

# **ANNUAL REPORT**

## **under N.C.T.S. Regulation no. 5/2018 for the financial year 2022**

**Date of the report: 28.04.2023**

**Denomination** IAR S.A.

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

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

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

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

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

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

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

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

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

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

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

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

**1.1.c.** Mergers or significant reorganization during the financial year 2022 - not applicable.

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

In 2022, 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 13.529.000 lei. This value contains payments made for the upgrade works of the production facilities, purchase of machine-tools and equipment.

Such acquisitions are set out in section 2.1.

**1.1.e.** The economic and financial results registered by the company at the end of 2022 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 2022, the major financial indicators registered by IAR S.A. are as follows:

	<b>IEB FORECASTS 2022 (lei)</b>	<b>ACHIEVED 2022 (lei)</b>
<b>1. Net turnover</b>	<b>310.215.000</b>	<b>315.424.444</b>
<b>2. Sold output</b>	<b>222.553.000</b>	<b>224.931.055</b>
<b>3. Total revenues, of which:</b>	<b>334.915.000</b>	<b>347.160.532</b>
- operating revenue	330.915.000	341.316.969
- financial revenue	4.000.000	5.843.563
<b>4. Total expenses, of which:</b>	<b>319.915.000</b>	<b>329.217.694</b>
- operating expenses	314.815.000	325.049.360
- financial expenses	5.100.000	4.168.334
of which: interests	3.500.000	3.094.986
<b>5. Gross profit</b>	<b>15.000.000</b>	<b>17.942.838</b>
<b>6. Net profit</b>	<b>12.600.000</b>	<b>14.198.145</b>

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 9001 (certificate no. 007 originally issued in 1997 and renewed every 3 years with yearly surveillance audits, the latest re-certification given on 14.05.2021 expiring on the 13.05.2024) and according to SR EN 9100 (certificate no. 004A- originally issued in 2008 and renewed every three years with annual surveillance, the last recertification on 14.05.2021, expiring on 13.05.2024).
- IAR S.A. is authorized by the Romanian Civil Aeronautical Authority, both as an organization of production under EASA PART 21G (Certificate RO.21G.0006, originally issued in 2009, with unlimited validity and annual surveillance, current issue 30.08, 2021) and as a maintenance organization under the EASA PART 145 (Certificate RO.145.009 / 2009 originally issued in 2009, with unlimited validity and annual surveillance, current issue 21.10.2020)
- The company is certified by Airbus Helicopters Romania SA as a supplier for the military products namely for maintenance works on the airframes of Puma and Alouette III helicopters, PUMA helicopter equipment maintenance, manufacturing of spare parts for Puma and Alouette III helicopters, laboratory testing, metrology, and for manufacturing of spare parts and subassemblies for Airbus Helicopters, former Eurocopter SAS (initially Certified in 2010 and renewed annually).
- IAR SA is certified by the military body within the Ministry of National Defense of Romania-OMCAS in accordance with the requirements of NATO-AQAP2110 for the design of aircraft, systems and equipment for aviation, upgrade of aeronautical products, aircraft production, spare parts for aircraft, checks, testing, maintenance and repair of aeronautical products (Certificate no. 11 originally issued in 2012, renewed on 19.08.2022, valid until 18.08.2024).

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

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

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

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

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

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

### **1.1.2.2. Sales Markets**

#### **a. Current markets**

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

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

- The Components of the National System of Defence, 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, 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.

For the Components of the National System of Defense, Public Order and National Security, framework agreements and contracts for the provision of services, signed in previous years, were developed and finalized in 2022, contracts which had as their object:

- the supply of major aggregates, equipment and spare parts in order to ensure logistical support during the life cycle of the military helicopters type IAR 330 Puma and for the military training and school helicopters type IAR316B Alouette;
- provides repair and maintenance services for IAR330 Puma and IAR316B Alouette equipment and helicopters, as well as technical assistance works at the headquarters of the beneficiary military units.

In 2022, framework agreements and contracts were negotiated and signed, for the following years, with the following objects:

- repair services of medium and high complexity to some equipment/units/mechanical assemblies/components specific to the IAR-330 Puma L/M/S and IAR-316 B Alouette helicopters, medium complexity repairs performed under the technical assistance regime at the beneficiaries' headquarters;
- supply of spare parts, tools, devices, verifiers and ground machines as well as equipment necessary to ensure integrated logistical support during the life cycle of the IAR-330 Puma L/M/S and IAR-316 B Alouette helicopters.

<b>Sales by product type on the local market</b>	<b>Percentage of total sales on the local market</b>			
	<b>y.2019</b>	<b>y. 2020</b>	<b>y. 2021</b>	<b>y. 2022</b>
IAR 330 PUMA helicopters upgrade+ Overhaul, IAR 316B helicopters Overhaul, IAR 330 and 316B Helic. Major repair works	58,97%	45,49%	43.91%	57,3%
Spare parts and services for helicopters	39,87%	48,82%	53.59%	40,92%
Aircraft –related miscellaneous	0,14%	2,87%	0.64%	0,83%
Non-aircraft-related miscellaneous	1,02%	2,82%	1.86%	1,22%

##### **International market**

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

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

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

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

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

Sales by product type on the external market	Percentage of total sales on the external market			
	y. 2019	y. 2020	y. 2021	y. 2022
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. 2019	y. 2020	y. 2021	y. 2022
IAR 330 PUMA and IAR 316B helicopters upgrade+ Overhaul, IAR 330 PUMA and IAR 316B helicopters revisions.	58,63%	43,45%	43,91%	46,25%
IAR 330 and 316B Helic.major repair works, spare parts and services for helicopters	40,21%	52,07%	53,59%	52,09%
Aircraft-related miscellaneous	0,14%	2,73%	0,64%	0,65%
Non-aircraft –related miscellaneous	1,02%	1,75%	1,86%	1,00%

**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, as well as upgrade services, according to requirements of these 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.

IAR SA is also concerned with the involvement in meeting the currently existing off-set obligations and that will result.

following the initiation of strategic programs to equip the public institutions in Romania in the following directions:

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

**Potential external market**

IAR SA aims to increase the volume of orders and services to support 330PUMA helicopter fleets held by various external beneficiaries.

**1.1.2.3. New products in question, which will need a substantial amount of assets affected to in the financial year 2023:- not applicable**

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

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

IAR S.A. chose established, world-renowned companies as **external suppliers**, such as Airbus Helicopters, Elbit Systems, Rokwell Collins, Safran, Thales, Northrop Grumann, 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 2022 was achieved both on the local market (81.10% of total sales), as well as on the external market (18.90% of total sales).

#### **a. Export activity**

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

The value of exports under the orders and contracts of 2022 amounted to 62,528.85 thousand lei.

Comparing the period 2019-2022, in terms of types of product recovery, shows that no changes occurred in the exports' structure:

<b>% of achieved annual export</b>	<b>upgraded helicopters</b>	<b>spare parts and services for helicopters</b>	<b>airplanes - spare parts and repairs</b>
y. 2019	0%	100%	0%
y. 2020	0%	100%	0%
y. 2021	0%	100%	0%
y. 2022	0%	100%	0%

#### **b. Sales on the local market**

Locally there were developed and implemented in 2022 orders and contracts amounting to 268,312.139 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: 245,490.348 thousand lei (VAT excluded),
2. various local customers: 22,821.79 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, as well as works of 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.
- 3 Involvement of IAR SA in covering the existing offset obligations and those that will arise as a result of the initiation of the strategic programs for the endowment of public institutions in Romania, as follows:
  - a. manufacturing activities of aircraft frames
  - b. Activities of manufacturing electrical wiring and panels for aircraft
  - c. other aviation-oriented activities
- 4 Involvement of IAR SA in the future helicopter acquisition programs of the institutions within the National Defense System:

The involvement of IAR SA in the multi-role helicopter program will be made in accordance with the provisions of the Definitive Cooperation Agreement signed between Airbus Helicopters and IAR SA and having as object the industrial and commercial cooperation regarding the execution of IAR-H215M Helicopter Customization Works, and turning it into IAR-H215M, Subassembly

Manufacturing and Maintenance works (MRO) throughout the lifecycle of this helicopter, as well as the manufacturing of other components for the Airbus Helicopters manufacturing and distribution chain.

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

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

5. IAR SA is interested in entering a partnerships for the industrialization of any helicopter models needed by the National Defense System Forces, as well as for ensuring the maintenance, repair and overhaul of these types of helicopters, throughout their life cycle.

**- the external market**

- 1 IAR SA involvement in overhaul and upgrade works for 330 PUMA SM helicopter fleets operated by external beneficiaries, including ongoing support with spare parts, services and equipment repairs.
- 2 IAR S.A. plans to take over the off-set obligations relating to public procurement contracts concluded by the Romanian government bodies with foreign companies.

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

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

Crt no.	Product or group of products	Competitor	
		on the local market	on the external market
1	PUMA helicopter	Airbus Helicopters with H215, Ukraine and Russia (Aviakon and Kazan Helicopters) with Mi-8, Mi-17	Airbus Helicopters – H215/H225, Sikorsky USA – S92, UH 60L, NH Industries (European corporation) – NH 90, Kazan Russia – MI 17, MI117
2	IAR316B helicopter (currently, IAR S.A. no longer offers newly manufactured IAR316B helicopters)	Airbus Helicopters SAS – AS 350/355, EC120, EC135/635, EC 155, Bell Helicopter Textron – Bell427, Bell 429i, Bell430, Bell412, Bell206, Bell407, Agusta Italy – A109 Power, A119 Koala, Robinson USA – R44, R22, MDHelicopters Belgium – MD500/600	Airbus Helicopters SAS – AS 350/355, EC120, EC135/635, EC 155, Bell Helicopter Textron – Bell427, Bell 429i, Bell430, Bell412, Bell206, Bell407, Agusta Italia – A109 Power, A119 Koala, Robinson USA – R44, R22, MDHelicopters Belgium – MD500/600

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

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

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

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

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

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

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

**On the 31st of December 2022, the company had the following personnel structure which does not differ substantially from the years 2020 and 2021:**

- chief executive officers	2
- heads of departments	18
- upper education	101
- specialized secondary education	17
- foremen	11
- technical quality inspectors	11
- workers	186
-support workers	11
- understudies workers	4

**The average age** of the personnel employed in IAR S.A. at the end of 2022 was **49 years at company level, considering that the average age with men was of 49.5 and with women of 48.5**. On the 31st of December 2022, **men represented 75.07% of the total personnel**, the difference being represented by women.

Of the total employees of the company, 62.88% 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 2022, 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 2022**

IAR SA's activity is regulated in terms of environmental protection by means of the Integrated Environmental Authorization no. BV1 of 18/07/2014 issued by the Environmental Protection Agency Brasov, revised on 24.05.2019, valid until 18.07.2024, which also includes the Water Management Authorization no. 66 of 09.06.2021 issued by the Water Management System Brasov, valid until 09.06.2026.

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

Environmental protection activities during 2022 were conducted in accordance with the specific requirements of environmental legislation and requirements of three environmental permits held by IAR SA.

It should be noted that IAR S.A. has taken all necessary steps to obtain the environmental permits required by the town planning certificates related to the retrofit / upgrade / relocation works performed on the fixed assets Final Painting Workshop, Firefighting Space and Garage.

In 2022, the company monitored the quality of the environment: water, air, soil, in collaboration with companies and accredited laboratories: ECOSIMPLEX NOVA Bucharest for air emissions, ECOBREF Brasov for speciality audits and documentation in the field of environment, SGA Braşov for the analysis of discharged waste water, REMAT Braşov, COMPREST and SC ECO ELA IMPORT EXPORT SRL for removal and disposal of hazardous waste resulting from the activity of the company. In 2022 the minimum 2 mg/l for ammoniacal nitrogen, respectively 2.75 mg/l ammonium in the wastewater has been exceeded. As a result of this fact, the company's management decided that together with the construction of the International Airport, located in the vicinity of our company, to take the necessary steps to connect to the sewerage network of the Apa Braşov Autonomous Authority.

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

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

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

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

During 2022, the design organization of IAR SA completed the design activities of new systems for the expansion of operational capabilities for the IAR 330 L Puma NAVAL helicopters. The systems have gone through the procedures of internal approval, certification with the National Military Aeronautical Authority and qualification with the customer.

The IAR design organization has started activities to define new product variants to meet the requirements of the Air Force and the Navy. These were embodied in the technical specifications of some products that were contracted. Design work for these products was started at the end of 2022 and will continue throughout 2023 and 2024 with execution project reporting and certification/qualification activities.

Independently of the activities carried out by the design organization, following the steps taken by Societatea IAR SA in 2021-2022, the "IAR TECHNOLOGY AND SCIENTIFIC PARK" project was crystallized, intended to provide innovation services, support for technological transfer and the testing of innovative technologies in the field of aviation, developed both by IAR SA, as well as by universities and innovative companies from the Regional Development Agency, Central Region and at national level. The park will provide support for the transfer of developed technologies to companies or consortia of companies that will put into production or implement the innovations and technologies on a large scale.

