HALF-YEARLY REPORT ON THE ADMINISTRATION ACTIVITY - 2021

Set up as per the provisions of art. 55, para (1) of the EGD 109/2011

Date of the report: 15.09.2021
Name of the issuer: *the company IAR S.A.*
Registered headquarters*: 34, Street, the town of Ghimbav, Braşov County*
Telephone / fax numbers*: +40 -268-475108; +40-268-476981*
Sole registration code with the Trade Registry*: 1132930*
Registration number with the Trade Registry*: J08/4/21.01.1991.*
The regulated market which hosts the issued securities values transaction: *The Stock exchange, Bucharest, Capital titles sector – shares standard category*
Registered and paid-up social capital: *47.197.132,50 RON*
The main characteristics of the securities issued by the issuer: *18,878,853 nominative shares, dematerialized, of a nominal value of 2.50 lei each.*
The registry of the shareholders and shares owned thereby is maintained based on a contract with S.C. Depozitarul Central S.A., headquartered in Bucharest, District 1, 25, Fagaras street.

1. ECONOMIC-FINANCIAL STATUS

The financial statements have not been audited.

1.1 *The current economic-financial status as compared to the same period of the past year*

a. balance sheet items

BALANCE SHEET ITEMS	***30.06.2020 RON***	***30.06.2021 RON***
I. Fixed assets	*76,978,197*	*87,938,619*
Stocks	*188,270,866*	*207,683,158*
Debentures	*38,493,475*	*62,732,780*
Petty-cash and banking accounts	*5,291,234*	*25,425,570*
Short-term financial investments		
II.Circulating assets	*232,055,575*	*295,841,508*
III.Expenses reg. in advance	*173,582*	*96,360*
TOTAL ASSETS	***309,207,354***	***383,876,487***
Share capital	*47,197,132*	*47,197,132*
Reserves from reevaluation	*27,200,318*	*25,381,701*
Reserves	*98,568,736*	*124,810,966*
Profit	*15,404,962*	*18,287,428*
Reported result		
Profit distribution	*3,907,678*	*5,642,638*
I Shareholder's equity	*185,570,826*	*214,611,865*
II Provisions for risks and expenses	*69,994,375*	*55,584,221*
Loans and assimilated debts		*61,947,297*
Suppliers	*23,919,233*	*30,117,621*
Creditor clients	*85,869*	*15,467*
Other debts	*29,591,282*	*21,554,247*
III Total payables	*53,596,384*	*113,634,632*
IV Settlement accounts	*45,769*	*45,769*
TOTAL LIABILITIES	***309,207,354***	***383,876,487***

Fixed assets represent in the first half of 2021: 22.91% of total assets, in the first half of 2020 they represent 24.89%. Receivables have a share of 16.35% of total assets in the first half of 2021, in the first half of 2020 they have a share of 12.44%.

b) the profit and loss account

PROFIT AND LOSS ACCOUNT	***30.06.2020 RON***	***30.06.2021 RON***
Income from the sale of goods	*73,999,101*	*60,888,333*
Sold production	*84,763,396*	*106,567,527*
Turnover	*158,762,497*	*167,455,860*
Income from the stored production– S.C.	*-12,219,412*	*-12,527,160*
Income from the stored production – S.D.	*1,478,248*	*3,472,811*
Other operating income	*148,021,333*	*158,401,511*
OPERATING INCOME –TOTAL	*60,694,198*	*49,774,964*
Expenditure on goods, com discounts received	*39,803,208*	*60,202,721*
Expenditure on raw mat. and consumable mat.	*1,137,759*	*1,317,759*
Expenditure on water and energy	*454,281*	*261,272*
Other mat. expenditure	*4,277,691*	*4,084,274*
Expenses with taxes, fees and payment. assimilated	*436,870*	*401,407*
Salary expenses (including meal vouchers)	*19,164,582*	*20,192,628*
Insurance and social protection-related expenses	*528,384*	*550,496*
Staff-related expenses		
Staff-related expenses	*19,692,966*	*20,743,124*
Other operating expenses	*200,407*	*14,644*
Provisioning expenses (net)		
Depreciation expenses	*1,867,845*	*2,065,904*
Value adjustments on current assets		
OPERATING EXPENSES - TOTAL	*128,565,225*	*138,866,069*
Operating result		
Profit	*19,456,108*	*19,535,442*
Loss		
TOTAL INCOME	*148,295,168*	*159,560,464*
TOTAL EXPENSES	*129,280,985*	*139,761,406*
GROSS EXERCISE		
PROFIT	*19,014,183*	*19,799,058*
LOSS		

The annual fluctuation 2021/2020 of the economic-financial indicators is due to the specificity of the production with long manufacturing cycle and the fluctuation of the structure of the production program (manufacturing or maintenance), even in the conditions of maintaining a load capacity of production capacities of 104%.

