ANNUAL REPORT TURBOMECANICA 2022

SUMMARY

THE MESSAGE OF THE PRESIDENT – GENERAL DIRECTOR

Dear shareholders,

The year 2022 proved to be a challenging year marked by the war in Ukraine and multiple uncertainties in the economic plan, generated by inflation, interest rate, energy and raw materials crisis.

Therefore, to achieve the results TURBOMECANICA is grateful for the collaborations with our customers, partners and investors. I would also like to show my deepest appreciation to all the colleagues who carry on the tradition of almost half a century of our Company.

As usual, we present the information from the annual report with transparency and determination.

In 2022, we recorded total revenues of 141.5 million lei (4.5% increase compared to 2021), a turnover of 139.2 million lei (5.96% increase compared to 2021) and a net profit of 12.2 million lei (3.74% increase compared to 2021), as well as a net profit margin of 8.76%. 34,2% of the turnover for the whole year was generated in Q4, thus emphasizing the cyclicality that we experience every year and the understanding of which we consider fundamental for investors so that they can correctly assess the evolution of our business during the year.

The growth prospects of the industry can be appreciated in the year 2023 as the "known unknowns". That is, there are numerous variables that we are aware of (the known ones) that could create significant variation depending on their outcome (the unknown) such as:.

The Economy: Will Inflation and Interest Rates Stay High or Adjust to Lower Values? Many financial experts are predicting a recession next year but only time will tell what will happen.
The ongoing war will continue to affect global oil, commodity and energy prices, most acutely in Europe, which in turn will negatively impact the airline industry's fragile ability to fully recover. How long the war will last is currently a known unknown.
The current civil unrest in Iran appears to be escalating and therefore creating further instability in the Middle East, which could create further volatility in oil prices;

The certification process and timeline for the Boeing 737 MAX 7/10 aircraft remains unknown. At the same time, supply chain bottlenecks that have negatively affected both new engine production and MRO suppliers in urgent need of spare parts.

The global aviation maintenance and repair (MRO) market grew by 18% in 2022 and is forecast to grow by 22% this year, still 2% below its peak in 2019, following to reach $125 billion by 2033 at an estimated average annual growth rate of 2.9%. These growth forecasts combined with the evolution of our business model show that our expectations to grow our business in the coming years are objective despite the uncertain economic outlook.

ANNUAL REPORT OF THE MANAGING BOARD

INTRODUCTION

This Annual Report of TURBOMECANICA S.A. as at 31.12.2022 is written in accordance with Law 24/2017 and Regulation no. 5/2018 of the Financial Supervisory Authority (FSA) on issuers of financial instruments and market operations.

The Administrators' Report as at 31.12.2022 is accompanied by the Individual Financial Statements of TURBOMECANICA SA, in order to inform investors and stakeholders about the changes in the company's position and performance for 2022, as well as about the situation on the aviation and defense industry market.

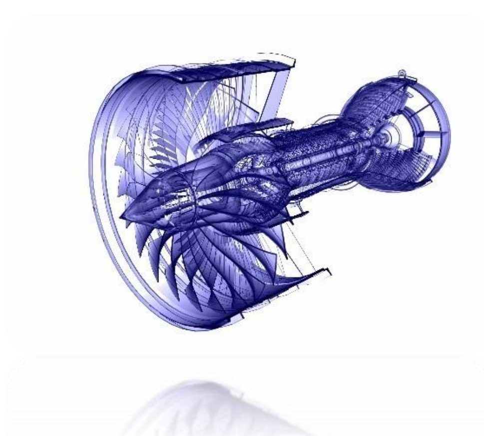
The report also includes the Statement on non-financial reporting issues, the "Apply or Explain" statement, compliant with the Corporate Governance Code of the Bucharest Stock Exchange and are attached as an annex to the Administrators' Report.

TURBOMECANICA prepares the individual financial statements in accordance with international IFRS international financial reporting standards.

ABOUT TURBOMECANICA

Turbomecanica is a Romanian company, with a tradition of more than 45 years in the Romanian aviation industry, being part of the national defense industry in accordance with law 232/2016.

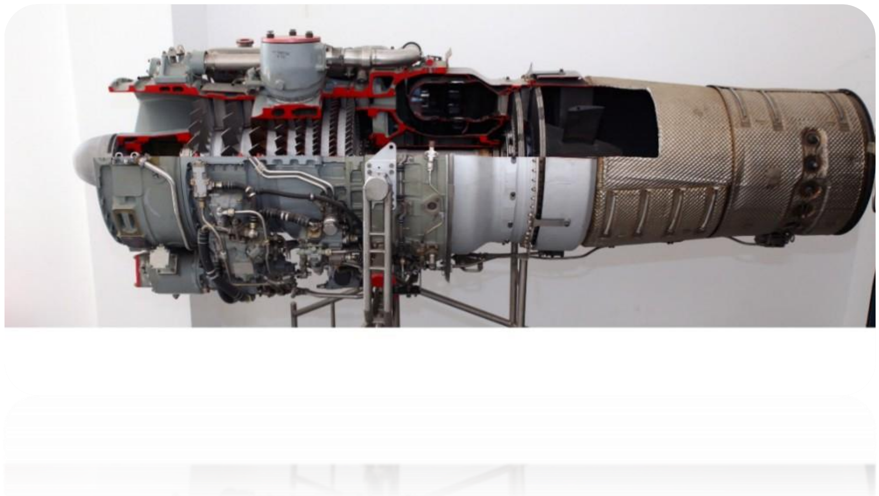
Our mission began with the foundation of TURBOMECANICA Plant in 1975 as the only manufacturer of turbine engines and mechanical assemblies for helicopters (IAR PUMA 330L), as well as engines for Romanian-made aircraft (IAR 99) which equip the fleet of the Ministry of National Defense and Romanian Intelligence Service.



The current main activities are:

- Maintenance of licensed equipment;
- Manufacture of components for civil aviation;
- Manufacture of components for the energy field.

Nowdays, Turbomecanica continues to responsibly support the national PUMA IAR-330 helicopters fleet and MApN IAR 99 / SOIM training aircraft (SMFA, SMFN) and SRI performing product maintenance activities.