The project obtained with European funding has an initial eligible budget of 29,254,149.02 RON, respectively 6,000,727.99 EURO, of which 24,583,318.50 RON, respectively 5,042,628.56 EURO without VAT.

In this context, on 13.05.2022, the Financial Support Grant Agreement no. 17473 of 13.05.2022 related to the Project Sheet: "IAR TECHNOLOGY AND SCIENTIFIC PARK", which has as its object - the granting of financial support, in the form of de minimis aid, to IAR SA whose request for support was approved under the Support project at the level of the Center Region for the preparation of projects financed from the programming period 2021-2027 in the field of intelligent specialization Smis Code: 2014+: 141193 / Project Code 1.1.140, for a maximum budget of 736,049.4 RON.

The project was assigned to an executor, according to the specific procedures, and is ongoing, with the deadline for the completion of contract 17473/13.05.2022, dated 30.05.2023.

### **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 2022, despite a sharp deterioration of the exchange rates RON / euro and RON / USD, thanks to an active management and monitoring of the situation.

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

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

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

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

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

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

The Company conducts business relationships only with recognised third parties.

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

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

The Company is not subject to any patrimonial legal claims.

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

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

IAR S.A. intends to provide maintenance, repairs and overhauls for the helicopter fleets IAR 316B Alouette III and IAR 330 PUMA owned by internal beneficiaries, as well as upgrade works according to the requirements of the beneficiaries, having concluded a series of framework agreements with the components of the national defense, public order and national security system for the period 2023-2026.

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 medium and heavy helicopters that are to be manufactured this company with established partners, the policies, strategies, activities and operations of the company will be significantly influenced.

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

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

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

Indicator	Analysed period			
	31.12.2019	31.12.2020	31.12.2021	31.12.2022
<b>Current liquidity indicator</b>	<b>3.38</b>	<b>3.39</b>	<b>2.42</b>	<b>1.56</b>
<b>Immediate liquidity indicator</b>	<b>0.72</b>	<b>0.61</b>	<b>0.72</b>	<b>0.84</b>

**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 2,5% of GDP could have positive effects on IAR SA, by increasing its activity and hence the company's annual business/net income.

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

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

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

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

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

Currently, IAR S.A.'s assets are initially placed into 8 buildings, distinctively highlighted in the patrimonial registers of the company.

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

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

In order to accomplish these actions, the management of the company identified an investment requirement for 2023 worth 20 million lei, amount that will be affected by the value, unknown at this moment, of the investments that should be made in order to ensure the minimum conditions imposed by any future helicopter programs in which the company could be involved.

For the year 2022, the management of the company has identified a need for investments worth 20,000 million lei, financed from its own sources, embodied in:

1) rehabilitation/modernization works carried out on existing tangible assets:

- connecting domestic and technological water pumping station to the Braşov Water Company,
- modernizing the heat treatment of steels
- restoration of fencing (fence, lighting, surveillance)
- asphaltting of the IAR premises and parking lot
- objective rehabilitation 103, 103a
- industrial floor rehabilitation General Assembly Hall

2) purchases of equipment, production accessories, small equipment, AMCs, the most important of

which are: thread rolling machine, cadmium bath, paint mixer, spectrometer, workbenches, AMCs, carts and organizers, Watkin type contour milling machine, pickling trays, etc.

3) IT product purchases made/started/continued from 2021:

- implementation and development of an ERP enterprise resource planning system,
- action to modernize hard and soft components: multifunctional, servers, firewall, "IP telephony" solution.

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

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

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

- the buildings and objectives in which the company currently operates have a wear rate between 10% and 35% depending on the year of their putting into service and on the upgrade works they underwent.
- fixed assets, inventory items and technological equipment used have a wear rate of between 25% and 50%, reaching in certain cases a higher level as well;
- the wear rate is between 30% and 60% on the production buildings and other objectives in the construction category (buildings, roads and platforms) currently in conservation;
- external networks of heating, water/sewage, have a wear rate between 0% (the water and gas network) and 25% (the others).

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

## 3. The corporate governance statement

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

The Statement of compliance of IAR SA in 2022 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
<b>A1</b> - 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		
<b>A2</b> - 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		
<b>A3</b> - The Board of Directors or the Supervisory Board must be composed of at least five members.	x		

<p><b>A4</b> - The majority of the Board of Directors' members must have no executive function. At least one member of the Board of Directors or of the Supervisory Board must be independent in the case of companies in the Standard Category. For the companies in the Premium Category, no less than two non-executive members of the Board of Directors or of the Supervisory Board must be independent. Each independent member of the Board of Directors or of the Supervisory Board, as appropriate, must submit a declaration at the time of his nomination for election or re-election and when there is any change in his status, indicating the elements on which it is considered that it is independent in terms of its character and judgment and based on the following criteria:</p> <p><b>A.4.1.</b> he/she is not a General Manager/chief executive of the company or of a company controlled by it and has not held such a function in the last five (5) years;</p> <p><b>A.4.2.</b> he/she is not an employee of the company or of a company controlled by it and has not held such a position in the last five (5) years;</p> <p><b>A.4.3.</b> he/she does not receive and did not receive additional remuneration or other benefits from the company or companies controlled by it, in addition to those appertaining to a non-executive manager;</p> <p><b>A.4.4.</b> he/she is or was not an employee or has or had during the previous year a contractual relationship with a significant shareholder of the company, a shareholder who controls more than 10% of the voting rights, or with a company controlled by him/her;</p> <p><b>A.4.5.</b> he/she does not have and did not have in the previous year a business or a professional relationship with the company or a company controlled by it, either directly or as a customer, partner, shareholder, member of the Board/Manager, general manager/chief executive or employee of a company if, by its significant character, this relationship may affect its objectivity;</p> <p><b>A.4.6.</b> 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><b>A.4.7.</b> he/she is not a general manager/chief executive of another company where another general manager/chief executive of the company is a non-executive manager;</p> <p><b>A.4.8.</b> he/she hasn't been the company's non-executive manager for more than twelve years;</p> <p><b>A.4.9.</b> he/she does not have family connections with a person in the cases referred to in paragraphs A.4.1. and A.4.4.</p>	x		
<p><b>A 5</b> - Other commitments and permanent professional obligations relating to a member of the Board, including executive and non-executive positions in the Board of some companies and non-profit institutions, must be disclosed to shareholders and potential investors before his/her nomination and during his/her mandate.</p>	x		

<b>A 6</b> Any member of the Board must provide information on any relation to a shareholder who holds directly or indirectly shares representing more than 5% of all voting rights. This obligation extends to any relationship which may affect the member's position on issues decided by Board.	x		
<b>A 7</b> - The company must appoint a secretary of the Board responsible for supporting the work of the Board.	x		
<b>A 8</b> - The corporate governance statement will inform you if there was an evaluation of the Board under the President or the nomination committee and, if so, it will summarize the key measures and changes resulting from it. The company must have a policy / guide on the assessment of the Board including the purpose, criteria and frequency of the evaluation process.	x		
<b>A 9</b> - The corporate governance statement must contain information regarding the number of Board meetings and committees over the past year, the participation of managers (in person and in absentia) and a report of the Board and committees on their activities.	x		
<b>A 10</b> - The corporate governance statement must include information on the exact number of independent members of the Board of Directors or of the Supervisory Board.	x		
<b>A 11</b> - The Premium Category companies Board should establish a nomination committee consisting of non-executive members, who will lead the nominations procedure of new members of the Board and make recommendations to the Board. Most members of the nomination committee must be independent.		x	Not applicable.
<b>B 1</b> - The Board must establish an Audit Committee in which at least one member must be an independent non-executive manager. Most members, including the chairman, must have shown to have adequate qualifications relevant to the functions and responsibilities of the committee. At least one member of the Audit Committee must have accounting or auditing experience proven and appropriate. For companies in the Premium Category, the Audit Committee must be composed of at least three members and the majority of the Audit Committee members must be independent.	x		
<b>B 2</b> - The chairman of the Audit Committee must be an independent non-executive member.	x		
<b>B 3</b> - Among its responsibilities, the Audit Committee must conduct an annual evaluation of the internal control system.	x		
<b>B 4</b> - The assessment must consider the effectiveness and scope of the internal audit function, the adequacy of the reports on the risk and internal control management submitted by the Audit Committee of the Board, the timeliness and effectiveness by which the executive management resolves the deficiencies or weaknesses identified during the domestic inspection and presentation of relevant reports to the Board.	x		

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

<p>The report on remuneration must present the implementation of the remuneration policy for the individuals identified in the remuneration policy during the annual period under analysis. Any significant change occurred in the remuneration policy must be timely published on the website of the company.</p>			
<p><b>D 1</b> - The company must set up an Investor Relations service - indicating to the public the individual / individuals in charge or the organization unit. In addition to the information required by the law, the company must include on its website a section dedicated to Investor Relations, both in Romanian and in English, with all relevant information of interest to investors, including:</p> <p><b>D 1.1</b> - The main corporate regulations: the constitutive act, the procedures for shareholders assemblies;</p> <p><b>D 1.2</b> - The professional resumes of the company's management members, other professional commitments of the Board members, including executive and non-executive positions in the boards of directors of companies or non-profit institutions;</p> <p><b>D 1.3</b> - The current reports and periodic reports (quarterly, half-yearly and yearly) - at least those specified in paragraph <b>D.8</b> - including current reports with detailed information on non-compliance with this Code;</p> <p><b>D 1.4</b> - Information on shareholders assemblies: the agenda and the information materials that support the nominations for election to the Board, together with their professional resumes; the shareholders questions about items on the agenda and responses of the company, including decisions taken;</p> <p><b>D 1.5</b> - Information on corporate events such as payment of dividends and other distributions to shareholders, or other events that lead to the acquisition or the limitation of rights of a shareholder, including the deadlines and principles for such operations. The information will be published within a period which allows investors to take investment decisions;</p> <p><b>D 1.6</b> - The name and contact details of the person who can provide, upon request, relevant information;</p> <p><b>D 1.7</b> - 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>	<p>x</p> <p>x</p> <p>x</p> <p>x</p> <p>x</p> <p>x</p> <p>x</p> <p>x</p> <p>x</p>		
<p><b>D 2</b> - 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>	<p>x</p>		
<p><b>D 3</b> - The company will adopt a policy regarding forecasts,</p>	<p>x</p>		

<p>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>			
<p><b>D 4</b> - 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><b>D 5</b> - The external auditors will attend the general meeting of shareholders when their reports are presented in such meetings.</p>	x		
<p><b>D 6</b> - 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><b>D 7</b> - 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><b>D 8</b> - 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><b>D9</b> - A company will organize at least two meetings/conference calls with analysts and investors every year. The information presented on these occasions will be published in the investor relations section on the website of the company at the time of meetings/conference calls.</p>		x	
<p><b>D 10</b> - If a company supports various forms of artistic and cultural expression, sporting, educational or scientific activities and considers their impact on the innovative nature and competitiveness of the company are part of the mission and its development strategy, it will publish the policy on its work in this area.</p>			Not applicable

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

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

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

Crt. no.	Name and Surname	Position in the IAR SA Company	Qualification	The period of the current mandate
1	Claudia BENCHESCU	Chairwoman of the Board	economist	24.10.2021-24.02.2022
2	Ruxandra-Rodica ANGHEL	Chairwoman of the Board	engineer	25.02.2022-28.02.2023
3	Iulia-Gabriela TĂNASE	Administrator	engineer	24.10.2021-24.02.2022
4	Horățiu-Cătălin BARBU	Administrator	engineer	24.10.2021-24.02.2022
5	Mihai Aurel DONȚU	Administrator	economist	24.10.2021-28.02.2023
6	Liviu COCOȘ	Administrator	economist	24.10.2021-28.02.2023
7	Tiberiu ȚICLEA	Administrator	lawyer	25.02.2022-27.12.2022
8	Răzvan POPA	Administrator	journalist	25.02.2022-27.12.2022
9	Cristian MĂRIȘTEANU	Administrator	engineer	28.12.2022-28.02.2023
10	Haralambie VOICILAȘ	Administrator	lawyer	28.12.2022-28.02.2023

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. Since 2013 Ms. **Claudia BENCHESCU**, interim non-executive administrator of IAR SA since **24.10.2021**, has held the following management / leadership positions:

PERIOD	COMPANY / POSITION OCCUPIED
10.2021 – 02.2022	IAR SA – Interim non-executive member of the Board of Directors
08.2013 – 11.2014	ASF – HEAD OF PROTOCOL OFFICE
11.2016 – 11.2017	INSTITUTE OF FOLK STUDIES – DIRECTOR
11.2020 – present day	MINISTRY OF INTERIOR – SUB-SECRETARY OF STATE

Ms. **Claudia BENCHESCU** has the following professional experience:

- Long-term studies:

- Academy of Economic Studies-Bucharest, Faculty of General Economics - 2005-2008 (license)
- Academy of Economic Studies-Bucharest, Faculty of Marketing - 2008-2010 (Master's program Marketing and Management)
- Master's program "Government and Society"

- Various short-term studies / trainings / certifications

2. Starting with 2011, Ms. **Ruxandra-Rodica ANGHEL**, temporary non-executive member of the Board of Directors of IAR SA starting with **25.02.2022**, held the following management positions:

PERIOD	COMPANY/ POSITION
12.2017-06.2021 și 02.2022-02.2023	IAR SA - Interim non-executive member of the Board of Directors
2013 – present	Ministry of Economy - Director of the Defense Industry Department
2011 - 2012	SC Vel Service SA Bucharest - Technical Director

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

- long-term studies: graduate of the Polytechnics Institute Bucharest / Faculty of Metalurgy – licence 1988
- short-term studies:
  - post-graduate course in public institutions management, Academy of Economy Studies, Bucharest 2007 – 2008
  - post-graduate course in sustainable professional training and development in the field of critical infrastructure protection management, Academy of Land Forces – Nicolae Bălcescu – Sibiu, 2007

- numerous short-term studies in the field of management and communication
- experience: as of 1998 Ms. Rodica Ruxandra Anghel has held various top-management positions.

