



TURBOMECANICA

Bd. Iuliu Maniu Nr. 244 District 6 Zip Code 061126 Bucharest - Romania

Tel .: (+4) 021 434 32 06; (+4) 021 434 07 41 Fax: (+4) 021 434 07 94

European Unique Identifier (EUID) [ROONRC.J40/533/1991](#)

Commerce Registry Code J40/533/1991

Tax Code RO3156315 Unique Registration Code 3156315

Subscribed share fully paid capital 36,944,247.50 RON

www.turbomecanica.ro; e-mail: office@turbomecanica.ro

CURRENT REPORT

No. 23 of 22.11.2022

The current report in conformity with art 143 of ASF Regulation no. 5/2018

Reporting date: 22.11.2022

Name issuing entity: TURBOMECANICA SA

Headquarters: Bucharest, 244 Iuliu Maniu Blvd., district 6

Phone no.: 021 434 32 06 021 434 07 41 facsimile: 021 434 07 94

Unique Registration Code with the Trade Registry Office: RO 3156315

Registration number with the Trade Registry: J40/533/1991

LEI Code 52990005AIXHHACIZH85

Subscribed and integrally paid in capital: 36.944.247,50 lei

Regulated market where the issued receivables are traded: Bucharest Stock Exchange
Capital Titles Tier Standard Shares

Clarifications sought during the teleconference call with the investors on 16.11.2022

- i) *Considering that on 30.09. there was a significant amount in cash in the company's accounts, but, on the other hand, the company has capital loans and current expenses whose costs are very high /increasing, why not try to optimize by possibly paying the loans in advance/ partial total.*

TBM uses working capital based on the credit facility agreements concluded with BRD and BT. The credit limit is revolving: that is, any amount used can be reimbursed and, subsequently, used again and at maturity it can be extended, and the interest is calculated daily only on the amount used. These credit facilities are used for current activity, that is:

- expenses regarding the supply of stocks of raw materials, consumables, etc.;
- expenses related to the production in progress, and/or the selling the finished products;
- expenses related to the execution of works and/or the provision of services;
- expenses related to fees, taxes and debts to the state budget, social insurance, local budgets, etc.;
- expenses related to salaries and related expenses;
- other types of expenses/payments related to the company's current activity.

Short- and long-term loans are impacted by the Leasing Contracts that the company has signed with BT Leasing.

The equipment mentioned below was purchased to increase the production capacity, and the total value of the investments related to this equipment was approximately: 4.5 million EUR. (purchases from previous years as well)

- OKK 5-axis milling processing centre
- ZEISS PRISMO 3D coordinate measuring machine
- ELMA ultrasonic cleaning machine
- TIERRATECH ultrasonic cleaning machine
- CNC Horizontal Lathe
- OKK VP9000 machining center
- KASTO cutting machine
- KELLENBERGER grinding machine
- YCM NTC turning machine
- OKK processing center
- Gleason mortising equipment
- Metallization Equipment

Depending on the needs, the leasing company offered us the opportunity to choose the amount of the advance, the length of the contractual period and the periodicity of instalments. In this way, we can use our own financial resources in a flexible way, but we can also redirect them to the development of other projects.

Also, due to the fact that the leasing rate is fixed, we benefit from a favourable framework to schedule our cashflow in a more rigorous way.

The assets established as deposits bear interest, the interest we negotiate with the bank.

As detailed in the financial statements, the most significant increase was the expenditure on raw materials and materials, utilities that were impacted by the domestic and international economic context - price increase on the external level, the increase in the price of energy.

The expenses for raw materials, fuel (Kerosene), spare parts and utilities increased compared to the same period last year by 6.4 million lei. Only utility expenses increased by 92% compared to the previous period.

ii) On 30.09. 2022 a negative cash flow is observed, is it a temporary situation?

The negative cash flow is due to unpaid receivables, invoices issued to customers in the second decade of September and collected in October 2022. In October, we collected from internal customers the amount of 15.6 million. The balance of availability on 30.09.2022 in the accounts being 22.3 million lei.

iii) There are non-deductible expenses with quite high depreciation that have a significant impact on profit. Can you provide some details regarding the depreciation situation?

2022 Q I- 2022 Q3III depreciation expenses amounted in total to 8.2 million lei.

According to IAS 16: "Chapter III: Definitions "Accounting value is the value at which an asset is recognized in the statement of financial position after deducting any accumulated depreciation, as well as accumulated impairment losses"

TBM uses straight-line depreciation, which results in a constant expense throughout the useful life of the patrimonial elements subject to depreciation.