A comparison between the values of these indicators achieved in 2021 with those of 2020 does not provide a complete picture if it is not accompanied by a comparison of achievements with the provisions of the BVC approved for 2021. Thus:

ECONOMIC-FINANCIAL INDICATOR	***BVC PROVISIONS 2021 - SEM I thousand lei***	***ACHIEVEMENTS 2021-SEM I***	
		thousand lei	***%***
TOTAL REVENUE, OF WHICH:	*148,958*	*159,560*	*107.12*
OPERATING INCOME	*148,608*	*158,402*	*106.59*
TOTAL EXPENDITURE, of which:	*138,958*	*139,761*	*100.58*
OPERATING EXPENSES	*136,958*	*138,866*	*101.39*
GROSS RESULT	*10,000*	*19,799*	*197.99*

The share of operating expenses in total expenses: in the first half of 2021 it is 99.36%, and in the first half of 2020 it was 99.44%.

The share of operating income in total revenues: in the first half of 2021 it is 99.28%, and in the first half of 2020 it was 99.81%.

The production activity of the company is based only on firm contracts, with insured sales. The values of the indicators "turnover" and "income from stored production" are determined by the delivery schedules and the mode of transport of the products agreed with the beneficiaries.
The degree of loading of production capacities on 30.06.2021 is 104%.
Dividends related to the financial year 2020: *7,725,000 lei.*
The dividends granted for the financial year 2020 are in gross value of 0.4226195 lei / share, the date of payment being 15.07.2021. The expenses occasioned by their distribution are borne by the shareholders.
The shareholders entitled to receive dividends for the financial year 2020 are those registered in the shareholders' register on 25.06.2021, according to the GMS Decision no. 03 / 29.04.2021.

2. Analysis of the issuer's activity

2.1. *Presentation and analysis of trends, elements, events or factors of uncertainty that affect or could affect the liquidity of the company, compared to the same period last year* ***- not the case.***

Evolution of ***current liquidity*** *and* ***immediate liquidity*** *indicators between 30.06.2020-30.06.2021:*

Indicator	***Analyzed period***	
	30.06.2020	***30.06.2021***
Current liquidity indicator	***4.80***	***2.73***
Immediate liquidity indicator	***0.91***	***0.82***

2.2*. Presentation and analysis of the effects on the financial situation of the company of all capital expenses, current or anticipated (specifying the purpose and sources of financing of these expenses), compared to the same period last year: The company is financed from its own sources****.*
2.3. Presentation and analysis of events, transactions, economic changes that significantly affect the income from the core business. Specify the extent to which they have been affected by each item identified. Comparison with the same period last year ***- not the case.***

3. Changes affecting the issuer's capital and management

3.1. Description of cases in which the company was unable to meet its financial obligations during that period ***- not applicable***

3.2. Description of any change in the rights of holders of securities issued by the company ***- not applicable***

4. The administrative and executive management of IAR S.A.

Given that the selection procedure of the company's directors in accordance with the provisions of GEO 109/2011, started in 2017, has not been completed so far, both the administrative and executive management of IAR SA are ensured on the basis of contracts provisional mandate.

4.1. During the first semester of 2021, IAR SA had the following provisional directors:

Nr crt	*NAME AND SURNAME*	*ACT OF APPOINTMENT FOR THE LAST MANDATE*	*DURATION OF THE LAST MANDATE*
1	*Dragoș Florin DAVID*	*OGSM RESOL. no 01/18.02.2021*	*22.02.2021 - 22.06.2021*
2	*Ruxandra Rodica ANGHEL*	*OGSM RESOL. no 01/18.02.2021*	*22.02.2021 - 22.06.2021*
3	*Mihai Aurel DONȚU*	*OGSM RESOL. no 01/18.02.2021*	*22.02.2021 - 22.06.2021*
4	*Cristian Alin BACIU*	*OGSM RESOL. no 01/18.02.2021*	*22.02.2021 - 22.06.2021*
5	*Laurian ANASTASOF*	*OGSM RESOL. no 01/18.02.2021*	*22.02.2021 - 22.06.2021*
6	*Iuliana MUȘAT*	*OGSM RESOL. no 06/21.06.2021*	*23.06.2021 - 23.10.2021*
7	*Elena CĂLIN*	*OGSM RESOL. no 06/21.06.2021*	*23.06.2021 - 23.10.2021*
8	*Andreea MLADIN*	*OGSM RESOL. no 06/21.06.2021*	*23.06.2021 - 23.10.2021*
9	*Alexandru ROȘU*	*OGSM RESOL. no 06/21.06.2021*	*23.06.2021 - 23.10.2021*

4.2. In the first semester of 2021, the executive management of IAR SA was ensured by Mr. Laurian ANASTASOF, the management act being carried out in accordance with the provisions of the specific legislation in force and of the mandate contract no. D10 / E1965 / 04.09.2020, with its additional documents.
The current mandate of general manager is until 20.09.2021.
The performances of the administrative and executive management act exercised at Societatea IAR SA are reflected both by the economic-financial results on 30.06.2021, and by the other indicators mentioned in the present half-yearly management report.