**3. Since 2006 Ms. Iulia Gabriela TĂNASE, interim non-executive and independent administrator of IAR SA since 24.10.2021, has held the following management / leadership positions:**

<b>PERIOD</b>	<b>COMPANY / POSITION OCCUPIED</b>
10.2021 – 02.2022	IAR SA – Interim non-executive member of the Board of Directors
02.2006 – 09.2007	SC DAMAI PROD & CONS LTD SRL – EXECUTIV DIRECTOR
11.2011-06.2012	SC SERVICII ELECTRONICE DE ACHIZITII PRIVATE SRL – GENERAL DIRECTOR
07-2021–present day	Ministry of Economy, Entrepreneurship and Tourism – performance of duties as deputy director

Ms. **Iulia Gabriela TĂNASE** has the following training and professional experience:

- Long-term studies:

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

- Various short-term studies / trainings / certifications

**4. Since 2006 Mr. Horațiu Cătălin BARBU, interim non-executive and independent administrator of IAR SA since 24.10.2021, has held the following management / leadership positions:**

<b>PERIOD</b>	<b>COMPANY / POSITION OCCUPIED</b>
10.2021 – 02.2022	IAR SA – Interim non-executive member of the Board of Directors
2006 - 2014	Defence Ministry - Head of Resources and Informational Flow Office

Mr. **Horațiu Cătălin BARBU** has the following training and professional experience:

- Long-term studies:

- Polytechnic University of Bucharest, Faculty of Electrical Engineering - 1996-1998 (license)
- "Leontin Sălăjan" Brasov - military school for active artillery and anti-aircraft missile officers 1984-1987

- Various short-term studies / trainings / certifications

**5. Since 2010 Mr. Mihai Aurel DONTU, interim non-executive and independent administrator of IAR SA since 24.10.2021, has held the following management / leadership positions:**

<b>PERIOD</b>	<b>COMPANY / POSITION OCCUPIED</b>
02.2020-06.2021 și 10.2021-02.2023	IAR SA – Interim non-executive member of the Board of Directors
2016 – present	SC DONAD TURISM SRL – GENERAL DIRECTOR

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

- Long-term studies: The Academy of Economic Studies, Accounting Management Faculty –1992-1996

- Short-term studies:

- In-depth studies: Local Public Administration in the European Integration Process, Lucian Blaga University in Sibiu - 2006-2007

- Various short-term studies / trainings / certifications

**6. Since 2017 Mr. Liviu COCOȘ, interim non-executive and independent administrator of IAR SA since 24.10.2021, has held the following management / leadership positions:**

<b>PERIOD</b>	<b>COMPANY / POSITION OCCUPIED</b>
10.2021 – 02.2023	IAR SA – Interim non-executive member of the Board of Directors
10.2017 – 01.2021	SC LACOLI PRODIMPEX SRL – TOURISM MANAGER
10.2019 – present day	SC OVIVET DISTRIBUTIE SRL – SALES DIRECTOR
10.2020 – present day	SC CL SOUND CONSTRUCT SRL – DIRECTOR
12.2020 – 07.2021	S. CARFIL SA – SPECIAL ADMINISTRATOR

Mr. **Liviu COCOȘ** has the following training and professional experience:

- Long-term studies:
  - Bioterra University of Bucharest, Faculty of Agrotourism Engineering and Management - 1993-1998
  - Bioterra University of Bucharest - 2005-2007 Master of Management and Legislation
- Various short-term studies / trainings / certifications

**7. Since 2014 Mr. Tiberiu ȚICLEA, interim non-executive and independent administrator of IAR SA since 25.02.2022, has held the following management / leadership positions:**

<b>PERIOD</b>	<b>COMPANY / POSITION OCCUPIED</b>
02.2022 – 12.2022	IAR SA – Interim non-executive member of the Board of Directors
04.2014 – present	SCP Țiclea Țiclea & Partners - Coordinating associate lawyer - Managing Partner
09.2018 – 03.2019	TAROM – Deputy General Manager
03.2015 – 05.2016	TAROM – ADMINISTRATOR

**Mr. Tiberiu ȚICLEA** has the following professional training:

- Long-term studies:
  - University of Bucharest – Faculty of Law - 2005-2009
  - Paris University | Panthéon-Sorbonne-Bachelor's degree in Law in the French educational system – 2007-2008
  - Paris University | Panthéon-Sorbonne - *Maîtrise française en droit*, Diploma in France equivalent to Bachelor's degree in Law in Romania – 2008-2009
  - Paris University | Panthéon-Sorbonne - Professional Master in Law (Valedictorian – 2009-2010)
  - Paris University | Panthéon-Sorbonne - Doctoral Student in Law (suspended for professional reasons)

**8. Since 2009 Mr. Răzvan Popa, independent and non-executive member of the Board of IAR SA, since 25.02.2022, has the following professional experience:**

<b>PERIOD</b>	<b>COMPANY / POSITION OCCUPIED</b>
02.2022 – 12.2022	IAR SA – Interim non-executive member of the Board of Directors
10.2020 - present	PUBLIC ADMINISTRATOR - TELIU CITY HALL
09.2017 – 07.2019	European Parliament – Member of the European Parliament
06.2012 – 09.2017	Brasov Municipality – Municipal Councilor
10.2015 – 08.2017	IAR SA – Interim non-executive member
06.2012 – 06.2014	Braşov City Hall – Deputy Mayor
04.2010 – 06.2012	Brasov County Council – Municipal Counselor
02.2009 – 04.2010	County Youth Directorate - Deputy Director

Mr. Razvan Popa graduated from the Journalism Faculty at the University Lucian Blaga Sibiu.

**9. Since 2017 Mr. Cristian MĂRIȘTEANU, interim non-executive administrator of IAR SA since 28.12.2022, has held the following management / leadership positions:**

<b>PERIOD</b>	<b>COMPANY / POSITION OCCUPIED</b>
12.2022 – 02.2023	IAR SA – Interim non-executive member of the Board of Directors
08.2021 – prezent	Ministry of Energy – Director
11.2019 – 07.2021	Ministry of Europeans Funds – General Director
10.2017 – 11.2019	Ministry of Europeans Funds – Deputy Director

**Mr. Cristian MĂRIȘTEANU** has the following professional training:

- Long-term studies:
  - Christian University Dimitrie Cantemir Bucharest – Faculty of Political Sciences - 1998-2002
  - Spiru Haret Bucharest, Finance-Banks Faculty – 2009-2012
  - Spiru Haret Bucharest, Finance-Banks Faculty – master 2013-2015
  - Bucharest University – Post university studies – 2002-2003

**10. Mr. Haralambie VOICILAȘ, independent and non-executive member of the Board of IAR SA, since 28.12.2022, has the following professional experience:**

<b>PERIOD</b>	<b>COMPANY / POSITION OCCUPIED</b>
12.2022 – 02.2023	IAR SA – Interim non-executive member of the Board of Directors
1984 – 1988	Bucharest District Court 2 - Judge
1990 - 2018	Bucharest Bar Lawyer - Lawyer
1992 – 1998	University Atheneum, Law Faculty - Lecturer

Mr. Haralambie VOICILAS graduated the Law Faculty Bucharest and post-university studies at the same faculty.

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

The activity carried out in 2022 by both the Board of Directors of IAR SA and by its advisory committees, is summarized in the following table:

<b>No. of meetings 2022</b>	<b>THE BOARD OF DIRECTORS</b>	<b>THE AUDIT COMMITTEE</b>	<b>THE NOMINATION AND REMUNERATION COMMITTEE</b>
	10	2	4

The administrators of IAR SA were present at all the meetings of the council, which took place either with physical participation or in the form of a teleconference, in accordance with the provisions of the Constitutive Act.

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 2022, the Board of Directors approached in its meetings various topics of interest to the company, such as:

- approval of the yearly investment plan for 2022 – May 2022;
- endorsement of the IEB 2022 – January 2022;
- the summarizing information on the work carried out by the company between the Board meetings - on the date of each meeting;
- the analysis and approval of financial statements: during May and November for quarterly statements, in August for the half-yearly statements and in March for the annual statements for the previous financial year;
- the development of the periodic (quarterly/half-yearly/annual) reports - together with the approval of financial statements for the respective periods;
- approval of the extension of the mandate contract between the company and its general manager - in January, March July and September 2022;
- the approval of the 2022-2023 Collective Labor Contract – in June 2022;
- the analysis of the general manager fulfillment of criteria and performance targets approved for 2021 – May 2022, – after the approval of the 2021 financial statements;
- the approval of the key performance indicators related to the current financial year - in March 2022, after the approval of the IEB 2022;
- approval of the participation of employees in the profit registered at the end of 2021 - in July 2022;
- any other analysis in the limits of the Board of Directors' prerogatives - in the moment of occurrence of such situations;
- the convening of the GSM for issues falling within its competence.

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

According to the principles taken into account:

- the Board's assessment took into account the balance between skills, experience, independence and knowledge of the Board, its diversity, the way the Board works as a whole and other factors relevant to its effectiveness;
- the evaluation of the board performances was realized making individual and group interviews;
- the assessment process was focused primarily on the achievement of three objectives:
  - a) the assessment of the way in which the Board and its committees have operated during 2021;

- b) the preparation and discussion of important issues in the Company's activity;
- c) the presence of the management in the Board meetings and relevant advisory committees and their constructive involvement in discussions and decision-making.

The purpose of Board evaluation for 2021 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 2022, the Audit Committee has sought to assist the Board in carrying out its duties mainly related to financial reporting, internal control and risk management.

The activities of this committee during 2022 focused on:

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

By the activity that took place during 2022, 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 2021, the criteria and performance targets have been met in relation to the mandate contract concluded with the General Director of the Company
- the establishment, for the current year, of the key performance indicators
- extension of the mandate contract of the general director of the company.

It should be stated that the members of the Nomination and Remuneration Committee did not carry out any activities regarding the remuneration of the administrators and the general director, in the context in which the IAR SA Company, having majority state capital, was subject to the legal regulations in the field applicable to the company with full capital of state.

The principles on remuneration of the Board and of the General Manager of IAR SA, which were established by applying the provisions of GO no. 26/2013 and GEO 109/2011, subject to the GSM resolution no. 05/29.04.2021.

Complying to the principles on remuneration of the Board of Directors and of the General Manager of IAR SA, in 2022:

- 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 GMS 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 2022, 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 2022:

- 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 2022, sought:

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

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

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

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

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

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

The information on the shareholder activity may also be obtained from any of the persons below, who work in this department, daily from 07:30 to 15:30:

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

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

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

As can be seen from the public information posted on the website of the Bucharest Stock Exchange on 02.02.2023, in the last year 460,409 shares issued by IAR SA were traded, the unit price oscillating in both directions:

Performance:

	Price variation (%)	Volume	Value	Number of transactions
Today	-2,69	1	10,85	1
One week	-2,25	8.979	96.764,95	77
1 month	16,67	36.039	372.645,89	278
6 months	8,72	142.126	1.384.499,04	945
1 year	-8,05	460.409	4.823.354,53	2.659
Current year	16,67	36.039	372.645,89	278



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 2019, based on the provisions of the specific laws in force, the Board of Directors and the executive management of IAR S.A. propose the allocation of the amount of 18,278,853 lei in dividends, representing a gross dividend per share is 1 leu. At the same time through GMS Resolution no 04/29.04.2020, the general meeting of shareholders approved the prescription of unpaid dividends for the financial year 2015 (older than 3 years). Dividends were paid via S.C. Depozitarul Central SA, shareholders registered in the shareholders' register on 26.06.2020.

For the year 2020, the amount established to be distributed as dividends to the shareholders of IAR S.A. was RON 7,725,000, resulting in a gross dividend value per share of RON 0.4226195 lei/share. At the same time through GMS Resolution no. 03/28.04.2021, the general meeting of shareholders approved the prescription of unpaid dividends for the 2016 financial year (older than 3 years). Dividends were paid via S.C. Depozitarul Central SA, shareholders registered in the shareholders' register on 25.06.2021.