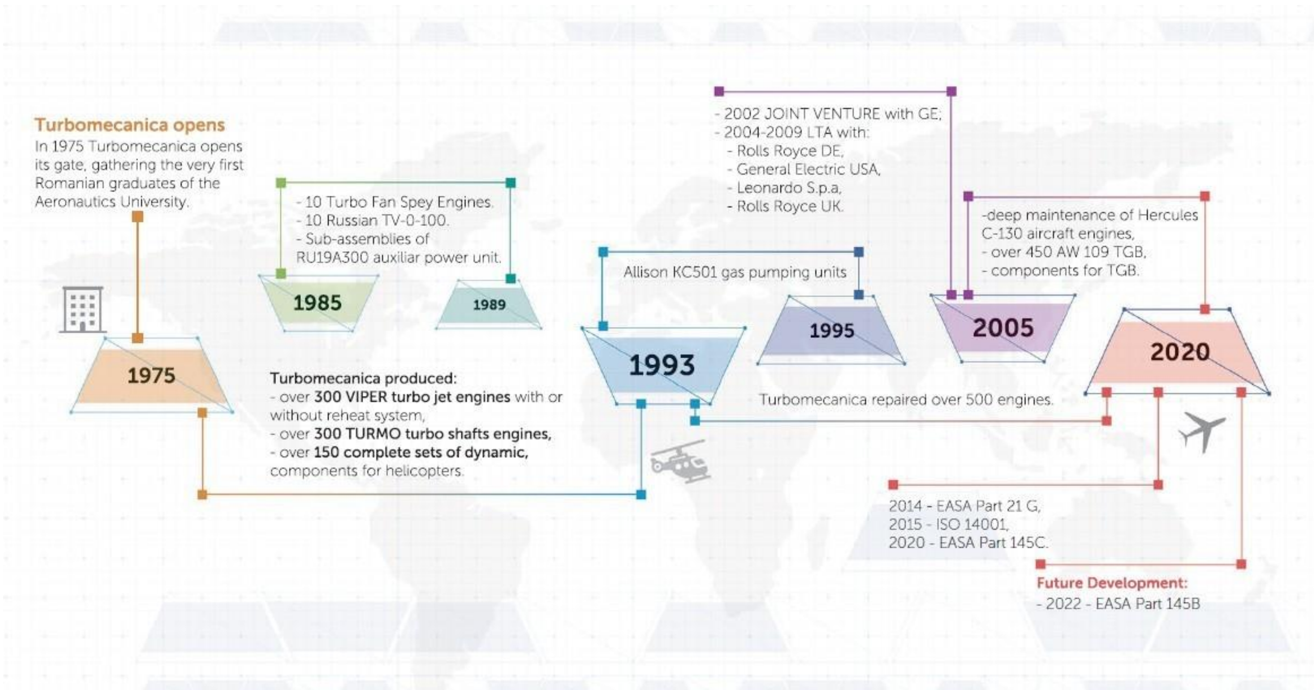


On the international market, the Company continued in 2022 to deliver components and subassemblies for civil aircraft engines. These programs have continued to run despite difficulties on the world market. In parallel, the activity of components for gas turbines continued.

Thus, Turbomecanica continues the tradition of collaboration with important names in the international aviation market, such as Leonardo Helicopters, ITP Aero și Witzenmann, sau GE Ungaria in the field of energy, as well as other customers with lower shares in the Company's turnover.

According to the classification of activities in the national economy, the main object of activity of TURBOMECANICA is the manufacture of aircraft and spacecraft - CAEN code 3030 and secondary CAEN code 3316

The company’s unique European identification code (EUID) is ROONRC.J40 / 533/1991, and the identification code as a legal entity (LEI) is 529900O5AIXHHACIZH85.
The company website is www.turbomecanica.ro



YEAR 2022 – EVENTS, INVESTMENTS AND KPI

In 2022, the Company obtained the recognition certification of the alignment of the quality and environmental assurance system with the international standards related to the activity of aircraft and spacecraft maintenance in the military field - CAEN code 3316. Therefore, it received the authorization number RO.AAMN. 145.0006/12.12.2022, issued by AANM (National Military Aeronautical Authority)

Another important event of the year referred to the project "Transfer of technology for the optimization of the mechanical surface treatment of some landmarks used in the aeronautical industry" was accepted for financing by the National Research-Development and Innovation Plan PNCDI III, project code PN-III -P2-2.l-PTE-2021-0195. The Turbomecanica team in collaboration with a group of researchers from the Politehnica University of Bucharest will carry out the objectives of this project, which aims to make the ecruising process more efficient by modernizing the installation and developing the processing capability. The project is promoted at the leading MRO event in Europe and the Middle East where airlines, MRO organizations, OEMs, lessors, suppliers and industry experts meet annually to explore and define the aviation maintenance industry.

At the end of 2022, the prerequisites were created for ensuring the programs to be carried out during the next 3 years, the period 2023-2025. Therefore, at the beginning of 2023, these programs, in collaboration with the client IAR Brașov, came to fruition by signing the additional documents for performing major maintenance on 12 helicopters from the UN/SAR and Helicopter L/VIP programs.

Following the same direction, TBM together with MApN continues the steps and preparations for carrying out the major maintenance on the VIPER engines, which until now have not required any work, and it follows that in the future TBM will carry out such works during the resource consumption, for the entire fleet of IAR 99 Falcon aircraft.

IMPLEMENTATION OF THE INVESTMENT PLAN

In 2022, the company continued investments in increasing the productivity of existing capacities and capabilities, but also pursued the development of new ones.

Consequently, the degree of realization of the investment plan for 2022 reached the percentage of 89.35%.
From a value point of view, the Company saved approximately EUR 900,000 during the negotiations of the purchases approved through the investment plan.
Therefore, the situation of investments related to the year 2022 is presented as follows:

Approved investment plan	4,385,000
Delayed investments	467,000[1]
Approved investment value	**3,918,000**
Actual investment value	**3,004,925**
Saving	**913,075**

The investments made according to the approved investment plan concentrated a percentage of 99.48% for the production facilities, namely for the modernization and efficiency of the production activity and are presented as follows:

4 CNC equipment were purchased for grinding, mortising and 2 equipment for turning. These were contracted by increasing the Leasing ceiling engaged with Banca Transilvania.

However, the most important purchase is the plasma spray equipment that contributes to the development of the Company's capabilities by adding to them 2 new techniques of surface coating by metallization, but also by the opportunity to certify this special process at the international level, which creates the premises for reducing subcontracting costs this service for the production of landmarks related to civil aviation.

The purchase of the cutting equipment contributes to the reduction of production/delivery terms by preparing the raw material to the size required by the documentation, in order to launch it into manufacturing

In conclusion, 5 CNC equipment for mechanical processing and 2 equipment for carrying out special processes (the plasma spay station and the deionization station) were purchased.

The company has also carried out 3 modernizations to the sand blasing process, to the Eltherma generator (heat treatment) and to 2 baths related to surface coating processes.

The improvements on the line of emergency situations, routes, circulation between sections and waste storage platforms were further postponed due to the reorganization of the assembly-test section to align the activity with the European Military Airworthiness requirements. (EMAR/RMAR). Activity that was completed in December 2022, due to the delayed scheduling of the certification audit, scheduled by AAMN (National Military Aviation Authority) depending on its availability. Therefore, although this activity was estimated for completion during 2022, it will be rescheduled for 2023.

[1] *Din valoarea investiițiilor nerealizate de 467.000 Eur, 400.000 Eur (85,65%) reprezintă asfaltarea drumurilor uzinale*

At the same time, the asphalting of industrial roads was also postponed (85.65% of the value of the unrealized investments), due to the equipment relocation activities and the need to build a special construction for the placement of the metallization equipment, contracted in 2022 with a delivery deadline of 2023 Q3.

Regarding the green spaces, the Company plants approximately 6 trees per year on the property.

ECONOMIC-FINANCIAL INDICATORS

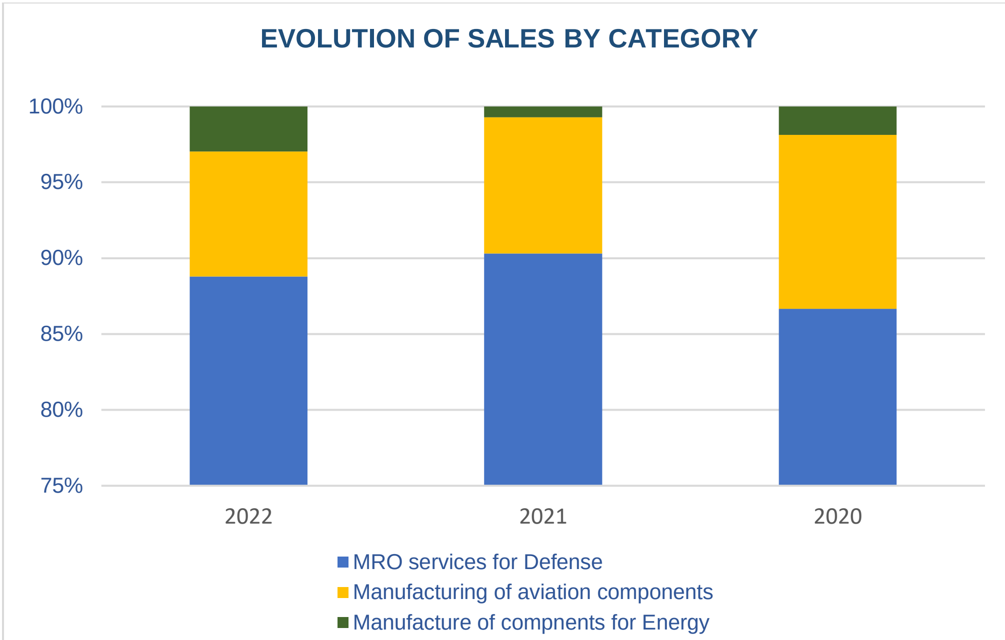
	2022	2021
Current liquidity	2.42	2.29
Degree of indebtedness	5.95	2.94
Flow speed - cl	75.29	56.34
Rotation rate of real estate assets	2.25	2.04
Overall solvency ratio	3.09	3.12
Financial rate of return	9.93	9.74
NET profit rate	8.76%	8.95%
Net treasury	46,630 K RON	39,232 K RON