5. Significant transactions
In the case of issuers of shares, information on the major transactions concluded by the issuer with the persons with whom it acts in concert or in which these persons were involved during the relevant period of time **- *is not the case.***

Iuliana MUȘAT - CHAIRWOMAN OF THE BOARD OF DIRECTORS

2. FINANCIAL STATEMENTS - 30.06.2021

2.1. STATUS OF THE FINANCIAL POSITION

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	30 JUNE 2020	***30 JUNE 2021***
ASSETS		
Non Current Assets		
Intangible Assets	*621,088*	*527,975*
Tangible Assets	*70,928,112*	*81,981,647*
Financial Investments	*5,428,997*	*5,428,997*
Non-Current Assets - Total	***76,978,197***	***87,938,619***
Current Assets		
Inventories	*188,270,866*	*207,683,158*
Commercial Receivables and Other Receivables	*38,493,475*	*62,732,780*
Short Term Investments		
Cash And Bank Accounts	*5,291,234*	*25,425,570*
Current Assets - Total	***232,055,575***	***295,841,508***
Prepayments	***173,582***	***96,360***
Total Assets	***309,207,354***	***383,876,487***
Equity And Debts		
Capital And Reserves		
Paid Subscribed Capital	*47,197,132*	*47,197,132*
Current Result	*15,404,962*	*18,287,428*
Reported Result	*3,907,678*	*5,642,638*
Distribution Of Profit		
Revaluation Reserves	*27,200,318*	*25,381,701*
Legal Reserves	*9,439,426*	*9,439,426*
Other Reserves and Own Shares	*82,421,310*	*115,371,540*
Equity - Total	***185,570,826***	***214,611,865***
Long-Term Debts	***5,277,579***	***5,028,634***
Current Debts		
Trade Payables	*24,005,102*	*30,133,088*
Other Liabilities, Including Tax Liabilities and Social Security Liabilities	*24,313,703*	*78,472,910*
Advance Income	*45,769*	*45,769*
Current Liabilities - Total	***48,364,574***	***108,651,767***
Provisions - Total	***69,994,375***	***55,584,221***
Total Equity, Debt And Provisions	***309,207,354***	***383,876,487***

STATEMENT OF FINANCIAL RESULT

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	30 JUNE 2020	***30 JUNE 2021***
Net turnover	*158,762,497*	*167,455,860*
Variation of stocks of finished products and production in progress C / D balance	*-12,219,412*	*-12,527,160*
Other operating revenues	*1,478,248*	*3,472,811*
Operating income - Total	***148,021,333***	***158,401,511***
Expenditures on raw materials, materials and goods	*100,951,687*	*110,238,957*
Staff costs	*19,692,966*	*20,743,124*
Adjusting the value of tangible and intangible assets	*1,867,845*	*2,065,904*
Other operating expenses	*6,052,727*	*5,818,084*
Adjustments regarding current assets and provisions		
Operating expenses - Total	***128,565,225***	***138,866,069***
Profit from exloatation	***19,456,108***	***19,535,442***
Financial income - total	*273,835*	*1,158,953*
Financial expenses - total	*715,760*	*895,337*
Financial profit	***-441,925***	***263,616***
Profit before tax	*19,014,183*	*19,799,058*
Current profit tax	*3,609,221*	*1,511,630*
Net income	***15,404,962***	***18,287,428***

2.2. CASH FLOW – INDIRECT METHOD

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Cash Flow indirect method	***31.03.2021***	***30.06.2021***
Net income	*14,129,638*	*18,287,428*
Depreciation and provisions	*1,032,824*	*2,065,904*
Gross operating cash	***15,162,462***	***20,353,332***
Working capital variation		
Variation of receivables	*19,309,851*	*7,544,369*
Stock variation	*(14,414,858)*	*11,023,434*
Variation of other current assets in the short term		
V / Ch variation in advance	*7,694*	*(34,633)*
Total debt variation	*(40,150,918)*	*72,809,426*
Net operational cash	***(29,875,755)***	***74,560,322***
Cash flow from net investments	***4,989,793***	***2,187,273***
Debt variation		
Variation of short-term loans		
Variation of long-term loans		
Variation of associated debts		
Variation of other debts		
Capital variation	-	*(21,854,639)*
Cash flow from financing		*(21,854,639)*
Total cash variations during the period	***(34,865,548)***	***50,518,410***
Initial cash	*9,772,708*	*(25,092,840)*
NET cash at the end of the period	***(25,092,840)***	***25,425,570***