For the year 2021, the amount established to be distributed as dividends to the shareholders of IAR S.A. was RON 5,483,656, resulting in a gross dividend value per share of RON 0.30 lei/share. At the same time through GMS Resolution no. 04/28.04.2022, the general meeting of shareholders approved the prescription of unpaid dividends for the 2017 financial year (older than 3 years). Dividends were paid via S.C. Depozitarul Central SA, shareholders registered in the shareholders' register on 28.06.2022.

For the year 2022, starting from the specific legal provisions in force, the Board of Directors and the executive management of IAR S.A. propose the distribution of the amount of 5.319.146 lei in the form of dividends, resulting in a gross dividend per share of 0,291 lei.

The dividend payment date will be 06.07.2023, which will be paid via Depozitarul Central SA to the shareholders registered in the register of shareholders on 15.06.2023, 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.

Under the conditions in which:

- 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 2018, 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 30.06.2023.

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

In 2022, the company IAR SA has not taken any action in relation to the package of shares acquired following the withdrawal from the company, in 2018, of SIF III Transylvania.

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

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

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

In compliance with Law no. 31/1991, republished, as amended and supplemented, the leadership, organization, representation and management of the activity of IAR S.A. were ensured, by **Mr. Laurian ANASTASOF - GENERAL MANAGER**, representing the company in relation to third parties and was responsible for how the company carried out acts of leadership under the mandate contracts numbers E1695/04.09.2020 (with additional acts), IAR-D10E256/07.03.2022 and D10-E1218/23.09.2022.

Mr. Laurian ANASTASOF does not hold any share of SC IAR SA.

During 2022, 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 31.12.2022:

- 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 2022 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

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BALANCE SHEET ITEMS	31.12.2019	31.12.2020	31.12.2021	31.12.2022
<b>I. Fixed assets</b>	<b>74,440,418</b>	<b>83,860,281</b>	<b>92,495,424</b>	<b>102.021.445</b>
Stocks	211,201,751	211,074,582	222,838,034	256.828.675
Debentures	48,901,225	35,878,560	48,610,435	40.063.750
Petty-cash and banking accounts	8,770,824	9,772,708	45,304,346	258.293.914
Short-term financial investments	-	-	-	-
<b>II. Circulating assets</b>	<b>268,873,800</b>	<b>256,725,850</b>	<b>316,752,815</b>	<b>555.186.339</b>
<b>III. Expenses reg. in advance</b>	<b>52,177</b>	<b>69,421</b>	<b>99,376</b>	<b>82.044</b>
<b>TOTAL ASSETS</b>	<b>343,366,395</b>	<b>340,655,552</b>	<b>409,347,615</b>	<b>657.289.828</b>
Share capital	47,197,132	47,197,132	47,197,132	47.197.132
Reserves from reevaluation	27,246,254	26,013,109	25,060,661	24.293.058
Reserves	72,902,699	99,904,427	126,279,309	146.031.245
Profit	49,128,541	33,967,230	23,488,292	14.198.145
Own shares	6,708,000	6,708,000	6,708,000	6.708.000
Reported result	3,951,194	5,011,230	5,963,678	6,731,281
Profit distribution	5,183,650	1,335,690	1,468,342	3.215.642

<b>I Shareholder's equity</b>	<b>188,534,170</b>	<b>204,049,438</b>	<b>219,812,730</b>	<b>228.527.219</b>
<b>II Provisions for risks and expenses</b>	<b>69,994,375</b>	<b>55,584,221</b>	<b>53,730,595</b>	<b>67.724.642</b>
Loans and assimilated debts	53,217,815	45,936,405	73,023,068	42.730.605
Suppliers	18,814,153	20,415,019	32,468,363	16.754.011
Creditor clients	16,617	15,467	14,864,346	250.775.884
Other debts	12,691,542	14,609,233	15,421,407	50.776.610
<b>III Total payables</b>	<b>84,740,127</b>	<b>80,976,124</b>	<b>135,777,184</b>	<b>361.037.110</b>
<b>IV Settlement accounts</b>	<b>97,723</b>	<b>45,769</b>	<b>27,106</b>	<b>857</b>
<b>TOTAL LIABILITIES</b>	<b>343,366,395</b>	<b>340,655,552</b>	<b>409,347,615</b>	<b>657.289.828</b>

The share of fixed assets in the total assets was of 21.67% in 2019, of 24.62% in 2020, of 22.60% in 2021 and of 15.53% in 2022.

**b) the profit and loss account**

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<b>THE PROFIT AND LOSS ACCOUNT</b>	<b>31.12.2019</b>	<b>31.12.2020</b>	<b>31.12.2021</b>	<b>31.12.2022</b>
Income from the sale of goods	118,726,782	108,701,525	124,383,425	90.493.389
Sold production	247,084,488	147,589,948	205,123,178	224.931.055
Turnover	365,811,270	256,291,473	329,506,603	315.424.444
Income from the stored production– S.C.	7,584,303	3,644,713	0	25.473.700
Income from the stored production – S.D.	0	0	2,302,723	0
Other operating income	8,288,704	1,703,061	3,488,300	418.825
<b>OPERATING INCOME –TOTAL</b>	<b>381,684,277</b>	<b>261,639,247</b>	<b>330,692,180</b>	<b>341.316.969</b>
Expenditure on goods, com discounts received	94,844,103	87,463,953	104,708,291	72.170.458
Expenditure on raw mat. and consumable mat.	169,960,270	89,507,307	125,423,423	160.691.588
Expenditure on water and energy	1,909,901	2,109,961	2,965,661	4.250.137
Other mat. expenditure	1,181,606	705,793	681,378	509.025
External services-related expenses	9,873,917	8,403,781	21,524,103	15.076.442
Duties, taxes and similar levies-related expenses	579,120	614,157	585,307	710.321
Salaries-expenses, participation to the company's profit, restaurant tickets	39,489,700	43,887,406	48,685,765	50.979.017
Insurance and social protection-related expenses	1,606,107	1,704,741	1,990,300	2.364.420
Staff-related expenses	41,095,807	45,592,147	50,676,065	53.343.437
Compensation, environment and transferred assets-related expenses	12,520,845	688,314	58,331	68.722
Expenditure on provisions reduced by income from provisions	-5,956,105	-17,688,224	-3,295,236	13.994.047
Expenditure on the hamortization and, constitution and provisions adjustments	3,764,086	3,836,814	4,116,856	4.235.183
Tangible assets re-assessment-related expenses	0	0	0	0
Adjustments to circulating assets	5,563	0	12,592	0
<b>EXPENDITURE ON OPERATING -TOTAL</b>	<b>329,779,113</b>	<b>221,234,003</b>	<b>307,456,771</b>	<b>325.049.360</b>
<b>RESULT FROM OPERATING - PROFIT</b>	<b>51,905,164</b>	<b>40,405,244</b>	<b>23,235,409</b>	<b>16.267.609</b>
<b>TOTAL INCOME</b>	<b>387,183,732</b>	<b>262,385,849</b>	<b>336,311,209</b>	<b>347.160.532</b>
<b>TOTAL EXPENDITURE</b>	<b>330,836,749</b>	<b>225,466,220</b>	<b>309,786,521</b>	<b>329.217.694</b>
<b>GROSS RESULT - PROFIT</b>	<b>56,346,983</b>	<b>36,919,629</b>	<b>26,524,688</b>	<b>17.942.838</b>

The share of operating costs in the total expenditure: in 2019 it is 99.68 %, in 2020 it is 98.13%, in 2021 it is of 99.25% and in 2022 it is of 98.74%.

The share of operating income in the total income: in 2019 it is of 98.57%, in 2020 it is of 99.72%, in 2021 it is of 98.33% and in 2022 it is 98.32%.

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 2022, the workload of production capacities has averaged 106%.

c) **cash flows** - the available funds of the company on 31.12.2022 were 258,293,914 lei.

## 4.2. ELEMENTS OF FINANCIAL-ACCOUNTING MANAGEMENT

In 2022 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 by 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. 39 /28.09.2022. 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 2022.

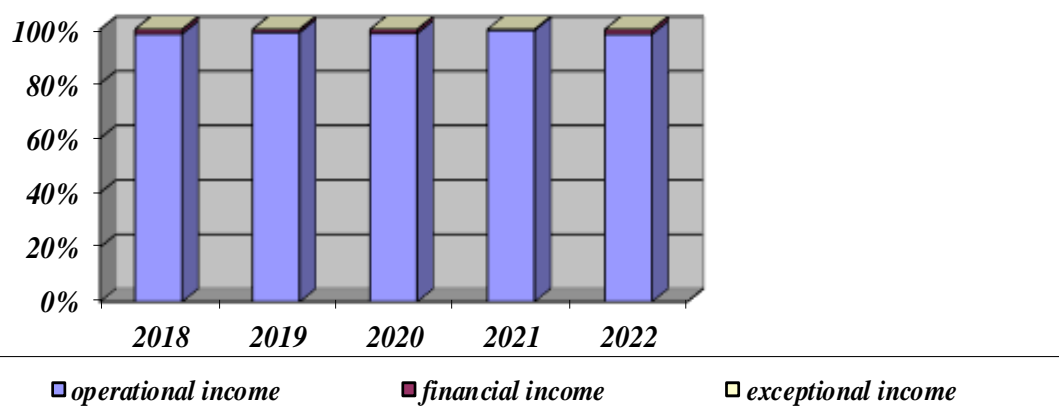
IAR SA's balance sheet for the period 01.01-31.12.2022 was compiled based on the trial balance accounts that were registered in all economic and financial operations based on legal documents drawn up, on the principles and by the provisions of the Accounting Law no. 82 / 1991 approved the company's accounting policies and in compliance with the company's approved accounting regulations harmonized with the 4<sup>th</sup> Directive of the European Economic Community, the MFO no. 2844/2016 for approving the Accounting regulations compliant with the International financial reporting standards, applicable to commercial companies whose securities are admitted to trading on a regulated market, as amended and supplemented.

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

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

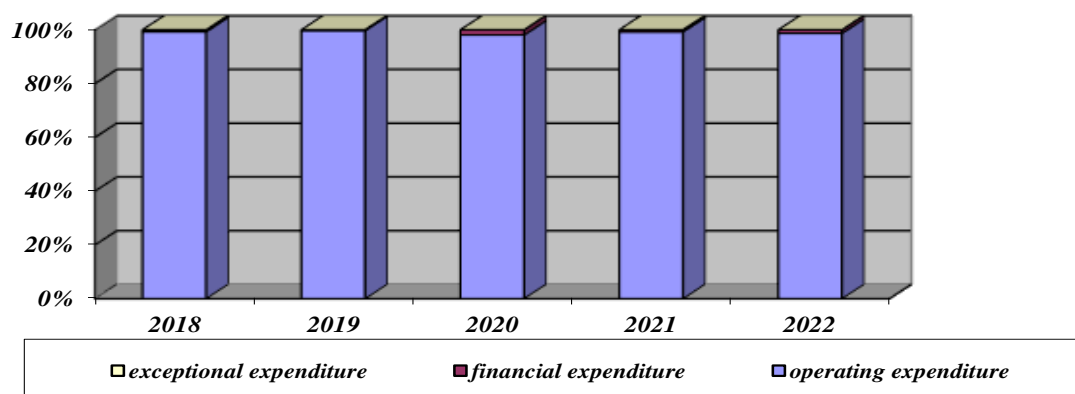
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Operating income	98.87	98.57	99.72	98.33	98.32
<b>Financial income</b>	1.13	1.43	0.28	1.67	1.68
<b>Exceptional income</b>	0	0	0	0	0

The main share, respectively 98.32% of total revenues achieved by the company in 2022, is represented by the income from operating activities.



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

	2018	2019	2020	2021	2022
Operating expenditure	99.29	99.68	98.13	99.25	98.74
<b>Financial expenditure</b>	0.71	0.32	1.87	0.75	1.26
<b>Exceptional expenditure</b>	0	0	0	0	0



The main share, respectively 98.74% of total expenditure made by the company in 2022, is the expenditure on operating activities.

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

##### ✓ ASSESTS

The value of non-current assets at 31.12.2022 is of 102,021 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 31.12.2022 and they are:

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

## ✓ STOCKS/INVENTORIES

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 31.12.2022 is 256,829 thousand lei, maintained constant compared to the previous year.

The balance of production under construction mainly includes the value of IAR 330 PUMA NATO, NAVAL and SM helicopters to be delivered in 2023.

## ✓ RECEIVABLES

**On 31.12.2022 the situation of the receivables is as follows:**

	lei
<b>Total receivables</b>	<b>40,063,750</b>
- commercial receivables	35,673,276
- long-term receivables	0
- paid deposits	3,724,430
- other receivables, of which:	666,044
• Other taxes-excises	121,685
• Sundry debtors	201,480
• Interests to be received	97,909
• VAT to be recovered	0
• Other receivables related to the personnel	0
• Undue VAT	4,310
• Contribution for leaves and indemnities	240,660

In the total receivables, the largest share is held by trade receivables in the amount of 35,673 thousand lei, respectively 89.05 %.