MACROECONOMIC INDICATORS

	2022	2021
Inflation	13.8	5.1
Average exchange rate €	4.94	4.92
Average exchange rate $	4.63	4.16
Average exchange rate £	5.02	5.72

EVOLUTION OF SALES BY CATEGORY

CATEGORY	2022	2021
Military aviation maintenance services and product manufacturing	121,992,815	118,315,767
Manufacture of aviation products	11,479,502	10,317,084
Products manufacturing for Energy Division	4,123,419	905,804



EVOLUTION OF SALES BY CATEGORY
100%
95%
90%
85%
80%
75%
2022
2021
2020
MRO services for Defense
Manufacturing of aviation components
Manufacture of compnents for Energy

CONTEXT OF THE ORGANIZATION AND STAKEHOLDERS

The analysis of the context in which Turbomechanica operates revealed significant **external and internal aspects** for its purpose and strategic direction that influence its capability.

These are:

- legal aspects - commercial, fiscal legislation, labor legislation, environmental legislation, regulatory requirements of the authorities, included in the applicable regulations;
- customers and their specific regulations;
- the market and the competitors operating in this market;
- the emergence of new technologies;
- personnel values, culture and knowledge;
- average age of staff and availability of human resources in the labor market.

Information on these external and internal issues and how they are monitored and analyzed is documented in specific internal regulations.

Stakeholders were also identified in the analysis of the compliance of the quality and environmental management system with the requirements of the reference standards as follows: Customers, Regulators, Suppliers, Shareholders, Community and Company staff.

BUSINESS MODEL

Turbomecanica adds value through 3 categories of basic activities, namely:

- Maintenance of engines and mechanical assemblies (main gearbox, intermediate and tail gearboxes, main rotor head) in accordance with AACR and AAMN authorizations, civil and military equipment

- Manufacture of high-tech and high-quality equipment (aviation and energy), TGB (tail gearbox) and MGB (main gearbox) components or final TGB & MGB assemblies which eqiup AW109 and A119 - AW119MKII LEONARDO HELICOPTER - Italy, high complexity engine components for General Electric, Rolls-Royce, HONDA Aero, AVIO customers;

- A wide range of independent services: heat treatment, chemical processes, welding and Non-Destructive testing - NDT for different types of parts and materials, unique component manufacturing, control services.

The model is based on the Company's responsibilities as part of the national defense industry and was expanded in the early 1990's by developing the manufacture of aviation components for international OEM's.

Subsequently, the wide range of chemical and thermal equipment and processes used in Turbomecanica began to create value by attracting customers satisfied with the specific capabilities and quality of services delivered to them.

**The notes to the financial statements describe how the financial reporting reflects the business model adopted by the company, according to IFRS standards.*

THE IMPACT OF THE GLOBAL ECONOMIC SITUATION

The effects of the energy crisis and disruptions in supply chains, manifested as early as the second part of 2021, were amplified at the beginning of 2022 by the geopolitical situation. Thus, it is predicted that the influence of the health crisis caused by the Coronavirus on national economies will decrease, but that the war will affect the world economy, especially in Europe, with many European states being dependent on Russian gas. At the European level, at the beginning of 2022, increases in international quotations for energy products were predicted, as well as the need to compensate for the deficit of energy resources of Russian origin with other resources. These forecasts have come true to a large extent, the evolution of prices on the energy market leading to global inflation - inflation in the euro zone exceeding 10%, and that of the US dollar 7%, according to preliminary statistical data for the year 2022.

The National Bank of Romania estimated at the beginning of 2022 that inflation is largely determined, namely 70%, by the increase in energy and natural gas prices. Although Romania was more protected from the impact of Russian supply, the explosion in energy prices brought back double-digit inflation, and the National Bank of Romania raised the key interest rate in each monetary policy meeting and changed the forecast from one report to another.
The Romanian economy was also affected in 2022 both due to the energy crisis and as a result of its dependence on global economic mechanisms and its integration into European and world value chains.

TBM faced several challenges during 2022:

- increase in the costs of raw materials/castings, those related to transport, energy and gas. Their effect was felt in the second part of 2021 and throughout 2022. Market estimates indicate continued pressure on companies' costs in 2023;
- financing the formation of stocks of raw materials and critical materials, which ensure a certain independence in the short-medium term;
- judicious scheduling of all financial, material and human resources;
- health crisis. Compared to the years 2020-2021, TMB's results were no longer significantly influenced by the health crisis, however its effects did not disappear, as part of TMB's employees were diagnosed with COVID-19 in the first quarter of 2022. The Company's management adopted decisions prompt and efficient in order to properly honor customer orders and achieve scheduled turnover;
- the continuation of the activity with increased precautionary measures to reduce the risks on the human resource;
- temporary interruptions or changes in the way of carrying out the professional activity (see telework programs in certain work areas);
- the application of a policy aimed at permanently ensuring the continuity of the company's business, including in the potential and especially unpredictable situation of the continuation of the health crisis;
- the legislative framework affected the business environment and created a lack of predictability in extremely important areas for the business environment, such as energy policy, fiscal legislation (increase in dividend tax, new way of calculating tax on buildings, etc.), social protection (increasing the minimum wage for the economy, changes to the Labor Code, etc.).

Therefore, the year 2022 was a year with multiple challenges, in which TBM managed to achieve its strategic objectives regarding the company's sales and even exceeding the amount of turnover forecast at the beginning of the year

COMMERCIAL ACTIVITY

BUSINESS ENVIRONMENT

The Company operates in a highly competitive environment according to the widely recognized principles of Corporate Governance, in accordance with Romanian law, European Union law and International practices providing to the internal and external markets products and services in both defense and civil aviation.

The business model is strongly influenced by the privileges and obligations of the Company arising from its membership in the category of national strategic defense industry, being recognized by the Minister of Economy as the sole Romanian supplier for manufacturing and maintenance services of engines and assemblies equipping the IAR PUMA 330 L helicopter and VIPER engines equipping the IAR 99 aircraft.

In order to balance the risk generated by the concentration of the activity on the maintenance line specific to the equipments endowing the national fleet, Turbomecanica is constantly preoccupied with the diversification of the service portfolio, concentrating its efforts on creating new partnerships with international partners.

The latest decision in this regard was taken by the GMS and involves the development of maintenance to serve civil aviation components.

At the date of approval, Turbomecanica is already certified to perform maintenance work on civil engine components, namely CFM 56-7B, an engine that equips the national and international fleets of BOEING 737 NG aircraft.

SALES

MAINTENANCE ACTIVITY

In 2022, Romania's position as a NATO member country, acting in the international political context existing in the area, confirmed once again the strategic importance that TURBOMECANICA holds within the national defense industry as the only provider of maintenance services for the PUMA helicopter fleet and IAR 99 STANDARD / SHOIM aircraft of MApN/Air Force General Staff, Naval General Staff and the Romanian Information Service.

