

ANNUAL REPORT

under N.C.T.S. Regulation no. 5/2018 for the financial year 2019

Date of the report: 30.04.2020

Denomination IAR S.A.

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

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

Sole Registration Code with the Trade Registry: 1132930

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

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

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

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

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

1.1.a. The core activity of the company

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

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

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

1.1.c. Mergers or significant reorganization during the financial year 2019 - not applicable.

1.1.d. Purchases or disposals of assets

In 2019, 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 13.388.809 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, Fire Fighting space, garage, warehouses) and purchase of machine-tools and equipments.

Such acquisitions are set out in section 2.1.

1.1.e. The economic and financial results registered by the company at the end of 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 2019, the major financial indicators registered by IAR S.A. are as follows:

	IEB FORECASTS 2019 (lei)	ACHIEVED 2019 (lei)
1. Net turnover	326.139.000	365.811.270
2. Sold output	257.476.000	247.084.488
3. Total revenues, of which:	320.389.000	387.183.732
- operating revenue	316.389.000	381.684.277
- financial revenue	4.000.000	5.499.455
4. Total expenses, of which:	298.939.000	330.836.749
- operating expenses	295.939.000	329.779.113
- financial expenses	3.000.000	1.057.636
of which: interests	0	280.678
5. Gross profit	21.450.000	56.346.983
6. Net profit	18.190.000	49.128.541

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 14.05.2018, expiring on 13.05.2021) and according to SR EN 9001 (certificate no. 007 originally issued in 1997 and renewed annually).
- 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 / 2009, originally issued in 2007, with unlimited validity and annual surveillance, current issue 30.06.2017) 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 23.12.2019)
- 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 05.06.2018, valid until 04.06.2020).

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:

- cessation, in recent years, of the IAR 316B Alouette III single-engine, light helicopter manufacturing (the main reason – reaching the life limit) and of the IAR 330 PUMA helicopter, mainly due to the fact that the manufacturing of the new engines TURMO IVCA and of the mechanical assemblies ceased.
- 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.

On 12/29/2016 **IAR SA and the Ministry of Defence** signed a commercial agreement covering the **retrofit and upgrade of 7 IAR 330L Puma**, belonging to the Air Chief of Staff, in the search&rescue version.

Information regarding this contract:

- **Beneficiary: Ministry of Defense - UM 02 550 Bucharest**
- **Duration: 2016-2019,**
- **Value: 313,147,730 lei, without VAT.**

In 2017, the work under this contract started, both for the basic helicopter overhaul operations and for the design of integration of new systems and equipment to be installed on the basic helicopter in view of meeting the operational research-rescue requirements.

In November 2018 the IAR 330 Puma Search & Rescue helicopter qualification process was finalized and the first two helicopters under this contract were delivered, followed by the delivery of the other 5 helicopters in 2019.

Also in 2018, Framework Agreements with the Ministry of National Defence have been concluded over the period 2018-2021, aiming at the overhaul of 8 IAR 330 Puma SOCAT helicopters as well as the other contracts looking at the maintenance and supply of spare parts and mechanical assemblies required to maintain the IAR 330 Puma and IAR 316B Alouette helicopters.

In 2019 a frame agreement with the Romanian MoD was signed for the period 2019-2024, aiming at the performance of the overhaul and upgrade of 15 IAR 330 Puma NATO helicopters.

Sales by product type on the local market	Percentage of total sales on the local market			
	y. 2016	y. 2017	y.2018	y. 2019
IAR 330 PUMA helicopters upgrade+ Overhaul, IAR 316B helicopters Overhaul, IAR 330 and 316B Helic. Major repair works	52,22%	50,55%	58,90%	58.97%
Spare parts and services for helicopters	36,01%	47,32%	29,60%	39,87%
Aircraft –related miscellaneous	6,76%	0,15%	10,20%	0,14%
Non-aircraft-related miscellaneous	5,01%	1,98%	1,30%	1,02%

International market

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

- Lebanese Air Force - LEBANON
- Pakistani Army/ Aviation (by AEROTEH SA) - PAKISTAN

- DGP GHQ UAE ARMED FORCES – UNITED ARAB EMIRATES
- AIRBUS HELICOPTERS FRANCE/GERMANY (by AIRBUS HELICOPTER ROMANIA S.A. (former Eurocopter România S.A))

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

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

Sales by product type on the external market	Percentage of total sales on the external market			
	y. 2016	y. 2017	y. 2018	y. 2019
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. 2016	y. 2017	y. 2018	y.2019
IAR 330 PUMA and IAR 316B helicopters upgrade+ Overhaul, IAR 330 PUMA and IAR 316B helicopters revisions.	57,39%	38,46%	56,20%	58,63%
IAR 330 and 316B Helic.major repair works, spare parts and services for helicopters	32,12%	59,63%	32,80%	40,21%
Aircraft-related miscellaneous	6,03%	0,12%	9,70%	0,14%
Non-aircraft –related miscellaneous	4,46%	1,78%	1,30%	1,02%

b. Potential markets

Potential local market

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

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

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

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

Potential external market

IAR S.A. Company:

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

UAE Armed Forces

- aims to conclude manufacturing contracts for spare parts / assemblies for SA 316B Alouette III and IAR / SA 330 PUMA helicopters to support helicopter fleets held by various beneficiaries, as well as for the international distribution chain of Airbus Helicopters.

1.1.2.3. New products in question, which will need a substantial amount of assets affected to in the financial year 2020:- 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, Thales, Sagem, Sofema, 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 2019 was achieved both on the local market (99.43% of total sales), as well as on the external market (0.57% of total sales).

a. Export activity

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

The value of exports under the orders and contracts of 2019 amounted to 438,22 thousand euros, the equivalent of 2.074,13 thousand lei. The export achievements in 2019 have decreased compared to the previous year's achievements.

Comparing the period 2016-2019, 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
Anul 2016	0%	100.00%	0%
Anul 2017	0%	100.00%	0%
Anul 2018	0%	100.00%	0%
Anul 2019	0%	100.00%	0%

b. Sales on the local market

Locally there were developed and implemented in 2018 orders and contracts amounting to 364,001.83 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): 327,543.95 thousand lei (VAT excluded),
2. various local customers: 36,457.88 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

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

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

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

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

b) attack helicopter program

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

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

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

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

- the external market

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

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

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

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

Crt no.	Product or group of products	Competitor	
		on the local market	on the external market
1	PUMA helicopter	Airbus Helicopters with H215, Ukraine and Russia (Aviakon and Kazan Helicopters) with Mi-8, Mi-17	Airbus Helicopters – H215/H225, Sikorsky USA – S92, UH 60L, NH Industries (European corporation) – NH 90, Kazan Russia – MI 17
2	IAR316B helicopter (currently, IAR S.A. no longer offers newly manufactured IAR316B helicopters)	Airbus Helicopters SAS – AS 350/355, EC120, EC135/635, EC 155, Bell Helicopter Textron – Bell427, Bell 429i, Bell430, Bell412, Bell206, Bell407, Agusta Italy – A109 Power, A119 Koala, Robinson USA – R44, R22, MDHelicopters Belgium – MD500/600	Airbus Helicopters SAS – AS 350/355, EC120, EC135/635, EC155, Bell Helicopter Textron – Bell427, Bell 429i, Bell430, Bell412, Bell206, Bell407, Agusta Italia – A109 Power, A119 Koala, Robinson USA – R44, R22, 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 2019, the company had the following personnel structure which does not differ substantially from the years 2017 and 2018:

- chief executive officers	2
- heads of departments	18
- upper education	104
- specialized secondary education	25
- foremen	8
- technical quality inspectors	8
- workers	216
-support workers	9
- understudies workers	4

The average age of the personnel employed in IAR S.A. at the end of 2019 was 50.6 years at company level, considering that the average age with men was of 51.18 and with women of 48.63. On the 31st of December 2019, men represented 77.22% of the total personnel, the difference being represented by women.

Of the total employees of the company, 54.06% 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 2019, 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 2019

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, valid until 18.07.2024, which also includes the Water Management Authorization no. 26 of 10.03.2017 issued by the Water Management System Brasov, valid until 10.03.2020.

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 2019 were conducted in accordance with the specific requirements of environmental legislation and requirements of three environmental permits held by IAR SA.

To this end, the company has monitored the quality of the environment: water, air, soil, in collaboration with companies and accredited laboratories: ECOSIMPLEX NOVA Bucharest for air emissions, ECOBREF Brasov for speciality audits and documentation in the field of environment, SGA Braşov for the analysis of discharged waste water, REMAT Braşov, COMPREST, SC DEMO-TECH INVEST SRL and SC ALTERNATIVE FUELS ROMANIA SRL for removal and disposal of hazardous waste resulting from the activity of the company. In 2019 the minimum 2% value for ammoniacal nitrogen in the wastewater has been exceeded and thus, the company decided to connect to the sewerage network of the Regia Autonoma Apa Brasov, this network being achieved for the International Airport located in the neighbourhood of our company.

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

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

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

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

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

In the course of 2019, the design organization of IAR SA carried out a series of technical analyzes to establish the technical specifications and started the design activities of new systems, proposed to be mounted upon the major repair of helicopters:

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

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

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

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

The company, depending on its possibilities, at a certain time, using different currencies, buys the respective currencies that it needs to complete the necessary import payments from different suppliers. The risk of exchange rate changes did not have a significant impact in 2019, despite a sharp deterioration of the exchange rates RON / euro and RON / USD, thanks to an active management and monitoring of the situation.

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

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

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

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

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

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

The Company conducts business relationships only with renowned third parties.

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

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

The Company is not subject to any patrimonial legal claims.

