets} - \text{inventories}}{\text{current liabilities}}$ | 0.72                | 0.61             | -0.11                | Must be >1   |
| Current ratio               | $\frac{\text{Current assets}}{\text{current liabilities}}$                      | 3.38                | 3.39             | 0.01                 | Must be ~ 2  |

**9.2. Risk indicators**
**a) Leverage ratio**

| Denomination            | Calculation formula   | (A)<br>2019 | (B)<br>2020 | (B - A)<br>Variation | Observations   |
|-------------------------|---|-------------|-------------|----------------------|----------------|
| Leverage ratio          | $\frac{\text{total liabilities}}{\text{total assets}}$                            | 24.71       | 23.78       | -0.93                | Must be <35%   |
| Leverage ratio          | $\frac{\text{borrowed capital}}{\text{employed capital}}$                         | 0%          | 0%          | 0                    | Must be <35%   |
| Interest Coverage Ratio | $\frac{\text{gross profit} + \text{interest expenses}}{\text{interest expenses}}$ | 201.75      | 42.67       | -159.08              | Must not be <2 |



### 9.3. Profitability indicators

| Denomination         | Calculation formula                             | (A)       | (B)       | (B - A)   | Observations          |
|----------------------|---|-----------|-----------|-----------|-----------------------|
|                      |   | year 2019 | year 2020 | Variation |                       |
| Profit ratio         | $\frac{\text{net profit}}{\text{sales figure}}$ | 13.43     | 13.25     | -0.18     | Must be as > than 1,8 |
| Return on investment | $\frac{\text{net profit}}{\text{total assets}}$ | 14.30     | 9.97      | -4.33     | Must be as > 13%      |
| Financial return     | $\frac{\text{net profit}}{\text{total equity}}$ | 26.05     | 16.65     | -9.40     | Must be >5%           |

### 9.4. Activity indicators (management indicators)

| Denomination                                 | Calculation formula  | (A)       | (B)       | (B - A)   | Observations                           |
|--|--|-----------|-----------|-----------|--|
|  |  | year 2019 | year 2020 | Variation |  |
| Inventory turnover ratio                     | $\frac{\text{sales figure}}{\text{inventories value}}$                 | 1.73      | 1.21      | -0.52     | inventory turnover ratio has increased |
| Number of storage days                       | $\frac{\text{average inventory} * 365}{\text{sales figure}}$           | 187.67    | 300.69    | 113.02    |  |
| Average cash collection of clients (IN DAYS) | $\frac{\text{clients}}{\text{daily sales}}$                            | 27.43     | 11.39     | -16.04    | should be 30-45 days                   |
| Days payable outstanding                     | $\frac{\text{average balance supplier} * 365}{\text{goods purchases}}$ | 19.91     | 32.18     | 12.27     |  |
| Use ratio of fixed assets                    | $\frac{\text{sales figure}}{\text{net value of fixed assets}}$         | 4.91      | 3.06      | -1.85     | must be > than 1                       |

### 9.5. Indicators regarding the result per share

#### a) Result per share

The result per share is calculated by dividing the net profit attributable to the shareholders by the average number of ordinary shares outstanding during the year, except for the shares repurchased by the Company during the year. There were no dilutive potential ordinary shares during the year.

|  |       | <b>2019</b>      | <b>2020</b>       |
|--|-------|------------------|-------------------|
| Net profit attributable to Shareholders                      | - lei | 49,128,541       | 33,967,230        |
| Weighted average ordinary shares outstanding during the year |       | 18,278,853       | 18,278,853        |
| Gross profit per share                                       |       | 2,6877 lei/share | 1,8583 lei /share |

## 10 OTHER INFORMATION

### Information regarding the company's presentation

- The Company is headquartered in Brasov, 34 Hermann Oberth Street, and is constituted as a joint stock company, being founded in Romania.
- The company's main activity is the construction and repair of aircraft.

- The shares issued by IAR SA were traded on the Bucharest Stock Exchange, the Equity Sector - Standard Class actions.

**The method used to express in national currency the patrimony assets, revenues and expenses outlined in a foreign currency**

The Company's transactions in foreign currencies are recorded at the exchange rate on the transaction date. Gains and losses resulting from the settlement of such transactions and from the translation of assets and foreign currency monetary liabilities denominated in foreign currencies are recognized in the profit and loss account. Such balances are converted in lei at the exchange rates at the end of the year, communicated by the National Bank of Romania.