Thus, the domestic market continued to represent the main pillar of the company's sales consolidation in 2022 (Total value of sales: 139,161,607 LEI): thus, TBM managed to achieve within the internal maintenance programs of aeronautical products but and various industrial collaborations a total value of sales of products/services intended for the domestic market of: 120,291,565 LEI, representing approx. 86.4% of the total value of TBM sales in 2022).
The maintenance/maintenance activity in 2022 materialized through the continuation of major programs of repairs/maintenance/manufacture of aeronautical products, but also through new programs aimed at collaborations within aviation programs for strategic clients: IAR Brasov, MApN/UM01836 Otopeni, Airplanes Craiova, the Craiova Flight Research, Innovation and Trials Center, other internal clients, as detailed below:

Programs run through the IAR Brasov client (the client with the majority turnover – 67%):

- Continuation of the PUMA – "NATO" helicopter modernization program (4 helicopters, sets 5-8)
- Continuation of the Manufacturing Program of TURMO IVCA engines and PUMA IAR 330 helicopter mechanical assemblies for the SMFA program (1 helicopter, SH4 set),
- New program of capital repairs of PUMA SM helicopter mechanical assemblies: "PAKISTAN" (2 helicopters
- New programs: "NAVAL" and "SRI" for capital repairs (with replacement of major components with TLV) and various current repairs, technical assistance and supply of spare parts for TURMO IVC/CA engines and PUMA IAR 330 helicopter mechanical assemblies;

For the next period 2023-2025: the Addemdum has already been signed with the client IAR Brasov regarding the two major programs of complete overhoul of TURMO IVC/CA engines and PUMA IAR 330 helicopter mechanical assemblies intended for MApN, respectively:
- "UN (SAR)" Program 1-6 (6 helicopters), which will take place during 2024-2025;
- "HELICOPTER L/ VIP" Program 1-6 (6 helicopters), running in the period 2023-2025.
- NAVAL and SRI 2023 programs for capital repairs of TURMO IVC/CA engines and IAR330 mechanical assemblies, according to the detailed centralized analysis below.

Programs carried out with the strategic client MApN (turnover – 14%):

- Maintenance program of high and medium complexity, reconstructions of calendar potentials and current repairs to TURMO IVCA engines, VIPER 632-41R/M engines and their aggregates, mechanical assemblies IAR 330 PUMA, aggregates related to Allison T56 engines, manufacturing of spare parts - through TMB's participation in the public procurement procedure of 09.12.2022, completed with partial success and delivered in December 2022;

- Various programs for maintenance works/post-delivery services of technical assistance and supply of parts through direct collaboration with military units: UM01961 Otopeni, UM02015 Bacau, UM01969 Campia Turzii, UM01838 Boboc.

The implementation program for full overhoul of the strategic VIPER engine (according to Minute no. 452/16.04.2021 from the TMB-MApN working session) continued, through the arrival in 2022 in TMB of the first 2 VIPER 632-41M 605 series engines and 627, 2 pcs of VIPER thermocouple ramps and 2 pcs of VIPER thermocouple cables also intended for the RK program - process not yet approved in TMB and started in accordance with TMB strategic objectives; in order to carry out this program, a collaboration has already been initiated with PIAGGIO AEROSPACE, ITALY, by signing a tripartite NDA (Piaggio-TMB-MApN), through which TMB intends to obtain an update/completion of the constructive documentation related to the VIPER 632 engine-41M, as well as the source for purchasing VIPER parts

Programs run with the client Avioane Craiova S.A.:

- Program for transformation works from version 632-41R to 632-41M, revitalization and application of CMV with RK to AFC for VIPER engine series 737;
- Program for transformation works from version 632-41R to 632-41M, revitalization and application of CMV with RK to AFC for two VIPER engines series 695 and 703;
- Program for transformation works from 632-41R to 632-41M, revitalization and application of CMV with RK at AFC for three VIPER engines series 699, 757 and 759 engines with delivery in 2023;
- Program for the works of transformation of the afterburning engines 633-47 into 632-41M, revitalization and application of CMV with RK to AFC for two VIPER engines series 2255 and 2265, engines with delivery in 2023;
- Various VIPER engine spare parts manufacturing programs, based on firm CLT orders.

At the same time, a turnover for the year 2023 of: 10,599,424.40 LEI (excluding VAT) was secured by firm contracting and the continuation of the maintenance programs related to the fleet of IAR 99 SOIM aircraft through the transformation, revitalization and shortening of the resource of a number of 6 more VIPER engines with afterburner 632-41M (program that is currently under analysis for the period 2023-2024

MANUFACTURE OF HIGH TECHNOLOGY AND HIGH QUALITY EQUIPMENT

The commercial activity of TBM continued to be represented in 2022 mainly by **components and subassemblies for aviation engines**, programs that, despite the difficulties on the world market, managed to maintain an acceptable trend, existing in parallel and a continuation sales of **gas turbine components**.

<u>The negative impact coming from the foreign market</u> was concretely reflected this year by the measures that some of TBM's customers had to take from a financial point of view, not only by the impossibility of accepting price increases requested by TBM for 2022, action postponed since 2021.

However, at the end of 2022, it was possible to complete the negotiation with Leonardo Helicopters for the update of prices for the year 2023, with margins between 12%-17%. With Witzenmann, negotiations have settled on a 5% upgrade for 2023. New orders from ITP Aero are expected for 2023 in line with Rolls Royce's requirement for Pearl engines.

It is worth mentioning that during 2022 **the collaboration relations with the partners with a significant business potential on the international market** were maintained (mainly the business relationship with **Rolls-Royce Germany-through ITP Aero, Witzenmann Germany, Astrofein Germany, Seko Aerospace Czech Republic, GE Hungary** in the field of Energy, other customers with lower shares in the company's turnover).

The share of export programs in 2022 is mainly detailed as follows:

Leonardo Helicopters, Italia:	4,4% (2021- 4,00 %)
Programe RR (ITP + Witzenmann + Astrofein):	5,5% (2021-3,88%)
Programe GE_ENERGY:	3,4% (2021-0,71%)
Honda Aero:	0,109% (2021-0,11%)

INTEGRATED QUALITY AND ENVIRONMENTAL ASSURANCE SYSTEM

Quality and environmental management systems are designed and organized using the process model. **SMQ & M** processes are designed to provide the regulatory framework necessary for the controlled implementation of Turbomecanica products / services and to ensure the assessment and avoidance of risks of failure to meet quality and environmental objectives.

The objectives of quality and environmental management in **TBM** are:

Quality and environmental management systems are designed and organized using the procedural model. **SMQ & M** processes are designed to provide the regulatory framework necessary for the controlled implementation of Turbomecanica products / services and to ensure the assessment and avoidance of risks of failure to meet quality and environmental objectives.

The objectives of quality and environmental management in **TBM** are:

- ensuring the Company's ability to provide its customers, in a consistent manner, with products and services that comply with their requirements and expectations and with the legal and regulatory requirements and in compliance with the provisions of the environmental standard **SR EN ISO 14001**;
- fulfillment of compliance obligations;
- increase environmental performance;
- facilitating the identification of opportunities to increase **the satisfaction of its customers** by continuously improving its processes;
- identifying and managing risks and implementing opportunities associated with the context and objectives of the company.

The Quality and Environment Manual is structured in sections in accordance with the provisions of the reference standards **SR EN 9100**, **SR EN ISO 9001** and is correlated with **SR EN ISO 14001** through the procedures specific to this field.

