

ANNUAL REPORT

under N.C.T.S. Regulation no. 5/2018 for the financial year 2021

Date of the report: 29.04.2022

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. 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 2021 - not applicable.

1.1.d. Purchases or disposals of assets

In 2021, 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 12.500.000 lei. This value contains payments made for the upgrade works of the production facilities (helicopters final painting, helicopters ground tests and flight tests hangar, expedition compartment, FireFighting space, garage, central pavilion, other productive spaces) and purchase of machine-tools and equipment.

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 2019 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 2021, the major financial indicators registered by IAR S.A. are as follows:

	IEB FORECASTS 2021 (lei)	ACHIEVED 2021 (lei)
1. Net turnover	279.647.000	329.506.603
2. Sold output	218.162.000	205.123.178
3. Total revenues, of which:	284.347.000	336.311.209
- operating revenue	280.347.000	330.692.180
- financial revenue	4.000.000	5.619.029
4. Total expenses, of which:	258.347.000	309.786.521
- operating expenses	253.247.000	307.456.771
- financial expenses	5.100.000	2.329.750
of which: interests	3.500.000	1.498.033
5. Gross profit	26.000.000	26.524.688
6. Net profit	21.840.000	23.488.292

About the quality management system (QMS) implemented in IAR S.A., we state the following:

- the quality management system implemented at IAR S.A., is certified by AEROQ Bucharest both in accordance with SR EN 9100 (certificate no. 004A- originally issued in 2008 and renewed every three years with annual surveillance, the last recertification on 14.05.2021, expiring on 13.05.2024) and according to SR EN 9001 (certificate no. 007 originally issued in 1997 and renewed every 3 years with yearly surveillance audits, the latest re-certification given on 14.05.2021 expiring on the 13.05.2024).
- IAR S.A. is authorized by the Romanian Civil Aeronautical Authority, both as an organization of production under EASA PART 21G (Certificate RO.21G.0006, originally issued in 2007, with unlimited validity and annual surveillance, current issue 30.08, 2021) and as a maintenance organization under the EASA PART 145 (Certificate RO.145.009 / 2009 originally issued in 2009, with unlimited validity and annual surveillance, current issue 21.10.2020)
- The company is certified by Airbus Helicopters Romania SA as a supplier for the military products namely for maintenance works on the airframes of Puma and Alouette III helicopters, PUMA helicopter equipment maintenance, manufacturing of spare parts for Puma and Alouette III helicopters, laboratory testing, metrology, and for manufacturing of spare parts and subassemblies for Airbus Helicopters, former Eurocopter SAS (initially Certified in 2010 and renewed annually).
- IAR SA is certified by the military body within the Ministry of National Defense of Romania-OMCAS in accordance with the requirements of NATO-AQAP2110 for the design and production of aircraft systems and equipment for aviation, upgrade of aeronautical products, spare parts for aircraft, checks, testing, maintenance and repair of aeronautical products (Certificate no. 11 originally issued in 2012, with annual surveillance, 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 were concluded with the Ministry of National Defense, for the period **2018-2021**, which aim to carry out the overhaul on 8 IAR 330 Puma SOCAT helicopters belonging to the Air Force General Staff (SMFA).

Based on this framework agreement, in 2021 the last 4 IAR 330 Puma SOCAT helicopters were repaired. Thus, on 31.12.2021 the framework agreement is concluded and IAR SA has concluded the obligations of the framework agreement for the overhaul of IAR330 Puma helicopters.

In 2019, a Framework Agreement was concluded with the Ministry of National Defense, for the period **2019-2024**, which have as objective the overhaul and modernization of the IAR 330 Puma NATO helicopters belonging to SMFA. Based on this framework agreement, some of the helicopters of this beneficiary were repaired in 2021 and subsequent contracts were concluded for the repair of a new batch of helicopters, with delivery deadlines 2022 - 2024.

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. In 2021, 4 (four) contracts were concluded. Also, other 3 (three) subsequent helicopter contracts were concluded with a deadline for completion and delivery in the years 2022 - 2023.

Based on the Framework Agreement with the Ministry of National Defense, for the period **2020-2024**, which aims to carry out the capital repair works of IAR 330 Puma NAVAL helicopters from the General Staff of the Naval Forces (SMFN), the supply of spare parts, repair services at some equipment and aggregates required for the maintenance of the helicopters provided. In 2021, works were performed and spare parts were performed based on 2 (two) subsequent contracts and another 2 (two) subsequent contracts were signed with delivery deadlines in 2022.

In the period 2020 - 2021, 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 provide logistical support during the life cycle of military helicopters type IAR 330 L - Retrofit and Upgraded, and military helicopters type IAR 330 L / M / S and for training military helicopters and training 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.

In 2021, a framework agreement was signed with the Romanian Intelligence Service for the period 2021 - 2024, having as object the provision of products and services for IAR330 Puma helicopters. 5 subsequent contracts were signed and finalized in 2021.

A Service Framework Agreement was also signed on repair services, service, technical assistance at the beneficiary's premises, logistical support and the provision of spare parts and consumables related to these services for the maintenance of IAR316B helicopters provided by the General Inspectorate. of Aviation (IGAv) of the Ministry of Internal Affairs (MAI).

Sales by product type on the local market	Percentage of total sales on the local market			
	y.2018	y. 2019	y. 2020	y. 2021
IAR 330 PUMA helicopters upgrade+ Overhaul, IAR 316B helicopters Overhaul, IAR 330 and 316B Helic. Major repair works	58,90%	58,97%	45,49%	43.91%
Spare parts and services for helicopters	29,60%	39,87%	48,82%	53.59%
Aircraft –related miscellaneous	10,20%	0,14%	2,87%	0.64%
Non-aircraft-related miscellaneous	1,30%	1,02%	2,82%	1.86%

International market

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

- Lebanese Air Force - LEBANON
- Pakistani Army/ Aviation (by AEROTEH SA) - PAKISTAN
- AIRBUS HELICOPTERS FRANCE/GERMANY (by AIRBUS HELICOPTER ROMANIA 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.

In 2021, IAR SA concluded an important collaboration agreement with DGP Pakistan Army Aviation for the capital repair of 330 PUMA SM helicopters at IAR SA and the respective support through spare parts, equipment repairs, services of 330 PUMA helicopters operated by the Pakistani partner.

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. 2018	y. 2019	y. 2020	y. 2021
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. 2018	y. 2019	y. 2020	y. 2021
IAR 330 PUMA and IAR 316B helicopters upgrade+ Overhaul, IAR 330 PUMA and IAR 316B helicopters revisions.	56,20%	58,63%	43,45%	43.91%
IAR 330 and 316B Helic.major repair works, spare parts and services for helicopters	32,80%	40,21%	52,07%	53.59%
Aircraft-related miscellaneous	9,70%	0,14%	2,73%	0.64%
Non-aircraft –related miscellaneous	1,30%	1,02%	1,75%	1.86%

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 SA:

- 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.

1.1.2.4. New products in question, which will need a substantial amount of assets affected to in the financial year 2022:- 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 mainly from import, from certified suppliers.

IAR S.A. chose established, world-renowned companies as **external suppliers**, such as Airbus Helicopters, Elbit Systems, Rokwell Collins, Safran, Thales, 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 2021 was achieved both on the local market (93.58% of total sales), as well as on the external market (6.42% of total sales).

a. Export activity

Export sales actions were conducted on the following distinct relationships: Lebanon MOD, Pakistani MoD.

The value of exports under the orders and contracts of 2021 amounted to 7,238.65 thousand lei.

Comparing the period 2018-2021, in terms of types of product recovery, shows that no changes occurred in the exports' structure:

% of achieved annual export	upgraded helicopters	spare parts and services for helicopters	airplanes - spare parts and repairs
y. 2018	0%	100%	0%
y. 2019	0%	100%	0%

y. 2020	0%	100%	0%
y. 2021	0%	100%	0%

b. Sales on the local market

Locally there were developed and implemented in 2021 orders and contracts amounting to 325,229 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): 285,468 thousand lei (VAT excluded),
2. various local customers: 39,762 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. other aviation-oriented activities

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

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 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.

On the same model, a cooperation agreement is signed for the customization of the H145M multi-role helicopter for the Ministry of Defense.

IAR SA is interested in entering a partnerships for the industrialization of any helicopter models needed by the National Defense System Forces, as well as for ensuring the maintenance, repair and overhaul of these types of helicopters, 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, MI117
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, EC 155, Bell Helicopter Textron – Bell427, Bell 429i, Bell430, Bell412, Bell206, Bell407, Agusta Italia – A109 Power, A119 Koala, Robinson USA – R44, R22, MDHelicopters 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 2021, the company had the following personnel structure which does not differ substantially from the years 2019 and 2020:

- chief executive officers	2
- heads of departments	18
- upper education	96
- specialized secondary education	27
- foremen	8
- technical quality inspectors	7
- workers	192
-support workers	9
- understudies workers	4

The average age of the personnel employed in IAR S.A. at the end of 2021 was 49 years at company level, considering that the average age with men was of 49.5 and with women of 48.5. On the 31st of December 2021, men represented 76.08% of the total personnel, the difference being represented by women. Of the total employees of the company, 61.68% 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 2021, 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 2021

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, revised on 24.05.2019, valid until 18.07.2024, which also includes the Water Management Authorization no. 66 of 09.06.2021 issued by the Water Management System Brasov, valid until 09.06.2026.

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 2021 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 the environmental permits required by the town planning certificates related to the retrofit / upgrade / relocation works performed on the fixed assets Final Painting Workshop, Firefighting Space and Garage.

In 2021, the company 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 CALYPSO MONO SRL and SC ECO ELA IMPORT EXPORT SRL for removal and disposal of hazardous waste resulting from the activity of the company. In 2021 the minimum 2 mg/l for ammoniacal nitrogen, respectively 2.75 mg/l ammonium in the wastewater has been exceeded. As a result of this fact, the company's management decided that together with the construction of the International Airport, located in the vicinity of our company, to take the necessary steps to connect to the sewerage network of the Apa Braşov Autonomous Authority.

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 the course of 2021, 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.

The systems have undergone internal approval procedures, certification with the National Military Aviation Authority and qualification with the customer.

The IAR design organization has started activities to define new product variants that meet the requirements of the Naval Forces.

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 2021, 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 recognised 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 with the Air Force Major for the major overhaul of IAR 330 PUMA NATO helicopters - 2021-2024
- Framework Agreement concluded with the General Staff of the Naval Forces for the major overhaul of IAR 330 PUMA NAVAL helicopters, 2020-2023
- Helicopter maintenance contracts with external partners for PUMA SM helicopters

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			
	31.12.2018	31.12.2019	31.12.2020	31.12.2021
Current liquidity indicator	2,78	3,38	3,39	2,42
Immediate liquidity indicator	1,01	0.72	0,61	0,72

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.