**a) Information on the income tax**

**Note: The reconciliation of the fiscal year result and the fiscal result, as shown in the tax declaration.**

**31.12.2020**

|   |                   |
|---|-------------------|
| 1. Gross accounting profit according to declaration 101 | 33,967,230        |
| 2. Legal reserves                                       | 0                 |
| 3. Non-taxable income                                   | 47,562,769        |
| 3.1 Other deductions                                    | 2,776,778         |
| 4. Tax non-deductible expenses                          | 36,347,997        |
| 5 Income taxable before the tax loss                    | 19,975,680        |
| 6. Prior tax loss                                       | 0                 |
| 7. Tax loss (5-4)                                       |                   |
| <b>8. Profit impozabil / Taxable profit</b>             | <b>19,975,680</b> |

**b) Fees paid to auditors**

The company signed audit contracts worth 57,368,29 lei, in 2020, as follows:

- Contract no. 191/ 11.01.2019 in value of 11,900 EUR

**e) THERE ARE NO pledged/mortgaged fixed assets in 2020**

**11 PETTYCASH AND BANK ACCOUNTS**

|                                   | <b><u>31 Dec.2019</u></b> | <b><u>31 Dec.2020</u></b> |
|-----------------------------------|---------------------------|---------------------------|
| Bank deposits in lei              | 8,270,337                 | 4,808,134                 |
| Bank deposits in foreign currency | 485,430                   | 4,942,904                 |
| Other values                      | 12,756                    | 21,009                    |
| Cash in lei                       | 2,301                     | 661                       |
| Cash in foreign currency          |                           |                           |
| Interests receivable              | 99,580                    | 91,323                    |
| <b>TOTAL</b>                      | <b>8,870,404</b>          | <b>9,864,031</b>          |

In order to present the cash flow statements, the cash and the cash equivalents comprise the following elements

|  | <b><u>31 Dec.2019</u></b> | <b><u>31 Dec.2020</u></b> |
|--|---------------------------|---------------------------|
| Cash, bank accounts, other values      | 8,770,824                 | 9,772,708                 |
| Interests receivable                   | 99,580                    | 91,323                    |
| Other short-term financial investments | 0                         | 0                         |
| <b>TOTAL</b>                           | <b>8,870,404</b>          | <b>9,864,031</b>          |

**12 TRADE RECEIVABLES**

|  | <b>2019</b>       | <b>2020</b>       |
|--|-------------------|-------------------|
| External trade receivables                 | 399,183           | 715,604           |
| Internal trade receivables                 | 13,809,201        | 1,072,149         |
| Advances to internal suppliers             | 348,062           | 2,069,674         |
| Advances to external suppliers             | 0                 | 178,520           |
| Deposit for the SGB real estate receivable | 28,117,255        | 21,972,516        |
| Provisions for doubtful customers          | -187,184          | -187,184          |
| <b>T O T A L:</b>                          | <b>42,486,517</b> | <b>25,821,279</b> |

**13 OTHER RECEIVABLES**

|   | <b>2019</b>      | <b>2020</b>       |
|---|------------------|-------------------|
| Personnel receivables                         | 0                | 0                 |
| VAT to be recovered                           | 5,785,271        | 4,628,783         |
| Other taxes (excise and customs duties + CCI) | 333,302          | 823,262           |
| Various debtors                               | 205,948          | 260,281           |
| Income tax                                    | 0                | 4,266,043         |
| Receivable interest                           | 99,580           | 91,323            |
| Provision for doubtful debtors                | -12,592          | -12,592           |
| Other receivables - VAT not due               | 3,199            | 181               |
| <b>TOTAL:</b>                                 | <b>6,414,708</b> | <b>10,057,281</b> |

**14 A. TRADE PAYABLES**

|                                  | <b>2019</b>       | <b>2020</b>       |
|----------------------------------|-------------------|-------------------|
| Suppliers, of which              | 17,406,121        | 19,078,030        |
| Internal                         | 9,577,916         | 14,993,975        |
| External                         | 7,828,205         | 4,084,055         |
| Fixed assets suppliers, of which | 1,408,032         | 1,336,989         |
| Internal                         | 1,408,032         | 1,336,989         |
| External                         | 0                 | 0                 |
| Advance payments from customers  | 16,617            | 15,467            |
| <b>T O T A L:</b>                | <b>18,830,770</b> | <b>20,430,486</b> |