1.1.9. Elements of perspective on the company's activity

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

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

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

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

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

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

- IAR S.A. will be involved in the national program for the purchase of helicopters by the institutions of the National Defence System /other budgetary institutions - a program for the next 10-20 years,

- IAR S.A. will take the necessary measures to become a national center for helicopters maintenance as per the Law 232 / 2016.

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

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

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

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

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

Another possibility for the development of aviation activities provided by IAR S.A. arises from the company's adherence to Transylvania Aerospace Cluster.

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

Indicator	Analysed period			
	31.12.2016	31.12.2017	31.12.2018	31.12.2019
Current liquidity indicator	4.99	12.63	2.78	3.38
Immediate liquidity indicator	3.53	7.26	1.01	40.72

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.

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

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

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

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

Currently, IAR S.A.'s assets are initially placed into 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 / control devices, etc.

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

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

For the year 2019 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:
 - the modernization of the ventilation / heating and compensation installations with hot air in the workshop for surface treatments, action started in 2018 and completed in January 2019,
 - relocation of PSI (Fire Fighting Brigade) draw and garage, procedure started in 2018 with completion in 2020,
 - modernization / arrangement of production facilities in the Thermal Power Plant, necessary after the decommissioning of the compressed air and technological steam installations,
 - AHR (ob. 100) production hall roof replacement,
 - works on the roof and facades of the hall ob. 40 - Welding and Vulcanization Workshop
- 2) Purchases of machinery, production accessories, small equipment, C&M devices, of which the most important are: hot water boiler with associated facilities, technological water cooling tower (finalized in 02.2019), tractor head, filter pump, engraving machine, digital oscilloscope, welding machine, brazing bath, riveting device, Wave-Scan-measuring device,
- 3) purchases of IT products made / launched in 2019:
 - the acquisition and implementation of an ERP Enterprise Resource Planning System, which will be completed in 2020,
 - 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 the two future programs in which the company intends to be involved: multi-role helicopters and attack helicopters.

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

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

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

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

3. The corporate governance statement

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

The Statement of compliance of IAR SA in 2018 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		
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: A.4.1. he/she is not a General Manager/chief executive of the company or of a company controlled by it and has not held such a function in the last five (5) years; A.4.2. he/she is not an employee of the company or of a company controlled by it and has not held such a position in the last five (5) years; A.4.3. he/she does not receive and did not receive additional remuneration or other benefits from the company or companies controlled by it, in addition to those appertaining to a non-executive manager; A.4.4. he/she is or was not an employee or has or had during the previous year a contractual relationship with a significant shareholder of the company, a shareholder who controls more than 10% of the voting rights, or with a company controlled by him/her;	x		
A.4.5. he/she does not have and did not have in the			

<p>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	x		

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.			
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	x		

directly to the general manager.			
<p>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.</p> <p>The report on remuneration must present the implementation of the remuneration policy for the individuals identified in the remuneration policy during the annual period under analysis. Any significant change occurred in the remuneration policy must be timely published on the website of the company.</p>	x		
<p>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:</p> <p>D 1.1 - The main corporate regulations: the constitutive act, the procedures for shareholders assemblies;</p> <p>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;</p> <p>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;</p>	<p>x</p> <p>x</p> <p>x</p>		
<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</p>	<p>x</p> <p>x</p> <p>x</p>		

<p>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		
<p>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.</p>	x		
<p>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.</p>	x		
<p>D9 - A company will organize at least two meetings/conference calls with analysts and investors</p>		x	

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.			
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	Age	Qualification	The period of the current mandate
1	Magdalena NICULESCU	Chairwoman of the Board	52	jurist	24.09.2018 – 13.04.2019
2.	Măriuca-Oana PISTOL	Chairwoman of the Board of directors and Member	41	economist	14.04.2019-15.10.2019 16.10.2019-17.02.2020
3.	Octavian Alin GREBLĂ	Member	39	economist, jurist	16.10.2019-18.02.2020
4.	Ioan TOMA	Member	66	jurist	10.10.2014-14.06.2019
5.	Rodica Ruxandra ANGHEL	Member	58	engineer	09.12.2017-18.06.2020
6.	Călin Ilie BODEA	Member	48	engineer, economist	12.06.2018-08.08.2019
7.	Alexandru BUȘCU	Member	59	economist	27.04.2017-13.04.2019
8.	Irina MIHU	Member	25	economist	14.04.2019-14.06.2019
9.	Emil NIȚĂ	Member	64	engineer	14.06.2019-18.02.2020
10.	Alin GUȚU	Member	39	jurist	14.06.2019-16.12.2019

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

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

1. As of 2010, Ms. Magdalena NICULESCU, non-executive interim member of IAR SA and Chairwoman of the Board of Directors of IAR SA as of 24.09.2018, has held the following administrative/management positions:

PERIOD	COMPANY / POSITION OCCUPIED
July 2018 – November 2018	Ministry of Economy - Director, Juridical and Institutional Relations Directorate
November 2018 – November 2019	Ministry of Economy – Director in Deputy, Mineral resources Directorate
September 2018 – April 2019	IAR SA – Chairwoman of the Board of Directors
February 2017 – July 2018	Ministry of Economy – Director in deputy, Mineral resources Directorate
July 2013 - February 2017	Ministry of Economy – Director in deputy, Juridical and Institutional Relations Directorate
March 2013 – July 2013	Ministry of Economy, Commerce and Business Environment – Secretary General in deputy
December 2008 - March 2013	Ministry of Economy – Director in deputy, Juridical and Institutional Relations Directorate

Ms. Magdalena NICULESCU has the following professional experience:

- long-term studies: licenced in juridical sciences (Faculty of Law Bucharest – 1995)
- short-term studies:
 - BA in International and EU Law, 2007
 - BA in Public Politics eHyys 2010
- experience: member of Lawyers' Bar Bucharest, member of the Union of Mediators in Romania, upgrade in the field of crisis management, specialization in the international law on energy, etc

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

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

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

- Long-term studies: The Academy of Economic Studies in Bucharest – The Faculty of Management, 2002
- Short-term studies:
 - Project management training – Ministry of Labour, Family, Social and the Elderly Protection, 2013
 - Expert in public procurement training - Ministry of Labour, Family, Social and the Elderly Protection, 2014
- experience: 16 years of expertise in management/leadership positions

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

PERIOD	COMPANY / POSITION HELD
October 2019 – February 2020	IAR SA - provisional non-executive member of the Board of Directors
2016 – present	MOE, European Union Directorate, DPIPS-Counsellor for European affairs
2012 – 2016	Romanian Embassy in Paris - Vice-Consul
2009 - 2012	Ministry of European Affairs – Counsellor for European Affairs

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

- long term studies:
 - Babes Bolyai University, Cluj Napoca, Faculty of European Studies, European Business Management Section - 2000-2004
 - Babes Bolyai University, Cluj Napoca, Faculty of Law - 2000-2005
 - Babes Bolyai University, Cluj Napoca, Faculty of European Studies - Master of Human Resources Management - 2004-2005
- short term studies:
 - diplomas and certifications in various fields: IT, European affairs, communication, marketing, human resources, negotiation, photography, sports

4. Since 2010 Mr. Ioan Toma, independent and non-executive member of the Board of IAR SA, has not held any administrative / management position in any other company.

The professional experience of Mr. Ioan Toma is presented below:

PERIOD	COMPANY / POSITION OCCUPIED
October 2014 – 13.04.2019	IAR SA – Interim non-executive member
2006 – 2007	SC Nicolina SA Iași – Special manager
2004 - 2005	SC Moldoplast SA Iași – Special manager
1998 - 2007	SC INAV SA București – Secretary of the Board of Directors

Mr. Ioan Toma has the following training and professional experience:

- long-term studies: Alexandru Ioan Cuza University - Faculty of Law - Bachelor's Degree in 1981
- short-term studies: Nicolae Titulescu University Bucharest - Master's degree in Business Law - Dissertation – 2008

Mr. Ioan Toma is an insolvency practitioner, UNPIR member since 1999.

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

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

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

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

6. Since 2010 Mr. Călin Ilie BODEA, Interim non-executive member of Societății IAR SA as of 12.06.2018, has held the following management / leadership positions:

PERIOD	COMPANY / POSITION OCCUPIED
July 2010 – March 2017	Chronical Diseases Hospital Câmpeni – Manager
March 2018 - present	Ministry of Economy – State Secretary
June 2018 – 13 April 2019	IAR SA - Interim non-executive member

Mr.Călin Ilie BODEA has the following professional experience:

- long-term studies:
 - University of Petroșani, Faculty of Mining, between 1990 – 1995
 - Spiru Haret University, Faculty of Finances&Accounting Management – Licence 2008
 - Spiru Haret University – Faculty of Law and Public Administration – BA, 2008
- Short-term studies:
 - Technical University Cluj Napoca – post-graduate course in Business Management in the field of sustainable development, 2013
 - Various course in the field of management, public acquisition, management internal control
- experience:
 - 15 ani – management in the field of industrial and sanitary management

7. Since 2010 Mr. Alexandru BUȘCU, non-executive member of the Board of IAR SA as of 27.04.2017, has held the following management / leadership positions:

PERIOD	COMPANY / POSITION OCCUPIED
April 2017 - present	SC ROMAERO SA – manager
April 2017 – 13.04. 2019	SC IAR SA – interim non-executive member
September 2016 – April 2019	SC PTO Buzau - Manager
September 2012 – August 2016	SC TRANSBUZ Buzau – Manager

Mr. Alexandru BUȘCU has the following professional experience:

- long-term studies:
 - The Academy of Economic Studies in Bucharest between 2001 – 2005
 - Aviation Military School - Active Navigation Section (equivalent to higher technical education: Sub-engineering in Transport, Telecommunications and Meteorology)
- Short-term studies:
 - Staff training course in the management of the SOP - 2007-2013
 - Public procurement expert/public procurement training course / public procurement manager course
 - Occupational Health and Safety course
 - Squadron commander
- experience:
 - 3 years – consulting in the field of public procurement and project management for EU funding
 - 3 years – management in the industrial field

8. Since 2013 Ms. Irina MIHU, non-executive member of the Board of Directors of IAR SA as of 14.04.2019, has not held leadership or management positions. Ms. Irina MIHU's professional experience is presented bellow:

PERIOD	COMPANY / POSITION HELD
March 2019 – August 2019	Ministry of Economy - Counsellor
April 2019 – June 2019	IAR SA - non-executive member of the Board of Directors
February 2017 – April 2017	Total Trust Investigation, Financial investigations Assistant
March 2015 – April 2016	JPA Romania, Economist

Ms. Irina MIHU has the following professional preparation:

- long term studies: - Bucharest Academy of Economic Studies - Faculty of International Economic Relations, 2018
- master's degree in International Relations Management, currently in process

- short term studies:
 - postgraduate course "Introduction to International Economic Intelligence", currently in progress
 - participant in the "CNE Representa!" Project, 2013
 - course "Methods and tools of non-formal education in Youth in Action context", 2010

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

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

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

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

10. Since 2008 domnul Alin GUȚU, provisional independent and non-executive member of the Board of Directors of IAR SA as of 15.06.2019, has held the following leadership and management positions:

PERIOD	COMPANY / POSITION HELD
June 2019 – December 2019	IAR SA - provisional non-executive member of the Board of Directors
October 2017 – April 2019	APDF S.A. National Company Giurgiu - General Director
2008 – 2016	County Directorate for Rural Development and Environmental Protection, Giurgiu – Interim Director, Head of the Legal Dept

Mr. Alin GUȚU has the following professional preparation:

- Long term studies: Spiru Haret University of Bucharest - Faculty of Law, 2000-2004 - State University of Bucharest, SNSPA - master's degree in public and central administration, 2008-2010
- short term studies: trainings: "Public Procurement Management", "Structural Funds from theory to practice", "Project Manager", "Project Monitoring improvement program", "European Structural and Cohesion Fund Expert", "TRAINER"
- experience: 10 years experience in management and / or administration positions

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 2019	THE BOARD OF DIRECTORS	THE AUDIT COMMITTEE	THE NOMINATION AND REMUNERATION COMMITTEE
	8	4	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 2019, the Board of Directors approached in its meetings various topics of interest to the company, such as:

- approval of the yearly investment plan for 2019 – February 2019;
- endorsement of the IEB 2019 – February 2019;
- 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 May 2019;
- approving the directing quotas and the industrial hour value for 2019 - in June 2019
- the approval of the 2019 Collective Labor Contract – in June 2019;
- the analysis of the general manager fulfillment of criteria and performance targets approved for 2018 – May 2019, – after the approval of the 2018 financial statements;
- the approval of the key performance indicators related to the current financial year- in March 2019, after the approval of the IEB 2019;
- approval of the participation of employees in the profit registered at the end of 2018 - in September 2019;
- any other analysis in the limits of the Board of Directors' prerogatives - in the moment of occurrence of such situations;
- the convening of the GSM for issues falling within its competence.

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

According to the principles taken into account:

- the Board's assessment took into account the balance between skills, experience, independence and knowledge of the Board, its diversity, the way the Board works as a whole and other factors relevant to its effectiveness;
- the evaluation of the board performances was realized making the combination of some methods, based on questionnaires, with other methods based on individuals and group interviews;
- the assessment process was focused primarily on the achievement of three objectives:
 - a) the assessment of the way in which the Board and its committees have operated during 2018;
 - 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 2018 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 2019, the Audit Committee has sought to assist the Board in carrying out its duties mainly related to financial reporting, internal control and risk management. Also, the Audit Committee was assured that there is coordination between the internal and the external auditors of IAR SA.

The activities of this committee during 2019 focused on:

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

By the activity that took place during 2019, 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 2018, the criteria and performance targets have been met in relation to the mandate contract concluded with the General Manager of the Company
- the establishment, for the current year, of the key performance indicators.

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

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

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

Complying to the principles on remuneration of the Board of Directors and of the General Manager of IAR SA, in 2019:

- 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 2019, 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 2019:

- 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 2019, 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. eng. Teodor STANCU – tel +40-268-475269, extension 1023

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

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

The evolution of the market value of the IAR S.A. Company's shares in the past 5 years (2015-2019) is shown in the chart below:



From the analysis made based on public information posted on the BSE website the following evolution of IAR S.A.'s shares trading over 2019 emerges:

The total number of transactions	The total number of traded shares	The total value of traded shares (lei)	The price variation (%)
6,110	1,481,071	18,059,820.70	105%

It may be noted that the market value of the IAR's shares, resulting from all the transactions carried out in 2019 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 2016, the amount allocated to be shared as dividends to IAR S.A. shareholders was 6,230,021 lei, resulting in a gross dividend of 0.33 lei per share. In the same time, the OGSM has approved by Decision no. 4/27.04.2017, the prescription of the unpaid dividends for the financial year 2012 (more than 3 years old). Dividends were paid via S.C. Depozitarul Central S.A., to shareholders registered in the register of shareholders on 15.06.2017.

For 2017, 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 4,247,742 lei in

dividends, representing a gross dividend per share is 0.225 lei. At the same time through GMS Resolution no5/27.04.2018, the general meeting of shareholders approved the prescription of unpaid dividends for the financial year 2012 (older than 3 years). Dividends were paid via S.C. Depozitarul Central SA, shareholders registered in the shareholders' register on 15.06.2018.

For the year 2018, the amount established to be distributed as dividends to the shareholders of IAR S.A. was RON 11,515,677, resulting in a gross dividend value per share of RON 0.63. At the same time through GMS Resolution no. 5 / 27.04.2018, the general meeting of shareholders approved the prescription of unpaid dividends for the 2014 financial year (older than 3 years). Dividends were paid via S.C. Depozitarul Central SA, shareholders registered in the shareholders' register on 14.06.2019.

For the year 2019, 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 18,278,853 lei in the form of dividends, resulting in a gross dividend per share of 1 leu.

The dividend payment date will be 03.07.2020, which will be paid via Depozitarul Central SA to the shareholders registered in the register of shareholders on 26.06.2020, 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 2015, 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 30.06.2020.

3.4.3. Purchase activities of own shares

In 2019, 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, in 2015, by **Mr. Eng. Neculai BANEĂ - GENERAL MANAGER**. He represented the company in relation to third parties and was responsible for how the company carried out acts of leadership under the mandate contract number E425 / 30. 03.2009, valid until 30.06.2019.

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

During 2018, 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 31.12.2019:

- 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 2019 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	31.12.2016	31.12.2017	31.12.2018	31.12.2019
I. Fixed assets	63,452,322	63,588,814	66,603,308	74,440,418
Stocks	48,459,209	115,650,817	164,987,911	211,201,751
Debentures	35,270,452	93,019,623	91,808,774	48,901,225
Petty-cash and banking accounts	82,101,001	63,574,862	2,197,721	-8,770,824
Short-term financial investments	-	-	-	-
II. Circulating assets	165,830,662	272,245,302	258,994,406	268,873,800
III. Expenses reg. in advance	-	-	11,298	52,177
TOTAL ASSETS	229,282,984	335,834,116	325,609,012	343,366,395
Share capital	47,197,132	47,197,132	47,197,132	47,197,132
Reserves from reevaluation	26,044,409	26,044,409	27,246,254	27,246,254
Reserves	23,389,191	31,040,545	52,688,068	72,902,699
Profit	12,213,227	24,191,976	31,184,158	49,128,541
Reported result	3,951,194	3,951,194	3,951,194	3,951,194
Profit distribution	1,266,063	2,934,211	4,637,500	5,183,650
I Shareholder's equity	111,529,090	129,491,045	150,921,306	188,534,170
II Provisions for risks and expenses	78,639,188	85,127,600	75,987,746	69,994,375
Loans and assimilated debts				
Suppliers	12,565,273	14,150,533	25,848,112	18,814,153
Creditor clients	9,250,766	93,994,288	63,978,111	16,617
Other debts	17,297,125	13,070,650	8,873,737	12,691,542
III Total payables	39,113,164	121,215,471	98,699,960	84,740,127
IV Settlement accounts	1,542	0	0	97,723
TOTAL LIABILITIES	229,282,984	335,834,116	325,609,012	343,366,395

The share of fixed assets in the total assets was of 27.67% in 2016, of 18.90% in 2017 and of 20.45 in 2018 and of 21.67% in 2019 .