The conclusion of PUMA SM maintenance contracts will lead to a significant increase in export volume in the coming years.

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 8 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 / verification 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 2022 worth approx. 22 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 2021 the company management has identified an investment requirement of 15 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 2021,
 - modernization of the Final Painting Workshop, action started in 2019, completed in 2021
 - air conditioning of productive spaces, completed in 2021
 - compensation platform and access strap
 - pipe duct rehabilitation: Galvanization workshop - Neutralization station
 - restoration of the natural gas distribution network
- 2) Purchases of machinery, production accessories, small equipment, C&M devices, of which the most important are: thread rolling machine, salt spray chamber, hardness tester, height work platform, paint mixer, magnetoscopic control machine, VCD, turbo-engine vibration detector, VIBREX rotor balancing assembly and mechanical assemblies, transport equipment (forklift, electric forklift), etc.
- 3) purchases of IT products made / launched in 2021:
 - the implementation and development of an 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 and for the 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 and gas network) and 25% (the others).

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 2021 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 functions of the management of the company, which applies, inter alia, the General Principles from Section A.	x		
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		
<p>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:</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>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;</p>	x		

<p>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;</p> <p>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 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>A.4.7. 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>A.4.8. he/she hasn't been the company's non-executive manager for more than twelve years;</p> <p>A.4.9. 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>			
A 5 - 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.	x		
A 6 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.	x		
A 7 - The company must appoint a secretary of the Board responsible for supporting the work of the Board.	x		
A 8 - 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.	x		
A 9 - 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.	x		
A 10 - The corporate governance statement must include information on the exact number of independent members of the Board of Directors or of the Supervisory Board.	x		
A 11 - 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.		x	Not applicable.

B 1 - 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 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.	x		
B 2 - The chairman of the Audit Committee must be an independent non-executive member.	x		
B 3 - Among its responsibilities, the Audit Committee must conduct an annual evaluation of the internal control system.	x		
B 4 - 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.	x		
B 5 - The Audit Committee must assess conflicts of interest in connection with the transactions of the company and its subsidiaries with the related parties.	x		
B 6 - The Audit Committee must assess the effectiveness of the internal control and of the risk management system.	x		
B 7 - 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.	x		
B 8 - 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	x		
B 9 - No shareholder may be given preferential treatment in relation to other shareholders and their affiliates.	x		
B 10 - 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.	x		

B 11 - Internal audits must be conducted by a separate structural division (internal auditing) of the company or by hiring an independent third party entity.	x		
B 12 - 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.	x		
C 1 - The company must publish on its website the 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. 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.	x		
D 1 - 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:	x		
D 1.1 - The main corporate regulations: the constitutive act, the procedures for shareholders assemblies;	x		
D 1.2 - 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;	x		
D 1.3 - The current reports and periodic reports (quarterly, half-yearly and yearly) - at least those specified in paragraph D.8 - including current reports with detailed information on non-compliance with this Code;	x		

<p>D 1.4 - 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>D 1.5 - Information on corporate events such as payment of dividends and other distributions to shareholders, or other events that lead to the acquisition or the limitation of rights of a shareholder, including the deadlines and principles for such operations. The information will be published within a period which allows investors to take investment decisions;</p> <p>D 1.6 - The name and contact details of the person who can provide, upon request, relevant information;</p> <p>D 1.7 - The company presentation (eg. the presentations for investors, the quarterly results presentations etc.), the financial statements (quarterly, half-yearly, yearly), audit reports and annual reports.</p>	x		
<p>D 2 - The company will have an annual dividend distribution policy or other benefits for shareholders, proposed by the General Manager or by the Executive Board and adopted by the Board, as a set of guidelines that the company intends to follow on the distribution of net profits. The annual dividend distribution policy to shareholders will be published on the website of the company.</p>	x		
<p>D 3 - The company will adopt a policy regarding forecasts, whether they are made public or not. The forecasts refer to quantified findings studies aimed at determining the overall impact of a number of factors relating to a future period (so called hypotheses): by its nature, this project has a high level of uncertainty, actual results may differ significantly from forecasts initially presented. The policy on expectations will determine the frequency and content of the period covered by the forecast. If published, the forecasts can only be included in the annual, half-yearly or quarterly reports. The policy on forecasts will be published on the website of the company.</p>	x		
<p>D 4 - The general assemblies of shareholders' rules should not limit the participation of shareholders in general meetings and the exercise of their rights. The changes in the rules come into force at the earliest, starting with the next GSM.</p>	x		
<p>D 5 - The external auditors will attend the general meeting of shareholders when their reports are presented in such meetings.</p>	x		
<p>D 6 - The board will present to the annual general meeting of shareholders a brief assessment of internal control systems and management of significant risks and opinions on issues subject to the decision of the general meeting.</p>	x		

D 7 - Any specialist, consultant, expert or financial analyst may attend the shareholders' meeting based on a prior invitation from the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board shall decide the contrary.	x		
D 8 - The quarterly and half-yearly financial reports will include information both in Romanian and in English on the key factors that influence changes in the level of sales, the operational profit, the net profit and other financial indicators relevant both from one quarter to another, and from a year to another.	x		
D9 - 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.		x	
D 10 - 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.			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	Qualification	The period of the current mandate
1	Dragoș Florin DAVID	Chairman of the Board	engineer	18.02.2020-22.06.2021
2.	Iuliana MUȘAT	Chairwoman of the Board	engineer + economist	23.06.2021-23.10.2021
3.	Claudia BENCHESCU	Chairwoman of the Board	economist	24.10.2021-24.02.2022
4.	Laurian ANASTASOF	Administrator	degree in military sciences	19.06.2020-22.06.2021
5.	Ruxandra-Rodica ANGHEL	Administrator	engineer	17.12.2019-22.06.2021
6.	Mihai Aurel DONȚU	Administrator	economist	18.02.2020-22.06.2021 și 24.10.2021-24.02.2022
7.	Cristian Alin BACIU	Administrator	degree in political and administrative sciences	18.02.2020-22.06.2021
8.	Elena CĂLIN	Administrator	economist	23.06.2021-23.10.2021

9.	Octavian-Thor PLETER	Administrator	engineer	23.06.2021-23.10.2021
10.	Andreea MLADIN	Administrator	economist	23.06.2021-23.10.2021
11.	Alexandru ROȘU	Administrator	lawyer	23.06.2021-23.10.2021
12.	Horațiu Cătălin BARBU	Administrator	engineer	24.10.2021-24.02.2022
13.	Iulia-Gabriela TĂNASE	Administrator	engineer	24.10.2021-24.02.2022
14.	Liviu COCOȘ	Administrator	economist	24.10.2021-24.02.2022

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. Starting with 2010, Mr. Dragoș Florin DAVID, temporary non-executive and independent member of the Board of Directors of IAR SA starting with 18.02.2020, held the following management and administration positions:

PERIOD	COMPANY/ POSITION
02.2020 – 06.2021	IAR SA - Interim Administrator (Chairman of the Board)
06.2013 – present	Brașov Metropolitan Association for Sustainable Development of Public Transport - Vice President
01.2012 – 12.2015	Ținutul Bârsei Local Action Group, Brașov - General Manager
07.2009 – present	Brașov Metropolitan Agency for Sustainable Development - General Director

Mr. Dragoș Florin DAVID has the following professional training:

- long-term studies: Transilvania University Brașov – Faculty of Mechanics, 1990-1995

- short-term studies, including:

o Postgraduate specialization studies:

- Global Piloting of Foreign Trade Enterprises - ESA, 2004-2005

- Pollution, Environmental Protection and Management, Transylvania University, 2006-2007

o course: Diplomacy and International Relations, Romanian Diplomatic Institute, 2016

o course Environmental Auditor - SC Management Consulting SRL, 2006

o course Public procurement expert, Institute for Human Resource Development

- experience: 23 years experience in management and / or administration positions

2. Starting with 1998, Ms. Iuliana MUȘAT, temporary non-executive and independent member of the Board of Directors of IAR SA starting with 23.06.2021, held the following management and / or administration functions:

PERIOD	COMPANY/ POSITION
06.2021 – 10.2021	IAR SA - Interim Administrator (Chairman of the Board)
09.1998 – 04.2014	Reiffeisen Capital and Investment SA - Director and Chief Financial Officer
05.2014 – present	Reiffeisen Bank - Senior Director Investment Banking
04.2020 – present	NOROFERT S.A. - Administrator

Ms. **Iuliana MUȘAT** has the following professional certifications / professional trainings:

- long-term studies:

- o Bucharest Academy of Economic Studies, Faculty of Finance, Banking and Stock Exchanges - 1992-1997
- o Polytechnic University - Faculty of Aircraft - 1986-1991
- o FCCA - Member of the ACCA Professional Association

3. Starting with 2013, Ms. Claudia BENCHEȘCU, temporary non-executive member of the Board of Directors of IAR SA starting with 24.10.2021, held the following management and / or administration functions:

PERIOD	COMPANY/ POSITION
10.2021-02.2022	IAR SA - Interim Administrator (Chairman of the Board)
08.2013 – 11.2014	ASF - Head of Protocol Service
11.2016 – 11.2017	Institute of Popular Studies - Director
11.2020 – present	MoI - Undersecretary of State

Ms. **Claudia BENCHEȘCU** has the following professional certifications / professional trainings:

- long-term studies:

- o Bucharest Academy of Economic Studies, Faculty of General Economics - 2005-2008 (license)
- o Bucharest Academy of Economic Studies, Faculty of Marketing - 2008-2010 (Master of Marketing, Management)
- o SNSPA Bucharest - 2018-present (master's degree in Government and Society)

- various short-term studies / trainings / certifications

4. Throughout his career, General Laurian ANASTASOF, interim member of the Board of Directors of IAR SA since 19.06.2020, has held the following management and administration positions:

PERIOD	COMPANY/ POSITION
06.2020 – 06.2021	IAR SA - Provisional member of the Board of Directors
09.2020 – present	IAR SA - General Manager
10.2017 – 06.2020	Ministry of National Defense - Military Adviser to the Minister of National Defense
12.2013 – 10.2017	MoD - Chief of Staff of the Air Force
03.2009 – 12.2013	MoD - Commander of the 71st Air Base, Câmpia Turzii
06.2007 – 03.2009	MoD - 952 Squadron Commander, 95th Air Base, Bacău
06.2004 – 05.2006	MoD - Squadron Commander 205 Aviation School, 95th Air Base, Bacău

General Laurian ANASTASOF has the following training and professional experience:

- long-term studies:

- The Academy of Advanced Military Studies, Faculty of Command and Staff, Department of Aviation and Air Defense - Bachelor of Military Sciences, class of 2004
- Air War College, Air University, Maxwell, Alabama – Masters Degree, 2007 graduation

- short-term studies:

- o Air Safety Course - French Institute of Air Safety, Paris, 1998
- o Squadron Officer Training, Air University, Maxwell, Alabama - USA - 1998
- o Course in Military Science, Geopolitics and Geostrategy, NATO and EU Policies and Strategies - National Defense College - 2013
- o Course on "Security and good governance" - National Defense College - 2015

- extensive 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, acquired in the activity of international representation of the air force and the defense staff at NATO and EU, for over 5 years, very good practical experience as a project manager and member of program management teams development

of new products or modernization/upgrade of aeronautical infrastructure, technology and equipment.