**B. OTHER PAYABLES. INCLUDING FISCAL PAYABLES AND SOCIAL SECURITY PAYABLES**

|   | <b>2019</b>       | <b>2020</b>       |
|---|-------------------|-------------------|
| <b>State budget</b>   | <b>1,498,044</b>  | <b>424,388</b>    |
| of which :  |                   |                   |
| - Salary tax  | 330,886           | 424,388           |
| Income tax  | 1,167,158         | 0                 |
| <b>Social Security Budget</b>   | <b>1,874,754</b>  | <b>2,382,987</b>  |
| <b>VAT payment</b>  | <b>0</b>          | <b>0</b>          |
| <b>Contributions to the health social insurance, labour ensuring contribution</b> | <b>1,874,754</b>  | <b>2,382,987</b>  |
| VAT not due   |                   |                   |
| <b>Various creditors</b>  | <b>5,345,578</b>  | <b>5,906,830</b>  |
| <b>Payables related to personnel</b>  | <b>1,088,266</b>  | <b>1,805,646</b>  |
| <b>Dividends</b>  | <b>2,824,386</b>  | <b>4,042,234</b>  |
| <b>Other payables leasing operational</b>   | <b>60,514</b>     | <b>47,148</b>     |
| <b>T O T A L:</b>   | <b>12,691,542</b> | <b>14,609,233</b> |

**C. AMOUNTS DUE TO CREDIT INSTITUTIONS - SHORT TERM(ROn)= 45,936,405 LEI**

## 15. INCOME TAX

The Company registered an income tax due for the previous concluded fiscal year worth 2,952,399 lei. The accounting gross profit was adjusted based on fiscal principles, determining the fiscal profit. The differences applied in preparing these financial statements between regulations issued by the Ministry of Finance of Romania and the accounting rules do not give rise to significant differences between the accounting value of certain assets and liabilities on the one hand, and their value established for the purposes of fiscal taxation on the the other hand.

## 16. EXPENSES WITH PERSONNEL (RON)

|  | 2019              | 2020              |
|--|-------------------|-------------------|
| Salaries and indemnities                                   | 39,489,700        | 43,887,406        |
| Expenses with social security and other personnel expenses | 1,606,107         | 1,704,741         |
| <b>Total</b>   | <b>41,095,807</b> | <b>45,592,147</b> |

The average number of employees during the year was as follows

**TOTAL** **389**

## 17. INTEREST EXPENSES AND OTHER SIMILAR EXPENSES (RON)

|  | 2019             | 2020             |
|--|------------------|------------------|
| Losses from foreign exchange differences | 776,958          | 3,346,202        |
| Interests                                | 280,678          | 886,015          |
| Expenditure on discounts granted         | -                | -                |
| Other financial expenses                 | -                | -                |
| Financial leasing f                      | -                | -                |
| <b>TOTAL</b>                             | <b>1,057,636</b> | <b>4,232,217</b> |

## 18. CHANGES IN CURRENT ASSETS ELEMENTS (RON)

|                                       | <u>31 Decembre 2019</u> | <u>31 Decembre 2020</u> |
|---------------------------------------|-------------------------|-------------------------|
| Receivables                           | 48,901,225              | 35,878,560              |
| Inventories                           | 211,201,751             | 211,074,582             |
| Trade payables and other payables (-) | 26,139,102              | 29,878,700              |
| <b>TOTAL</b>                          | <b>233,963,874</b>      | <b>217,074,442</b>      |

## 19. FINANCIAL RISKS

### (i) Market risk

The assets and monetary payables expressed in lei are analysed below:

|                                     | <u>31 Decembre 2019</u> | <u>31 Decembre 2020</u> |
|-------------------------------------|-------------------------|-------------------------|
| Asset                               | RON                     | RON                     |
| Monetary assets in lei              | 8,272,638               | 4,808,795               |
| Monetary assets in foreign currency | 485,430                 | 4,942,904               |

### (ii) Interest rate risk

The interest rate risk means the risk that the value of a financial instrument will fluctuate due to variations of interest rates on the market.

The company did not sign foreign currency loan agreements at variable interest rates.

### (iii) Credit risk

The credit risk means the risk that one of the parties who participate to a financial instrument shall fail to fulfill an obligation, which will cause the other party to record a financial loss. In the given situation the management of the company argues that there may not be situations with significant influence

**(iv) Liquidity risk**

The company's policy concerning liquidity is to maintain sufficient liquidity so that it can pay its obligations on maturities' dates. The assets and liabilities are analyzed according to the period remaining until the contractual maturities.

**(v) Fair values**

The accounting amounts of financial assets and liabilities with maturity under one year approximates their fair value. On 31 December 2020, the fair value of short-term debts, estimated by updating future cash flows with current interest rate for similar instruments on the market, does not differ significantly, according Company's management, from the value to which these financial instruments are registered.