b) the profit and loss account

lei

THE PROFIT AND LOSS ACCOUNT	31.12.2016	31.12.2017	31.12.2018	31.12.2019
Income from the sale of goods	12.977.485	24.989.304	75.757.859	118.726.782
Sold production	139.118.880	167.735.650	183.516.349	247.084.488
Turnover	152.096.365	192.724.954	259.274.208	365.811.270
Income from the stored production– S.C.		10.285.478	41.893.827	7.584.303
Income from the stored production – S.D.	2.218.242	0	0	0
Other operating income	9.861.320	335.619	134.441	8.288.704
OPERATING INCOME –TOTAL	159.739.443	203.346.051	301.302.476	381.684.277
Expenditure on goods, com discounts received	10.667.879	21.975.914	63.706.581	94.844.103
Expenditure on raw mat. and consumable mat.	85.297.152	102.902.438	144.557.196	169.960.270
Expenditure on water and energy	1.609.629	1.558.516	1.629.160	1.909.901
Other mat. expenditure	411.798	767.457	927.016	1.181.606
External services-related expenses	5.518.861	8.391.942	12.098.149	9.873.917
Duties, taxes and similar levies-related expenses	360.806	236.386	397.048	579.120
Salaries-expenses, participation to the company's profit, restaurant tickets	16.490.087	19.450.005	30.001.442	39.489.700
Insurance and social protection-related expenses	3.816.717	4.705.495	1.182.381	1.606.107
Staff-related expenses	20.306.804	24.155.500	31.183.823	41.095.807
Compensation, environment and transferred assets-related expenses	318.442	390.067	5.480.336	12.520.845
Expenditure on provisions reduced by income from provisions	15.574.752	8.198.688	1.300.389	-5.956.105
Expenditure on the amortization and, constitution and provisions adjustments	3.915.663	4.416.362	4.481.332	3.764.086
Tangible assets re-assessment-related expenses	0	0	0	0
Adjustments to circulating assets	0	0	0	5.563
EXPENDITURE ON OPERATING -TOTAL	143.986.087	172.993.270	265.761.030	329.779.113
RESULT FROM OPERATING - PROFIT	15.753.356	30.352.781	35.541.446	51.905.164
TOTAL INCOME	163.482.756	206.592.170	304.717.092	387.183.732
TOTAL EXPENDITURE	145.187.056	176.335.159	267.646.471	330.836.749
GROSS RESULT - PROFIT	18.295.700	30.257.011	37.070.621	56.346.983

The share of operating costs in the total expenditure: in 2016, it is 99.17 % , in 2017 it is 98.10% , in 2018 it is of 99.29% and in 2019 it is of 99.68%.

The share of operating income in the total income: in 2016, it is of 97.71 % , in 2017 it is of 98.42%, in 2018 it is of 98.87% and in 2019 it is of 98.57%.

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 2019, **the workload of production capacities** has averaged 112%.

c) **cash flows** - the available funds of the company on 31.12.2019 were -8,770,824 lei.

4.2. ELEMENTS OF FINANCIAL-ACCOUNTING MANAGEMENT

In 2019 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. 25/16.10.2019. 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 2019.

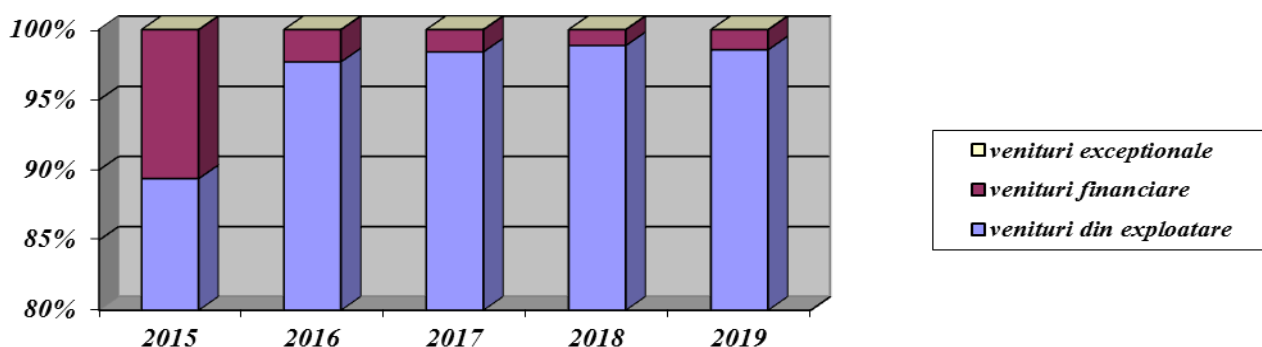
IAR SA's balance sheet for the period 01.01.2019-31.12.2019 was compiled based on the trial balance accounts that were registered in all economic and financial operations based on legal documents drawn up, on the principles and by the provisions of the Accounting Law no. 82 / 1991 approved the company's 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 and the Accounting law no. 82/1991, 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:

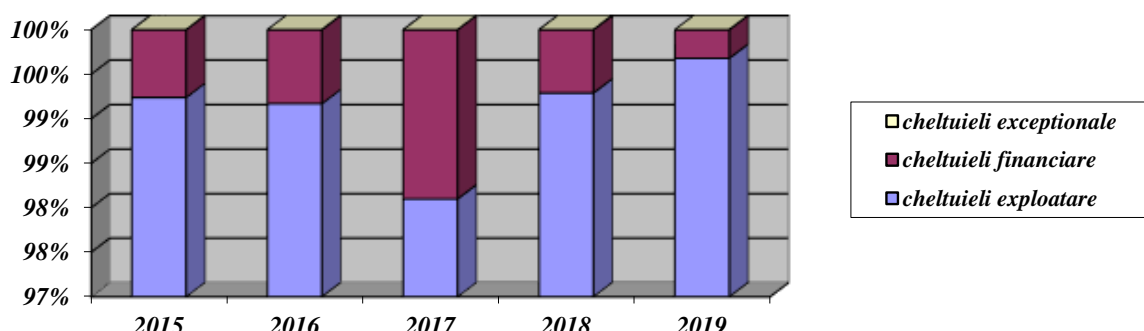
	%				
	2015	2016	2017	2018	2019
Operating income	89.39	97.71	98.42	98.87	98.57
Financial income	10.61	2.29	1.58	1.13	1.43
Exceptional income	0	0	0	0	0

The main share, respectively 98.57% of total revenues achieved by the company in 2019, is represented by the income from operating activities.



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

	%				
	2015	2016	2017	2018	2019
Operating expenditure	99.24	99.17	98.10	99.29	99.68
Financial expenditure	0.76	0.83	1.90	0.71	0.32
Exceptional expenditure	0	0	0	0	0



The main share, respectively 99.29% of total expenditure made by the company in 2019, is the expenditure on operating activities.

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

✓ ASSETS

The value of non-current assets at 31.12.2019 is of 74.440 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 31.12.2019 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 31.12.2019 is 211.202 thousand lei, increased by 28.01% compared to the previous year, the causes being the following:

- increase of the value of the finite products and of the goods from the value of 21,798,223 lei registered at the end of 2018, to the value of 71,881,889 lei.
- the increase of the advances from 22,612,753 lei, to 39,307,016 lei and represents mainly advances granted to the external suppliers according to the commercial contracts, as follows:
 - Elbit Systems, worth 23,818 thousand lei (5,590 thousand dollars);
 - Safran worth 7,080 thousand lei (EUR 1,481 thousand).

The balance of production in progress includes: the value of the IAR 330 PUMA Search & Rescue helicopters to be delivered in the first quarter of 2019, as well as ILS 2 ONU and other spare parts to be delivered during the same period.

✓ RECEIVABLES

On 31.12.2018 the situation of the receivables is as follows:

	lei
Total receivables	48,901,225
- commercial receivables	42,138,455
- long-term receivables	0
- paid deposits	348,062
- other receivables, of which:	6,414,708
• Other taxes-excises	69,861
• Sundry debtors	193,357
• Interests to be received	99,580
• VAT to be recovered	5,785,271
• Other receivables related to the personnel	0
• Undue VAT	3,199
• Contribution for leaves and indemnities	263,440

In the total receivables, the largest share is held by trade receivables in the amount of 42.138 thousand lei, respectively 86.17 %.

Their componence is:

- the amount of 28,117,255 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:

1. SGB OFICIUL DE COMPENSARE, reference G066042/836, amounting to 6,262,955 lei.
2. Bank counterguarantee, reference G061408/844, amounting to 13,624,628 AED, issued in favour of TAWAZUN ECONOMIC COUNCIL EAU 15,807,165 lei.
3. MU 01836 OTOPENI, Supply contract no. A12764/ 11.12.2018, SGB reference G074636/ 867, amounting to 1,487,303 lei;
4. MU 01836 OTOPENI, Subsequent Services Contract no.1/ 2018 Frame Agreement A5558/ 13.06.2018, SGB reference G074704/ 820, amounting to 718,140 lei;
5. MU 01836 OTOPENI, Subsequent Services Contract no.3/ 2019 Frame Agreement A5558/ 13.06.2018, SGB reference G080154/ 820, amounting to 718,140 lei;

- the amount of 14,021,200 lei, represents the value to be cashed in as per the commercial contracts, of which:

1. MU 01836 Bucuresti : 7,802,402 lei;
2. Turbomecanica Bucuresti : 5,097,711 lei

✓ PETTY CASH AND BANK ACCOUNTS

The company cash funds at 31.12.2019 amount to 8,770,824 lei of which:

- Liquidity in lei in other bank accounts 8,270,336.73 lei
(card accounts, dividend distribution account, CECs, Brasov Treasury account, BRD current account)
- Liquidity in foreign currency 485,430 lei
 - Liquidity in the cash register of the company 2,300.96 lei
 - Other values 12,756,43lei.

✓ 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):	84,837,850
• financial debts	53,217,815
• trade debts	18,814,153
• creditor customers	16,617
• incomes registered in advance	97,723
• other debts to: personnel, budget, social insurance, of which:	12,691,542
• tax on profit	1,167,158
• other creditors (AJOFM – The Unemployment Agency)	5,336,935
• dividends	2,824,386
• current salary contributions	2,205,640

The company's debts struture is as follows:

- commercial debts, amounting to 18,814 thousand lei, respectively 22.17 % of the total debts;
Commercial debts are current debts, in line with the deadlines stipulated in the commercial contracts, and the significant amounts are:
 - AIRBUS HELICOPTERS ROMÂNIA SA 3,565 thousand lei
 - TURBOMECANICA SA 2,769 thousand lei
 - AEROFINA SA București 1,696 thousand lei
 - ELECTROPRECIZIA A.G 1,182 thousand lei
 - ELBIT SYSTEMS ISRAEL 5,185 thousand lei
 - HELI NETWORK INTERNATIONAL 795 thousand lei
- "other creditors" in the amount of 5,337 thousand lei, respectively 6.29% of the total debts.