5. Starting with 2011, Ms. Ruxandra-Rodica ANGHEL, temporary non-executive member of the Board of Directors of IAR SA starting with 09.12.2017, held the following management positions:

PERIOD	COMPANY/ POSITION
12.2017 – 06.2021	IAR SA - Provisional non-executive member of the Board of Directors
2013 – present	Ministry of Economy - Director of the Defense Industry Department
2011 - 2012	SC Vel Service SA Bucharest - Technical Director

Ms. Ruxandra-Rodica 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. Starting with 2010, Mr. Mihai Aurel DONTU, temporary non-executive and independent member of the Board of Directors of IAR SA starting with 18.02.2020, held the following management and administration functions:

PERIOD	COMPANY/ POSITION
02.2020-06.2021 and 10.2021-02.2022	IAR SA - Provisional non-executive member of the Board of Directors
2016 – present	SC DONAD TURISM SRL –General Director

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

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

7. Starting with 2010, Mr. Cristian Alin BACIU, temporary non-executive and independent member of the Board of Directors of IAR SA starting with 18.02.2020, held the following management and administration functions:

PERIOD	COMPANY/ POSITION
02.2020-06.2021	IAR SA - Provisional non-executive member of the Board of Directors
05.2012 – 07.2014	Muscopolitan Academic Society Foundation - 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

8. Starting with the year 2002, Ms. Elena CĂLIN, temporary non-executive and independent member of the Board of Directors of IAR SA starting with 23.06.2021, held the following management and administration functions:

PERIOD	COMPANY/ POSITION
06.2021-10.2021	The company IAR SA - Provisional non-executive member of the Board of Directors
05.2002 - present	Costumer Focus Romania, representative of Uplifting Service Singapore - Administrator / Executive Director, Service Culture Expert / Master Trainer
1997 - 1998	Lemcor Craiova - Zonal Sales Director

Ms. **Elena CĂLIN** has the following professional certifications / professional trainings:

- long-term studies:

- University of Craiova, Faculty of Economics - 1991-1996
- Academy of Economic Studies - Master in Business Consulting - 2000-2002

- short-term studies: a series of training / specialization programs, including the following:

- Specialization course in self-assessment and personal development tools - LIFO International Timisoara, 09.2003-02.2004
- Course on Transforming Organizational Culture - Advanced Tools - Human Synergetics International - 09.2005-07.2006
- Postgraduate Course in Creative Leadership - Erudio Romania - 03.2007-09.2007
- Coach practitioner - Coacing Institute, Romania - 09.2007-03.2009
- The Metasysteme Coaching, Alain Cardon - 07.2010-03.2016
- PwC Academy - Six SigmaWhite Belt lean certification - 05.2021

9. Mr. Octavian-Thor PLETER, provisional non-executive and independent member of the Board of Directors of IAR SA starting with 28.07.2021, held the following management and administration functions:

PERIOD	COMPANY/ POSITION
07.2021 – 10.2021	The company IAR SA - Provisional non-executive member of the Board of Directors
1993 - present	IDM Kennedy Group Co. SRL - General Manager
2012 - 2016	Polytechnic University of Bucharest - Vice Dean
2016 - present	Polytechnic University of Bucharest - Dean

Mr. **Octavian-Thor PLETER** has the following professional certifications / training:

- long-term studies:

- Bucharest Polytechnic Institute, Faculty of Aircraft, class of 1986
- University of Manchester, UK, Master of Business Administration - 1997-2002
- Polytechnic University of Bucharest - PhD in aerospace engineering - 1992-2005
- Bucharest Academy of Economic Sciences - PhD in economics - period 2002-2008

- managerial skills:

- 27 years of experience as general manager of a company (IDM Kennedy) that has grown from scratch and currently has about 250 employees and a turnover of about 30 million lei.
- 10 years of experience as rector of a private university (Romanian-British University of Bucharest)
- An experience of 4 years as vice dean of the Faculty of Aerospace Engineering
- years experience as dean of the Faculty of Aerospace Engineering.

Also, Mr. Octavian-Thor PLETER

- has received countless awards and distinctions

- is the author of a significant number of books, publications, articles

- holds three industrial patents

- is a member of prestigious professional associations

- has gone through countless specialization and qualification programs

10. Starting with 2011, Ms. Andreea MLADIN, non-executive and independent temporary member of the Board of Directors of IAR SA starting with 23.06.2021, held the following management and / or

administration functions:

PERIOD	COMPANY/ POSITION
06.2021 – 10.2021	The company IAR SA - Provisional non-executive member of the Board of Directors
01.2011 – 09.2012	Capital Partners Romania (now BT Capital Partners) - M&A Director / Senior Analyst

Ms. **Andreea MLADIN** has the following professional certifications / training:

- long-term studies: Bucharest Academy of Economic Studies, Faculty of Finance, Banking and Stock Exchanges - 2003-2007

- short-term studies / trainings / certifications:

- Chartered Financial Analyst (CFA) certified since August 2016
- Challenger - training program held at Engie University, France, 2017
- Understanding energy markets - course held at Engie University Brussels, Belgium, 2015
- Financial Model of spreadsheets - a course run by Training the Street in Milan, Italy, 2008

11. Starting with 2009, **Mr. Alexandru ROȘU**, **temporary non-executive and independent member of the Board of Directors of IAR SA starting with 23.06.2021**, held the following management and administration functions:

PERIOD	COMPANY/ POSITION
06.2021 – 10.2021	The company IAR SA - Provisional non-executive member of the Board of Directors
01.2009 – present	Prunaru & Asociații Civil Law Firm - Associate Lawyer
06.2017 - present	Romanian National Union of Insolvency Practitioners - member of the Discipline Commission
03.2019 - present	Romanian National Bar Association - Member of the Brașov Bar Council

Mr. **Alexandru ROȘU** has the following professional certifications / professional trainings:

- long-term studies:

- Transilvania University, Faculty of Law, undergraduate studies - period 2001 - 2005
- Transilvania University, Faculty of Law, Master in Business Criminal Law - period 2005 - 2007

12. Starting with 2006, **Mr. Horațiu Cătălin BARBU**, **provisional non-executive and independent member of the Board of Directors of IAR SA starting with 24.10.2021**, held the following management and administration functions:

PERIOD	COMPANY/ POSITION
10.2021 – 02.2022	The company IAR SA - Provisional non-executive member of the Board of Directors
2006 - 2014	MoD - Head of the Resource and Information Flow Management Service

Mr. **Horațiu Cătălin BARBU** has the following professional certifications / professional trainings:

- long-term studies:

- Polytechnic University of Bucharest, Faculty of Electrical Engineering - 1996-1998 - bachelor's degree
- Military School of Active Artillery and Anti-Aircraft Missile Officers Leontin SĂLĂJAN Brașov - short-term university studies 1984-1987

- various short-term studies / trainings / certifications

13. Starting with 2006, **Ms. Iulia Gabriela TĂNASE**, **temporary non-executive and independent member of the Board of Directors of IAR SA starting with 24.10.2021**, held the following management and / or administration functions:

PERIOD	COMPANY/ POSITION
10.2021 – 02.2022	The company IAR SA - Provisional non-executive member of the Board of Directors

02.2006 – 09.2007	SC DAMAI PROD & CONS LTD SRL - Executive Director
11.2011-06.2012	SC SERVICII ELECTRONICE DE ACHIZITII PRIVATE SRL - GENERAL MANAGER
07-2021 – present	MEAT - EXERCISE OF DUTIES AT THE DEPUTY DIRECTOR

Ms. **Iulia Gabriela TĂNASE** has the following professional certifications / professional trainings:

- long-term studies:

- o Polytechnic University of Bucharest, Faculty of Mechanical Engineering - 1997-2003 - degree in Mechatronics
- o Polytechnic University of Bucharest, Faculty of Mechanical Engineering - 2020-present - Master in Management Communication

- various short-term studies / trainings / certifications

14. Starting with 2017, Mr. Liviu COCOȘ, temporary non-executive and independent member of the Board of Directors of IAR SA starting with 24.10.2021, held the following management and administration functions:

PERIOD	COMPANY/ POSITION
10.2021 – 02.2022	IAR SA – Non executive provisional member of the Board of Directors
10.2017 – 01.2021	SC LACOLI PRODIMPEX SRL – MANAGER IN TOURISM
10.2019 - present	SC OVIVET DISTRIBUTIE SRL – SALES MANAGER
10.2020 - present	SC CL SOUND CONSTRUCT SRL – DIRECTOR
12.2020 – 07.2021	S. CARFIL SA – SPECIAL ADMINISTRATOR

Mr. **Liviu COCOȘ** has the following professional certifications / professional trainings:

- long-term studies:

- o Bioterra University of Bucharest, Faculty of Agrotourism Engineering and Management - 1993-1998
- o Bioterra University Bucharest - 2005-2007 Master in Management and Legislation

- various short-term studies / trainings / certifications

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

The activity carried out in 2019 by both the Board of Directors of IAR SA and by its advisory committees, is summarized in the following table:

No. of meetings 2018	THE BOARD OF DIRECTORS	THE AUDIT COMMITTEE	THE NOMINATION AND REMUNERATION COMMITTEE
	8	3	4

When, for objective reasons, some of the Board members of IAR SA could not be present at one or more meetings of the Board, they were represented, by mandate, by the other Board members of the company.

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 2021, the Board of Directors approached in its meetings various topics of interest to the company, such as:

- approval of the yearly investment plan for 2021 – February 2021;
- endorsement of the IEB 2021 – February 2021;
- 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 April and November for quarterly statements, in July 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 January, March, July and September 2021;
- the approval of the 2021 Collective Labor Contract – in June 2021;
- the analysis of the general manager fulfillment of criteria and performance targets approved for 2020 – May 2021, – after the approval of the 2020 financial statements;
- the approval of the key performance indicators related to the current financial year- in March 2021, after the approval of the IEB 2021;
- approval of the participation of employees in the profit registered at the end of 2020 - in November 2021;
- 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 individual 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 2020;
 - 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 in 2020 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 2021, 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 2021 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);
- 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 2021, 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 2020, 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.
- extension of the mandate contract of the general manager of the company

The Nomination and the Remuneration Committees had an important role in monitoring the executive management of IAR SA during 2021, 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 2020.