Their componence is:

- the amount of 24,771 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
- the amount of 10,902 lei, represents the value to be cashed in as per the commercial contracts.

## ✓ PETTY CASH AND BANK ACCOUNTS

The company cash funds at 31.12.2022 amount to 258,293,914 lei, of which:

- Liquidity in lei in other bank accounts (card accounts, dividend distribution account, CECs, Brasov Treasury account, BRD current account)	247,073,509 lei
- Liquidity in foreign currency	11,198,049 lei
- Liquidity in the cash register of the company	960 lei
- Other values	21,396 lei.

## ✓ PAYABLES

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

<b>Total payables, including “incomes from downpayments”: (lei):</b>	<b>361,037,967</b>
• financial debts	42,730,605
• trade debts	16,772,436
• creditor customers	250,775,884
• incomes registered in advance	857
• other debts to: personnel, budget, social insurance, of which:	50,758,185
• tax on profit	510,931
• other creditors (AJOFM – The Unemployment Agency)	4,814,312
• dividends	4,194,935
• current salary contributions	4,619,964
• VAT payable	36,618,043

The company's debts structure is as follows:

- **commercial debts**, amounting to 16,772 thousand lei, respectively 4,65 % of the total debts; commercial debts are current debts, in line with the deadlines stipulated in the commercial contracts.
- "**other creditors**" in the amount of 4,778 thousand lei, respectively 1.32% of the total debts refers to the debts "other creditors (AJOFM).

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

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

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

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

- The amount of 4,195 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 2022 are worth 361,038 thousand lei, of which short-term debts worth 356,257 thousand lei are current debts, whose chargeability is consistent with the legal and contractual deadlines stipulated in the Fiscal Code.

We mention that of the total debts to be paid over a period of more than one year, the value of which is 4,780 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 31.12.2022.

### ✓ 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 2022 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 2022 is of 34,607 thousand lei, presenting them in the following structure:

- provision for employees participation to profit, amounting to 1,500 thousand lei;
- provision for the retirement bonus, amounting to 288 thousand lei
- provision to cover risks, good performance guarantees for the contracts concluded in 2022, amounting to 31,840 thousand lei;
- provision for OFFSET, amounting to 979 thousand lei;

Also, provisions in the amount of 20,613 thousand lei have been canceled or diminished by the resumption on income, as follows:

- provision for performance guarantees granted to local customers, amounting to 17,940 thousand lei;
- provision for employees participation to profit, amounting to 2,268 thousand lei;
- provision for the retirement bonus, amounting to 405 thousand lei;

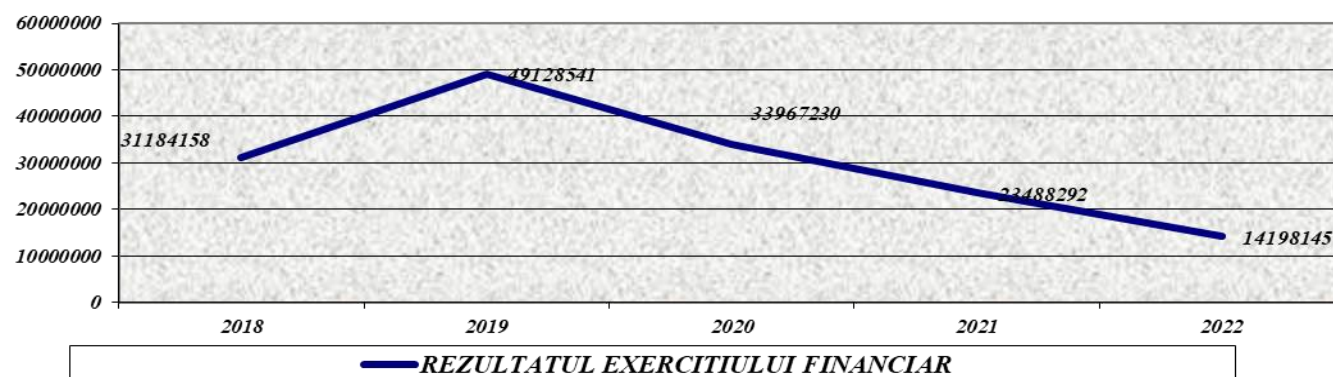
Thus, the adjustments for provisions represent in 2022 the amount of 13,994 thousand lei.

### ✓ SHAREHOLDERS' EQUITIES

The equity on 31.12.2022 is 228,527 thousand lei and shows an increase by 3.98 % compared to 2021.

**The evolution of the economic-financial results of the company between 2018-2022 is as follows:**

	2018	2019	2020	2021	2022
Net profit (lei)	31,184,158	49,128,541	33,967,230	23,488,292	14,198,145



At the end of 2022, the company IAR SA no longer met the legal conditions for establishing the legally deductible reserve from profit, taking into account the provisions of **Order no. 2844/2016, of Law 31/1990 and of Law 227/2015 with subsequent amendments and completions.**

## THE ANALYSIS OF THE MAIN ECONOMIC AND FINANCIAL INDICATORS

### A. Current liquidity ratio:

$$\frac{\text{Current assets}}{\text{Current debts}} = \frac{555,186,339}{356,257,458} = 1.56\%$$

### B. Liquidity coverage ratio:

$$\frac{\text{Current assets-stocks}}{\text{Current debts}} = \frac{298.357.664}{356.257.458} = 0.84\%$$

### C. Efficiency indicators:

#### 1. The financial rate of return

$$\frac{\text{Net profit}}{\text{Equity}} \times 100 = \frac{14.198.145}{228.527.219} = 6.22\%$$

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

$$\frac{\text{Current result}}{\text{Fixed assets+current assets}} = \frac{17.942.838}{657.207.784} = 2.73\%$$

#### 3. The profit rate

$$\frac{\text{Gross profit}}{\text{Turnover}} = \frac{17.942.838}{315.424.444} = 5.69\%$$

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

$$\frac{\text{Med.balance of customers} \times 365}{\text{Turnover}} = \frac{15.172.608 \times 365}{315.424.444} = 17.56 \text{ days}$$

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

$$\frac{\text{Turnover}}{\text{Fixed assets}} = \frac{315.424.444}{102.021.445} = 3.10 \text{ times}$$

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

$$\frac{\text{Turnover}}{\text{Total assets}} = \frac{315.424.444}{657.289.828} = 0.48 \text{ times}$$

#### 7. The total amount invested in 2022 was 13,824 thousand lei.

The financial-accounting statement complies with the documents attached to this annual report: the financial statements of 31.12.2022 and the financial auditor's report for the financial year 2022.

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

**THE CHAIRWOMAN of the BOARD**

**Ruxandra-Rodica ANGHEL**

**GENERAL DIRECTOR**

**Laurian ANASTASOF**

## ANNEX TO THE ANNUAL REPORT 2022

### 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	40	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.

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 2022**

**Drawn up in accordance with:**

**The Order of the Public Finance Ministry no. 2844 /2016 and subsequent additions provided at entry 1.1 of Annex 3 to the MoF Order No. 4268/2022**

**BALANCE SHEET 2022**

	<u>Row</u>	<u>Note</u>	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2022</u>
<b><u>A. NON-CURRENT ASSETS</u></b>				
<b>I. INTANGIBLE ASSETS</b>				
1. Formation expenses	1			
2. Development expenses	2			
Concessions rights, patents, licenses, trade marks and other similar values and other intangible assets	3		426,931	34,849
4. Goodwill	4			
5. Advances and intangible assets in progress	5			
<b>TOTAL</b>	<b>6</b>	<b>1(a)</b>	<b>426,931</b>	<b>34,849</b>
<b>II. Intangible assets</b>				
1. Land and buildings	7		53,766,105	53,131,776
2. Technical equipment and machinery	8		7,458,782	10,064,577
3. Other equipment & furniture	9		135,232	163,323
4. Advances and intangible assets in progress	10		23,975,283	31,974,988
5. Advances (ct.4093)	10a		1,272,117	1,205,170
<b>TOTAL</b>	<b>11</b>	<b>1(b)</b>	<b>86,607,519</b>	<b>96,539,834</b>
<b>III. Rights to use assets arising from leasing</b>			31,977	17,765
<b>IV. Financial assets</b>				
1. Shares held in affiliated entities	12			
2. Loans to affiliated entities	13			
3. Participating interests	14			
4. Loans granted to entities with participating interests	15			
5. Investments held as fixed assets	16		5,428,997	5,428,997
6. Other loans	17			
<b>TOTAL</b>	<b>18</b>	<b>1(c)</b>	<b>5,428,997</b>	<b>5,428,997</b>
<b>Non-current assets - Total</b>	<b>19</b>		<b>92,495,424</b>	<b>102,021,445</b>
<b><u>b. Current assets</u></b>				
<b>I. Inventories</b>				
1. Raw materials and consumables	20		74,040,833	96,200,530
2. Work in progress	21		45,979,941	75,947,649
3. Finished goods and merchandise	22		81,883,822	71,463,904
4. Advances for stock purchases	23		20,933,438	13,216,592
<b>TOTAL:</b>	<b>24</b>		<b>222,838,034</b>	<b>256,828,675</b>
<b>II. Receivables</b>				
1. Trade receivables	25	12	43,316,837	35,673,276
2. Advances paid	26		3,234,537	3,724,430
3. Receivables from participating interests	27			
4. Other receivables	28	13	2,059,061	666,044
5. Share capital called up but not paid up	29			
<b>TOTAL</b>	<b>30</b>		<b>48,610,435</b>	<b>40,063,750</b>
<b>III. Short-term financial investments</b>				
1. Shares held in affiliated entities	31			
2. Other short-term financial investments	32			
<b>TOTAL</b>	<b>33</b>		<b>0</b>	
<b>IV. Petty cash and bank accounts</b>	<b>34</b>	<b>11</b>	<b>45,304,346</b>	<b>258,293,914</b>
<b>Current assets - Total</b>	<b>35</b>		<b>316,752,815</b>	<b>555,186,339</b>
<b>C. Prepayments</b>	<b>36</b>		<b>99,376</b>	<b>82,044</b>

**D. Amounts payable in a period of one year**

1. Debenture loans given separately from convertible bond	37		
2. Bank loans	38	73,023,068	42,730,605
3. Advance payments from customers	39	14,864,346	250,775,884
4. Trade suppliers	40	14	32,468,363
5. Trade notes payable	41		16,754,011
6. Payables to affiliated entities	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	10,489,104
<b>TOTAL</b>	<b>45</b>	<b>130,844,881</b>	<b>356,257,458</b>

**e. Current assets, respectively net current liabilities**

	<b>46</b>	<b>185,944,343</b>	<b>199,010,068</b>
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<b>f. Total assets minus current liabilities</b>	<b>47</b>	<b>278,475,628</b>	<b>301,031,513</b>
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**g. Liabilities: amounts payable in a period above one year**

1. Loans from bond issues	48		
2. Bank loans	49		
3. Advance payments from customers	50		
4. Trade debts	51		-
5. Trade notes payable	52		
6. Amounts owed to affiliated entities	53		
7. Amounts owed to entities with participating interests	54		
8. Other debts, including tax debts and social insurance debts	55	4,932,303	4,779,652
<b>TOTAL</b>	<b>56</b>	<b>4,932,303</b>	<b>4,779,652</b>

**h. Provisions for risks and expenses**

		<b>2</b>	
1. Provisions for retirement benefits and other similar obligation	57	3,673,902	3,555,913
2. Provisions for employees benefits	58	2,268,000	1,500,000
3. Other provisions	59	47,788,693	62,668,729
<b>TOTAL PROVISIONS</b>	<b>60</b>	<b>53,730,595</b>	<b>67,724,642</b>

**i. Deferred income**

- Investment subsidies	61		
- Defferred income	62	27,106	857
<b>Total</b>	<b>63</b>	<b>27,106</b>	<b>857</b>

**j. Capital and reserves****I. Capital**

from which			
- Paid in capital	64	47,197,132	47,197,132
- Un-paid capital	65		
- The patrimony of the directorate	66		
<b>TOTAL</b>	<b>67</b>	<b>47,197,132</b>	<b>47,197,132</b>

**II. Share premium**

	<b>68</b>		
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<b>III. Revaluation reserve</b>	<b>69</b>	<b>25,060,661</b>	<b>24,293,058</b>
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**IV. Reserves**

1. Legal reserves	70	9,439,426	9,439,426
2. Statutory or contractual reserves	71		
3. Reserves representing the surplus made from revaluation reserves	72		
4. Other reserves	73	116,839,883	136,591,819
<b>TOTAL</b>	<b>74</b>	<b>126,279,309</b>	<b>146,031,245</b>