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

We must emphasize the fact that under 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 2,824 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 2019 are worth 84,838 thousand lei, of which short-term debts worth 79,455 thousand lei are current debts, whose chargeability is consistent with the legal and contractual deadlines stipulated in the Fiscal Code.

99.14% of the total debts to be paid over a period of more than one year, the value of which is 5,383 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 31.12.2019.

✓ 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 2017 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 2018 is of 20.481 thousand lei, presenting them in the following structure:

- provision for employees participation to profit, amounting to 2.583 thousand lei;
- provision for the retirement bonus, amounting to 200 thousand lei
- provision to cover risks, good performance guarantees for the contracts concluded in 2019, amounting to 17.562 thousand lei;
- provision for unfinished production, amounting to 37 thousand lei;
- provision for OFFSET Risk EAU, amounting to 99 thousand lei;

Also, provisions in the amount of 26,437 thousand lei have been canceled or diminished by the resumption on income, as follows:

- provision for performance guarantees granted to local customers, amounting to 24,318 thousand lei;
- provision for employees participation to profit, amounting to 1,918 thousand lei;
- provision for the retirement bonus, amounting to 201 thousand lei;

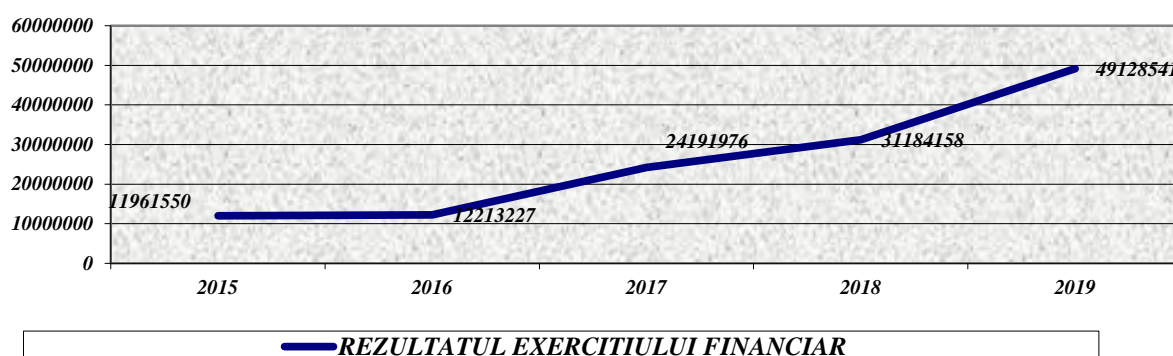
Thus, the adjustments for provisions represent in 2019 the amount of -5,956 thousand lei.

✓ SHAREHOLDERS' EQUITIES

The equity on 31.12.2019 is 188,534 thousand lei and shows an increase by 24.92 % compared to 2018.

The evolution of the economic-financial results of the company between 2015-2019 is as follows:

	2015	2016	2017	2018	2019
Net profit (lei)	11,961,550	12,213,227	24,191,976	31,184,158	49,128,541
Loss (lei)	-	-	-	-	-



At the end of 2019, according to the MoF Order 2844/2016, the Law 31/1990 and the Law No. 227/2015 as amended and supplemented, the legal deductible reserve was constituted from the profit, amounting to 2,319,392 lei.

THE ANALYSIS OF THE MAIN ECONOMIC AND FINANCIAL INDICATORS

A. Current liquidity ratio:

$$\frac{\text{Current assets}}{\text{Current debts}} = \frac{268,873,800}{79,356,917} = 3.38\%$$

B. Liquidity coverage ratio:

$$\frac{\text{Current assets-stocks}}{\text{Current debts}} = \frac{57,672,049}{79,356,917} = 0.72\%$$

C. Efficiency indicators:

1. The financial rate of return

$$\frac{\text{Net profit}}{\text{Equity}} \times 100 = \frac{49,128,541}{188,534,170} = 26.05\%$$

2. The rate of return on advanced capital

$$\frac{\text{Current result}}{\text{Fixed assets+current assets}} = \frac{56,346,983}{343,314,218} = 16.41\%$$

3. The profit rate

$$\frac{\text{Gross profit}}{\text{Turnover}} = \frac{56,346,983}{365,811,270} = 15.40 \%$$

4. The rotation speed of debits-customers

$$\frac{\text{Med.balance of customers} \times 365}{\text{Turnover}} = \frac{27,492,412 \times 365}{365,811,270} = 27.43 \text{ days}$$

5. The rotation speed of fixed assets

$$\frac{\text{Turnover}}{\text{Fixed assets}} = \frac{365,811,270}{74,440,418} = 4.91 \text{ times}$$

6. The rotation speed of total assets

$$\frac{\text{Turnover}}{\text{Total assets}} = \frac{365,811,270}{343,366,395} = 1.06 \text{ times}$$

7. The total amount invested in 2019 was 12,389 thousand lei.

The financial-accounting statement complies with the documents attached to this annual report: the financial statements of 31.12.2019 and the financial auditor's report for the financial year 2019.

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

THE CHAIRMAN of the BOARD of DIRECTORS

Dragoş Florin DAVID

GENERAL DIRECTOR

Neculai BANEA

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 2019

Drawn up in accordance with:

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

CONTENTS

Balance Sheet

Profit and Loss Statement

Statement of Changes in Shareholders' Equity

Treasury Cash Flow Statement

Notes to the Financial Statements

BALANCE SHEET 2019

	Row	Note	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2018</u>
<u>A. Non current assets</u>				
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		462,860	529,497
4. Goodwill	4			
5. Downpayments and intangible assets in progress	5			
TOTAL	6	1(a)	462,860	529,497
II. Tangible assets				
1. Land and buildings	7		53,886,304	53,881,832
2. Technical equipment & machinery	8		5,434,738	7,297,124
3. Other equipment & furniture	9		59,192	69,303
4. Advances and tangible assets in progress	10		718,448	2,470,406
5. Advances (acc. 4093)	10a		611,519	4,702,859
TOTAL	11	1(b)	60,710,201	68,421,524
III. Rights to use leasing assets			-	60,400
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		66,603,308	74,440,418
<u>b. Current assets</u>				
I. Inventories				
1. Raw materials and consumables	20		59,415,726	38,285,017
2. Work in progress	21		61,161,209	61,787,829
3. Finished goods and merchandise	22		21,798,223	71,821,889
4. Advances for inventory acquisition	23		22,612,753	39,307,016
TOTAL:	24		164,987,911	211,201,751
II. Receivables				
1. Trade receivables	25	12	89,219,680	42,138,455
2. Advances paid	26		1,064,961	348,062
3. Amounts receivable from participating interests	27			
4. Other receivables	28	13	1,524,133	6,414,708
5. Share capital called up but not paid up	29			
TOTAL	30		91,808,774	48,901,225

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	2.197.721	8.770.824
-----------------------------------	-----------	-----------	------------------	------------------

Current assets - Total	35		258.994.406	268.873.800
-------------------------------	-----------	--	--------------------	--------------------

C. Prepayments	36		11.298	52.177
-----------------------	-----------	--	---------------	---------------

D. Liabilities payable in a period of one year

1. Debenture loans	37			
2. Bank loans	38			53.217.815
3. Advance payments from customers	39		63.978.111	16.617
4. Trade payables	40	14	25.842.159	18.814.153
5. Trade notes payable	41			
6. Amounts due to associates	42			
7. Amounts due to entities with participating interests	43			
8. Other payables, including debts to the state budget and social security budget	44	15	3.307.736	7.308.332

TOTAL	45		93.128.006	79.356.917
--------------	-----------	--	-------------------	-------------------

e. Current assets, net current liabilities	46		165.877.698	189.471.337
---	-----------	--	--------------------	--------------------

f. Total assets minus current liabilities	47		232.481.006	263.911.755
--	-----------	--	--------------------	--------------------

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		5.953	-
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		5.566.001	5.383.210

TOTAL	56		5.571.954	5.383.210
--------------	-----------	--	------------------	------------------

h. Provisions for risks and expenses

1. Provisions for pensions and other similar items	57	2	3.996.899	3.995.729
2. Provisions for employees' benefits	58		1.918.119	2.582.555
3. Other provisions	59		70.072.728	63.416.091

TOTAL PROVISIONS	60		75.987.746	69.994.375
-------------------------	-----------	--	-------------------	-------------------

i. Deferred Income

- Investment subsidies	61			
- Deferred income	62		0	

Total	63		0	
--------------	-----------	--	----------	--

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	27.246.254	27.246.254
IV. Reserves			
1. Legal reserves	70	7.120.034	9.439.426
2. Statutory and contractual reserves	71		
3. Reserves representing the surplus obtained from revaluation reserves	72		
4. Other reserves	73	45.568.034	63.463.273
TOTAL	74	52.688.068	72.902.699
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	3.951.194	3.951.194
Debit balance	79		
VI. Rezultatul exercițiului			
Credit balance	80	31.184.158	49.128.541
Debit balance	81		
Profit appropriation	82	3 4.637.500	5.183.650
Total equity	83	150.921.306	188.534.170
Public patrimony	84		
TOTAL CAPITAL	85	150.921.306	188.534.170