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. 05/29.04.2021.

Complying to the principles on remuneration of the Board of Directors and of the General Manager of IAR SA, in 2021:

- 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 the year 2021, 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 2021:

- 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 2021, 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, 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.

From the analysis made based on public information posted on the BSE website the following evolution of IAR S.A.'s shares trading over 2021 emerges:

The total number of transactions	The total number of traded shares	The total value of traded shares (lei)	The price variation (%)
3,679	674,010	8,396,461.20	-6.35%

It may be noted that the market value of the IAR's shares, resulting from all the transactions carried out in 2021 had a 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 2018, the amount allocated to be shared as dividends to IAR S.A. shareholders was 11,515,677 lei, resulting in a gross dividend of 0.63 lei per share. In the same time, the OGSM has approved by Decision no. 5/31.05.2019, the prescription of the unpaid dividends for the financial year 2014 (more than 3 years old). Dividends were paid via S.C. Depozitarul Central S.A., to shareholders registered in the register of shareholders on 14.06.2019.

For 2019, based on the provisions of the specific laws in force, the Board of Directors and the executive management of IAR S.A. propose the allocation of the amount of 18,278,853 lei in dividends, representing a gross dividend per share is 1 leu. At the same time through GMS Resolution no 04/29.04.2020, 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, the amount established to be distributed as dividends to the shareholders of IAR S.A. was RON 7,725,000, resulting in a gross dividend value per share of RON 0.4226195 lei/share. At the same time through GMS Resolution no. 03/28.04.2021, the general meeting of shareholders approved the prescription of unpaid dividends for the 2016 financial year (older than 3 years). Dividends were paid via S.C. Depozitarul Central SA, shareholders registered in the shareholders' register on 25.06.2021.

For the year 2021, 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 5.483.656 lei in the form of dividends, resulting in a gross dividend per share of 0,30 lei.

The dividend payment date will be 15.07.2022, which will be paid via Depozitarul Central SA to the shareholders registered in the register of shareholders on 28.06.2022, 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 2017, 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 30.06.2022.

3.4.3. Purchase activities of own shares

In 2021, 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, by **Mr. Laurian ANASTASOF - GENERAL MANAGER**, representing 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 ANASTASOF does not hold any share of SC IAR SA.

During 2021, 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 31.12.2021:

- 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 2021 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	31.12.2018	31.12.2019	31.12.2020	31.12.2021
I. Fixed assets	66,603,308	74,440,418	83,860,281	92,495,424
Stocks	164,987,911	211,201,751	211,074,582	222,838,034
Debentures	91,808,774	48,901,225	35,878,560	48,610,435
Petty-cash and banking accounts	2,197,721	8,770,824	9,772,708	45,304,346
Short-term financial investments	-	-	-	-
II. Circulating assets	258,994,406	268,873,800	256,725,850	316,752,815
III. Expenses reg. in advance	11,298	52,177	69,421	99,376
TOTAL ASSETS	325,609,012	343,366,395	340,655,552	409,347,615
Share capital	47,197,132	47,197,132	47,197,132	47,197,132
Reserves from reevaluation	27,246,254	27,246,254	26,013,109	25,060,661
Reserves	52,688,068	72,902,699	99,904,427	126,279,309
Profit	31,184,158	49,128,541	33,967,230	23,488,292
Reported result	6,708,000	6,708,000	6,708,000	6,708,000
Profit distribution	3,951,194	3,951,194	5,011,230	5,963,678
I Shareholder's equity	150,921,306	188,534,170	204,049,438	219,812,730
II Provisions for risks and expenses	75,987,746	69,994,375	55,584,221	53,730,595
Loans and assimilated debts		53,217,815	45,936,405	73,023,068
Suppliers	25,848,112	18,814,153	20,415,019	32,468,363
Creditor clients	63,978,111	16,617	15,467	14,864,346
Other debts	8,873,737	12,691,542	14,609,233	15,421,407
III Total payables	98,699,960	84,740,127	80,976,124	135,777,184
IV Settlement accounts	0	97,723	45,769	27,106
TOTAL LIABILITIES	325,609,012	343,366,395	340,655,552	409,347,615

The share of fixed assets in the total assets was of 20.45% in 2018, of 21.67% in 2019, of 24.62 in 2020 and of 22.60% in 2021 .

b) the profit and loss account

	lei			
THE PROFIT AND LOSS ACCOUNT	31.12.2018	31.12.2019	31.12.2020	31.12.2021
Income from the sale of goods	75,757,859	118,726,782	108,701,525	124,383,425
Sold production	183,516,349	247,084,488	147,589,948	205,123,178
Turnover	259,274,208	365,811,270	256,291,473	329,506,603
Income from the stored production– S.C.	41,893,827	7,584,303	3,644,713	0
Income from the stored production – S.D.	0	0	0	2,302,723
Other operating income	134,441	8,288,704	1,703,061	3,488,300
OPERATING INCOME –TOTAL	301,302,476	381,684,277	261,639,247	330,692,180
Expenditure on goods, com discounts received	63,706,581	94,844,103	87,463,953	104,708,291

Expenditure on raw mat. and consumable mat.	144,557,196	169,960,270	89,507,307	125,423,423
Expenditure on water and energy	1,629,160	1,909,901	2,109,961	2,965,661
Other mat. expenditure	927,016	1,181,606	705,793	681,378
External services-related expenses	12,098,149	9,873,917	8,403,781	21,524,103
Duties, taxes and similar levies-related expenses	397,048	579,120	614,157	585,307
Salaries-expenses, participation to the company's profit, restaurant tickets	30,001,442	39,489,700	43,887,406	48,685,765
Insurance and social protection-related expenses	1,182,381	1,606,107	1,704,741	1,990,300
Staff-related expenses	31,183,823	41,095,807	45,592,147	50,676,065
Compensation, environment and transferred assets-related expenses	5,480,336	12,520,845	688,314	58,331
Expenditure on provisions reduced by income from provisions	1,300,389	-5,956,105	-17,688,224	-3,295,236
Expenditure on the amortization and, constitution and provisions adjustments	4,481,332	3,764,086	3,836,814	4,116,856
Tangible assets re-assessment-related expenses	0	0	0	0
Adjustments to circulating assets	0	5,563	0	12,592
EXPENDITURE ON OPERATING -TOTAL	265,761,030	329,779,113	221,234,003	307,456,771
RESULT FROM OPERATING - PROFIT	35,541,446	51,905,164	40,405,244	23,235,409
TOTAL INCOME	304,717,092	387,183,732	262,385,849	336,311,209
TOTAL EXPENDITURE	267,646,471	330,836,749	225,466,220	309,786,521
GROSS RESULT - PROFIT	37,070,621	56,346,983	36,919,629	26,524,688

The share of operating costs in the total expenditure: in 2018, it is 99.29 % , in 2019 it is 99.68% , in 2020 it is of 98.13% and in 2021 it is of 99.25%.

The share of operating income in the total income: in 2018, it is of 98.87 % , in 2019 it is of 98.57%, in 2020 it is of 99.72% and in 2021 it is of 98.33%.

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 2021, **the workload of production capacities** has averaged 104%.

c) **cash flows** - the available funds of the company on 31.12.2021 were 45,304,346 lei.

4.2. ELEMENTS OF FINANCIAL-ACCOUNTING MANAGEMENT

In 2021 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 no 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. 33 /14.10.2021. 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 2021.

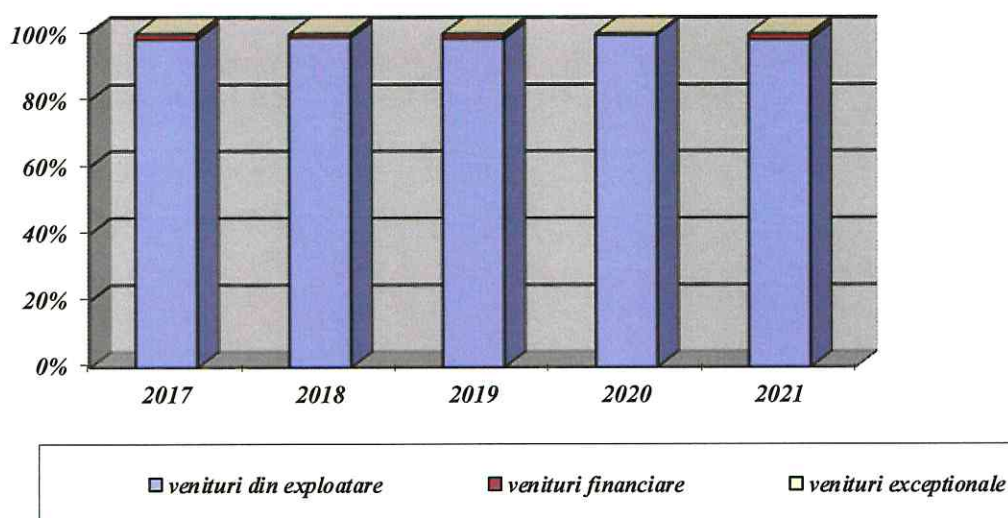
IAR SA's balance sheet for the period 01.01.2021-31.12.2021 was compiled based on the trial balance accounts that were registered in all economic and financial operations based on legal documents drawn up, on the principles and by the provisions of the Accounting Law no. 82 / 1991 approved the company's 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 PAST 5 YEARS

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

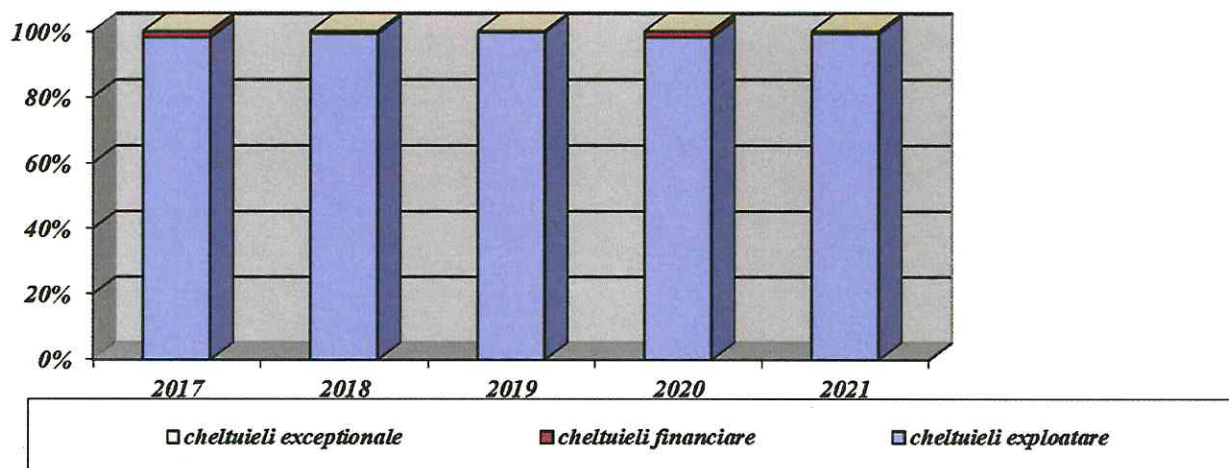
	2017	2018	2019	2020	2021
Operating income	98.42	98.87	98.57	99.72	98.33
Financial income	1.58	1.13	1.43	0.28	1.67
Exceptional income	0	0	0	0	0

The main share, respectively 98.33% of total revenues achieved by the company in 2021, is represented by the income from operating activities.