**20. CONTINGENT LIABILITIES**

**Litigations and other disputes**

On the date of the balance sheet, various legal actions, proceedings and investigations were open against the company. Based on the professional advice received from the legal advisors of the Company, the Company's management believes that the Company is unlikely to register any significant material obligation, arising from legal proceedings against the Company.

**Onerous contracts**

The Company did not enter onerous contracts as at December 31, 2020,

**Other aspects concerning the contingent liabilities**

The environmental regulations are under development in Romania, and the Company did not register any obligations on 31 December 2020 for any anticipated costs, including legal and consulting fees, studies of site, design and implementation of remedial plans, concerning components of the environment. The Company's management does not consider the costs associated to any environmental problems to be significant.

**GENERAL DIRECTOR**

**Laurian ANASTASOF**

**ECONOMIC AND COMMERCIAL DIRECTOR,**

**Ec. Ion DUMITRESCU**

| <b>I. Data on Result</b>   | <b>Row no.</b>  | <b>No. of units</b>  | <b>Amounts (lei)</b>            |                                 |
|--|-----------------|----------------------|---------------------------------|---------------------------------|
| A  | B               | 1                    | 2                               |                                 |
| Units with profit  | 01              | 1                    | 33,967,230                      |                                 |
| Units with loss  | 02              |                      |                                 |                                 |
|  |                 | <b>Total col 2+3</b> | <b>Out of which</b>             |                                 |
| <b>II. Data on outstanding payments</b>  | <b>Nr, rând</b> |                      | <b>For the current activity</b> | <b>For the current activity</b> |
| A  | B               | 1                    | 2                               | 3                               |
| Outstanding payments- total (row 04+08+14 to 18 +22).  | 03              | 0                    | 0                               |                                 |
| Outstanding suppliers – total (row 05 to 07) out of which:                                     | 04              | 0                    |                                 |                                 |
| - over 30 days   | 05              | 0                    |                                 |                                 |
| - over 90 days   | 06              | 0                    |                                 |                                 |
| - over 1 year  | 07              | 0                    |                                 |                                 |
| Outstanding liabilities to the social security budget – total (row 09 o 13) out of which       | 08              | 0                    |                                 |                                 |
| - Contributions to state social security due by employers, employees and other related persons | 09              | 0                    |                                 |                                 |
| - contributions to the health fund   | 10              | 0                    |                                 |                                 |
| - contributions to the supplementary pension fund  | 11              | 0                    |                                 |                                 |
| - contributions to the unemployment fund   | 12              | 0                    |                                 |                                 |
| - other social liabilities   | 13              | 0                    |                                 |                                 |
| Outstanding liabilities to special funds budget  | 14              | 0                    |                                 |                                 |
| Outstanding liabilities to other creditors   | 15              | 0                    |                                 |                                 |
| Outstanding taxes to the state busget not paid at due term                                     | 16              | 0                    |                                 |                                 |
| Outstanding taxes to the local budget not paid at due term                                     | 17              | 0                    |                                 |                                 |
| bank loans not repaid at due time – total ( row 19 to 21) out of which                         | 18              | 0                    |                                 |                                 |
| - outstanding above 30 days  | 19              | 0                    |                                 |                                 |
| - outstanding above 90 days  | 20              | 0                    |                                 |                                 |
| - outstanding above 1 year   | 21              | 0                    |                                 |                                 |
| Outstanding interests  | 22              | 0                    |                                 |                                 |

| <b>I. Average number of employees</b>   |    | <b>Previous year</b> | <b>Current year</b> |
|---|----|----------------------|---------------------|
| A   | B  | 1                    | 2                   |
| Average number of employees   | 01 | 390                  | 389                 |
| Actual number of employees at the end of the fiscal year, namely on 31 December | 02 | 394                  | 369                 |