2.4 STATEMENT OF CHANGES IN EQUITY

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Element of equity		***Balance on January 1, 2021***	***Increments***		***Discounts***		***Balance on 30.06.2021***
			Total, of which	***By transfer***	***Total, of which***	***By transfer***	
Subscribed capital		*47,197,132*					*47,197,132*
Share capital adjustments							
The patrimony of the director							
Capital premium							
Revaluation reserves		*26,013,109*			*631,407*		*25,381,702*
Legal reserves		*9,439,426*					*9,439,426*
Statutory or contractual reservations							
Reserves representing the surplus realized from revaluation reserves		*1,290,136*	*631,406*				*1,921,542*
Other reservations		*90,465,001*	*24,906,540*				*115,371,541*
Own actions		*6,708,000*					*6,708,000*
Earnings related to equity instruments							
Losses related to equity instruments							
The result carried forward represents the undistributed profit or the uncovered loss	*Balance C*	*1,214,691*					*1,214,691*
	Balance D						
Deferred income from the first adoption of IAS 29	*Balance C*						
	Balance D						
Retained earnings from the first adoption of IAS, less IAS 29	*Balance C*	*2,074,246*					*2,074,246*
	Balance D						
The carried forward result from the correction of accounting errors	*Balance C*	*432,157*					*432,157*
	Balance D						
Reported result from the transition to the application of the Accounting Regulations in accordance with the Fourth Directive of the European Economic Communities	*Balance C*						
	Balance D						
Profit or loss for the financial year	*Balance C*	*33,967,230*	*18,287,428*		*33,967,230*		*18,287,428*
	Balance D						
Distribution of profit		*1,335,690*			*1,335,690*		*0*
NET PROFIT TOTAL EQUITY		***204,049,438***	***43,825,374***		***33,262,947***		***214,611,865***

2.5. SPECIFIC EXPLANATORY NOTES

2.5.1. STATUS OF FIXED ASSETS, DEPRECIATION OF FIXED ASSETS AND ADDITIONAL ADJUSTMENTS - NOTE 1

SITUATION OF FIXED ASSETS

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		Gross values				
Fixed assets	*Nr. rd.*	*Initial balance on 01.01.2021*	*Increases*	*Discounts*		*Final Balance on 30.06.2021 (Col 5 = 1 + 2-3)*
				Total	*Of which: Dismantling And Scrapping*	
A	*B*	*1*	*2*	*3*	*4*	*5*
Intangible assets						
Development costs	*01*					
Other fixed assets	*02*	*2,178,673*	*81,901*			*2,260,574*
Intangible assets in progress	*03*					
TOTAL (rd. 01 to 03)	*04*	*2,178,673*	*81,901*			*2,260,574*
Tangible fixed assets						
land	*05*	*27,660,386*				*27,660,386*
construction	*06*	*42,825,405*				*42,825,405*
Technical installations and machines	*07*	*17,052,571*	*911,716*	*51,487*		*17,912,800*
Other installations, equipment and furniture	*08*	*726,270*				*726,270*
Real estate investments	*09*					
Tangible fixed assets in progress	*10*	*11,578,227*	*8,687,358*	*911,716*		*19,353,869*
Real estate investments under construction	*11*					
Advances granted for property, plant and equipment	*12*	*3,526,007*		*2,625,017*		*900,990*
TOTAL (lines 05 to 12)	***13***	***103,368,866***	***9,599,074***	***3,588,220***		***109,379,720***
Biological assets	*14*					
Rights to use leased assets	*15*	*63,953*				*63,953*
Financial assets	*16*	*5,428,997*				*5,428,997*
FIXED ASSETS-TOTAL (rd 04 + 13 + 14 + 15 + 16)	***17***	***111,040,489***	***9,680,975***	***3,588,220***		***117,133,244***