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

	2017	2018	2019	2020	2021
Operating expenditure	98.10	99.29	99.68	98.13	99.25
Financial expenditure	1.90	0.71	0.32	1.87	0.75
Exceptional expenditure	0	0	0	0	0



The main share, respectively 99.25% of total expenditure made by the company in 2021, is the expenditure on operating activities.

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

✓ ASSESTS

The value of non-current assets at 31.12.2021 is of 92,495 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 5,429 thousand lei on 31.12.2021 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 as of 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.

The value of the stocks at 31.12.2021 is 222838 thousand lei, maintained constant compared to the previous year.

The balance of production under construction mainly includes the value of IAR 330 PUMA NATO, NAVAL helicopters to be delivered in 2021.

✓ RECEIVABLES

On 31.12.2021 the situation of the receivables is as follows:

	lei
Total receivables	48,610,435
- commercial receivables	43,316,837
- long-term receivables	0
- paid deposits	3,234,537
- other receivables, of which:	2,059,061
• Other taxes-excises	118,252
• Sundry debtors	133,660
• Interests to be received	98,100
• VAT to be recovered	0
• Other receivables related to the personnel	1,229,647
• Undue VAT	1,076
• Contribution for leaves and indemnities	478,326

In the total receivables, the largest share is held by trade receivables in the amount of 43,317 thousand lei, respectively 89.11 %.

Their componence is:

- the amount of 24,249 lei, which represents letters of guarantee for good execution, related to the commercial contracts carried out by IAR SA and guaranteed with cash / collateral deposit, of which:
- the amount of 19,068 lei, represents the value to be cashed in as per the commercial contracts.

✓ PETTY CASH AND BANK ACCOUNTS

The company cash funds at 31.12.2019 amount to 45,304,346 lei of which:

- Liquidity in lei in other bank accounts 44,653,160 lei
(card accounts, dividend distribution account,
CECs, Brasov Treasury account, BRD current account)
- Liquidity in foreign currency 627,168 lei
 - Liquidity in the cash register of the company 608 lei
 - Other values 23,410 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.

Total payables, including “incomes from downpayments”: (lei):	135,804,290
• financial debts	73,023,068
• trade debts	32,468,363
• creditor customers	14,864,346
• incomes registered in advance	27,106
• other debts to: personnel, budget, social insurance, of which:	15,421,407
• tax on profit	0
• other creditors (AJOFM – The Unemployment Agency)	4,918,153
• dividends	4,111,234
• current salary contributions	3,415,607
•	517,006

The company's debts structure is as follows:

- **commercial debts**, amounting to 32.468 thousand lei, respectively 23.91 % of the total debts; Commercial debts are current debts, in line with the deadlines stipulated in the commercial contracts.
- **"other creditors"** in the amount of 4,918 thousand lei, respectively 3.63% of the total debts refers to the debts "other creditors (AJOFM).

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 Article 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 4,111 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 2021 are worth 135.804 thousand lei, of which short-term debts worth 130.872 thousand lei are current debts, whose chargeability is consistent with the legal and contractual deadlines stipulated in the Fiscal Code.

We mention that of the total debts to be paid over a period of more than one year, the value of which is 4,932 thousand lei, represents the obligation to the aforementioned AJOFM.

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 31.12.2021.

✓ 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 2021 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 2021 is of 22,338 thousand lei, presenting them in the following structure:

- provision for employees participation to profit, amounting to 2,268 thousand lei;
- provision for the retirement bonus, amounting to 393 thousand lei
- provision to cover risks, good performance guarantees for the contracts concluded in 2021, amounting to 18,175 thousand lei;
- provision for OFFSET, amounting to 1,502 thousand lei;

Also, provisions in the amount of 25,633 thousand lei have been canceled or diminished by the resumption on income, as follows:

- provision for performance guarantees granted to local customers, amounting to 20,682 thousand lei;
- provision for employees participation to profit, amounting to 2894 thousand lei;
- provision for the retirement bonus, amounting to 615 thousand lei;
- provision for depreciation of fixed assets constructions, amounting to 1,086 thousand lei;
- provision for depreciation of unfinished production, amounting to 343 thousand lei;
- provision for receivables, 13 thousand lei;

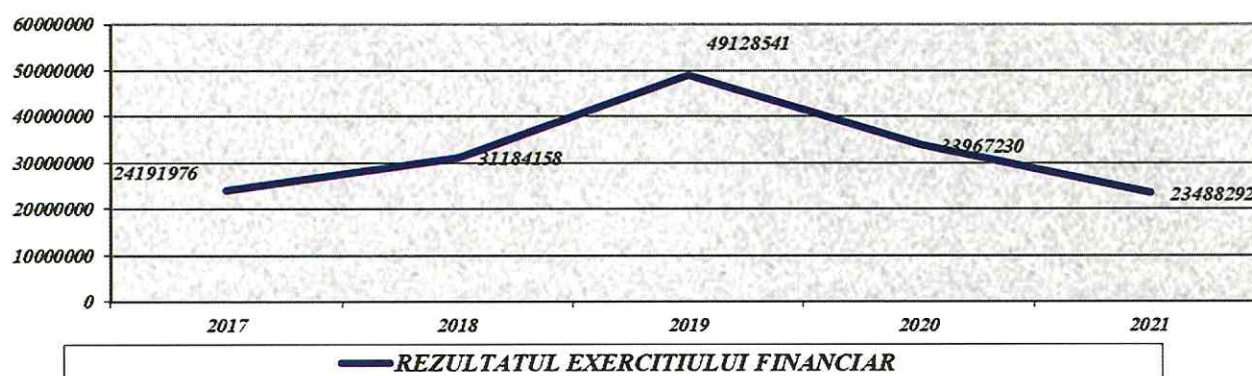
Thus, the adjustments for provisions represent in 2021 the amount of -3,295 thousand lei.

✓ SHAREHOLDERS' EQUITIES

The equity on 31.12.2021 is 219,813 thousand lei and shows an increase by 7.73 % compared to 2020.

The evolution of the economic-financial results of the company between 2017-2021 is as follows:

	2017	2018	2019	2020	2021
Net profit (lei)	24,191,976	31,184,158	49,128,541	33,967,230	23,488,292



At the end of 2021, the company IAR SA no longer met the legal conditions for establishing the legally deductible reserve from profit, taking into account the provisions of **Order no. 2844/2016**, of Law 31/1990 and of Law 227/2015 with subsequent amendments and completions.

ANALIZA PRINCIPALILOR INDICATORI ECONOMICO-FINANCIARI

A. Indicatorul lichidității curente:

$$\frac{\text{Active curente}}{\text{Datorii curente}} = \frac{316.752.815}{130.844.881} = 2,42\%$$

B. Indicatorul lichidității imediate:

$$\frac{\text{Active curente-stocuri}}{\text{Datorii curente}} = \frac{93.914.781}{130.844.881} = 0,72\%$$

C. Indicatori de eficiență:

1. Rata rentabilității financiare

$$\frac{\text{Profit net}}{\text{Capital propriu}} \times 100 = \frac{23.488.292}{219.812.730} = 10,69\%$$

2. Rata rentabilității capitalului avansat

$$\frac{\text{Rezultatul curent}}{\text{Active fixe+ circulante}} = \frac{26.524.688}{409.248.239} = 6,49\%$$

3. Rata profitului

$$\frac{\text{Profit brut}}{\text{Cifra de afaceri}} = \frac{26.524.688}{329.509.603} = 8,05 \%$$

4. Viteza de rotație a debitelor-clienți

$$\frac{\text{Sold mediu clienți} \times 365}{\text{Cifra de afaceri}} = \frac{10.521.611 \times 365}{329.506.603} = 11,66 \text{ zile}$$

5. Viteza de rotație a activelor imobilizate

$$\frac{\text{Cifra de afaceri}}{\text{Active imobilizate}} = \frac{329.506.603}{92.495.424} = 3,57 \text{ ori}$$

6. Viteza de rotație a activelor totale

$$\frac{\text{Cifra de afaceri}}{\text{Total active}} = \frac{329.506.603}{409.347.615} = 0,81 \text{ ori}$$

7. Valoarea totală a investițiilor în anul 2021 a fost de 12.362 mii lei.

Situația financiar-contabilă este conformă cu documentele atașate prezentului raport anual: situațiile financiare la 31.12.2021 și raportul auditorului financiar pentru exercițiul financiar 2021.

4. ANEXE: lista societăților la care Societatea IAR S.A. deține participații.

PREȘEDINTE C.A.