**GENERAL DIRECTOR**  
**Laurian ANASTASOF**

**ECONOMIC AND COMMERCIAL DIRECTOR,**  
**Ec. Ion DUMITRESCU**

| Data on intangible assets                        | Gross values |                    |                   |                  |                              |                    |
|--|--------------|--------------------|-------------------|------------------|------------------------------|--------------------|
|  | Row no.      | Opening balance    | Increases         | Decreases        |                              | Final balance      |
|  |              |                    |                   | Total            | out of which decommissioning | (column 5 = 1+2-3) |
| Fixed assets elements                            |              |                    |                   |                  |                              |                    |
| A  | B            | 1 (1)              | 2 (2)             | 3 (3)            | 4 (4)                        | 5 (5)              |
| <b>Intangible assets</b>                         |              |                    |                   |                  |                              |                    |
| Set up and development expenses                  | 01           |                    |                   |                  | x                            |                    |
| Other intangibles                                | 02           | 1,839,890          | 338,783           |                  |                              | 2,178,673          |
| Advances for intangible assets in progress       | 03           |                    |                   |                  |                              |                    |
| <b>TOTAL (row 01 to 03)</b>                      | 04           | <b>1,839,890</b>   | <b>338,783</b>    |                  |                              | <b>2,178,673</b>   |
| <b>Tangible assets</b>                           |              |                    |                   |                  |                              |                    |
| Land   | 05           | 27,770,954         |                   | 110,568          |                              | 27,660,386         |
| Buildings  | 06           | 44,174,038         | 6,557             | 1,355,190        | 1,059,724                    | 42,825,405         |
| Technical equipment and machinery                | 07           | 15,429,438         | 1,988,465         | 365,332          | 355,799                      | 17,052,571         |
| Other equipment and furniture                    | 08           | 639,369            | 95,951            | 9,050            | 9,050                        | 726,270            |
| Tangible assets in progress                      | 09           | 2,470,406          | 11,362,197        | 2,254,376        |                              | 11,578,227         |
| Advances for intangible assets                   | 10           | 4,702,859          |                   | 1,176,852        |                              | 3,526,007          |
| <b>TOTAL (row 05 to 09)</b>                      | 11           | <b>95,187,064</b>  | <b>13,453,170</b> | <b>5,271,368</b> | <b>1,424,573</b>             | <b>103,368,866</b> |
| <b>Rights of use of leasing assets</b>           | 12           | <b>63,953</b>      |                   |                  |                              | <b>63,953</b>      |
| <b>Long term financial investments</b>           |              |                    |                   |                  |                              |                    |
|  | 13           | 5,428,997          |                   |                  |                              | <b>5,428,997</b>   |
| <b>NON-CURRENT ASSETS - TOTAL (row 04+10+11)</b> | 14           | <b>102,519,904</b> | <b>13,791,953</b> | <b>5,271,368</b> | <b>1,424,573</b>             | <b>111,040,489</b> |

|   | Depreciations |                      |   | RON   |   |
|---|---------------|----------------------|---|---|---|
| Fixed assets                                | Row no.       | Sold Opening balance | Depreciation and provisions during the year | Depreciation corresponding to fixed assets written off, adjustments charged to income | Depreciation at the end of the year<br>(column 9=6+7-8) |
| A   | B             | 6 (1)                | 7 (2)                                       | 8 (3)   | 9 (4)   |
| <b>Intangible assets</b>                    |               |                      |   |   |   |
| Set up and development expenses             | 15            |                      |   |   |   |
| Other intangibles                           | 16            | 1,310,393            | 252,292                                     |   | 1,562,685   |
| <b>TOTAL (rd, 15+16)</b>                    | 17            | <b>1,310,393</b>     | <b>252,292</b>                              |   | <b>1,562,685</b>  |
| <b>Tangible assets</b>                      |               |                      |   |   |   |
| Land  | 18            |                      |   |   |   |
| Buildings                                   | 19            | 18,063,160           | 2,068,936                                   | 4,361,708   | 15,770,388  |
| Technical equipment and machinery           | 20            | 8,132,314            | 1,476,023                                   | 365,332   | 9,243,005   |
| Other equipment and furniture               | 21            | 570,066              | 25,350                                      | 9,050   | 586,366   |
| <b>TOTAL (rd, 18 la 21)</b>                 | 22            | <b>26,765,540</b>    | <b>3,570,309</b>                            | <b>4,736,090</b>  | <b>25,599,759</b>                                       |
| <b>Rights to use leasing assets</b>         | 23            | <b>3,553</b>         | <b>14,211</b>                               |   | <b>17,764</b>   |
| <b>DEPRECIATIONS - TOTAL (rd, 17+22+23)</b> | 24            | <b>28,079,486</b>    | <b>3,836,812</b>                            | <b>4,736,090</b>  | <b>27,180,208</b>                                       |