STATEMENT OF DEPRECIATION OF FIXED ASSETS

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Fixed assets	*Nr. rd.*	*Initial balance on 01.01.2021*	*Depreciation during the year*	*Depreciation related to fixed assets removed from the record*	*Depreciation on 30.06.2021 (col.9 = 6 + 7-8)*
A	*B*	*6*	*7*	*8*	*9*
Intangible assets					
Development costs	*17*				
Other fixed assets	*18*	*1,562,685*	*169,914*		*1,732,599*
TOTAL (rd. 17 to 18)	*19*	***1,562,685***	***169,914***		***1,732,599***
Tangible fixed assets					
land	*20*				
construction	*21*	*12,610,089*	*1,022,637*		*13,632,726*
Technical installations and machines	*22*	*9,243,005*	*847,343*	*51,487*	*10,038,861*
Other installations, equipment and furniture	*23*	*586,366*	*18,904*		*605,270*
Real estate investments	*24*				
TOTAL (lines 20 to 24)	*25*	***22,439,460***	***1,888,884***	***51,487***	***24,276,857***
Biological assets	*26*				
Rights to use leased assets	*27*	*17,764*	*7,106*		*24,870*
TOTAL DEPRECIATION (rd.19 + 25 + 27)	***28***	***24,019,909***	***2,065,904***	***51,487***	***26,034,326***

SITUATION OF DEPRECIATION ADJUSTMENTS

Fixed assets	*Nr. rd.*	*Initial balance on 01.01.2021*	*Provisions are made during the year*	*Revenue provisions*	*Final balance on 30.06.2021 (col.13 = 10 + 11-12)*
A	*B*	*10*	*11*	*12*	*13*
Intangible assets					
Establishment and development expenses	*28*				
Other fixed assets	*29*				
Advances and intangible assets in progress	*30*				
TOTAL (rd. 28 to 29)	*31*				
Tangible fixed assets					
land	*32*				
construction	*33*	*3,160,299*			*3,160,299*
Technical installations and machines	*34*				
Other installations, equipment and furniture	*35*				
Advances and tangible assets in progress	*36*				
TOTAL (lines 32 to 36)	*37*	*3,160,299*			*3,160,299*
Financial assets	*38*				
PROVISIONS FOR DEPRECIATION-TOTAL (rd.31 + 37)	*39*	*3,160,299*			*3,160,299*

2.5.2. PROVISIONS FOR RISKS AND EXPENSES - NOTE 2

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Name of the provision	***Balance on 01.01.2021***	***Increments***	**Decreases**	***Balance as of June 30, 2021***
0	*1*	*2*	*3*	*4=1+2-3*
Adjustments for impairment of receivables	*187,184*			*187,184*
Adjustments for impairment of various receivables	*12,592*			*12,592*
Fixed assets adjustment	*3,160,299*			*3,160,299*
Adjustments for depreciation of raw material stocks	*12,521,751*			*12,521,751*
Adjustments for depreciation of consumable stocks	*5,870*			*5,870*
Depreciation of stocks in progress	*1,593,346*			*1,593,346*
Adjustments for depreciation of materials and materials found in third parties				
Adjustments for depreciation of packaging, inventory items	*14,070*			*14,070*
Depreciation of inventories of other materials				
Adjustments for the depreciation of the stock of goods	*693,199*			*693,199*
Provisions for restructuring				
Prov. for pensions and similar obligations				
Prov. for employees' participation in profit	*2,894,160*			*2,894,160*
Prov for guarantees granted to internal clients				
Prov for guarantees granted to external clients				
Other risk offsets	*14,713,485*			*14,713,485*
Other Prov. Risk Clearing Office				
Prov. for retirement premiums	*3,896,095*			*3,896,095*
Prov. contractual risks				
Prov. for risk coverage guarantees good execution for contracts concluded in 2018	*1,702,629*			*1,702,629*
Prov. for risk coverage guarantees good execution for contracts concluded in 2019	*6,404,164*			*6,404,164*
Prov. for risk coverage guarantees good execution of contracts concluded in 2020	*25,973,688*			*25,973,688*
TOTAL	***73,772,532***			***73,772,532***

2.5.3. PROFIT DISTRIBUTION - NOTE 3

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The destination of profit	***31.12.2020***	***30.06.2021***
Net profit to be distributed:	*33,967,230*	*18,287,428*
Legal reserve		
Profit reinvested in 2020	*1,335,690*	
Coverage of accounting loss		
Redemption of shares		
dividends	*7,725,000*	
Other reserves, own sources of financing	*24,906,540*	
Undistributed profit		

2.5.4. ANALYSIS OF OPERATING RESULT - NOTE 4

Ron

Indicator	***Financial year 30.06.2020***	***Financial year 30.06.2021***
Net turnover	*158,762,497*	*167,455,860*
The cost of goods sold and services provided	*126,768,111*	*138,144,532*
Basic activity expenses	*113,003,006*	*124,644,309*
Expenditure on ancillary activities	*4,760,624*	*4,214,331*
Indirect production costs	*9,004,481*	*9,285,892*
Gross net profit (1-2)	*31,994,386*	*29,311,328*
Sales expenses	*570,352*	*656,991*
General administration expenses	*13,446,174*	*12,591,706*
Other operating revenues	*1,478,248*	*3,472,811*
Operating result (6-7-8 + 9)	*19,456,108*	*19,535,442*