Rodica-Ruxandra ANGHEL



DIRECTOR GENERAL

Laurian ANASTASOF

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

1. IAR S.A. holds 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.	J08/53/23.01.2002	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 2021

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 2021

	Row	Note	December 31, 2020	December 31, 2021
A. Non current assets				
I. INTANGIBLE ASSETS				
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		615,988	426,931
4. Goodwill	4			
5. Downpayments and intangible assets in progress	5			
TOTAL	6	1(a)	615,988	426,931
II. Tangible assets				
1. Land and buildings	7		54,715,403	53,766,105
2. Technical equipment & machinery	8		7,809,566	7,458,782
3. Other equipment & furniture	9		139,904	135,232
4. Advances and tangible assets in progress	10		11,578,227	23,975,283
5. Advances (acc. 4093)	10a		3,526,007	1,272,117
TOTAL /TOTAL	11	1(b)	77,769,107	86,607,519
III. Rights to use leasing assets			46,189	31,977
IV. Financial Investments				
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		5,430,247	5,428,997
6. Other loans	17			
TOTAL	18	1(c)	5,430,247	5,428,997
Non-current assets - Total	19		83,860,281	92,495,424
b. Current assets				
I. Inventories				
1. Raw materials and consumables	20		70,270,120	74,040,833
2. Work in progress	21		58,905,282	45,979,941
3. Finished goods and merchandise	22		47,075,072	81,883,822
4. Advances for inventory acquisition	23		34,824,108	20,933,438
TOTAL:	24		211,074,582	222,838,034
II. Receivables				
1. Trade receivables	25	12	23,573,085	43,316,837
2. Advances paid	26		2,248,194	3,234,537
3. Amounts receivable from participating interests	27			
4. Other receivables	28	13	10,057,281	2,059,061
5. Share capital called up but not paid up	29			
TOTAL	30		35,878,560	48,610,435
III. Short term investments				
1. Shares in subsidiaries	31			
2. Other short term investments	32			
TOTAL	33		0	0
IV. Cash and bank accounts	34	11	9,772,708	45,304,346
Current assets - Total	35		256,725,850	316,752,815
C. Prepayments	36		69,421	99,376

D. Liabilities payable in a period of one year

1. Debenture loans	37		
2. Bank loans	38	45,936,405	73,023,068
3. Advance payments from customers	39	15,467	14,864,346
4. Trade payables	40	14	20,415,019
5. Trade notes payable	41		32,468,363
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	9,448,214
TOTAL	45	75,815,105	130,844,881
e. Current assets, net current liabilities	46	180,920,468	185,944,343
f. Total assets minus current liabilities	47	264,794,678	278,475,628

g. Amounts payable in a period above a year

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	5,161,019	4,932,303
TOTAL	56	5,161,019	4,932,303
h. Provisions for risks and expenses	2		
1. Provisions for pensions and other similar items	57	3,896,095	3,673,902
2. Provisions for employees' benefits	58	2,894,160	2,268,000
3. Other provisions	59	48,793,966	47,788,693
TOTAL PROVISIONS	60	55,584,221	53,730,595
i. Deferred Income			
- Investment subsidies	61		
- Deferred income	62	45,769	27,106
Total	63	45,769	27,106

j. Capital and reserves

I. Capital			
out of which			
- Paid in capital	64	47,197,132	47,197,132
- Un-paid capital	65		
- Company's patrimony	66		
TOTAL	67	47,197,132	47,197,132
II. Share premium	68		
III. Revaluation reserve	69	26,013,109	25,060,661
IV. Reserves			
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	90,465,001	116,839,883

TOTAL	74	99,904,427	126,279,309
Own shares	75	6,708,000	6,708,000
Gains related to own shares instruments	76		
Losses related to own shares instruments	77		
V. Result carried forward			
Credit balance	78	5,011,230	5,963,678
Debit balance	79		
VI. Result of the financial year			
Credit balance	80	33,967,230	23,488,292
Debit balance	81		
Profit appropriation	82	3	1,335,690
Total equity	83	204,049,438	219,812,730
Public patrimony	84		
TOTAL CAPITAL	85	204,049,438	219,812,730

GENERAL DIRECTOR,

Laurian ANASTASOF



ECONOMIC AND COMMERCIAL DIRECTOR,

ec. Ion DUMITRESCU

	Row	Note	Dec. 31. 2020	Dec 31. 2021
1. Net turnover	1		256,291,473	329,506,603
Sold production	2		147,589,948	205,123,178
Income from sale of goods	3		108,701,525	124,383,425
Income from interests registered by entities whose main activity is the leasing	4			
Income from operating subsidies related to net turnover	5			
2. Changes in inventories of finished goods and production in progress	6			
Balance C			3,644,713	
Balance D	7			-2,302,723
3. Production made by the entity for its own purposes and capitalized	8			
4. Other operating income	9		1,703,061	3,488,300
Operating income- Total	10		261,639,247	330,692,180
5. a) Raw materials and consumables expenses	11		89,507,307	125,423,423
Other material expenses	12		705,793	681,378
b) Other external expenses (on power and water)	13		2,109,961	2,965,661
c) Merchandise expenses	14		87,463,953	104,828,291
Commercial discounts received				120,000
6. Personnel expenses	15		45,592,147	50,676,065
a) Salaries	16		43,887,406	48,685,765
b) Social security costs	17		1,704,741	1,990,300
7. a) Value adjustments related to tangible and intangible assets	18		3,836,814	4,116,856
a.1) Expenses	19		3,836,814	4,116,856
a.2) Income	20			
7. b) Adjustment on the value of circulating assets	21			
b.1) Expenses	22			
b.2) Income	23			
8. Other operating expenses	24		9,706,252	22,167,741
8,1 Expenses regarding external services	25		8,403,781	21,524,103
8,2 Expenses with other taxes, duties and assimilated payments	26		614,157	585,307
8,3 Expenses on compensations, donations and disposed assets, environment expenses, other operating expenses, revaluation of tangible assets expenses	27		688,314	58,331
Expenses on refinancing interests registered by the entities whose main activity is represented by the leasing	28			
Adjustments related to provisions for risks and expenses	29		-17,688,224	-3,295,236
Expenses	30		29,423,393	22,337,799
Income	31		47,111,617	25,633,035
Operating expenses - total	32		221,234,003	307,456,771
Operating result				
- Profit	33	4	40,405,244	23,235,409
- Loss	34			

9, Income from participating interests	35		<u>1.465.077</u>
- out of which, income from subsidiaries	36		1.465.077
10, Income from other investments and loans which are a part of the non-current assets	37		
- out of which within the group	38		
11, Income from interests	39	<u>229,121</u>	<u>193,335</u>
- out of which within the group	40		
Other financial income	41	<u>517,481</u>	<u>3,960,617</u>
Financial income- total	42	746,602	5,619,029
12, Adjustment of the value of financial assets and financial investments held as current assets	43		
Expenses	44		
Income	45		
13, Expenses on interests	46	886,015	1,498,033
- out of which within the group	47		
Other financial expenses	48	3,346,202	831,717
Financial expenses - total	49	<u>4,232,217</u>	<u>2,329,750</u>
Financial result			3,289,279
- Profit	50		
- Loss	51	<u>3,485,615</u>	
14, Current result			
- Profit	52	<u>36,919,629</u>	<u>26,524,688</u>
- Loss	53		
15, Extraordinary revenues	54		
16, Extraordinary expenses	55		
17, Extraordinary result			
- Profit	56		
- Loss	57		
Total income	58	<u>262.385.849</u>	<u>336.311.209</u>
Total expenses	59	<u>225.466.220</u>	<u>309.786.521</u>
Gross result			
- Profit	60	<u>36,919,629</u>	<u>26,524,688</u>
- Loss	61		
18, Income tax	62	2.952.399	3.036.396
19, Other expenses on taxes not presented among the above items	63		
20, Net result of the financial year			
- Profit	64	<u>33.967.230</u>	<u>23.488.292</u>
- Loss	65		

All the Company's activities are continuous,

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 2021**

Item denomination		Balance on	Increases		Decreases		Balance on
			total , out of which:	by transfer	total , dout of which:	by transfer	
		31-12-2018	31-12-2018	31-12-2021			
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		26,013,109			952,448		25,060,661
Legal reserves		9,439,426					9,439,426
Statutory or contractual reserves							
Reserves representing the surplus obtained from revaluation reserves		1,290,136	952,448				2,242,884
Other reserves		90,465,001	26,374,882				116,839,883
Own shares		6,708,000					6,708,000
Reported result representing the undistributed profit or the uncovered loss	1,214,691					1,214,691	
Reported result arising from the first adoption of IAS, except for IAS 29	213,709					213,709	3,951,194
Reported result from the correction of accounting errors	2,292,694					2,292,694	
Profit or loss of the financial year	33,967,230	23,488,292		33,967,230		23,488,292	49,128,541
Profit appropriation		1,335,690	1,468,342		1,335,690		1,468,342
Total equity		204,049,438	49,347,280		33,583,988		219,812,730

GENERAL DIRECTOR,

Laurian ANASTASOF

ECONOMIC AND COMMERCIAL DIRECTOR,

ec. Ion DUMITRESCU



TREASURY CASH FLOWS STATEMENT 2019

Item denomination	Financial year	
	2020	2021
Operational activities		
Net profit before taxation	33.967.230	23,488,292
Adjustments for the reconciliation of net result to net cash used in operational activities	11.309.901	-17,369,199
<i>Depreciation and other provisions for fixed assets</i>	3.836.813	4,116,856
<i>Provisions for current assets</i>	-17.688.224	-3,295,256
<i>Profit from the sale of tangible assets</i>	331.598	877
Cash from exploitation before the changes to current capital	31.757.318	6,941,570
Changes to current capital (Note 19)	16.889.432	3,447,786
<i>Paid interests</i>	-886.015	-1,498,034
<i>Interests received</i>	229.118	193,336
<i>Paid income tax</i>	-8.385.600	-4,266,043
Cash generated from / (used in) operational activities	39.604.253	4,818,615
Investment activity:		
Acquisition of fixed assets	-12.319.832	-15,452,409
Receivables from the sale of fixed assets	624.254	4,980
Receivables from participations	0	1,465,077
Net cash used for investment	-11.695.578	-13,982,352
Financing activity:		
Net (decrease)/increase of credits and long-term payables	-222.191	-228,716
Net (decrease)/increase of credits and short-term payables	-7.281.410	53,217,815
Paid dividends	-17.061.480	-7,656,001
Amounts paid in respect to employees' participation to profit	-2.341.710	-2,449,684
Net cash (used)/generated from the financing activity	-26.906.791	44,695,375
Changes in cash and cash equivalents	1.001.884	35,531,638
Balance at the beginning of the year	8.770.824	9,772,708
Increase/(decrease) in cash and cash equivalents	1.001.884	35,531,638
Balance at the end of the year	9.772.708	45,304,346

GENERAL DIRECTOR,

Laurian ANASTASOF

ECONOMIC AND COMMERCIAL DIRECTOR,

ec. Ion DUMITRESCU



a) Intangible assets

NON-CURRENT ASSETS (CONTINUATION)

NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2021

b) Tangible assets

- lei -

		Gross value			Depreciation (amortization and provisions)					
Items of fixed assets	row no,	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 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)
TANGIBLE ASSETS										
Land	05	27,660,386				27,660,386				
Buildings	06	42,825,405	8,150			42,833,555	15,770,388	2,043,420	1,085,972	16,727,836
Technical equipment and machinery	07	17,052,571	1,323,630	51,488		18,324,713	9,243,005	1,674,414	51,488	10,865,931
Other equipment and furniture	08	726,270	31,033			757,303	586,366	35,705		622,071
Tangible assets in progress	09	11,578,227	14,089,596	1,692,540		23,975,283	-			
Advances given for tangible assets	10	3,526,007		2,253,890		1,272,117	-			
TOTAL (rows 05 to 10)	11	103,368,866	15,452,409	3,997,918		114,823,357	25,599,759	3,753,539	1,137,460	28,215,838