GENERAL DIRECTOR,**Engineer Neculai BANEA****ECONOMIC AND COMMERCIAL DIRECTOR,****Ec. Ion DUMITRESCU**

	<u>Row</u>	<u>Note</u>	<u>Dec. 31, 2018</u>	<u>Dec 31, 2019</u>
1. Net turnover	1		259.274.208	365.811.270
Sold production	2		183.516.349	247.084.488
Income from sale of goods	3		75.757.859	118.726.782
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			41.893.827	7.584.303
Balance D	7			
3. Production made by the entity for its own purposes and capitalized	8			
4. Other operating income	9		134.441	8.288.704
Operating income- Total	10		301.302.476	381.684.277
5. a) Raw materials and consumables expenses	11		144.557.196	169.960.270
Other material expenses	12		927.016	1.181.606
b) Other external expenses (on power and water)	13		1.629.160	1.909.901
c) Merchandise expenses	14		63.706.581	94.844.103
Commercial discounts received				
6. Personnel expenses	15		31.183.823	41.095.807
a) Salaries	16		30.001.442	39.489.700
b) Social security costs	17		1.182.381	1.606.107
7. a) Value adjustments related to tangible and intangible assets	18		4.481.332	3.764.086
a.1) Expenses	19		4.481.332	3.764.086
a.2) Income	20			
7. b) Adjustment on the value of circulating assets	21		0	
b.1) Expenses	22			5.563
b.2) Income	23			5.563
8. Other operating expenses	24		17.975.533	22.973.882
8.1 Expenses regarding external services	25		12.098.149	9.873.917
8.2 Expenses with other taxes, duties and assimilated payments	26		397.048	579.120
8.3 Expenses on compensations, donations and disposed assets, environment expenses, other operating expenses, revaluation of tangible assets expenses	27		5.480.336	12.520.845
Expenses on refinancing interests registered by the entities whose main activity is represented by the leasing	28		0	
Adjustments related to provisions for risks and expenses	29		1.300.389	-5.956.105
Expenses	30		28.024.206	20.481.319
Income	31		26.723.817	26.437.424
Operating expenses - total	32		265.761.030	329.779.113
Operating result				
- Profit	33	4	35.541.446	51.905.164
- Loss	34			

9. Income from participating interests	35		<u>2.291.702</u>
- out of which, income from subsidiaries	36		
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>764.572</u>	<u>501.866</u>
- out of which within the group	40		
Other financial income	41	<u>2.650.044</u>	<u>2.705.887</u>
Financial income- total	42	3.414.616	5.499.455
12. Adjustment of the value of financial assets and	43		
financial investments held as current assets			
Expenses	44		
Income	45		
13. Expenses on interests	46	356	280.678
- out of which within the group	47		
Other financial expenses	48	1.885.085	776.958
Financial expenses - total	49	<u>1.885.441</u>	<u>1.057.636</u>
Financial result			
- Profit	50	<u>1.529.175</u>	<u>4.441.819</u>
- Loss	51		
14. Current result			
- Profit	52	<u>37.070.621</u>	<u>56.346.983</u>
- Loss	53		
15. Extraordinary revenues	54		
16. Extraordinary expenses	55		
17. Extraordinary result			
- Profit	56		
- Loss	57		
Total income	58	<u>304.717.092</u>	<u>387.183.732</u>
Total expenses	59	<u>267.646.471</u>	<u>330.836.749</u>
Gross result			
- Profit	60	<u>37.070.621</u>	<u>56.346.983</u>
- Loss	61		
18. Income tax	62	5.886.463	7.218.442
19. Other expenses on taxes not presented	63		
among the above items			
20. Net result of the financial year			
- Profit	64	<u>31.184.158</u>	<u>49.128.541</u>
- Loss	65		

All the Company's activities are continuous.

Signed on behalf of the Board of Directors

GENERAL DIRECTOR,
Engineer Neculai BANEĂ

ECONOMIC AND COMMERCIAL DIRECTOR,
Ec. Ion DUMITRESCU

SITUATION OF CHANGES IN OWN CAPITAL

FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2019

Item denomination		Balance on	Increases		Decreases		Balance on
			total ,		total ,		
		31-12-2018	out of which:	by transfer	out of which:	by transfer	31-12-2019
A		1	2	3	4	5	6
Un-paid capital							
Paid up capital		47.197.132					47.197.132
The company's patrimony							
Share premiums							
Revaluation reserves		27.246.254					27.246.254
Legal reserves		7.120.034	2.319.392				9.439.426
Statutory or contractual reserves							
Reserves representing the surplus obtained from revaluation reserves							
Other reserves		45.568.034	17.895.239				63.463.273
Own shares		6.708.000					6.708.000
Reported result representing the undistributed profit or the uncovered loss	Balance C						
	Balance D						
Reported result arising from the first adoption of IAS, except for IAS 29	Balance C	3.951.194	26.546.658		26.546.658		3.951.194
	Balance D						
Reported result from the correction of accounting errors	Balance C						
	Balance D						
Reported result from the application of the Accounting regulations compliant with Directive IV of the E.E.C.	Balance C						
	Balance D						
Profit or loss of the financial year	Sold C	31.184.158	49.128.541		31.184.158		49.128.541
	Sold D						
Profit appropriation		4.637.500	5.183.650		4.637.500		5.183.650
Total equity		150.921.306	90.706.180		53.093.316		188.534.170

GENERAL DIRECTOR,
Engineer Neculai BANEĂ

ECONOMIC AND COMMERCIAL DIRECTOR,
Ec. Ion DUMITRESCU

TREASURY CASH FLOWS STATEMENT 2019

Item denomination	Financial year	
	2018	2019
Operational activities		
Net profit before taxation	31,184,158	49.128.541
Adjustments for the reconciliation of net result to net cash used in operational activities	85,419,651	9.730.187
Depreciation and other provisions for fixed assets	4,481,330	3.764.086
Provisions for current assets	1,300,119	-5.956.109
Profit from the sale of tangible assets	4,563	7.289
Cash from exploitation before the changes to current capital	122,389,821	56.673.994
Changes to current capital (Note 19)	-70,641,758	-70.295.195
Paid interests	-357	-280.678
Interests received	764,573	501.866
Paid income tax	-6,253,052	-6.051.284
Cash generated from / (used in) operational activities	46,259,227	-19.451.297
Investment activity:		
Acquisition of fixed assets	-6,253,052	-17.097.465
Receivables from the sale of fixed assets	4,563	4.563
Receivables from participations	0	2.291.702
Net cash used for investment	-6,248,489	-14.801.200
Financing activity:		
Net (decrease)/increase of credits and long-term payables	-94,080,997	-188.744
Net (decrease)/increase of credits and short-term payables		53.217.815
Paid dividends	-5,882,873	-10.613.139
Amounts paid in respect to employees' participation to profit	-1,424,009	-1.590.332
Net cash (used)/generated from the financing activity	-101,387,879	40.825.600
Changes in cash and cash equivalents	-61,377,141	6.573.103
Balance at the beginning of the year	63,574,862	2.197.721
Increase/(decrease) in cash and cash equivalents	-61,377,141	6.573.103
Balance at the end of the year	2,197,721	8.770.824

GENERAL DIRECTOR,
Engineer Neculai BANEĂ

ECONOMIC AND COMMERCIAL DIRECTOR,
Ec. Ion DUMITRESCU

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

1 NON-CURRENT ASSETS
a) Intangible assets

- lei -

Intangible items	row no.	Gross value					Depreciation (amortization and provisions)			
		Decreases	Increases	Decreases		Final balance (row 5 = 1+2-3)	Opening balance	Depreciation during the year	Depreciation related to written-off assets	Depreciation at the end of the year (row 9 = 6+7-8)
				Total	out of which decommissioning					
A	B	1(1)	2(2)	3(3)	4(4)	5(5)	6(1)	7(2)	8(3)	9(4)
INTANGIBLE ASSETS										
Set up and development expenses	01								0	
Other fixed assets	02	1.634.713	205.177			1.839.890	1.171.853	138.540		1.310.393
Advances and intangible assets in progress	03									
TOTAL (row 01 to 03)	04	1.634.713	205.177			1.839.890	1.171.853	138.540		1.310.393

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NON-CURRENT ASSETS (CONTINUATION)

b) Tangible assets

- lei -

Items of fixed assets	row no.	Gross value					Depreciation (amortization and provisions)			
		Opening balance	Increases	Decreases		Final balance (row 5 = 1+2-3)	Opening balance	Depreciation during the year and provisions	Depreciation related to written-off assets and cancellation of provisions	Depreciation at the end of the year (row 9 = 6+7-8)
				Total	out of which decommissioning					
A	B	1(1)	2(2)	3(3)	4(4)	5(5)	6(1)	7(2)	8(3)	9(4)
TANGIBLE ASSETS										
Land	05	27.770.954				27.770.954				
Buildings	06	42.913.286	2.324.086	1.063.334	1.063.334	44.174.038	16.797.936	2.328.558	1.063.334	18.063.160
Technical equipment and machinery	07	12.417.096	3.134.947	122.605	98.365	15.429.438	6.982.358	1.272.561	122.605	8.132.314
Other equipment and furniture	08	608.400	30.985	16	16	639.369	549.208	20.874	16	570.066
Tangible assets in progress	09	718.448	7.241.977	5.490.019	-	2.470.406	-	-	-	-
Advances given for tangible assets	10	611.519	4.091.340	-	-	4.702.859	-	-	-	-
TOTAL (rows 05 to 10)	11	85.039.703	16.823.335	6.675.974	1.161.715	95.187.064	24.329.502	3.621.993	1.185.955	26.765.540