2.5.5. STATEMENT OF RECEIVABLES AND LIABILITIES - NOTE 5

Ron

receivables	*Balance as at June 30, 2021*	*Liquidity term*	
	(col.2+3)	*under 1 year*	*over 1 year*
Total, of which:	***62,732,780***	***62,732,780***	
Suppliers borrowers	*2,329,125*	*2,329,125*	
Customers	*41,129,732*	*41,129,732*	
Personal receivables and social insurance	*748,282*	*748,282*	
T.V.A. under settlement	*388*	*388*	
Other receivables from the state and public institutions	*18,505,382*	*18,505,382*	
Different debtors	*219,647*	*219,647*	
Settlements on participation interests			
Interest receivable			
Provision for impairment of customer receivables	*199,776*	*199,776*	

Debts	***Balance as of June 30, 2021***		
	(col.2+3+4)	***under 1 year***	***1-5 years***
Total, of which:	***113,680,401***	***108,651,767***	***5.028.634***
Short-term bank loans	*61,947,297*	*61,947,297*	
Long-term loans			
providers	*30,259,522*	*30,259,522*	
Customer creditors	*15,467*	*15,467*	
Debts with staff and insurance. shock.	*1,043,234*	*1,043,234*	
Non-resident tax			
Interest income tax			
T.V.A. of payment	*2,840,196*	*2,840,196*	
Other debts to the state and public institutions	*12,456,876*	*12,456,876*	
Deferred income tax			
Other debts (impr related dob)			

Various creditors	*5,072,040*	*43,406*	*5,028,634*
Advance income	*45,769*	*45,769*	
Bank loans	***Balance June 2021***		
Short-term loans	***61,947,297***		
Long-term loans			
Total	***61,947,297***		

2.5.6 ACCOUNTING PRINCIPLES, POLICIES AND METHODS – NOTE 6

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

General information

These financial statements have been prepared in accordance with Accounting regulations of harmonized with the Fourth European Economic Community and the International Accounting Standards, approved by the Minister of Public Finances of Romania No. 2844 /2016.

These normative acts require that the financial statements be applied together with:

- *Accounting Law no. 82/1991 (republished) with subsequent amendments and completions.*
- *Presentation requirements contained in OMF 28 44/2016.*

These specific provisions stipulate that the annual financial statements are prepared based on the audit balance resulting from the application of the IAS.
These financial statements have been prepared based on the historical cost convention, with the exceptions presented in the accounting policies.

Fundamentals of Accounting

The company maintains 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 financial statements are based on the company's accounting records, prepared based on the principle of business continuity (going-concern) and historical cost and modified to the current form which is in accordance with Order no. 2844/2016. The financial statements ensure comparability with the financial statements for the previous period.

Using estimates

The preparation of the financial statements in accordance with OMF 2844/2016 requires the Company's management to make estimates and assumptions that affect the reported values of assets and liabilities, the presentation of contingent assets and liabilities at the date of preparation of the financial statements and the reported expenses for that period.

Going-concern

The nature of the company's activity and the existing uncertainty in Romania regarding the result of the current economic policies implemented in real operational conditions, make possible the appearance of considerable unpredictable variations regarding the future cash inflows. However, the members of the board of directors believe that the Company will be able to continue its activity based on the principle of going-concerm in the foreseeable future and therefore the financial statements have been prepared based on this principle.

Convert foreign currency transactions

The company's foreign currency transactions are recorded at the exchange rates on the date of the transactions: gains and losses resulting from the settlement of such transactions and the conversion of monetary assets and liabilities denominated in foreign currency are recognized in the income statement. Such balances are converted into lei at the exchange rates at the end of the year .
On June 30, 2021, the exchange rate used was 1 euro = 4,9262 lei, 1 usd = 4,1357 lei.

Trade receivables

Trade receivables are recorded at the anticipated achievable amount which is the amount initially invoiced less a provision for uncertain receivables. For uncertain receivables, an estimate is made based on an analysis of all outstanding amounts at the end of the year.

Cash and cash equivalents

These are recorded in the balance sheet at cost. For the cash flow statement, they include cash in the petty cash, demand deposits and other short-term investments with high liquidity.

Tangible fixed assets

(i) Cost

The cost of purchase of fixed assets is the element taken into consideration both the purchase of assets and other costs directly attributed that are incurred to bring assets to the present location and condition necessary for the intended use.

Expenditure on maintenance and repairs of fixed assets are included in the profit an dloss account, as they were run down. Improvements that significantly increase the life of assets or their technical performance are capitalized.