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)

Rights to use leasing assets	12	0	63,953	-	-	63,953	17,764	14,212		31,976
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NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2021

1 NON-CURRENT ASSETS (CONTINUATION)

d) Financial fixed assets****

- lei -

Items of fixed assets	row no,	Gross value		Increases	Decreases		Final balance (row 5 = 1+2-3)	Depreciation (amortization and provisions)			
		Opening balance			Total	out of which decommissioning		Opening balance	Provisions established during the financial year, deprec,	Provisions charged to income	Closing balance (row,13 = 10+11-12)
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					
TOTAL row 11)	14	5,428,997				5,428,997					
NON-CURRENT ASSETS -											
TOTAL (row 04+10+11)	15	111,040,489	15,612,457	3,997,918		122,655,028	27,180,208	4,116,856	1,137,460	30,159,604	

NOTES TO THE FINANCIAL STATEMENTS - DECEMBER 31, 2021

List of companies where IAR S.A. has participations

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/ 23.01.2002	Aircraft manufacturing and repair	48.99997	5,389,997	AIRBUS HELICOPTERS S.A.S.
AERODROM "IOSIF ȘILIMON" SA	J08/793/2011	Airfield constructions and exploitation	39,00	39.000	The Townhall of Brasov Other shareholders

AIRBUS HELICOPTERS ROMANIA SA is a closed company, its shares not being traded on the capital market.
SC Aerodrom "Iosif SILIMON" SA has not been active 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

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		12,592	187,183
Provisions for risks and expenses	17,873,784	1,501,399	1,085,972	18,289,211
Provisions for inventories	14,828,235		343,046	14,485,189
Provision for retirement premiums	3,896,095	393,000	615,193	3,673,902
Provision for participation to profit	2,894,160	2,268,000	2,894,160	2,268,000
Provision for Contracts Dec 2018	1,702,629		1,085,359	617,270
Provision for Contracts Dec 2019	6,404,164		6,404,164	0
Provision for Contracts Dec 2020	25,973,688		13,192,549	12,781,139
Provision for Contracts Dec 2021	0	18,175,400		18,175,400
TOTAL	73,772,530	22,337,799	25,633,035	70,477,294

3. PROFIT APPROPRIATION - RON

Destination	31-12-2020	31.12.2021
Net profit to be appropriated:	33,967,230	23,488,292
- Legal reserve	0	0
- Reinvested profit	1,335,690	1,468,342
- Shares buy-back		
- Unappropriated profit	32,631,540	22,019,950
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 OPERATING INCOME (lei)

Crt, No,	Indicator	Fiscal year Prior year	Fiscal year Current year
1	Net turnover	256.291.473	329.506.603
2	<i>Cost of sold goods and services rendered (3+4+5)</i>	192.258.666	281.910.493
3	<i>Main activities expenses</i>	165.009.531	253.005.860
4	<i>Auxiliary activities expenses</i>	8.264.335	8.291.412
5	<i>Production overheads</i>	18.984.800	20.613.221
6	Gross result corresponding to the net turnover (1-2)	64.032.807	47.596.110
7	<i>Selling expenses</i>	1.177.140	1.364.424
8	<i>General administration expenses (with acc,658)</i>	27.798.197	24.181.854
9	<i>Other expenses / operating income</i>	5.347.774	1.185.577
10	Operating result (6-7-8+9)	40.405.244	23.235.409

5. SITUATION OF RECEIVABLES AND PAYABLES

A. SITUATION OF RECEIVABLES (LEI)

	Balance on 31/12/2021	term of liquidity	
		Under a year	Over a year
1, Trade receivables	43,316,837	43,316,837	
2, Paid advances	3,234,537	3,234,537	
3, Other receivables	2,059,061	2,059,061	
4, Investment held as fixed assets			
5, Other fixed receivables			
TOTAL:	48,610,435	48,610,435	

B. SITUATION OF PAYABLES

	Balance on 31/12/2021	maturity for balance		
		Under 1 year	Between 1 and 5 years	Over 5 years
1, Trade payables	32,468,363	32,468,363		
2, Other payables	15,421,407	10,489,104	18,427	4,913,876
3, Payables to credit institutions	73,023,068	73,023,068		
4, Advance payments from customers	14,864,346	14,864,346		
TOTAL:	135,777,184	130,844,881	18,427	4,913,876

GENERAL DIRECTOR,
Laurian ANASTASOE



ECONOMIC AND COMMERCIAL 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.

Foundations 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, 2021, the exchange rate used was 1 euro = 4,9481 lei , 1 usd = 4,3707 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:

<u>Asset</u>	<u>Depreciation method</u>
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, which must be measured at fair value through profit or loss. These assets were also measured before the application of IFRS 9 at fair value under IFRS 39. Consequently, the application of IFRS 9 did not have a significant impact on the company's financial statements, nor did the reclassification of its financial instruments generate an impact, given that the company has financial instruments valued as performing exposures and recognized earnings in the income statement. 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 329,506,603 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 2021, 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,

PROVISIONS

In 2021, the following provisions were established:

❖ **Nondeductible, amounting to 22,337,799 lei, out of which:**

- Provision for employees' participation to profit amounting to 2,268,000 lei;
- Provision for the pension premium amounting to 393,000 lei;
- Provision for performance guarantees given to internal customers amounting to 19,676,799 lei

Also, provisions amounting to 25,633,035 lei were cancelled, as follows:

- Provision for performance guarantees given to internal customers, amounting to 20,694,664 lei;
- Provision for employees' participation to profit amounting to 2,894,160 lei;
- Provision for the retirement bonus, amounting to 615,193 lei;
- Provision for depreciation of fixed assets constructions, amounting to 1,085,972 lei;
- Provision for depreciation of production in progress, amounting to 343,046 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 2020	HELD PERCENTAGE	NUMBER OF SHARES 2021	HELD PERCENTAGE
TOTAL OF SHARES	18,878,853	100%	18,878,853	100%
MINISTRY OF ECONOMY	12,250,488	64,89%	12,250,488	64,89%
LEGAL PERSONS	3,031,929	16,0599%	2,973,542	15,7507%
NATURAL PERSONS	3,596,436	19,0501%	3,654,823	19,3593%

All shares are ranked pari passu (have equal voting rights) and have a nominal value of 2,5 RON / share.

8 INFORMATION REGARDING EMPLOYEES, ADMINISTRATORS AND DIRECTORS

a) Remuneration of directors and administrators (lei)

REMUNERATION PAID TO DIRECTORS	Fiscal year 2020	Fiscal year 2021
	RON	
BANEA NECULAI	621,777	0
ANASTASOF LAURIAN	113,273	563,384
TOTAL	735,050	563,384

BOARD OF DIRECTORS AND GSM

	2020	2021
MUSAT IULIANA		19,172
MLADIN ANDREEA		19,172
CALIN ELENA		19,172
ROSU ALEXANDRU		19,172
PLETER OCTAVIAN THOR		13,680
BENCHESCU CLAUDIA		10,564
TANASE IULIA GABRIELA		10,564
BARBU HORATIU CATALIN		10,564
COCOS LIVIU		10,564
NITA EMIL	9,440	
GREBLA OCTAVIAN ALIN	9,440	
PISTOL MARIUCA OANA	9,440	
ANGHEL RUXANDRA-RODICA	56,640	26,904
DAVID DRAGOS FLORIN	51,920	26,904
DONTU MIHAI AUREL	51,920	37,468
CONDUROVICI MARCEL	4,720	
BACIU CRISTIAN ALIN	51,920	26,904
ANASTASOF LAURIAN	13,903	0
TOTAL	259,343	250,804

b) Employees

In the fiscal year ended on the 31st December, 2021 the company had an average of 367 employees (in the fiscal year in 2018 = 389 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**

Name	Calculation formula	(A) year 2020	(B) year 2021	(B - A) Variation	Observations
Rapid ratio (acid test)	$\frac{\text{current assets} - \text{inventories}}{\text{current liabilities}}$	0,61	0,72	0,11	must be >1
20rrent ratio	$\frac{\text{current assets}}{\text{current liabilities}}$	3,39	2,42	-0,97	must be ~ 2

9.2 Risk indicators**a) Gearing ratio**

Name	Calculation formula	(A) 2020	(B) 2021	(B - A) Variation	Observations
Gearing ratio	$\frac{\text{total liabilities}}{\text{total assets}}$	23,78	0,34	-23,44	must be <35%
Leverage ratio	$\frac{\text{borrowed capital}}{\text{employed capital}}$	0%	0%	0%	must be <35%

Interest Coverage Ratio	(gross profit + interest expenses) / interest expenses	42,67	18,71	-23,96	must not be <2
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9.3 Profitability indicators

Denomination	Calculation formula	(A) year 2020	(B) year 2021	(B - A) Variation	Observations
Profit ratio	$\frac{\text{net profit}}{\text{sales figure}}$	13.25	7.13	-6.12	must be > than 1,8
Return on investment	$\frac{\text{net profit}}{\text{total assets}}$	9.97	5.74	-4.23	must be > than 13%
Financial return	$\frac{\text{net profit}}{\text{total equity}}$	16.65	10.69	-5.96	must be > than 5%

9.4 Activity indicators (management indicators)

Denomination	Calculation formula	(A) year 2020	(B) year 2021	(B - A) Variation	Observations
Inventory turnover ratio	$\frac{\text{sales figure}}{\text{inventories value}}$	300.69	65.85	-234.84	inventory turnover ratio has increased
Number of storage days	$\frac{\text{average inventory} * 365}{\text{sales figure}}$	300.69	65.85	-234.84	
Average cash collection of clients (IN DAYS)	$\frac{\text{clients}}{\text{daily sales}}$	11.39	11.68	0.29	should be 30-45 days
Days payable outstanding	$\frac{\text{average balance supplier} * 365}{\text{goods purchases}}$	32.18	35.49	3.31	
Use ratio of fixed assets	$\frac{\text{sales figure}}{\text{net value of fixed assets}}$	3.06	3.57	0.51	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,

	<u>2020</u>	<u>2021</u>
Net profit attributable to Shareholders - lei	33,967,230	23,4888,292
Weighed average ordinary shares outstanding during the year	18,278,853	18,278,853
Gross profit per share	1,8583 lei/ share	1,2850 lei / share

10 OTHER INFORMATION

a) 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 set up 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.

b) The method used to express in the national currency the assets, revenues and expenses which are outlined in a 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 recognized in the profit and loss account. Such balances are converted in lei at the exchange rates established at the end of the year, communicated by the National Bank of Romania.