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	-	3.553	-	3.553
------------------------------	----	---	--------	---	---	--------	---	-------	---	-------

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

d) Financial fixed assets****

- lei -

Items of fixed assets	row no.	Gross value					Depreciation (amortization and provisions)			
		Opening balance	Increases	Decreases		Final balance (row 5 = 1+2-3)	Opening balance	Provisions established during the financial year, deprec.	Provisions charged to income	Closing balance (row.13 = 10+11-12)
				Total	out of which decommissioning					
A	B	1(1)	2(2)	3(3)	4(4)	5(5)	6(1)	7(2)	8(3)	9(4)
FINANCIAL FIXED ASSETS	13	5.430.247	5.000	6.250		5.428.997				
TOTAL row 11)	14	5.430.247	5.000	6.250		5.428.997				
NON-CURRENT ASSETS - TOTAL (row 04+10+11)	15	92.104.663	17.097.465	6.682.224	1.161.715	102.519.904	25.501.355	3.764.086	1.185.955	28.079.486

GENERAL DIRECTOR,
Engineer Neculai BANEĂ

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			199.775
Provisions for risks and expenses	61.813.222	98.951	24.317.856	37.594.317
Provisions for inventories	14.869.285	37.266	-	14.906.551
Provision for retirement premiums	3.996.899	200.279	201.449	3.995.729
Provision for participation to profit	1.918.119	2.582.555	1.918.119	2.582.555
Provision for Contracts Dec 2018	14.619.561			14.619.561
Provision for Contracts Dec 2019	0	17.562.268	-	17.562.268
TOTAL	97.416.861	20.481.319	26.437.424	91.460.756

3. PROFIT APPROPRIATION – RON

Destination	31-12-2018	31.12.2019
Net profit to be appropriated:	31.184.158	49.128.541
- Legal reserve	1.853.531	2.319.392
- Reinvested profit	2.783.969	2.864.258
- Shares buy-back		
- Unappropriated profit		43.944.891
Out of which:		
- Offsetting the accounting loss from previous years		
- Shareholders' current dividends	11.515.677	
- Own financing source	15.030.981	

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	259.274.208	365.811.270
2	Cost of sold goods and services rendered (3+4+5)	258.511.820	294.658.682
3	Main activities expenses	240.800.339	267.360.946
4	Auxiliary activities expenses	6.779.721	7.679.678
5	Production overheads	10.931.760	19.618.058
6	Gross result corresponding to the net turnover (1-2)	762.388	71.152.588
7	Selling expenses	477.540	970.320
8	General administration expenses (with acc.658)	6.771.670	34.150.111
9	Other expenses / operating income	42.028.268	15.873.007
10	Operating result (6-7-8+9)	35.541.446	51.905.164

5. SITUATION OF RECEIVABLES AND PAYABLES

A. SITUATION OF RECEIVABLES (LEI)

	Balance on 31/12/2019	term of liquidity	
		Under a year	Over a year
1. Trade receivables	42.138.455	42.138.455	
2. Paid advances	348.062	348.062	
3. Other receivables	6.414.708	6.414.708	
4. Investment held as fixed assets			
5. Other fixed receivables			
TOTAL:	48.901.225	48.901.225	

B. SITUATION OF PAYABLES

	Balance on 31/12/2019	maturity for balance		
		Under 1 year	Between 1 and 5 years	Over 5 years
1. Trade payables	18.814.153	18.814.153		
2. Other payables	12.691.542	7.308.332	46.275	5.336.935
3. Payables to credit institutions	53.217.815	53.217.815		
4. Advance payments from customers	16.617	16.617		
TOTAL:	84.740.127	79.356.917	46.275	5.336.935

GENERAL DIRECTOR,
Engineer Neculai BANEĂ

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.

Basics of accounting

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

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

Use of estimates

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

Going concern

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

Conversion of transactions in foreign currency

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

On December 31, 2019, the exchange rate used was 1 euro = 4,7793 lei , 1 usd = 4,2608 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.

(i) 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

(ii) 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.

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 365.811.270 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 2019, 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 2019, the following provisions were established:

❖ **Nondeductible, amounting to 20,481,319 lei, out of which:**

- Provision for employees' participation to profit amounting to 2,582,555 lei;
- Provision for the pension premium amounting to 200,279 lei;
- Provision for performance guarantees given to internal customers amounting to 17,562,268 lei
- Provision depreciation unfinished production amounting to 37,266 lei;
- Provision for offset risk 98,951lei;

Also, provisions amounting to 26.437.424 lei were cancelled, as follows:

- Provision for performance guarantees given to internal customers, amounting to 24.317.856 lei;
- Provision for employees' participation to profit amounting to 1.918.119 lei;
- Provision for the retirement bonus, amounting to 201.449 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 2018	HELD PERCENTAGE	NUMBER OF SHARES 2019	HELD PERCENTAGE
TOTAL OF SHARES	18.878.853	100%	18.878.853	100%
MINISTRY OF ECONOMY, ENERGY AND BUSINESS ENVIRONMENT	12.250.488	64,89%	12.250.488	64.89%
LEGAL PERSONS	3.058.895	16,20%	3.149.369	16.682%
NATURAL PERSONS	3.569.470	18,91%	3.478.996	18.428%

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)

PAID TO DIRECTORS	Fiscal year 2018	Fiscal year 2019
	RON	
BANEA NECULAI	608.881	682.788
TOTAL	608.881	682.788

BOARD OF DIRECTORS AND GSM

	2018	2019
NICULESCU MAGDALENA	18.880	18.880
IOAN TOMA	56.640	28.320
MIHU IRINA	0	14.160
ALIN GUTU	0	33.040
NITA EMIL	0	33.040
GREBLA OCTAVIAN ALIN	0	14.160
BUSCU ALEXANDRU	56.640	18.880
PISTOL MARIUCA OANA	28.320	42.480
ANGHEL RUXANDRA RODICA	56.640	56.640
BODEA ILIE CALIN	33.040	37.760
TOTAL	292.640	297.360

b) Employees

In the fiscal year ended on the 31st December, 2019, the company had an average of 390 employees (in the fiscal year in 2018 = 364 employees).

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

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

Denomination	Calculation formula	(A) year 2018	(B) year 2019	(B - A) Variation	Observations
Rapid ratio (acid test)	current assets- inventories/ current liabilities	1.01	0.72	-0.29	must be >1
Current ratio	current assets current liabilities	2.78	3.38	0.6	must be ~ 2

9.2 Risk indicators**a) Gearing ratio**

Denomination	Calculation formula	(A) year 2018	(B) 2019	(B - A) Variation	Observations
Gearing ratio	total liabilities / total assets	30.31	24.71	-5.6	must be <35%
Leverage ratio	borrowed capital / employed capital	0%		-	must be <35%
Interest Coverage Ratio	(gross profit + interest expenses)/ interest expenses	0		0	must not be <2

9.3 Profitability indicators

	Denomination	Calculation formula	(A) year 2018	(B) year 2019	(B - A) Variation	Observations
	Profit ratio	net profit / sales figure	12.02%	13.43	1.41	must be > than 1.8
	Return on investment	net profit / total assets	9.57%	14.30	4.73	must be > than 13%
	Financial return	net profit / total equity	20.66%	26.05	5.39	must be > than 5%

1. Activity indicators (management indicators)

	Denomination	Calculation formula	(A) year 2018	(B) year 2019	(B - A) Variation	Observations
	Inventory turnover ratio	sales figure / inventories value	1.57	1.73	0.16	inventory turnover ratio has increased
	Number of storage days	average inventory*365/ sales figure	197.53	187.67	-9.86	
	Average cash collection of clients (IN DAYS)	Clients / daily sales	30.67	27.43	-3.24	should be 30-45 days
	Days payable outstanding	<u>average balance</u> <u>supplier*365 /</u> goods purchases	25.22	19.91	-5.31	
	Use ratio of fixed assets	sales figure / net value of fixed assets	3.89	4.91	1.02	must be > than 1

2. 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>2018</u>	<u>2019</u>
Net profit attributable to Shareholders - lei	31,184,158	49.128.541
Weighed average ordinary shares outstanding during the year	18.278.853	18,278,853
Gross profit per share	1.7060 lei/ share	2.6877 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.