During 2022, the following actions were taken in the field of quality assurance:

In order to **align with the requirements of the reference standards, regulators and its customers** and to implement the organizational changes applied in TBM this year, TBM structural entities have intervened on the following documents of quality management and environmental management systems:

In 2022, 159 regulations were elaborated / revised as follows:

REGULATION CATEGORY	2022	2021	2020
General Procedures including Independent Annexes	50	80	37
Company Standards including Independent Annexes	31	50	31
Specific Working Instructions including Independent Annexes	36	49	64
Regulations including Independent Annexes	7	9	6
Human resources strategy with all Independent Annex	2	1	-
Quality Plans	7	3	5
Wage Policy	8	1	1
Quality and Environment Manual	0	1	2
Presentation Expositions	18	3	4

** Note: In 2020 the Quality Manual and the Environment Manual were separate regulations, after the integration it was transformed into an integrated document*

The Quality and Organization Department acted in 2022 to implement a continuous improvement in the organization and design of the quality management system.

An important achievment in 2022 is the Turbomecanica certification, according to RMAR 145 requirements, by the National Aeronautica Militara Authority as a military maintenance organization for Turmo IV C/CA products, Viper 632-41 and 633-47, Allison T56-A7B/A15, Mechanical Assemblies IAR-330, including aggregates and their components.
In a later stage, which will take place in 2023, Turbomecanica is preparing the certification, according to RMAR 21G requirements, by the National Aeronautica Militara Authority as a military production organization of products and components for Turmo IV C/CA, Viper 632-41 and 633 -47, Allison T56-A7B/A15, Mechanical Assembly IAR-330, including their aggregates.

In order to demonstrate compliance with its customers' requirements, Turbomecanica performed second-party audits performed by them, as follows:

In April 2022, **Honda Aero** performed an online supplier surveillance audit (product audit) according to the requirements of customer specification SRM 13711-Q0A-0000. In the conducted audit, the Honda Aero audit team found **no non-conformities and maintained TBM as an authorized supplier**.

In June 2022, **Leonardo Helicopters** performed an on-site supplier surveillance audit according to the requirements of the international standard EN 9100:2018 and the customer specification QRS-01. In the conducted audit, the Leonardo Helicopters audit team **found no non-conformities and maintained TBM as an authorized supplier.**

In August-September 2022, **Safran Helicopters Engines** performed an on-site potential supplier evaluation audit according to the requirements of client specifications GRM-0123, GRP-0087 and G012. In the conducted audit, the Safran Helicopters Engines audit team found no non-conformities, appreciated the existing capabilities and **indicated possibilities for future collaboration** for the maintenance of more modern engines.

In October 2022, **General Electric Power** performed an on-site supplier surveillance audit (product audit and special process audit) according to customer requirements extracted in a checklist. In the conducted audit, the General Electric Power audit team **found no non-conformities**, but indicated some corrections **and maintained TBM as an authorized supplier.**

In November 2022, **IAR Brasov** performed an on-site supplier surveillance audit according to the requirements of the international standards EN 9100:2018 and AQAP 2110:2016. In the ongoing audit, the IAR Brasov audit team **found 1 minor non-conformity** for which 1 corrective action (completed) and 1 opportunity for improvement (in progress) were established, **TBM being maintained as an authorized supplier.**

In December 2022, **Rolls-Royce** performed an online supplier surveillance audit (classified product audit) according to the SABRe3 customer requirements extracted in a checklist. In the conducted audit, the Rolls-Royce audit team **found 3 minor non-conformities** for which 3 corrective actions were established (all completed) and **maintained TBM as an authorized supplier.**

To prove compliance with the standards and regulations applicable in its activity, Turbomecanica supported 5 third-party audits carried out by certification/supervision authorities/bodies, as presented below:

In February 2022, the **Romanian Civil Aviation Authority (AACR)** carried out an on-site scheduled audit for the supervision of the authorization of the civil maintenance organization according to the provisions of EU Regulation no. 1321/2014, Annex II (Part 145), Subpart A. Following the audit the team audit AACR found 2 minor non-conformities for which 5 corrective actions were established (all completed) and **maintained TBM's authorization as a maintenance organization RO.145.051 from 03.15.2021.**

In October 2022, the **National Military Aviation Authority (AAMN)** carried out an on-site scheduled audit for the initial assessment and approval of the authorization of the military maintenance organization according to the provisions of RMAR Regulation 145. Following the audit, the AAMN audit team found no non-conformities and **granted TBM military maintenance organization authorization RO.AAMN.145.00006 from 12.12.2022.**

In November 2022, **AEROQ** performed an on-site audit for the supervision of the quality and environmental management systems according to the provisions of the ISO 9001:2015 and ISO 14001:2015 standards. Following the audit, the AEROQ audit team found no non-conformities, **maintaining the certifications for the TBM quality and environmental management systems** (issued in April 2021 and valid until 09.11.2023).

In November 2022, **TUV Nord** carried out an on-site audit for the recertification of the supervision of the quality management system according to the provisions of the ISO 9001:2015 and EN 9100:2018 standards. Following the audit, the TUV Nord audit team found 1 minor non-conformity for which 3 corrective actions were established (all completed), **indicating the re-certification of the TBM quality management system** (the current certificates are issued in February 2020 and are valid until 22.02.2023).

In November 2022, the **Romanian Civil Aviation Authority (AACR)** carried out an on-site audit for the continuous supervision of the civil production organization according to the provisions of EU Regulation no. 748/2012 (Part 21), Subpart G. Following the audit, the AACR audit team found no non-conformities, **maintaining TBM's authorization as a civil production organization** (issued in December 2014 and upgraded to rev. 2 in August 2020).

In order to guarantee the management of TBM, customers and certification bodies the correct implementation of the requirements of the quality management / environmental management system and the maintenance of their efficiency and effectiveness, **the Quality and Organization Department carried out internal / external audits in 2022 as presented below:**

<u>Internal audits quality management system and environment management system</u>

Internal audits for the quality management system were carried out in accordance with the PA-TBM Audit Plan 2022 ed. 1, later evolved into ed. 2, ed. 3 and ed. 4, approved by the Director General.
In 2022, 25 SMQ audits were carried out in which 49 non-conformities were found, for which 79 corrective actions were established, which were completed in a proportion of 84.8% (67 completed).

Internal audits for the middle management system were carried out in accordance with the Audit Plan PA-TBM 2022 ed. 1, later evolved into ed. 2, ed. 3 and ed. 4, approved by the Director General.
In 2022, 2 SMM audits were carried out in which 3 non-conformities were found for which 8 corrective actions were established which were completed in proportion to 100%.

Internal product audits

The internal audits for the products were carried out in accordance with the Audit Plan PA-TBM 2022 ed. 1, later developed in ed. 2 and ed. 3, approved by the General Manager.

In 2022, 12 product audits were carried out, in which 14 non-conformities were found, for which 35 corrective actions were established, which were completed in proportion to 97.1% (34 completed).

Internal process audits

The internal process audits were performed in accordance with the Audit Plan PA-TBM 2022 ed. 1, later developed in ed. 2, ed. 3 and ed. 4, approved by the General Director.

In 2022, 15 process audits were performed in which 10 non-compliances were found, for which 23 corrective actions were established, which were 100% completed.

External audits of suppliers

In September 2022, an external audit (product audit) was planned and carried out on-site at the supplier Rezistoterm SRL Iasi according to the general requirements of EN 9100:2018 and the specific requirements of TBM. In the ongoing audit, the TBM audit team (CAI, CCU, BPT) found 2 minor non-conformities for which 2 corrective actions were established (1 completed, 1 ongoing), maintaining Rezistoterm SRL Iasi as a conditionally accepted supplier.

In order to monitor the performance of TBM processes in order to increase customer satisfaction with the quality of products / services delivered and increase the attractiveness of these products / processes in the aeronautical sector market, in 2022 the following actions were carried out:

The general procedure PG SMQ-05 “Management analysis” determines the indicators necessary to achieve the strategic and quality objectives and which influence the level of customer satisfaction. The evolution of these indicators in 2022 is presented below:

-**The strategic indicator I1** (degree of compliance with the production program) has an increasing trend and falls within the proposed target of at least 97%, with an overall value of 99.69% (2021:99.61%). This fact shows that the production schedule is respected and the shortcomings are very small.