c) Information on the income tax

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

	31,12,2021
1, Gross accounting profit according to declaration 101	23,488,292
2, Legal reserves	0
3, Non-taxable income	27,098,112
3,1 Other deductions	3,164,409
4, Tax non-deductible expenses	29,592,895
5 Income taxable before the tax loss	22,818,666
6, Prior tax loss	0
7, Tax loss (5-4)	
8, Taxable profit	22,818,666

d) Fees paid to auditors

The company signed audit contracts worth 58,029,75 lei in 2021, as follows:

- Contract no, 191/ 11,01,2019 in amount of 11,900 EUR

e) THERE ARE NO PLEDGED/MORTGAGED FIXED ASSETS IN 2019

11 CASH AND BANK ACCOUNTS (lei)

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2021</u>
Bank deposits in lei	-5,637,590	8,270,337
Bank deposits in foreign currency	7,817,782	485,430
Other values	15,617	12,756
Cash in lei	1,912	2,301
Cash in foreign currency	0	
Interests receivable	96,460	99,580
TOTAL	2,294,181	8,870,404

In order to present the cash flow statements, the cash and the cash equivalents comprise the following elements (lei):

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2021</u>
Cash, bank accounts, other values	9,772,708	45,304,346
Interests receivable	91,323	98,100
Other short-term financial investments	0	0
TOTAL	9,864,031	45,402,446

12 TRADE RECEIVABLES (lei)

	2020	2021
External trade receivables	715,604	17,401,982
Internal trade receivables	1,072,149	1,853,488
Advances to internal suppliers	2,069,674	3,052,926
Advances to external suppliers	178,520	181,611
Deposit for the SGB real estate receivable	21,972,516	24,248,551
Provisions for doubtful customers	-187,184	-187,184
TOTAL:	25,821,279	46,551,374

13 OTHER RECEIVABLES (lei)

	2020	2021
Personnel receivables	0	0
VAT to be recovered	4,628,783	0
Other taxes (excise and customs duties + CCI)	823,262	596,578
Various debtors	260,281	133,660
Income tax	4,266,043	1,229,647
Receivable interest	91,323	98,100
Provision for doubtful debtors	-12,592	0
Other receivables – VAT not due	181	1,076
TOTAL:	10,057,281	2,059,061

14 TRADE PAYABLES (lei)

	2020	2021
Suppliers, of which	19,078,030	31,369,282
Internal	14,993,975	14,524,442
External	4,084,055	16,844,840
Fixed assets suppliers, of which	1,336,989	1,099,081
Internal	1,336,989	1,081,218
External	0	17,863
Advance payments from customers	15,467	14,864,346
TOTAL:	20,430,486	47,332,709

14 OTHER PAYABLES, INCLUDING FISCAL PAYABLES AND SOCIAL SECURITY PAYABLES

	2020	2021
State budget	424,388	1,031,983
of which :		
- Salary tax	424,388	514,977
Income tax	0	0
Social Security Budget	0	517,006
VAT payment	2,382,987	2,900,630
Contributions to the health social insurance, labour ensuring contribution	2,382,987	2,900,630
VAT not due		
Various creditors	5,906,830	4,954,576
Payables related to personnel	1,805,646	2,389,815
Dividends	4,042,234	4,111,234
Other payables, operational leasing	47,148	33,169
TOTAL:	424,388	1,031,983

C. AMOUNTS DUE TO SHORT-TERM CREDIT INSTITUTIONS (RON) = 73,023,068 LEI

15. INCOME TAX

The Company registered an income tax due for the previous concluded fiscal year worth 3,036,396 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 (lei)

	2020	2021
Salaries and indemnities	43,887,406	48,685,765
Expenses with social security and other		
personnel expenses	1,704,741	1,990,300
Total	45,592,147	50,676,065

The average number of employees during the year was as follows:

TOTAL **367**

17. INTEREST EXPENSES AND OTHER SIMILAR EXPENSES (lei)

	2018	2019
Losses from foreign exchange differences	3,346,202	831,717
Interests	886,015	1,498,033
Expenditure on discounts granted	-	-
Other financial expenses	-	-
financial leasing	-	-
TOTAL	4,232,217	2,329,750

18. CHANGES IN CURRENT ASSETS ELEMENTS (LEI)

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Receivables	35,878,560	48,610,435
Inventories	211,074,582	222,838,034
Trade payables and other payables(-)	29,878,700	57,821,813
TOTAL	217,074,442	213,626,656

19 FINANCIAL RISKS

(i) Market risk

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

Asset	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Monetary assets in lei	4,808,795	44,653,768
Monetary assets in foreign currency	4,942,904	627,168

(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 2021, 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 asv at December 31, 2021.

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 2021 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

RESCU

I, Data on Result	Row no,	No, of units	Amounts	
A	B	1	2	
Units with profit	01	1	23,488,292	
Units with loss	02			
II, Data on outstanding payments	Row no,	Col total 2+3	Out of which	
			For the current activity	For investments
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		

I. Average number of employees		Previous year	Current year
A	B	1	2
Average number of employees	01	389	367
Actual number of employees at the end of the fiscal year, namely on 31 December	02	369	365

GENERAL DIRECTOR,
Laurian ANASTASOF

ECONOMIC AND COMMERCIAL DIRECTOR,
ec. Ion DUMITRESCU



RON

Data on intangible assets	Gross values					
	Row no,	Opening balance	Increases	Decreases		Final balance
				Total	out of which decommissioning	
Fixed assets	B	1 (1)	2 (2)	3 (3)	4 (4)	(column 5 = 1+2-3) 5 (5)
Intangible assets						
Set up and development expenses	01				x	
Other intangibles	02	2,178,673	160,048			2,338,721
Advances for intangible assets in progress	03					
TOTAL (row 01 to 03)	04	2,178,673	160,048			2,338,721
Tangible assets						
Land	05	27,660,386				27,660,386
Buildings	06	42,825,405	8,150			42,833,555
Technical equipment and machinery	07	17,052,571	1,323,630	51,488		18,324,713
Other equipment and furniture	08	726,270	31,033			757,303
Tangible assets in progress	09	11,578,227	14,089,596	1,692,540		23,975,283
Advances for intangible assets	10	3,526,007		2,253,890		1,272,117
TOTAL (row 05 to 09)	11	103,368,866	15,452,409	3,997,918		114,823,357
Rights to use leasing assets	12	63,953				63,953
Long term financial investments	13	5,428,997				5,428,997
NON-CURRENT ASSETS - TOTAL (row 04+11+12 + 13)	14	111,040,489	15,612,457	3,997,918		122,655,028

Depreciations			RON		
	Row no,	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 (column 9=6+7-8)
Fixed assets	B	6 (1)	7 (2)	8 (3)	9 (4)
Intangible assets					
Set up and development expenses	15				
Other intangibles	16	1,562,685	349,105		1,911,790
TOTAL (ROW 15+16)	17	1,562,685	349,105		1,911,790
Tangible assets					
Land	18				
Buildings	19	15,770,388	2,043,420	1,085,972	16,727,836
Technical equipment and machinery	20	9,243,005	1,674,414	51,488	10,865,931
Other equipment and furniture	21	586,366	35,705		622,071
TOTAL (ROW 18 to 21)	22	25,599,759	3,753,539	1,137,460	28,215,838
Rights to use leasing assets		17,764	14,212		31,976
DEPRECIATIONS - TOTAL (row 17 + 22 + 23)	21	27,180,208	4,116,856	1,137,460	30,159,604

GENERAL DIRECTOR,
Laurian ANASTASOF



ECONOMIC AND COMMERCIAL DIRECTOR,
ec. Ion DUMITRESCU

STATEMENT

The undersigned Rodica-Ruxandra ANGHEL – Chairwoman of the Board of Directors of IAR SA 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 2021 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 31,12,2021 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 2021 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,

CHAIRWOMAN OF THE BOARD OF DIRECTORS



STATEMENT

The undersigned Laurian ANASTASOF –General Manager 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 2021 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 31,12,2021 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 2021 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

.....,

GENERAL MANAGER

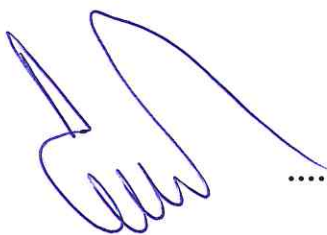
STATEMENT

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 2021 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 31,12,2021 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 2021 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

ECONOMIC AND COMMERCIAL DIRECTOR



.....,

REPORT OF THE INDEPENDENT AUDITOR

To the Shareholders of S.C. I.A.R. S.A. BRAȘOV

Opinion

We have audited the financial statements of the company I.A.R. S.A. Brasov (the "Company"), located in Brasov, 34, Hermann Oberth Street, identified with the sole registration code RO1132930, which contain the balance as at 31st December, 2021 the profit and loss account, the status of changes in the own capital and the status of the treasury flows corresponding to the financial year closed on the aforementioned date, as well as a summary of the significant accounting policies and explanatory notes 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	= 409,347,615 lei
-Total equity	= 219,812,730 lei
-Financial year result-profit	= 23,488,292 lei

In our opinion, the accompanying financial statements present with accuracy, in all material respects the financial position of the Company on December 31, 2018, 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 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.

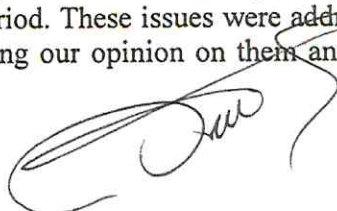
Our responsibility based on these standards are explained in detail in the section *The Auditor's Responsibilities in Auditing the Financial Statements* in our report.

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

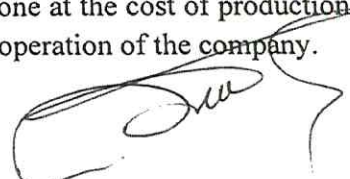
The audit team identified the completeness and accuracy of provisions for risks and charges as a significant risk in the audit, reviewed the audit procedures performed by teams on the components and discussed with the company management on the criteria for recognition.

Evaluation 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 done 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, 2021, 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 exclusively on the work carried out, during the auditing of the financial statements, our opinion is 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 MF Ordinance 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, 2021, 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.

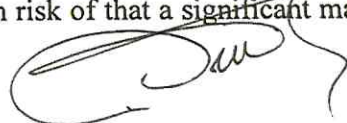
The people charged with governance are responsible for reviewing the Company's financial reporting process.

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 protective measures.

- From among the matters communicated with those charged with governance we determine which are the most important aspects to audit the financial statements of the current period and are therefore key audit issues. We describe such 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 10th of January, 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.

Brasov 15 March 2021

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