	31.12.2019
1. Gross accounting profit according to declaration 101	49.128.541
2. Legal reserves	2.319.392
3. Non-taxable income	28.729.126
3.1 Other deductions	1.513.192
4. Tax non-deductible expenses	31.607.190
5 Income taxable before the tax loss	48.174.021
6. Prior tax loss	-
7. Tax loss (5-4)	-
8. Taxable profit	48.174.021

d) Fees paid to auditors

The company signed audit contracts worth 56.542,67 lei in 2019, 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, 2018</u>	<u>Dec. 31, 2019</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):

	Dec. 31, 2018	Dec. 31, 2019
Cash, bank accounts, other values	2.197.721	8.770.824
Interests receivable	96.460	99.580
Other short-term financial investments	0	0
TOTAL	2.294.181	8.870.404

12 TRADE RECEIVABLES (lei)

	2018	2019
External trade receivables	3.214.204	399.183
Internal trade receivables	37.562.235	13.809.201
Advances to internal suppliers	481.554	348.062
Advances to external suppliers	583.407	0
Deposit for the SGB real estate receivable	48.630.425	28.117.255
Provisions for doubtful customers	-187.184	-187.184
TOTAL :	90.284.641	42.486.517

13 OTHER RECEIVABLES (lei)

	2018	2019
Personnel receivables	0	0
VAT to be recovered	538.085	5.785.271
Other taxes (excise and customs duties + CCI)	401.764	333.302
Various debtors	131.170	205.948
Income tax	366.588	0
Receivable interest	96.460	99.580
Provision for doubtful debtors	-12.592	-12.592
Other receivables – VAT not due	2.658	3.199
TOTAL :	1.524.133	6.414.708

14 TRADE PAYABLES (lei)

	2018	2019
Suppliers, of which	25.552.342	17.406.121
Internal	17.123.660	9.577.916
External	8.428.682	7.828.205
Fixed assets suppliers, of which	295.770	1.408.032
Internal	295.770	1.408.032
External	0	0
Advance payments from customers	63.978.111	16.617
TOTAL :	89.826.223	18.830.770

14 OTHER PAYABLES. INCLUDING FISCAL PAYABLES AND SOCIAL SECURITY PAYABLES

	2018	2019
State budget	301.713	1.498.044
of which :		
- Salary tax	301.713	330.886
- Income tax	0	1.167.158
Social Security Budget	1.704.067	1.874.754

VAT payment	0	0
Contributions to the health social insurance, labour ensuring contribution	1.704.067	1.874.754
VAT not due		
Various creditors	5.574.644	5.345.578
Payables related to personnel	1.244.211	1.088.266
Dividends	49.102	2.824.386
Other payables, operational leasing,	0	60.514
TOTAL:	8.873.737	12.691.542

15. INCOME TAX

The Company registered an income tax due for the previous concluded fiscal year worth 7.218.442 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)

	2018	2019
Salaries and indemnities	30.001.442	39.489.700
Expenses with social security and other personnel expenses	1.182.381	1.606.107
Total	31.183.823	41.095.807

The average number of employees during the year was as follows: **TOTAL 390**

17. INTEREST EXPENSES AND OTHER SIMILAR EXPENSES (lei)

	2018	2019
Losses from foreign exchange differences	1.885.085	776.958
Interests	356	280.678
Expenditure on discounts granted	-	-
other financial expenses	-	-
financial leasing	-	-
TOTAL	1.885.441	1.057.636

18. CHANGES IN CURRENT ASSETS ELEMENTS (LEI)

	<u>December 31, 2018</u>	<u>December 31, 2019</u>
Receivables	91.808.774	48.901.225
Inventories	164.987.911	211.201.751
Trade payables and other payables(-)	93.128.006	26.139.102
TOTAL	163.668.679	233.963.874

19 RISCURI FINANCIARE

(i) Market risk

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

Asset	<u>December 31, 2018</u>	<u>December 31, 2019</u>
Monetary assets in lei	- 5.635.678	8.272.638
Monetary assets in foreign currency	7.817.782	485.430

(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.

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. Since the company did not apply for credits in 2019, the influence was zero.

(iii) 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.

(iv) Fair values

The accounting amounts of financial assets and liabilities with maturity under one year approximates their fair value. On 31 December 2019, 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

Litigii și alte dispute

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, 2019.

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 2019 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,
Engineer Neculai BANEĂ

ECONOMIC AND COMMERCIAL DIRECTOR,
Ec. Ion DUMITRESCU

I. Data on Result	Row no.	No. of units	Amounts	
A	B	1	2	
Units with profit	01	1	31,184,158	
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	364	390
Actual number of employees at the end of the fiscal year, namely on 31 December	02	378	394

GENERAL DIRECTOR,
Engineer Neculai BANEA

ECONOMIC AND COMMERCIAL DIRECTOR,
Ec. Ion DUMITRESCU

RON

Data on intangible assets		Gross values				
Fixed assets	Row no.	Opening balance	Increases	Decreases		Final balance
				Total	out of which decommissioning	(column 5 = 1+2-3)
A	B	1 (1)	2 (2)	3 (3)	4 (4)	5 (5)
Intangible assets						
Set up and development expenses	01				x	
Other intangibles	02	1.634.713	205.177			1.839.890
Advances for intangible assets in progress	03					
TOTAL (row 01 to 03)	04	1.634.713	205.177			1.839.890
Tangible assets						
Land	05	27.770.954	-			27.770.954
Buildings	06	42.913.286	2.324.086	1.063.334	1.063.334	44.174.038
Technical equipment and machinery	07	12.417.096	3.134.947	122.605	98.365	15.429.438
Other equipment and furniture	08	608.400	30.985	16	16	639.369
Tangible assets in progress	09	718.448	7.241.977	5.490.019		2.470.406
Advances for intangible assets	10	611.519	4.091.340			4.702.859
TOTAL (row 05 to 09)	11	85.039.703	16.823.335	6.675.974	1.161.715	95.187.064
Rights to use leasing assets	12	0	63.953			63.953
Long term financial investments	13	5.430.247	5.000	6.250		5.428.997
NON-CURRENT ASSETS – TOTAL (row 04+11+12 + 13)	14	92.104.663	17.097.465	6.682.224	1.161.715	102.519.904

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 (col. / column 9=6+7-8)
Fixed assets					
A	B	6 (1)	7 (2)	8 (3)	9 (4)
Intangible assets					
Set up and development expenses	15				
Other intangibles	16	1.171.853	138.540		1.310.393
TOTAL (ROW 15+16)	17	1.171.853	138.540		1.310.393
Tangible assets					
Land	18				
Buildings	19	16.797.936	2.328.558	1.063.334	18.063.160
Technical equipment and machinery	20	6.982.358	1.272.561	122.605	8.132.314
Other equipment and furniture	21	549.208	20.874	16	570.066
TOTAL (ROW 18 to 21)	22	24.329.502	3.621.993	1.185.955	26.765.540
Rights to use leasing assets		0	3.553		3.553
DEPRECIATIONS - TOTAL (row 17 + 22 + 23)	21	25.501.355	3.764.086	1.185.955	28.079.486

GENERAL DIRECTOR,
Engineer Neculai BANEA

ECONOMIC AND COMMERCIAL DIRECTOR,
Ec. Ion DUMITRESCU

STATEMENT

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

- **the annual financial statement for 2019 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 31.12.2019 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, Brașov County, registered with the Trade Register Office of Brasov under no. J08 / 4/1991, S.R.C. - 1132930, fiscal attribute R,**
- **the annual report 2019 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.**

Dragoș Florin DAVID

.....

CHAIRMAN OF THE BOARD OF DIRECTORS

STATEMENT

The undersigned Neculai BANEĂ –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 2019 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 31.12.2019 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 2019 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.**

Eng. Neculai BANEĂ

.....

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 2019 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 31.12.2019 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 2019 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

AUDIT REPORT
ON THE FINANCIAL STATEMENTS
OF
S.C. "I.A.R "S.A.
BRAȘOV
AS AT 31ST DECEMBER, 2019

INDEPENDENT AUDITORS' REPORT

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"), headquartered in 34, Hermann Oberth Street, Sole identification Code RO1123930, for the financial year closed on 31st December, 2019 and the status of the global result, the status of company capitals changes and the status of the treasury flows corresponding to the financial year closed on the afore-mentioned date, and the notes to the financial statements, including a summary of the significant accounting policies set up in accordance with the Public Finance Ministry Order No.2844 / 2016 on the approval of accounting regulations compliant with the International Financial Regulations Standards (IFRS).

The financial statements herein referred to concern:

-Total assets	= 343.366.395 lei
-Total equity	= 188.534.170 lei
-Financial year result-profit	= 49.128.541 lei

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company on December 31, 2019, its financial performance and treasury cash flows for the year ended on the mentioned date in accordance with the MF Ordinance no. 2844/2016 on the approval of the accounting regulations as per the International Financial Reporting Standards (IFRS).

Basis for the opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA"), EU Regulation no. 537 of the European Parliament and Council (hereinafter named "The Regulation") and Law no. 162 / 2019 on the statutory audit of the financial statements and of the consolidated yearly financial statements.

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

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

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

The key aspects of the audit

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

Revenue recognition

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

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

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

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

Provisions for risks and charges

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

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

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

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

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

Assessment of the production in progress

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

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

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

Other information – The Board of Directors' Report

The members of the Board of Directors are responsible for preparing and presenting other information. The respective other information contain also the Board of Directors' Report but they do not contain the financial statements and the auditor's report with regard to the

former and nor do they contain the non-financial statement, as the latter is presented separately.

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

In the audit of financial statements for the year ended December 31, 2019, our responsibility is to read the respective information and, in doing so, to assess whether the respective information is significantly divergent from the financial statements or from the information we acquired during the audit, or whether they seem to be significantly flawed.

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

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

- a) the information presented in the Board of Directors' Report for the yeea the financial statements have been made are in compliance with the financial statements in all its significant aspects;
- b) the Board of Directors' Report was set up, in all material respects, as per the MFOrdinance no. 2844/2016, paragraphs 15-18 of the Accounting Regulations on annual financial statements in accordance with International Financial Reporting Standards (IFRS).

In addition, based on our knowledge and understanding with regard to the Company and its environment, acquired during the audit of financial statements for the year ended on December 31, 2019, 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 contonuing the activity, unless the management either intends to liquidate the company or to downsize its operations, or has no realistic alternative beyond.

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

The auditor's responsibilities in an audit of financial statements

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

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

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

- The matters communicated between us and those charged with governance determine which are the most important aspects to audit the financial statements of the current period and are therefore key audit issues. We describe these issues in the auditor's report, unless laws or regulations prohibit public disclosure of their appearance or where, in extremely rare circumstances, we determine that they should not be communicated in our report as envisaged reasonably that the public interest overcome the negative consequences of this communication.

Report on other legal and regulatory provisions

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

We confirm that:

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

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

On behalf of the auditing company:

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

Ioan Macaveiu

Financial Auditor

20 March 2020

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