GENERAL DIRECTOR  
Laurian ANASTASOF

ECONOMIC AND COMMERCIAL DIRECTOR,  
Ec. Ion DUMITRESCU



## STATEMENT

The undersigned Dragoş Florin DAVID – Chairman of the Board of Directors of IAR S.A. Company, declare on my own responsibility, under the sanction provided by art. 326 Penal Code, regarding the false statements, that, based on the information I have, I assume my responsibility for drawing up the financial statements and confirm that, to my knowledge:

- the annual financial statement for 2020 has been prepared in accordance with the FMO 2844/2016 for the approval of the Accounting regulations in accordance with the International Financial Reporting Standards (IFRS).
- the financial-accounting status as of 31.12.2020 offers a correct image and in accordance with the reality of the assets, liabilities, financial position, profit and loss account, financial performance and other information regarding the activity carried out by IAR SA, with the headquarters in . Ghimbav, str. Hermann Oberth, no. 34, Braşov County, registered with the Trade Register Office of Brasov under no. J08 / 4/1991, S.R.C. - 1132930, fiscal attribute R,
- the annual report 2020 prepared according to the FMO 2844/2016 and the ASF Regulation no 5/2018, correctly and completely presents the information about the company IAR SA.

**Dragoş Florin DAVID**

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**CHAIRMAN OF THE BOARD OF DIRECTORS**

## STATEMENT

The undersigned, Laurian ANASTASOF – General Director of IAR S.A. Company, declare on my own responsibility, under the sanction provided by art. 326 Penal Code, regarding the false statements, that, based on the information I have, I assume my responsibility for drawing up the financial statements and confirm that, to my knowledge:

- the annual financial statement for 2020 has been prepared in accordance with the FMO 2844/2016 for the approval of the Accounting regulations in accordance with the International Financial Reporting Standards (IFRS).
- the financial-accounting status as of 31.12.2020 offers a correct image and in accordance with the reality of the assets, liabilities, financial position, profit and loss account, financial performance and other information regarding the activity carried out by IAR SA, with the headquarters in . Ghimbav, str. Hermann Oberth, no. 34, Braşov County, registered with the Trade Register Office of Brasov under no. J08 / 4/1991, S.R.C. - 1132930, fiscal attribute R,
- the annual report 2020 prepared according to the FMO 2844/2016 and the ASF Regulation no 5/2018, correctly and completely presents the information about the company IAR SA.

Laurian ANASTASOF

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GENERAL MANAGER

## STATEMENT

The undersigned **Ion DUMITRESCU – Economic and Commercial Director of IAR S.A. Company**, declare on my own responsibility, under the sanction provided by art. 326 Penal Code, regarding the false statements, that, based on the information I have, I assume my responsibility for drawing up the financial statements and confirm that, to my knowledge:

- the annual financial statement for 2020 has been prepared in accordance with the FMO 2844/2016 for the approval of the Accounting regulations in accordance with the International Financial Reporting Standards (IFRS).
- the financial-accounting status as of 31.12.2020 offers a correct image and in accordance with the reality of the assets, liabilities, financial position, profit and loss account, financial performance and other information regarding the activity carried out by IAR SA, with the headquarters in . Ghimbav, str. Hermann Oberth, no. 34, Braşov County, registered with the Trade Register Office of Brasov under no. J08 / 4/1991, S.R.C. - 1132930, fiscal attribute R,
- the annual report 2020 prepared according to the FMO 2844/2016 and the ASF Regulation no 5/2018, correctly and completely presents the information about the company IAR SA.

ec. **Ion DUMITRESCU**

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**ECONOMIC AND COMMERCIAL DIRECTOR**

**AUDIT REPORT**  
ON THE FINANCIAL STATEMENTS  
OF  
**IAR S.A. COMPANY**  
BRAȘOV

**AS AT 31ST DECEMBER, 2020**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of IAR S.A. COMPANY

### **Opinion**

We have audited the financial statements of the company I.A.R. S.A. Brasov (the "Company"), headquartered in 34, Hermann Oberth Street, Sole identification Code RO1123930, for the financial year closed on 31st December, 2020 and the status of the global result, the status of company capitals changes and the status of the treasury flows corresponding to the financial year closed on the afore-mentioned date, and the notes to the financial statements, including a summary of the significant accounting policies set up in accordance with the Public Finance Ministry Order No.2844 / 2016 on the approval of accounting regulations compliant with the International Financial Regulations Standards (IFRS).