- **The strategic indicator I2** (degree of compliance with the sales plan) has an increasing trend and falls within the proposed target of at least 97%, with an overall value of 97.48% (2021:97.22%). This shows that the sales plan is being complied with, with TBM delays in deliveries for external customers Leonardo Helicopters, ITP Aero, Honda and Witzenmann, but also for internal customer IAR.

-**The strategic indicator I211g + I212g** (global quantitative percentage of loss due to PO changes) has a decreasing trend and falls within the proposed target of a maximum of 3%, with an overall value of 2.52% (2021: 2.78%) (of which TBM has 2.40% and customers have 0.13%).

- **The strategic indicator I3** (the degree of non-compliance with the requirements of the technical execution documentation - non-conformities and scrap) has an increasing trend and falls within the proposed target of maximum 0.75%, with an overall value of 0.09%. This fact reveals that the requirements of the documentation are observed in TBM, and the deviations (transposed in non-conformities and rejects) have a small weight.

-**The strategic indicator I4** (the degree of non-conformity of the delivered products / services - complaints) has a decreasing trend and does not fall within the proposed target of maximum 1.0%, having an overall value of 0.66% (2021:1.03%); if unconfirmed / rejected complaints are excluded, the indicator reaches the overall value of 0.56% (2021: 0.85%), falling within the proposed target (maximum 1.0%). This reveals that TBM ensures the conformity of the delivered products / services and the complaints have a low weight.

The strategic indicator I4pg (external percentage loss - complaints) has a downward trend and does not fall within the proposed objective of maximum 0.5%, having a global value of 0.97%; if we exclude the 6 orders registered as complaints/reports, with intervention costs, but not technically justified according to the maintenance documentation, the subject products continuing to be used under supervision, the recalculated global value is 0.44% which falls within the proposed objective of a maximum of 0, 5%.

- **The strategic indicator I41** (time for resolving complaints) has a decreasing trend and falls within the proposed objective of a maximum of 30 days, having a global value of 27 days (for resolution in TBM) and 5 days (for resolution at customers/in operation).

- **The strategic indicator I42** (the rate of warranty claims for repaired products) has a decreasing trend and falls within the proposed objective of a maximum of 25%, having a global value of 12.83%.

- **The strategic indicator I43** (recurrence rate of complained products) has a decreasing trend and does not fall within the proposed objective of maximum 25%, having a global value of 34.38%.

- **The strategic indicator I44** (median product complaint duration since delivery) has a decreasing trend and does not fall within the proposed objective of a minimum of 250 days, having a value of 143 days at the end of 2022.

- **The strategic indicator I5** (non-quality costs) has an increasing trend and falls within the proposed target of a maximum of 600,000 RON / year, with a global value of RON 1,411,753 in 2022. If we exclude the costs of handling the 6 orders registered as complaints/reports but technically unjustified according to the maintenance documentation, then the value of the indicator is of RON 673.569 which is closer to the max objective of 600.000 RON.
- **The strategic indicator I6** (turnover achievement related to the reporting period) will be calculated on 28.02.2023 and will be reported in the next management analysis meeting; after trim. III-2022, the value reached is 91,545,691 lei, being above the target of 73,714,279 lei.

- **The strategic indicator I7** (degree of achievement of net profit margin) will be calculated on 28.02.2023 and will be reported in the next management analysis meeting; after trim. III-2022, the value reached is 2.7%, being below the target of 10%.

In the field of **special processes and quality laboratories the policy of satisfying customer requirements** was continously applied, as well as increasing the level of attractiveness presented by the company for potential customers active in the aeronautical industry through the following actions:

Accreditation of special processes

The events with the strongest significance for increasing the attractiveness of **TBM** in the aeronautical industry market remain the **NADCAP** accreditations of the special processes installed.

In 2022, the following special processes were re-accredited:

In January 2022, **Nadcap** performed a surveillance audit of **NDT processes according to AC7108 requirements**. In the conducted audit, Nadcap found 5 minor non-conformities for which 21 corrective actions were established (all completed), and the CND TBM processes were included in the **Merit Program for 24 months, re-accreditation being granted until 31.05.2024.**

In February-March 2022, Nadcap performed a surveillance audit of TBM **welding processes according to AC7110 requirements**. In the conducted audit, Nadcap found no non-conformities, and TBM welding processes were included in the Merit Program for 24 months, **re-accreditation being granted until 31.05.2024.**

In August 2022, **Nadcap** performed a surveillance audit of the TBM **ecruisation process according to AC7117 requirements**. In the conducted audit, Nadcap found 2 minor non-conformities for which 10 corrective actions were established (all completed), and the TBM ecruisare process was included in the Merit Program for 18 months, **re-accreditation being granted until 31.05.2024.**

In September 2022, **Nadcap** performed a surveillance audit of TBM's **chemical processes according to AC7108 requirements**. In the ongoing audit, Nadcap found 1 minor non-conformity for which 5 corrective actions were established (3 completed), and the TBM chemical processes were included in the **Merit Program for 24 months, re-accreditation being granted until 30.11.2024.**

Second party process certifications

Leonardo Helicopters Certifications

In 2022, the qualifications of the special **TBM** processes previously obtained applicable to **Leonardo Helicopters** articles were maintained and the qualifications of the following special processes were extended:

- Liquid Penetrant Inspection (IT12/0193/04: valid until 11.01.2025);
- Etch Inspection of Hardened Steel Parts (IT012/0397/03: valid until 15.03.2025);
- Casting Impregnation (IT12/0475/03: valid until 01.07.2025)
- Heat Treatment of Steel Alloys (Normalizing, Hardening and Tempering for low-alloyed steels, Precipitation hardening of PH steels (sect. IV), Hardening and Tempering for stainless steel (sect. III)) (IT12/0195/07: valid until 02.12.2025);
- Heat Treatment of De-Embrittlement and Stress Relief (IT013/0165/04: valid until 31.12.2025);
- Chromic Acid Anodizing (IT13/0148/04: valid until 31.12.2025).

PZL Swidnik Certifications

In 2022, the qualifications of the special **TBM** processes obtained previously applicable to **PZL Swidnik** articles were maintained and no requalifications were initiated and following certificate was renewed:

- Heat Treatment of Steel Alloys (PL10/0043/04: valid until 23.09.2025);

General Electric Certifications

In 2022, the special and laboratory process certifications previously obtained by **TBM** from **General Electric Aviation** were maintained and the NADCAP accredited process certifications were extended (for NADCAP evaluated processes, GT193 certificates are issued for the period in which the accreditation is maintained NADCAP - Chemical Processes, Non-Destructive Testing, Welding).

Rolls-Royce Certifications

In 2022, the approvals previously obtained by TMB from **Rolls-Royce Civil & Defense Aerospace** were maintained in accordance with the Certificate of Approval for Quality Management System & Processes (no expiration date).

Avio Aero Certifications

In 2022, previously obtained TBM special process qualifications applicable to **Avio Aero** products were maintained and no special process qualifications were extended.

Introduction of new parts in production

For the client **Leonardo Helicopters** (Italy), 16 FAI files were drawn up (8 TGB benchmarks and 8 MGB benchmarks) which were approved by the client. By updating them, we continue to improve the manufacturing of the parts requested by the customer for the Rear Transmission Box and the Main Transmission Box of the AW109/AW119 helicopters.

For the client **Witzenmann** (Germany), 3 FAI files were drawn up and approved by the client. By updating them, the improvement of the manufacturing of the benchmarks requested by this customer continues.

CLIMATE CHANGE MITIGATION BY IMPROVING ENVIRONMENTAL PERFORMANCE AND POLLUTION PREVENTION

Turbomecanica has obtained the **Integrated Environmental Authorization No. 05/2016** revised on 21.02.2020 valid until 2026 for "Surface treatment of metals or plastic materials by electrolytic or chemical processes in which the volume of the vats is greater than 30m^3".