Items of property that are removed from use or sold are removed from the balance sheet together with their appropriate accrued amortization. The profit or loss resulting from such an operation is determined as the difference between the proceeds and the carrying net amount and are included in the profit from exploitation of the period.

The profit or loss resulting from such an operation is determined as the difference between the amount obtained and the net book value and is included in the operating profit for the period.

Fixed assets of the inventory items type, including tools and devices, are expensed at the time of commissioning and are not included in the carrying amount of fixed assets.

(ii) Depreciation

Depreciation is determined using the linear method, in order to distribute the recorded cost of the asset over the estimated life-span, as follows:

Assets	***Asset Depreciation method***
Buildings	*40-50 years, using the linear method*
Other installations, machinery and furniture	*8-10 years, using the linear method*
Technical installations	*5-10 years, using the linear method*
Means of transport	*5 years, using the linear method*

(iii) Land

The lands are registered at the given valuation value. Land is not depreciated because it is considered to have an indefinite lifespan.

Intangible assets

Expenses for the development of computer programs

Expenses that increase and extend the benefits of software beyond the initial description and lifetime are recorded as improvements and added to the initial cost of the software. The development costs of the software recognized as assets are depreciated based on the linear method over their lifetime, which does not exceed 3 years.

Other intangible assets

Intangible assets are not revalued.

Short-term holdings

These include short-term deposits from banks.

Inventories

Stocks of raw materials, materials, inventory items are recorded at the purchase price. The cost of finished products and work in progress includes materials, labor and related production costs.

The removal method is FIFO.

Inventories are recorded at the lower of cost and net achievable value. The cost is generally determined based on the weighted average cost. The cost of finished and under processing products includes materials, labor and related indirect production costs. Where necessary, provisions are made for defective or slow-moving stocks. Net achievable value is the normal selling price less completion costs and selling expenses.

Taxation

The company registers the current profit tax based on the net profit from the Romanian financial statements, according to the Romanian legislation regarding the profit tax.

The differences between the International Accounting Standards and the Romanian Principles of Accounting and Taxation did not lead to the appearance of some differences between the accounting base of certain assets and liabilities, respectively incomes and expenses compared to their fiscal base.

Revenue recognition

Sales revenue is recorded when the goods are delivered to the customer at a value that does not include trade discounts or discounts offered.

Turnover

The turnover, excluding VAT, 167,455,860 lei represents the amounts invoiced to third parties.

The turnover in total value of lei, is obtained as a result of the activity in the field: repair and maintenance of aircraft and spacecraft (CAEN code 3030).

Borrowing/Debts costs

Interest costs on all loans are expensed at the time they are incurred. Interest on loans obtained to finance the construction of fixed assets is capitalized only until the moment of commissioning. Subsequent interest is charged on costs.

Pensions and other post-retirement benefits

In the normal course of business, the Company makes payments to the Romanian state on behalf of its employees. All employees of the Company are included in the state pension system. The company does not operate any other pension or post-retirement benefit plans and, therefore, has no other pension obligations. Moreover, the Company is not obliged to provide additional benefits to employees.

Debts

Debts are recorded at the nominal value.

The company did not set up provisions for risks and expenses between January and June 2021.

The exchange differences related to the obligations / bonds were recorded on costs.

Provisions are recognized when the Company has a legal or implied obligation resulting from past events, when an outflow of resources that incorporate economic benefits is required to settle the obligation, and when a credible estimate can be made of the value of the obligation.

2.5.7 SHARES AND BONDS - NOTE 7

No. crt				M.U.	30.06.2020	30.06.2021
1.	Subscribed share capital			ron	47,197,132	47,197,132
	The effect of inflation on social capital			ron		
2.	Shares issued (by types of shares)					
		number			18,878,853	18,878,853
		total value		ron	47,197,132	47,197,132
3.	Redeemable shares			number		
		the nearest date and the redemption deadline				
		the obligatory or non-obligatory character of the redemption				
		the value of the possible redemption premium		ron		
4.	Shares issued during the financial year	the type of shares				
		number of shares issued			-	-
		the total nominal value and the value collected at the distribution		ron	-	-
		legal distribution rights			-	-
			the number, description and value of the corresponding shares		-	-
			period of exercise of rights		-	-
			the price paid for the distributed shares	ron	-	-
5.	Issued bonds					
		Type of the issued bonds			-	-
		The issued value and the amount received for each type of bond		ron	-	-
		Bonds issued by the company, held by a person appointed or mandated thereby			-	-
			Nominal values	ron	-	-
			Recorded value at the payment moment	ron	-	-

2.5.8 INFORMATION ON EMPLOYEES, MEMBERS OF THE BOARD AND DIRECTORS - NOTE 8

No. crt.				M.U.	30.06.2020	30.06.2021
1.	Employees					
		average number for the total year, of which:		no.	388	367
			workers	no.	239	223
			TESA	no.	129	124
			management	no.	20	20
		salaries paid or payable for the year		ron		
		social security expenses		ron		
		other expenses with pension contributions		ron		
2.	Remuneration of directors and administrators					
		contractual obligations regarding the payment of pensions to former directors and administrators		ron		
			total obligation for each category	ron		
		the amount of advances and loans granted to directors and administrators during the year		ron		
			the interest rate	%		
			the main terms of the loan			
			the amount reimbursed until that date	lei		

According to the provisions of Law no. 142/1998, the employees receive the legal number of meal vouchers.