The company has in its heritage tangible fixed assets that are depreciated, in a total value of 56 million lei, as follows:

- Constructions - Buildings, value 13.7 million lei
- 302 positions Equipment - Machinery Installations, value 33.1 million lei
- 512 positions Measuring devices and installations, control, etc., value 6.3 million lei
- 39 positions Means of transport (forklifts, cars), value 2.3 million lei
- 105 positions Furniture, equipment, office furniture, equipment, value 0.6 million lei

According to article 25 paragraph 3 of the Fiscal Code, it represents expenses with a limited deductibility and depreciation, within the limit provided for in article 28 - Fiscal depreciation.

Thus, the expenses related to the purchase, production, construction of depreciable fixed assets, as well as investments the payments made to them are recovered from a fiscal point of view by deducting the depreciation according to the applicable legal provisions.

The company applied re-evaluations to the tangible assets it owns. The re-evaluations took place in the years 2006, 2009, 2012, 2014, 2017, 2020 which triggers also the deductibility/non-deductibility of the depreciation results. The machines were purchased between 1976 and 2022.

As a result, the relevant aspects related to the depreciation and deductibility of these expenses are highlighted below:

1) from an accounting point of view, according to IAS 16, which represents the basis for making accounting records for TBM:

- the depreciation of a tangible immobilization is carried out during its useful life;
- the depreciation of a tangible immobilization represents, in fact, the recovery, the inclusion on periodic expenses (during this useful life) of the cost of the asset, i.e. the value spent to obtain it;
- if the tangible fixed asset, during its useful life (when the depreciation period is not completed), involves revaluations, the revalued value replaces the accounting value, the respective asset, at the new accounting value, being depreciated for the remaining period of its useful life (the accounting value representing value remaining unamortized);
- if there are modernizations, investments in a tangible fixed asset, during the useful life (so, when the depreciation period is not finished), the new accounting value (equal to the accounting value of the fixed asset before the modernization plus the value of the modernizations) is recovered during remaining useful life;
- if there are modernizations, investments in a tangible asset, after the expiration of the useful life (when the depreciation period is zero), having, therefore, a zero accounting value, then the new accounting value, which is at the level of the modernizations (equal to the accounting value of the immobilization before the modernizations, which is zero, plus the value of the modernizations), is recovered over a new useful useful life, established on the basis of professional judgment or by an authorized appraiser.

2) from a fiscal point of view, according to the Fiscal Code, which is the basis for making fiscal calculations for determining the fees and taxes owed to the state, including the profit tax:

- the fiscal depreciation (which is deductible when calculating the profit tax) of a tangible fixed asset is carried out over the "normal duration of operation", which represents the duration of use during which, from a fiscal point of view, the input value of the fixed assets

is recovered through depreciation (according to point 2, chapter I of the Catalog approved by GD 2139/2004);

- through fiscal depreciation, deductible when calculating the profit tax, the following is recovered: the purchase cost of the fixed asset, as well as the investments made on the fixed asset; the duration is the one established according to the catalog;
- if the tangible fixed asset, during the normal period of operation (when the depreciation period is not completed), involves revaluations, the revalued value replaces the accounting value, the respective asset, at the new accounting value, being amortized for the remaining period of the normal operation period,
- if the tangible fixed asset, after the expiration of the normal operating period (when the fiscal depreciation period is zero) having zero accounting and fiscal value, is revalued, then the depreciation of this new accounting value is only accounting, not fiscal; the expense with the new accounting depreciation of the revalued value, established according to IAS 16 by an independent appraiser, is not deductible when calculating the profit tax;
- if there are modernizations, investments in a tangible fixed asset, during the normal period of operation (when the fiscal depreciation period has not ended), the new fiscal value (equal to the remaining fiscal value of the fixed asset before the modernization plus the value of the modernizations) is recovered during the remaining period normal operation;
- if there are modernizations, investments in a tangible fixed asset, after the expiration of the normal period of operation, having a fiscal value remaining to be amortized fiscally equal to zero, then the new fiscal value, which is at the level of the modernizations (equal to the fiscal value of the immobilization before carrying out the modernizations , which is zero, plus the value of the upgrades) is recovered over a new normal duration of use.

RADU VIEHMANN

President of the Board of Directors