In order to fully comply with the provisions of the integrated environmental permit, a series of objectives and actions were established, most of them were achieved, and the unresolved ones were included in the TBM Environmental Management System Program and in the Investment Plan.

The Integrated Environmental Authorization, the Water Management Authorization, as well as the Waste Water Takeover Agreement give the company the right to operate under legal conditions, through a permanent monitoring of the proper functioning of the depollution installations and the existing equipments on the company's site.
In 2022, no environmental incidents were recorded.

Following the controls of the National Environmental Guard carried out in 2022, the Company undertook to ensure the continuous monitoring of the operating status of the installations so that they do not generate pollutant emissions that exceed the limit values allowed by law and if this is happens to stop working until fixed.

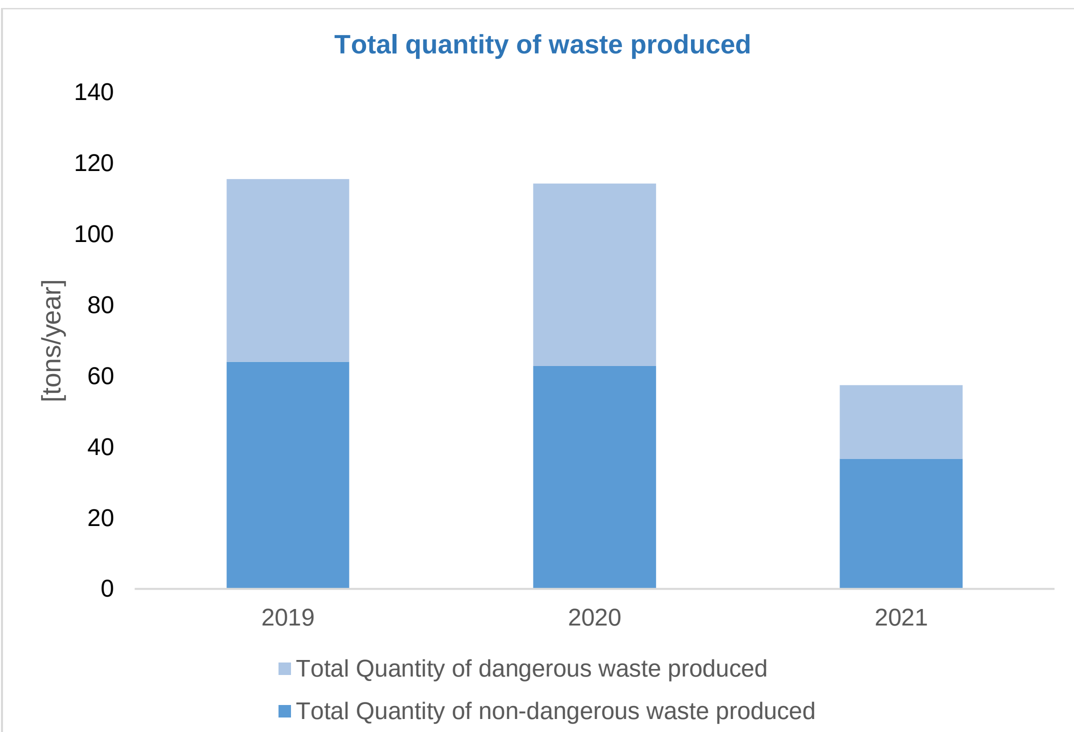
In order to prevent an emergency that may endanger the quality of the environment and the health of people, TBM has designated intervention teams for all risk areas in society. Exercises are periodically carried out to simulate possible emergencies that may result in accidental pollution. The purpose of the exercises is to raise the awareness of the staff to avoid accidents of any kind.

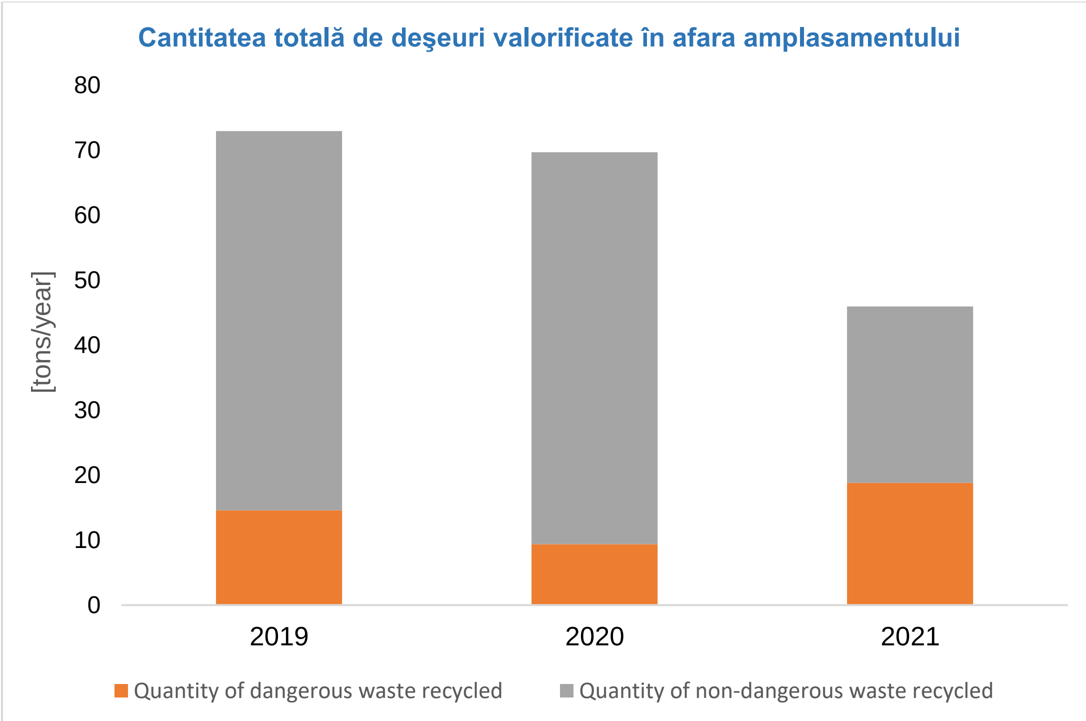
Also, through the monitoring and measurement program of the environmental management system, all existing depollution installations on the site are monitored weekly and periodically checked through the technological equipment predictive preventive maintenance program, regarding their functionality under normal conditions

Turbomecanica is constantly concerned with protecting the environment and is committed to reducing the generation of hazardous and non-hazardous waste, as far as the activity allows.

In 2022, Turbomecanica demonstrated that the actions regarding **the reduction of the amount of hazardous waste were effective**, even if the quantities were higher than in 2021. The increase is due to the depreciation of the chemical solutions of the surface coating processes.

At the same time, the **share of the amount of non-hazardous waste has increased compared to previous years** because TBM is in the process of modernizing the production sections, replacing old and unproductive machine tools with the latest generation industrial centers.