2.5.9 ANALYSIS OF THE MAIN ECONOMIC-FINANCIAL INDICATORS - NOTE 9

1. Liquidity indicators

Denomination	Calculation formula	(A) 30.06.2020	(B) 30.06.2021	(B - A) variation	Observations
Fast rate (acid test)	current assets - stocks / current liabilities	0.91	0.82	-0.09	must be more> 1
Current rate	current assets / current liabilities	4.80	2.73	-2.07	must be ~ 2

2. Risk indicators

a) The degree of indebtedness indicator

Denomination	Calculation formula	(A) 30.06.2020	(B) 30.06.2021	(B - A) variation	Observations
Debt rate	total debt / total assets	17.34	29.61	12.27	Must be <35%
Debt rate	borrowed capital / employee capital	0	0	0	Must be <35%
Interest coverage rate	gross profit + interest expenses / Interest expenses	26.84	29.69	2.85	Must not be <2

3. Profitability indicators

	Denomination	Calculation formula	(A) 30.06.2020	(B) 30.06.2021	(B - A) variation	Observations
	Profit rate	Net income sales figure	*9.70*	*10.92*	*1.22*	must be as high as 1.8
	Return on investment	Net income total assets	*4.98*	*4.77*	*-0.21*	must be more> 13%
	Financial profitability	Net income total equity	*8.30*	*8.53*	*0.23*	must be> 5%

4. Activity indicators (management indicators)

	Denomination	Calculation formula	(A) 30.06.2020	(B) 30.06.2021	(B - A) variation	Observations
	Stock turnover rate	sales figure the value of stocks	*0.84*	*0.81*	*-0.03*	*No. of rotations increased*
	Number of storage days	average stock * 180 sales figure	*226.45*	*225.07*	*-1.38*	
	Average collection time customers (DAYS)	Average customer balance daily sales	*14.26*	*23.07*	*8.81*	*it should be 30-45 days*
	Supplier credit turnover rate	average supplier balance * 180 / purchases of goods	*49.93*	*36.33*	*-13.60*	
	Utilization rate of fixed assets	sales figure the net value of fixed assets	*2.06*	*1.91*	*-0.15*	*must be as> 1*

2.5.10 INFORMATION DATA - NOTE 10

a) Information on the presentation of the company:

- *legal form of the company: joint stock company;*
- *Headquarters address: COUNTY BRASOV LOCATION GHIMBAV 34, HERMANN OBERTH STR.*
- *Social capital:* ***47,197,132.50*** *lei*
- *the effect of inflation on share capital*
- *number of shares:* ***18,878,853***

b) The main object of activity:

- *Manufacture of aircraft and spacecraft*

c) The method used for the expression in national currency of the patrimonial elements, of income and expenses initially shown in a foreign currency:

- *NBR exchange rate (for receivables, debts and liquidity);*
- *the rate entered in the customs declaration (for goods)*

d) Net turnover: 167,455,860 total lei

- *of which 167,357 lei export*

On 30.06.2021, the turnover structure on the main products is as follows:

The main products sold	***TOTAL thousand RON***	***from which:***	
		thousand EUR	***CHF***
Puma and Alouette helicopter equipment spare parts and repairs - external	*167.36*	*34.24*	
Puma and Alouette helicopter equipment spare parts and repairs - internal	*54,369.68*		
Puma propeller modernization, capital repairs - internal	*47,033.51*		
Puma and Alouette propeller overhauls - internal	*20,241.64*		
Supply of spare parts - internal	*17,133.76*		
Various aviation - internal	*1,285.05*		
Various works, services, materials, internal rent	*27,224.86*		
Total turnover	***167,455.86***	***34.24***	
Sales by geographical areas			
EUROPE	*4.89*	*1.00*	
ASIA	*162.47*	*33.24*	
Total - export	***167.36***	***34.24***	
Romania	***167,288.50***		
Subsidy income of expl. cf. turnover			
Net turnover	***167,455.86***	***34.24***	

Iuliana MUȘAT - CHAIRWOMAN OF THE BOARD OF DIRECTORS