The financial statements herein referred to concern:

|                               |                   |
|-------------------------------|-------------------|
| -Total assets                 | = 340.655.552 lei |
| -Total equity                 | = 204.049.438 lei |
| -Financial year result-profit | = 33.967.230 lei  |

**In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company on December 31, 2020, its financial performance and treasury cash flows for the year ended on the mentioned date in accordance with the MF Ordinance no. 2844/2016 on the approval of the accounting regulations as per the International Financial Reporting Standards (IFRS).**

### **Basis for the opinion**

We conducted our audit in accordance with the International Standards on Auditing ("ISA"), EU Regulation no. 537 of the European Parliament and Council (hereinafter named "The Regulation") and Law no. 162 / 2017 on the statutory audit of the financial statements and of the consolidated yearly financial statements.

Our responsibility based on these standards are explained in detail in the section *The Auditor's Responsibilities in Auditing the Financial Statements* in our report.

We are independent of the company, according to the *Code of Ethics for Professional Accountants (the IESBA Code)* issued by the Council for International Standards of Ethics for Accountants in conjunction with the relevant ethical requirements to the audit of financial statements in Romania and we met all other ethical responsibility, in compliance with these requirements and the IESBA Code.

We believe that the audit evidence that we have obtained are sufficient and appropriate to provide a basis for our opinion.

**The key aspects of the audit**

The key aspects of the audit are those issues that, in our professional reasoning, had the greatest importance to audit the financial statements of the current period. These issues were addressed in the context of the overall financial statement audit and in forming our opinion on them and we do not provide a separate opinion on these aspects.

**Revenue recognition**

*Risk:* due to the nature of the company activity, production of long-term qualifying assets manufacturing, there is a risk that the income be acquired on delivery and not pro rata with its implementation as stipulated in IAS 11 - long-term contracts.

*Our response:* We have identified and tested the verifications that appear on customers-incomes financial flows and found that they are operational and present no deviations. We made additional detailed tests to ensure that the revenue is recognized in the correct financial period in accordance with the IFRSs.

Our audit procedures to address the risk of significant material misstatement related to the revenue recognition, which was considered a significant risk included:

- tests of verifications, the delivery terms, the sales prices of its production;
- comparing these data on terms and prices with contracts
- a detailed analysis of the income and its recognition period based on shipping documents and expected results of our knowledge related to the branch of activity following the movements and comparing them with our expectations.

**Provisions for risks and charges**

*Risk:* Due to the specific sales activity dependent on a small number of customers and to the long-term contractual agreements there are risks independent of the activity itself of the Company to delay or cancel orders.

*Our response:* During the he audit, we addressed the adequacy and recognition in the selected period of the costs and provisions in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets and found that the assumptions and criteria used by the management to determine the provisions for risks and charges recognized in the financial statements are adequate.

We have identified the criteria for recognition as detailed in the calculation of the Company's management regarding future risks in the performance of contracts concluded during the audited period. The recognition criteria are logical and prudent approaches of the company's management on the risks inherent in the conditions of an economy insufficiently stabilized and taking into account possible changes in the implementation of the budget in future years.

The components audit team performed extensive audit procedures regarding the recognition and measurement of provisions for risk related to the respective components.

The audit team identified the completeness and accuracy of provisions for risks and charges as a significant risk in the audit, reviewed the audit procedures performed by teams on the components and discussed with the company management on the criteria for recognition.

### **Assessment of the production in progress**

Risk: due to the nature of the company activity, the production of long-term qualifying assets manufacturing, there is a risk to over or undervalue and the reporting of the production in progress influence the current financial result of the company's activity and thus its business continuity.

Our response: During the audit, we approached the recognition in the selected period of the achieving production costs and checked the criteria used by the management to evaluate and recognize it in its financial statements (IAS -2) noting that they were appropriate.

We checked the criteria for recognition as detailed in the calculus on production orders in progress, by the company management, we reviewed the procedures and found that they may not have significant deviations. The assessment of the production in progress was carried out at the cost of production, which is lower than the net achievable value under normal conditions of operation of the company.

### **Other information - The Board of Directors' Report**

The members of the Board of Directors are responsible for preparing and presenting other information. The respective other information contain also the Board of Directors' Report but they do not contain the financial statements and the auditor's report with regard to the former and nor do they contain the non-financial statement, as the latter is presented separately.

Our opinion with regard to the financial statements does not cover such other information and, except for the case when it is mentioned explicitly in our report, we do not formulate any conclusion ensuring such information.

In the audit of financial statements for the year ended December 31, 2020, our responsibility is to read the respective information and, in doing so, to assess whether the respective information is significantly divergent from the financial statements or from the information we acquired during the audit, or whether they seem to be significantly flawed.

