To,

THE GENERAL SHAREHOLDERS MEETING OF IAR. S.A.

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

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

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

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

In order to avoid such situations which would seriously affect the company, the administrative management of IAR, analysing the history of commercial agreements encumbered by financial guarantee terms and taking into account the trade forecasts for the next five years, proposes to increase up to the level of 1.000 million lei the powers of the board of directors to contract bank loans, without real estate guarantees, which are necessary for the development of commercial contracts.

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

Also, the board of directors proposes that bank loans without real estate guarantees necessary for the commercial agreements whose value exceeds the limit of 1.000 million lei to be the subject of the General Shareholders Meeting of IAR S.A approval.

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

Taking into account all these aspects and taking into account the fact that the granting of such powers would be beneficial for the smooth running of the company, we submit for the approval of the General Meeting of Shareholders the proposal regarding the granting of the powers to contract bank loans without real estate guarantees necessary for the development of commercial contracts, at the level indicated throughout this explanatory note.

Horațiu – Cătălin BARBU

CHAIRMAN OF THE BOARD OF DIRECTORS

Digitally signed by Horatiu-Catalin Barbu
Date: 2023.10.12 10:57:15 EEST