Own shares	75		<b>6,708,000</b>	<b>6,708,000</b>
Gains related to own shares instruments	76			
Losses related to own shares instruments	77			
<hr/>				
<b>V. Profit or loss carried forward</b>				
<b>Credit balance</b>	<b><u>78</u></b>		<b>5,963,678</b>	<b>6,731,281</b>
<b>Debit Balance</b>	<b><u>79</u></b>			
<b>VI. The result of the financial year</b>				
<b>Credit balance</b>	<b><u>80</u></b>		<b>23,488,292</b>	<b>14,198,145</b>
<b>Debit Balance</b>	<b><u>81</u></b>			
<hr/>				
Profit appropriation	82	3	1,468,342	3,215,642
<b>Total equity</b>	<b>83</b>		<b>219,812,730</b>	<b>228,527,219</b>
<hr/>				
Public patrimony	84			
<hr/>				
<b>TOTAL CAPITAL</b>	<b>85</b>		<b>219,812,730</b>	<b>228,527,219</b>
<hr/>				

**GENERAL DIRECTOR,  
Laurian ANASTASOF**

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

	<b>Row</b>	<b>Note</b>	<b>31 Dec. 2021</b>	<b>31 Dec. 2022</b>
<b>1. Net turnover</b>	<b>1</b>		<b>329,506,603</b>	<b>315,424,444</b>
Balance production	2		205,123,178	224,931,055
Income from sale of goods	3		124,383,425	90,493,389
Income from interests registered by entities whose main activity is the leasing	4			
Income from operating subsidiaries related to net turnover	5			
<b>2. Changes in inventories of finished goods and the production in progress</b>	<b>6</b>			
Balance C				25,473,700
Balance D	7			
<b>3. The production made by the entity for its own purposes and capitalized</b>	<b>8</b>		-2,302,723	
<b>4. Other operating income</b>	<b>9</b>		3,488,300	418,825
<b>Operating income - Total</b>	<b>10</b>		<b>330,692,180</b>	<b>341,316,969</b>
<b>5. a) Row materials and consumables</b>	<b>11</b>		125,423,423	160,691,588
Other material expenses	12		681,378	509,025
b) Other external expenses (with energy and water)	13		2,965,661	4,250,137
c) Merchandise expenses	14		104,828,291	72,254,514
Commercial discounts received			120,000	84,056
<b>6. Personnel expenses</b>	<b>15</b>		<b>50,676,065</b>	<b>53,343,437</b>
a) Salaries	16		48,685,765	50,979,017
b) Social security costs	17		1,990,300	2,364,420
<b>7. a) Value adjustments related to tangible and intangible assets</b>	<b>18</b>		4,116,856	4,235,183
a.1) Expenses	19		4,116,856	4,235,183
a.2) Income	20			
<b>7. b) Adjustment on the value of circulating assets</b>	<b>21</b>			
b.1) Expenses	22			
b.2) Income	23			
<b>8. Other operating expenses</b>	<b>24</b>		22,167,741	15,855,485
8.1 Expenses regarding external services	25		21,524,103	14,785,262
8.2 Expenses with other taxes, duties and assimilated payments	26		585,307	710,321
8.3 Expenses on compensations, donations and disposed assets, environment expenses, other operating expenses, revaluation of tangible assets expenses	27		58,331	359,902
Expenses on refinancing interests registered by the entities whose main activity is represented by the leasing	28			
<b>Adjustments regarding provisions for risks and expenses</b>			<b>-3,295,236</b>	<b>13,994,047</b>
Expenses	29			
Income	30		22,337,799	34,607,175
	31		25,633,035	20,613,128
<b>Operating expenses - total</b>	<b>32</b>		<b>307,456,771</b>	<b>325,049,360</b>
<b>Operating result</b>				
- Profit	33	4	<b>23,235,409</b>	<b>16,267,609</b>
- Loss	34			
<b>9. Income from participating interests</b>	<b>35</b>		1,465,077	2,874,146
- out of which, income from subsidiaries	36		1,465,077	2,874,146

<b>10. Income from other investments and loans</b>			
which are a part of the non-current assets	37		
- of which within the group	38		
<b>11. Interest income</b>	39	193,335	214,843
- of which within the group	40		
Other financial income	41	3,960,617	2,754,574
<b>Financial income - total</b>	42	<b>5,619,029</b>	<b>5,843,563</b>
<b>12. Adjustment of the value of financial assets</b>	43		
and financial investments held as current assets			
Expenses	44		
Income	45		
<b>13. Expenses on interest</b>	46	1,498,033	3,094,986
- of which within the group	47		
Other financial expenses	48	831,717	1,073,348
<b>Financial expenses - total</b>	49	<b>2,329,750</b>	<b>4,168,334</b>
<b>Financial result</b>		<b>3,289,279</b>	<b>1,675,229</b>
- Profit	50		
- Loss	51		
<b>14. Current result</b>			
- Profit	52	<b>26,524,688</b>	<b>17,942,838</b>
- Loss	53		
<b>15. Extraordinary revenues</b>	54		
<b>16. Extraordinary expenses</b>	55		
<b>17. Extraordinary result</b>			
- Profit	56		
- Loss	57		
<b>Total income</b>	58	<b>336,311,209</b>	<b>347,160,532</b>
<b>Total expenses</b>	59	<b>309,786,521</b>	<b>329,217,694</b>
<b>Gross result</b>			
- Profit	60	<b>26,524,688</b>	<b>17,942,838</b>
- Loss	61		
<b>18. Income tax</b>	62	<b>3,036,396</b>	<b>3,744,693</b>
<b>19. Other expenses on taxes not presented</b>	63		
among the above items			
<b>20. Net result of the financial year</b>			
- Profit	64	<b>23,488,292</b>	<b>14,198,145</b>
- Loss	65		

All the Company's activities are continuous.

Signed on behalf of the Board of Directors

**GENERAL DIRECTOR,**  
Laurian ANASTASOF

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

**SITUATION OF CHANGES IN OWN CAPITAL FOR THE FINANCIAL YEAR ENDED  
ON 31 DECEMBER 2022**

Equity element	Balance on 01.01.2022	Increase		Decreases		Balance on 31.12.2022
		out of which:	by transfer	out of which:	by transfer	
A	1	2	3	4	5	6
Subscribed capital	47,197,132					47,197,132
Share Capital adjustments						
The patrimony of the directorate						
Share premium						
Revaluation reserve	25,060,661			767,603		24,293,058
Legal reserves	9,439,426					9,439,426
Statutory or contractual reserves						
Reserves representing the surplus obtained from revaluation reserves						
Other reserves	116,839,883	19,751,936				136,591,819
Own shares	6,708,000					6,708,000
Gains related to own shares instruments						
Losses related to own shares instruments						
Reported result representing the undistributed profit or the uncovered loss	Balance C					
	Balance D					
The carried forward result from the adoption for the first time of IAS 29	Balance C					
	Balance D					
Reported result arising from the first adoption of IAS, except for IAS 29	Balance C	5,531,521	767,603			6,299,124
	Balance D					
Reported result from the correction of accounting errors	Balance C	432,157				432,157
	Balance D					
Reported result from the application of the Accounting regulations compliant with Directive IV of the E.E.C.	Balance C					
	Balance D					
The profit or loss of the financial year	Balance C	23,488,292	14,198,145		23,488,292	14,198,145
	Balance D					
Profit appropriation		1,468,342	3,215,642		1,468,342	3,215,642
<b>TOTALEQUITY</b>		<b>219,812,730</b>	<b>31,502,042</b>		<b>22,787,553</b>	<b>228,527,219</b>

**GENERAL DIRECTOR,  
Laurian ANASTASOF**

**ECONOMIC AND COMMERCIAL DIRECTOR  
ec. Ion DUMITRESCU**

## TREASURY CASH FLOWS STATEMENT 2022

Item denomination	Financial year	
	2021	2022
<b>Operational activities:</b>		
Net profit after taxation	<b>23,488,292</b>	<b>14,198,145</b>
Adjustments for the reconciliation of net result to net cash used in operational activities	-17,369,199	905,102
Depreciation and other provisions for fixed assets	4,116,856	4,235,183
Provisions for current assets	-3,295,256	13,994,047
Profit from the sale of tangible assets	877	28,591
<b>Cash from operations before changes to current capital</b>	<b>6,941,570</b>	<b>33,361,068</b>
Changes in current capital (Note 18)	3,447,786	230,261,084
Paid interests	-1,498,034	-3,094,985
Interest received	193,336	214,842
Paid income tax	-4,266,043	3,233,762
<b>Cash generated from / (used in) operational activities</b>	<b>4,818,615</b>	<b>263,975,771</b>
<b>Investment activity:</b>		
Acquisition of fixed assets	-15,452,409	-15,665,668
Proceeds from the sale of fixed assets	4,980	29,300
Receivables from the sale of fixed assets	1,465,077	2,874,146
Net cash used for investments	<b>-13,982,352</b>	<b>-12,762,222</b>
<b>Financing activity:</b>		
Net (decrease)/increase of credits and long-term payables	-228,716	-152,651
The net increase (decrease) in short-term loans	-55,029,776	-30,292,463
Paid dividends	-7,656,001	-5,399,995
Amounts paid in respect to employees' participation to profit	-2,449,684	-2,378,872
<b>Net cash (used)/generated by financing activity</b>	<b>44,695,375</b>	<b>-38,223,981</b>
<b>Changes in cash and cash equivalents</b>	<b>35,531,638</b>	<b>212,989,568</b>
Balance at the beginning of the year	<b>9,772,708</b>	45,304,346
Increase/(decrease) in cash and cash equivalents	35,531,638	212,989,568
<b>Balance at the end of the year</b>	<b>45,304,346</b>	<b>258,293,914</b>

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## NOTES TO THE FINANCIAL STATEMENTS

### 1 NON-CURRENT ASSETS

#### a) Intangible assets

- lei -

Non-current assets	no. rd	Gross value				Depreciation (amortization and provisions)				
		Opening balance	Increase	Decreases		Closing balance (col. 5 = 1+2-3)	Opening balance	Depreciation during the year	Depreciation relating to write-offs	Accumulated depreciation in the closing balance (col 9 = 6+7-8)
				Total	Out of which: Decommissioning					
A	B	1(1)	2(2)	3(3)	4(4)	5(5)	6(1)	7(2)	8(3)	9(4)
<b>INTANGIBLES</b>										
Formation costs and development costs	01								0	
Other intangibles	02	2,338,721	25,693			2,364,414	1,911,790	417,775		2,329,565
Advances and intangible assets in progress	03									
<b>TOTAL ( rd. 01 la 03)</b>	<b>04</b>	2,338,721	25,693			2,364,414	1,911,790	417,775		2,329,565

**b) Tangible assets**

- lei -

Non-current assets	Row No	Gross value				Depreciation (amortization and provisions)				
		Opening balance	Increase	Decreases		Closing balance (col. 5 = 1+2-3)	Opening balance	Depreciation during the year (and provisions)	Depreciation related to written-off assets and cancellation of provisions	Accumulated depreciation in the closing balance (col 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										
Lands	05	27,660,386				27,660,386				
Buildings	06	42,833,555	1,203,000			44,036,555	16,727,836	1,837,329		18,565,165
Technical equipment and machinery	07	18,324,713	4,539,283	104,764	98,252	22,759,232	10,865,931	1,933,488	104,764	12,694,655
Other equipment & furniture	08	757,303	61,179	23,042	23,042	795,440	622,071	32,379	22,333	632,117
Tangible assets in progress	09	23,975,283	13,803,166	5,803,461		31,974,988	-			
Advance payments for tangible assets	10	1,272,117	-66,947			1,205,170	-			
<b>TOTAL (rd.05 - 10)</b>	<b>11</b>	<b>114,823,357</b>	<b>19,539,681</b>	<b>5,931,267</b>	<b>121,294</b>	<b>128,431,771</b>	<b>28,215,838</b>	<b>3,803,196</b>	<b>127,097</b>	<b>31,891,937</b>

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

**c)**

Rights to use assets in leasing	12	63,953				63,953	31,976	14,212		46,188
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d) Financial investments \*\*\*\*

- lei -

Non-current assets	Row No	Gross value					Depreciation (amortization and provisions)			
		Opening balance	Increase	Decreases		Closing balance (col. 5 = 1+2-3)	Opening balance	Provisions established during the financial year, deprec.	Provisions charged to income,	Closing balance ( col.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)
TANGIBLE ASSETS	13	5,428,997				5,428,997				
<b>TOTAL ( rd. 13)</b>	<b>14</b>	5,428,997				5,428,997				
<b>NON-CURRENT ASSETS - TOTAL (rd.04+11+12+14)</b>	<b>15</b>	<b>122,655,028</b>	<b>19,565,374</b>	<b>5,931,267</b>	<b>121,294</b>	<b>136,289,135</b>	<b>30,159,604</b>	<b>4,235,183</b>	<b>127,097</b>	<b>34,267,690</b>

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

<b>Name of the company</b>	<b>Registration number with the Trade Registry</b>	<b>Object of activity</b>	<b>The total value of the shares held by IAR SA in this company (RON)</b>	<b>The joint venture partner</b>
AIRBUS HELICOPTERS ROMÂNIA S.A.	J08/53/ 23.01.2002	Aircraft construction and repair	5,389,997	AIRBUS HELICOPTERS S.A.S.
AERODROM "IOSIF ȘILIMON" SA	J08/793/2011	Aerodrome construction and operation	39,000	The Townhall of Brasov Other shareholders

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

SC Aerodromul "Iosif SILIMON" SA has not been active since 2014 and is in the process of being dissolved according to the decision of the shareholders.