With regard to the Board of Directors' Report, we have read and report if this was set up in all its significant aspects, as per the Ministry of Finances Ordinance no. 2844/2016, paragraphs 15-18 of the Accounting Regulations compliant with the International Financial Reporting Standards (IFRS).

Based on the work carried out, during the auditing of the financial statements, we report that:

a) the information presented in the Board of Directors' Report for the year the financial statements have been made are in compliance with the financial statements in all its significant aspects;

b) the Board of Directors' Report was set up, in all material respects, as per the MFOrdinance no. 2844/2016, paragraphs 15-18 of the Accounting Regulations on annual financial statements in accordance with International Financial Reporting Standards (IFRS).

In addition, based on our knowledge and understanding with regard to the Company and its environment, acquired during the audit of financial statements for the year ended on December 31, 2020, we have not identified significant distortions in the Board of Directors' Report. There is nothing for us to report on this matter.

### **The responsibilities of management and of the people charged with governance of the financial statements**

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRSs and for such internal verification that the management deems necessary to enable the preparation of the financial statements free of significant material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the company's ability to continue its operation, showing, if the case, aspects of business continuity and using the accounts based on continuing the activity, unless the management either intends to liquidate the company or to downsize its operations, or has no realistic alternative beyond.

The people charged with governance are responsible for reviewing the Company's financial reporting process.

### **The auditor's responsibilities in an audit of financial statements**

Our goals are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to



issue an auditor's report which includes our opinion. Reasonable assurance is a high level of assurance, but there is no guarantee that an audit conducted in accordance with the ISAs will always detect a significant material misstatement, if any. Distortions can be caused either by fraud or error and are considered significant if it can be expected, reasonably, that they, individually or in aggregate, will influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exert the professional judgment and maintain the professional skepticism throughout the audit.

Also:

- We identify and assess risks of significant material misstatement of the financial statements, due either to fraud or error, and execute audit procedures in response to such risks and obtain sufficient appropriate audit evidence to provide a basis for our opinion. The non-detection risk of that a significant material misstatement due to fraud is higher than the non-detection of a significant material misstatement due to error because fraud may involve collusion, forgery, deliberate omissions, misrepresentations and avoiding internal control.
- We understand the internal control relevant to the audit, in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
- We assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- We draw a conclusion on the appropriateness of the use by the management of the accounting on a going concern basis and determine, based on the audit evidence obtained, whether a material uncertainty exists regarding events or conditions that may cast significant doubt on the ability of company to continue in operation. If we conclude that there is a significant uncertainty, we must note in the auditor's report the presentations related to the financial statements or, if these disclosures are inadequate, to change our opinion. Our conclusions are based on the audit evidence obtained until the auditor's report date. However, future events or conditions may cause the Company to no longer operate under the going concern principle.
- We assess the presentation, structure and general content of the financial statements, including disclosures, and whether the financial statements reflect main transactions and events in a manner that achieves a fair presentation.
- We communicate to the people responsible for governance, among other things, the planned scope and timing of the audit and the main audit findings, including any significant deficiencies in the internal control that we identified during the audit.
- We also provide the people responsible for governance a statement that we complied with the ethical requirements relevant to independence and that we communicated all relationships and other matters which might be assumed, reasonably, to affect our independence and, where appropriate, the related safety measures.
- The matters communicated between us and those charged with governance determine which are the most important aspects to audit the financial statements of the current period and are therefore key audit issues. We describe these issues in the auditor's report, unless laws or regulations prohibit public disclosure of their appearance or where, in

extremely rare circumstances, we determine that they should not be communicated in our report as envisaged reasonably that the public interest overcome the negative consequences of this communication.

### **Report on other legal and regulatory provisions**

We were appointed by the General Meeting of Shareholders on January 10, 2019 to audit the financial statements of IAR S.A. BRASOV for the financial year ended 31 December 2018. The uninterrupted total duration of our commitment is 5 years, covering the financial years ended December 31, 2018 - 2022.

We confirm that:

In conducting our audit, we have maintained our independence from the audited entity.

We have not provided the Company with the forbidden non-audit services referred to in Article 5 para. (1) of the EU Regulation No.537 / 2014.

### **On behalf of the auditing company:**

MACAVEIU CONSULT SRL located in BRASOV, 66, Grivitei Street, Block of flats 4, ap.1,  
Registered with the Financial Auditors' Chamber – Romania under no. 211/2001.

**Ioan Macaveiu**

**Financial Auditor**

**23 March 2021**

Registered with the Financial Auditors' Chamber – Romania under no. 276/2001.