**GENERAL DIRECTOR**  
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## 2. PROVISIONS FOR RISKS AND EXPENSES (RON)

Denomination of the provision*)	Balance at the start of the financial year	Transfers**)		Balance at the end of the financial year
		into the account	out of the account	
0	1	2	3	4 = 1+2-3
Provisions for receivables and payables	187,183			187,183
Provisions for risks and expenses	18,289,211	979,044		19,268,255
Provisions for inventories	14,485,189			14,485,189
Provision for retirement premiums	3,673,902	287,631	405,620	3,555,913
Provisions for receivables and payables	2,268,000	1,500,000	2,268,000	1,500,000
Provision for Contracts Dec. 2018	617,270		617,270	0
Provision related to 2020 contracts	12,781,139		10,646,139	2,135,000
Provision related to 2021 contracts	18,175,400		6,676,099	11,499,301
Provision related to 2022 contracts	0	31,840,500		31,840,500
<b>TOTAL</b>	<b>70,477,294</b>	<b>34,607,175</b>	<b>20,613,128</b>	<b>84,471,341</b>

## 3. PROFIT APPROPRIATION - RON

Destination	RON	
	31.12.2021	31.12.2022
<b>Net profit to be appropriated:</b>	<b>23,488,292</b>	<b>14,198,145</b>
- Legal reserve	0	0
- Reinvested profit	1,468,342	3,215,642
- Shares buy-back		
- Unappropriated profit	22,019,950	10,982,503
Out of which:		
- Offsetting the accounting loss from previous years		
- Shareholders' current dividends		
- Own financing source		

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	Fiscal year
		Prior year	Current year
<b>1</b>	<b>Net turnover</b>	<b>329,506,603</b>	<b>315,424,444</b>
2	Cost of sold goods and services rendered ( 3+4+5 )	281,910,493	275,940,192
3	Main activities expenses	253,005,860	247,275,926
4	Auxiliary activities expenses	8,291,412	9,770,076
5	Production overheads	20,613,221	18,894,190
<b>6</b>	<b>Gross result corresponding to the net turnover ( 1-2)</b>	<b>47,596,110</b>	<b>39,484,252</b>
7	Selling expenses	1,364,424	1,768,279
8	General administration expenses (with acc.658)	24,181,854	21,867,189
9	Other expenses / operating income	1,185,577	418,825
<b>10</b>	<b>Operating result (6-7-8+9)</b>	<b>23,235,409</b>	<b>16,267,609</b>

#### 5. SITUATION OF RECEIVABLES AND PAYABLES

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

	Balance on	term of liquidity	
	31/12/2022	Under a year	Over a year
1. Trade receivables	35,673,276	35,673,276	
2. Paid advances	3,724,430	3,724,430	
3. Other receivables	666,044	666,044	
4. Investment held as fixed assets			
5. Other fixed receivables			
<b>TOTAL :</b>	<b>40.063.750</b>	<b>40.063.750</b>	

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

	Balance on	maturity for balance		
	31/12/2022	Under 1 year	Between 1and 5 years	Over 5 years
1. Trade payables	16,754,011	16,754,011		
2. Other payables	50,776,610	45,996,958	3.685	4,775,967
3. Payables to credit institutions	42,730,605	42,730,605		
4. Advance payments from customers	250,775,884	250,775,884		
<b>TOTAL :</b>	<b>361,037,110</b>	<b>356,257,458</b>	<b>3.685</b>	<b>4,775,967</b>

GENERAL DIRECTOR  
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## 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.

### **Basis 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**

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, 2012, the exchange rate used was 1 euro= 4.9474 lei , 1 usd = 4.6346 lei.

### **Trade receivables**

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

## **Cash and cash equivalents**

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

## **Tangible assets**

### **(i) Cost**

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

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

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

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

### **(ii) Depreciation**

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

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

### **(iii) Land**

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

## **Intangible assets**

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

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

## **Financial assets**

Our company owns financial assets not intended for trading, necessarily valued at fair value by means of profit or loss.

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

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

## **Other intangible assets**

Intangible assets are not re-evaluated.

## **Inventories**

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

The storage and picking method is FIFO.

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

## **Taxation**

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

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

## **Income recognition**

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

## **Turnover**

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

Turnover totaling 315,424,444 lei 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 2022, 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 2022, the following provisions were established:

❖ **Tax deductible, amounting to 34,607,175, as follows:**

- Provision for employees' participation to profit amounting to 1,500,000 lei;
- Provision for the pension premium amounting to 287,631 lei;
- Provision for performance guarantees given to internal customers amounting to 31,840,500 lei
- Offset risk provision in the amount of 979,044 lei.

**De asemenea, au fost anulate provizioane in suma de 20.613.128 lei astfel:**

- Provision for performance guarantees given to internal customers amounting to 17,939,508 lei lei
- Provizion pentru participarea salariatilor la profit in valoare de 2,268,000 lei;
- Provision for the pension premium, amounting to 405,620 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

shareholding structure is as follows:

ACTIONARI SHAREHOLDERS	NUMBER OF SHARES 2021	HELD PERCENTAGE	NUMBER OF SHARES 2022	HELD PERCENTAGE
<b>TOTAL OF SHARES</b>	<b>18,878,853</b>	<b>100%</b>	<b>18,878,853</b>	<b>100%</b>
ROMANIAN STATE THROUGH THE MINISTRY OF ECONOMY	12,250,488	64.89%	12,250,488	64.89%
LEGAL PERSONS	2,973,542	15.7507%	2,941,077	15.5787%
NATURAL PERSONS	3,654,823	19.3593%	3,687,288	19.5313%

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)

	Fiscal year <u>2021</u>	Fiscal year <u>2022</u>	RON
<b>SALARIES PAID TO DIRECTORS</b>			
ANASTASOF LAURIAN	563,384		726,813
<b>TOTAL</b>	<b>563,384</b>		<b>726,813</b>

**BOARD OF DIRECTORS AND GSM**

	2021	2022
MUSAT IULIANA	19,172	0
MLADIN ANDREEA	19,172	0
CALIN ELENA	19,172	0
ROSU ALEXANDRU	19,172	0
PLETER OCTAVIAN THOR	13,680	0
BENCHESCU CLAUDIA	10,564	8,766
TANASE IULIA GABRIELA	10,564	8,766
BARBU HORATIU CATALIN	10,564	8,766
COCOS LIVIU	10,564	56,640
ANGHEL RUXANDRA RODICA	26,904	47,874
DAVID DRAGOS FLORIN	26,904	0
DONTU MIHAI AUREL	37,468	56,640
BACIU CRISTIAN ALIN	26,904	0
TIBERIU TICLEA	0	47,265
RAZVAN POPA	0	47,265
CRISTIAN MARISTEANU	0	609
HARALAMBIE VOICILAS	0	609
<b>TOTAL</b>	<b>250,804</b>	<b>283,200</b>

**b) Employees**

In the fiscal year ended on the 31<sup>st</sup> December, 2022, the company had an average of 356 employees (in the fiscal year in 2021 = 367 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 2021	(B) year 2022	(B - A) Variation	Observations
Rapid ratio (acid test)	current assets- inventories current liabilities	0.72	0.84	0.12	must be >1
Current ratio	current assets current liabilities	2.42	1.56	-0.86	must be ~ 2

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

Denomination	Calculation formula	(A) year 2021	(B) 2022	(B - A) Variation	Observation
Gearing ratio	total liabilities total assets	0.34	0.55	0.21	must be <35%
Leverage ratio	borrowed capital employed capital	0%	0%	0	must be <35%
Rata de acoperire a dobyearzilor	<u>gross profit + interest</u> <u>expenses</u> interest expenses	18.71	6.80	-11.91	must not be <2

### 9.3. Profitability indicators

Denomination	Calculation formula	(A) year 2021	(B) year 2022	(B - A) Variation	Observation
Profit ratio	net profit sales figure	7.13	4.51	-2.62	must be > de 1.8
Return on investment	net profit total assets	5.74	2.16	-3.58	must be more > 13%
Financial return	net profit total equity	10.69	6.22	-4.47	must be >5%

### 9.4. Activity indicators (management indicators)

Denomination	Calculation formula	(A) year 2021	(B) year 2022	(B - A) Variation	Observation
Inventory turnover ratio	sales figure inventories value	1.48	1.23	-0.25	inventory turnover ratio has increased
Number of storage days	average inventory*365 sales figure	65.85	277.53	211.68	
Average cash collection of clients (IN DAYS)	clients daily sales	21.33	12.84	-8.49	should be 30-45 days
Days payable outstanding	average balance supplier*365 goods purchases	35.49	40.05	4.56	
Use ratio of fixed assets	sales figure net value of fixed assets	3.57	3.10	-0.47	must be > than1

### 9.5. Indicators regarding the result per share

#### 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>2021</u>	<u>2022</u>
Net profit attributable to Shareholders - lei	23,488,292	14,198,145
Weighed average ordinary shares outstanding during the year	18,278,853	18,278,853
Gross profit per share	1.2850 lei/ share	0.7768 lei / share

## 10 OTHER INFORMATION

### a) Informații cu privire la prezentarea societății

- The Company is headquartered in Brasov, 34 Hermann Oberth Street, and is constituted as a joint stock company, being founded in Romania.
- The company's main activity is the construction and repair of aircraft.
- The shares issued by IAR SA were traded on the Bucharest Stock Exchange, the Equity Sector - Standard Class actions.

### 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 declaration.**

**31.12.2022 (lei)**

1. Gross accounting profit according to declaration 101	14,709,076
2. Legal reserves	0
3. Non-taxable income	23,487,274
3.1 Other deductions	3,466,515
4. Tax non-deductible expenses	42,174,937
5 Income taxable before the tax loss	29,930,224
6. Prior tax loss	0
7. Tax loss (5-4)	
<b>8. Taxable profit</b>	<b>29,930,224</b>

**d) Fees paid to auditors**

The company signed audit contracts worth 58.873 lei in 2022, as follows:

- Contract No. 191/ 11.01.2019 and AA No. 1/20.12.2022 in the amount of 13,500 EUR

**e) THERE ARE NO PLEDGED/MORTGAGED FIXED ASSETS IN 2022**

**11 CASH AND BANK ACCOUNTS (lei)**

	<b>31 Dec.2021</b>	<b>31 Dec.2022</b>
Bank deposits in lei	44,653,160	247,073,509
Bank deposits in foreign currency	627,168	1,361,917
Other values	23,410	21,396
Cash in lei	608	960
Cash in foreign currency		
Interests receivable	98,100	97,909
<b>TOTAL</b>	<b>45,402,446</b>	<b>248,555,691</b>

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

	<b>31 Dec,2021</b>	<b>31 Dec,2022</b>
Cash, bank accounts, other values	45,304,346	248,457,782
Interests receivable	98,100	97,909
Other short-term financial investments	0	0
<b>TOTAL</b>	<b>45,402,446</b>	<b>248,555,691</b>

**12 TRADE RECEIVABLES (lei)**

	<b>2021</b>	<b>2022</b>
External trade receivables	17,401,982	9,840,242
Internal trade receivables	1,853,488	1,249,505
Advances to internal suppliers	3,052,926	3,344,921
Advances to external suppliers	181,611	379,509
Deposit for the SGB real estate receivable	24,248,551	24,770,713
Provisions for doubtful customers	-187,184	-187,184
<b>TOTAL:</b>	<b>46,551,374</b>	<b>39,397,706</b>

**13 OTHER RECEIVABLES (LEI)**

	2021	2022
Personnel receivables	0	2,400
VAT to be recovered	0	0
Other taxes (excise and customs duties + CCI)	596,578	362,345
Various debtors	133,660	201,480
Income tax	4,229,647	0
Receivable interest	98,100	97,909
Provision for doubtful debtors	0	0
Other receivables – VAT not due	1,076	1,910
<b>TOTAL:</b>	<b>2,059,061</b>	<b>666,044</b>

**14 A. TRADE PAYABLES**

	2021	2022
Suppliers, of which	31,369,282	14,409,211
Internal	14,524,442	4,517,944
External	16,844,840	9,891,267
Fixed assets suppliers, of which	1,099,081	2,344,800
Internal	1,081,218	2,344,800
External	17,863	0
Advance payments from customers	14,864,346	250,775,884
<b>TOTAL:</b>	<b>47.332.709</b>	<b>267.529.895</b>

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

	2021	2022
<b>State budget</b>	<b>1,031,983</b>	<b>37,584,183</b>
of which :		
- Tax on salaries and other incomes	514,977	455,209
-Income tax	0	510,931
<b>- TVA de plata</b>	<b>517,006</b>	<b>36,618,043</b>
<b>Social Security Budget</b>	<b>2,900,630</b>	<b>2,528,384</b>
<b>Contribution to health social insurance, labor insurance contribution</b>	<b>2,900,630</b>	<b>2,528,384</b>
VAT not due		
<b>Various creditors</b>	<b>4,954,576</b>	<b>4,814,313</b>
<b>Payables related to personnel</b>	<b>2,389,815</b>	<b>1,636,371</b>
<b>Dividends</b>	<b>4,111,234</b>	<b>4,194,935</b>
<b>Other debts, operational leasing</b>	<b>33,169</b>	<b>18,424</b>
<b>TOTAL:</b>	<b>15,421,407</b>	<b>50,776,610</b>

**C. AMOUNTS DUE TO SHORT-TERM CREDIT INSTITUTIONS (RON) = 42,730,605 LEI****15. INCOME TAX**

The Company registered an income tax due for the previous concluded fiscal year worth 3,744,693 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)

	2021	2022
Salaries and indemnities	48,685,765	50,979,017
Expenses with social security and other personnel expenses	1,990,300	2,364,420
<b>Total</b>	<b>50,676,065</b>	<b>53,343,437</b>

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

**TOTAL** **356**

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

	2021	2022
Losses from foreign exchange differences	831,717	1,073,348
Interests	1,498,033	3,094,986
Expenditure on discounts granted	-	-
Other financial expenses	-	-
financial leasing	-	-
<b>TOTAL</b>	<b>2,329,750</b>	<b>4,168,334</b>

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

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Receivables	48,610,435	40,063,750
Inventories	222,838,034	256,828,675
Trade payables and other payables(-)	57,821,813	313,526,853
<b>TOTAL</b>	<b>213,626,656</b>	<b>-16,634,428</b>

## 19. FINANCIAL RISKS

### (i) Market risk

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

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Asset	RON	RON
Monetary assets in lei	44,653,768	247,074,469
Monetary assets in foreign currency	627,168	1,361,917

### (ii) Interest rate risk

The interest rate risk means the risk that the value of a financial instrument will fluctuate due to variations of interest rates on the market. The company did not sign foreign currency loan agreements at variable interest rates.

### (iii) Credit risk

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

### (iv) Liquidity risk

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

### (v) Fair values

The accounting amounts of financial assets and liabilities with maturity under one year approximates their fair value, On 31 December 2022, the fair value of short-term debts, estimated by updating future cash flows with current interest rate for similar instruments on the market, does not differ significantly, according Company's management, from the value to which these financial instruments are registered.

## **20. CONTINGENT LIABILITIES**

### **Litigations and other disputes**

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

### **Onerous contracts,**

The company had no concluded onerous contracts on December 31, 2022,

### **Other aspects concerning the contingent liabilities**

Environmental regulations are under development in Romania, and the Company has not registered any obligations as of December 31, 2022 for any anticipated costs, including legal and consulting fees, site studies, design and implementation of remedial plans, regarding environmental elements, The Company's management does not consider the expenses associated with possible environmental problems as being significant,

The Company's management does not consider the costs associated to any environmental problems to be significant,

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

**ECONOMIC AND COMMERCIAL DIRECTOR**  
**ec, Ion DUMITRESCU**

<b>I. Data on Result</b>	<b>Row No.</b>	<b>No. of units</b>	<b>Amounts (RON)</b>	
A	B	1	2	
Units with profit	01	1	14,198,145	
Units with loss	02			
		<b>Col total 2+3</b>	<b>Out of which</b>	
<b>II. Data on outstanding payments</b>	<b>Row No.</b>		<b>For the current activity</b>	<b>For investments</b>
A	B	1	2	3
Outstanding payments- total (row 04+08+14 to 18 +22), out of which:	03	0	0	
Outstanding suppliers – total (row 05 to 07) out of which:	04	0		
- over 30 days	05	0		
- over 90 days	06	0		
- over 1 year	07	0		
Outstanding liabilities to the social security budget – total (row 09 o 13) out of which	08	0		
- Contributions to state social security due by employers, employees and other related persons	09	0		
- contributions to the health fund	10	0		
- contributions to the supplementary pension fund	11	0		
- contributions to the unemployment fund	12	0		
- other social liabilities	13	0		
Outstanding liabilities to special funds budget	14	0		
outstanding liabilities to other creditors	15	0		
outstanding taxes to the state busget not paid at due term	16	0		
outstanding taxes to the local budget not paid at due term	17	0		
bank loans not repaid at due time – total ( row 19 to 21) out of which	18	0		
- outstanding above 30 days	19	0		
- outstanding above 90 days	20	0		
- outstanding above 1 year	21	0		
Outstanding interests	22	0		

<b>I. Average number of employees</b>		<b>Previous year</b>	<b>Current year</b>
A	B	1	2
Average number of employees	01	367	356
Actual number of employees at the end of the fiscal year, namely on 31 December	02	365	361

**GENERAL DIRECTOR,  
Laurian ANASTASOF**

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

Data on intangible assets	Gross values (RON)					
	Row No,	Opening balance	Increases	Decreases		Final balance (col,5 = 1+2-3)
				Total	Out of which decommissioning	
A	B	1 (1)	2 (2)	3 (3)	4 (4)	5 (5)
<b>Intangible assets</b>						
Set up and development expenses	01				x	
Other intangibles	02	2,338,721	25,693			2,364,414
Advances for intangible assets in progress	03					
<b>TOTAL (rd, 01 la 03)</b>	04	<b>2,338,721</b>	<b>25,693</b>			<b>2,364,414</b>
<b>Tangible assets</b>						
Land	05	27,660,386				27,660,386
Buildings	06	42,833,555	1,203,000			44,036,555
Technical equipment and machinery	07	18,324,713	4,539,283	104,764	98,252	22,759,232
Other equipment and furniture	08	757,303	61,179	23,042	23,042	795,440
Tangible assets in progress	09	23,975,283	13,803,166	5,803,461		31,974,988
Advances for intangible assets	10	1,272,117	-66,947			1,205,170
<b>TOTAL (rd, 05 la 10)</b>	11	<b>114,823,357</b>	<b>19,539,681</b>	<b>5,931,267</b>	<b>121,294</b>	<b>128,431,771</b>
<b>Rights to use the leased assets</b>	12	<b>63,953</b>				<b>63,953</b>
<b>Long term financial investments</b>						
	13	<b>5,428,997</b>				<b>5,428,997</b>
<b>NON-CURRENT ASSETS (row, 04+11+12+13)</b>	14	<b>122,655,028</b>	<b>19,565,374</b>	<b>5,931,267</b>	<b>121,294</b>	<b>136,289,135</b>

Depreciations			RON		
	Row No.	Opening balance	Depreciation and provisions during the year	Depreciation corresponding to fixed assets written off, adjustments charged to income	Amortizare la sfârșitul anului (column 9=6+7-8)
Fixed assets	A	6 (1)	7 (2)	8 (3)	9 (4)
<b>Intangible assets</b>					
Set up and development expenses	15				
Other intangibles	16	1,911,790	417,775		2,329,565
<b>TOTAL (RD, 15+16)</b>	<b>17</b>	<b>1,911,790</b>	<b>417,775</b>		<b>2,329,565</b>
<b>Tangible assets</b>					
Land	18				
Buildings	19	16,727,836	1,837,329		18,565,165
Technical equipment and machinery	20	10,865,931	1,933,488	104,764	12,694,655
Other equipment and furniture	21	622,071	32,379	22,333	632,117
<b>TOTAL (row 18 la 21)</b>	<b>22</b>	<b>28,215,838</b>	<b>3,803,196</b>	<b>127,097</b>	<b>31,891,937</b>
<b>Rights to use the leased assets</b>	<b>23</b>	<b>31,976</b>	<b>14,212</b>		<b>46,188</b>
<b>DEPRECIATIONS - TOTAL (row 17+22+23)</b>	<b>24</b>	<b>30,159,604</b>	<b>4,235,183</b>	<b>127,097</b>	<b>34,267,690</b>

**GENERAL DIRECTOR,  
Laurian ANASTASOF**

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

## **STATEMENT**

**The undersigned Rodica-Ruxandra ANGHEL – 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 2022 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 31,12,2022 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 2022 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,**

**Ruxandra-Rodica ANGHEL**

.....,

**CHAIRWOMAN OF THE BOARD OF DIRECTORS**

## STATEMENT

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

- the annual financial statement for 2022 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 31,12,2022 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 2022 prepared according to the FMO 2844/2016 and the ASF Regulation no 5/2018, correctly and completely presents the information about the company IAR SA,

Laurian ANASTASOF

.....,

GENERAL MANAGER

## **STATEMENT**

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

- **the annual financial statement for 2022 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 31,12,2022 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 2022 prepared according to the FMO 2844/2016 and the ASF Regulation no 5/2018, correctly and completely presents the information about the company IAR SA,**

**Ec. Ion DUMITRESCU**

.....,

**ECONOMIC AND COMMERCIAL DIRECTOR**

# **REPORT OF THE INDEPENDENT AUDITOR**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of IAR 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, 2022 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) with subsequent modifications and supplements, provided by entry 1.1 in Annex 3 to the MoF Order No. 4268/2022.

The financial statements herein referred to concern:

-Total assets	= 657.289.828 lei
-Total equity	= 228.527.219 lei
-Financial year result-profit	= 14.198.145 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 / 2017 on the statutory audit of the financial statements and of the consolidated yearly financial statements.

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

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

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

### The key aspects of the audit

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

### Revenue recognition

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

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

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

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

### **Provisions for risks and charges**

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

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

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

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

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

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

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

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

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

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

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

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

In the audit of financial statements for the year ended December 31, 2022, our responsibility is to read the respective information and, in doing so, to assess whether the respective information is significantly divergent from the financial statements or from the information we acquired during the audit, or whether they seem to be significantly flawed.

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

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

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

In addition, based on our knowledge and understanding with regard to the Company and its environment, acquired during the audit of financial statements for the year ended on December 31, 2022, we have not identified significant distortions in the Board of Directors' Report. There is nothing for us to report on this matter.

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

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

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

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

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

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

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

Also:

- We identify and assess risks of significant material misstatement of the financial statements, due either to fraud or error, and execute audit procedures in response to such risks and obtain sufficient appropriate audit evidence to provide a basis for our opinion. The non-detection risk of that a significant material misstatement due to fraud is higher than the non-detection of a significant material misstatement due to error because fraud may involve collusion, forgery, deliberate omissions, misrepresentations and avoiding internal control.

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

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

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

#### **We confirm that:**

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

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

### **Report on compliance with the Delegated Regulation (EU) 2018/815 of the Commission (Regulatory Technical Standard on the European Single Electronic Reporting Format or ESEF)**

We carried out a reasonable assurance mission on compliance with the Delegated Regulation (EU) 2018/815 of the Commission applicable to the financial statements included in the annual financial report of IAR S.A. BRASOV (the Company) as presented in the digital files.

### **The responsibility of the management and persons responsible for governance for the Digital Files prepared in accordance with ESEF**

The management of the Company is responsible for the preparation of the Digital Files in accordance with the ESEF. This responsibility includes:

- designing, implementing and maintaining relevant internal control for the application of ESEF;

- ensuring compliance between the Digital Files and the financial statements that will be published in accordance with Order no. 2844/2016 with subsequent amendments.

Those charged with governance are responsible for overseeing the preparation of Digital Files in accordance with the ESEF.

### **The Auditor's Responsibility for Auditing Digital Files**

We have the responsibility to express a conclusion on the extent to which the financial statements included in the annual financial report are in accordance with the ESEF, in all material respects, based on the evidence obtained.

Our reasonable assurance engagement was performed in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the ESEF. The nature, timing, and extent of the procedures selected depend on the auditor's judgment, including the assessment of the risk of material deviations from the provisions of the ESEF, whether due to fraud or error.

A reasonable assurance engagement includes:

- obtaining an understanding of the Digital File preparation process in accordance with ESEF, including the relevant internal controls;
- reconciliation of the Digital Files with the Company's audited financial statements that will be published in accordance with Order no. 2844/2016 with subsequent amendments.
- evaluating whether all financial statements that are included in the yearly financial report are drawn up in a valid XHTML format.

We believe that the evidence obtained is sufficient and adequate to provide a basis for our conclusion. In our opinion, the financial statements for the financial year ended 31 December 2022 included in the annual financial report and presented in the Digital Files comply, in all material respects, with the requirements of the ESEF.

In this section we do not express an audit opinion, a review conclusion or any other assurance conclusion on the financial statements. Our audit opinion on the financial statements of the Company for the financial year ended 31 December 2022 is included in the Report on financial statements section above.

**Brasov 19.03.2023**

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

MACAVEIU CONSULT SRL located in BRASOV, 66, Grivitei Street, Block of flats 4, ap.1,  
Registered with the Auditing Companies' Electronic Public Registry under no. 211/2001.

**Ioan Macaveiu**  
**Financial Auditor**

Registered with the Financial Auditors' Electronic Public Registry under no. 276/2001.