During 2022, Turbomecanica implemented measures with a major impact on improving environmental performance and pollution prevention:

- The filter system for capturing emissions on the Argintare line has been changed;

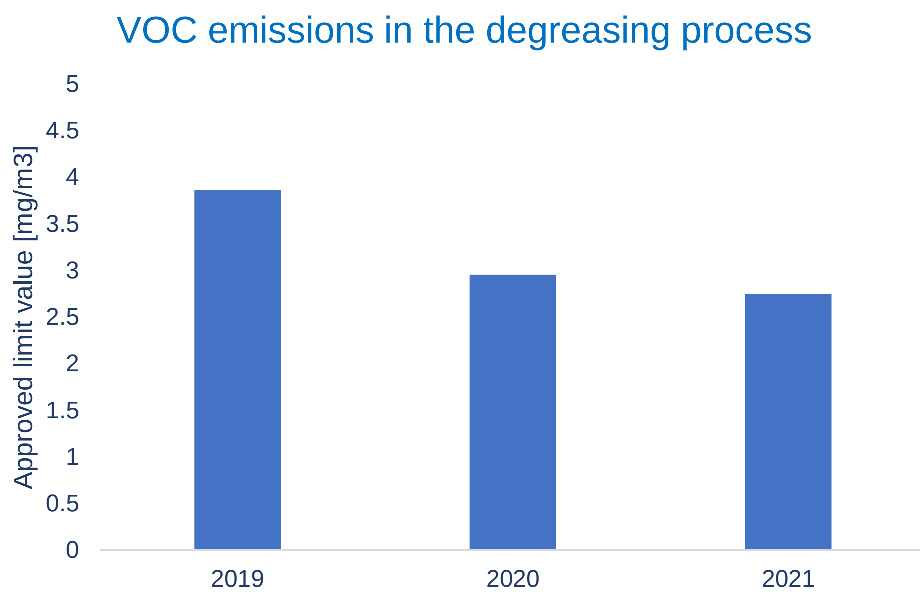
- It was decided to purchase and install a system of filters with the efficiency of capturing the emissions of heavy metals (Copper, Cadmium, Chromium) and the powders eliminated in the special processes.

- A water demineralization station with a flow rate of 7.5 mc/h was purchased to streamline the filling time with demineralized water of the washing baths related to special processes and to reduce the amount of chemical substances used in the regeneration of ion-exchange resins;

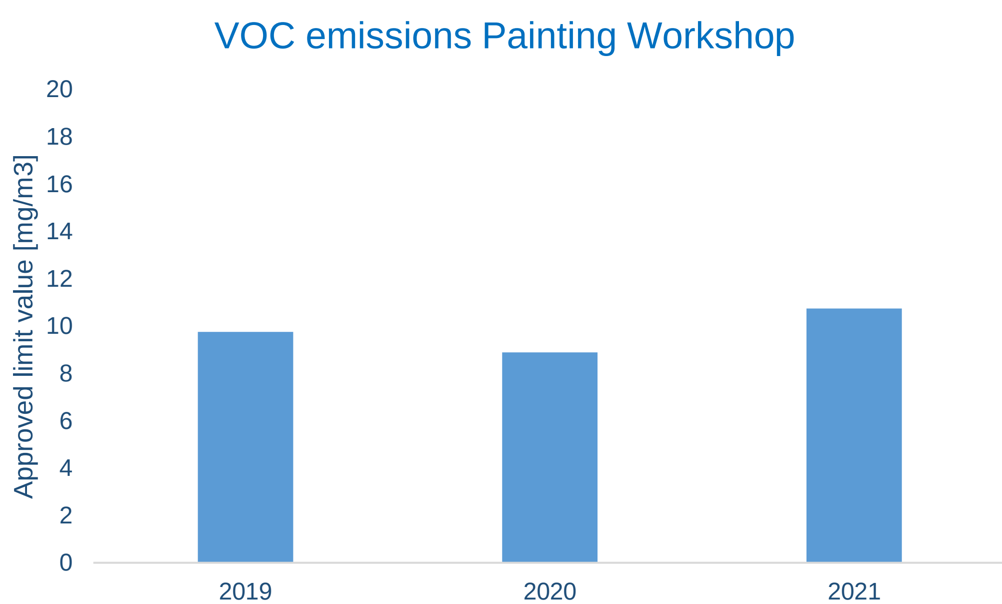
- It was decided to supply raw materials (hazardous substances) in optimal quantities, depending on the existing stocks and the need for use based on orders in progress, in order to avoid the situation regarding their expiration in order to reduce the quantities of hazardous waste.

Turbomecanica, through the prism of the activity carried out, uses organic solvents with volatile organic compounds, which fall under the scope of legal provisions. Volatile organic compounds, VOCs, are an important category of atmospheric pollutants, frequently encountered in the atmosphere as a result of human activities. The main activity of the company that generates emissions with volatile organic compounds is the process of degreasing parts, the organic solvent used being tetrachloroethylene.

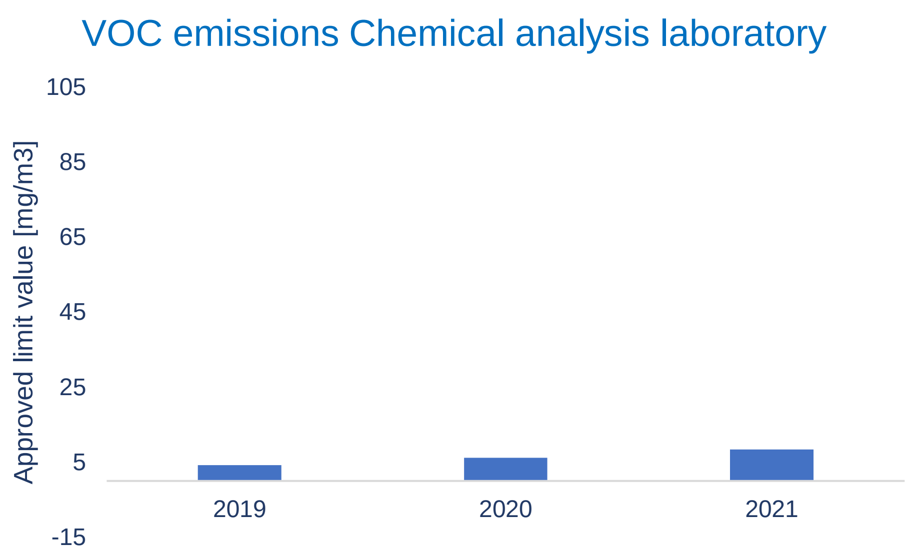
After calculating the consumption of VOC emissions, it turns out that it is below the limit allowed by law as follows:



Following the semiannual measurements, by accredited laboratories in the field of environmental protection, it follows that the values of VOC emissions eliminated in the processes of painting and laboratory chemical analyzes are below the limit allowed by law, as can be seen from the following graphs:



However, it should be borne in mind that emissions records and waste quantities depend on the specific level of activity.



Turbomecanica, through the measures adopted, aims to limit the impact on the environment and eliminate the proportionality between the increase in activity and the impact on the environment.

The increase in the value of VOC emissions, as well as the increase in the consumption of organic solvents (Tetrachloroethylene), in 2022 compared to 2021 was due to the increase in production volume.

NUCLEAR PROTECTION

Turbomechanica has been engaged in a 10-year MSRR8014 **nuclear material transfer plan** to reduce existing radioactive material. The transfer is made to RATEN - Institute of Nuclear Research - Pitesti.

In 2022, in continuation of the 10-year program, the request for the transfer of the third tranche of 10% of the amount of radioactive materials held was sent to ICN Pitesti for bidding, and in 2023 the offer will be analyzed and to the extent which is competitive, considering the monopoly held by RATEN, to continue the program.

COMPLIANCE WITH THE REACH REGULATION

According to Regulation 1907/2006 on the **Registration, Evaluation, Authorization and Restriction of Chemicals (REACH)**, Turbomecanica is classified as a downstream user of pure substances and mixtures of substances.

The substances are used in the process of metallic surface coatings of parts made by TBM, in safe conditions for workers' health and environmental protection.

All suppliers of chemicals and chemical mixtures from which TBM supplies substances and mixtures are authorized by the European Chemicals Agency (ECHA).
Suppliers provide TBM with all information on the chemical / mixture through the Material Safety Data Sheet.

TBM keeps a strict record of chemicals and mixtures of chemicals identifying REACH and continuously instructs people involved in the surface coating process on how to use and handle substances and / or mixtures of substances, as per the safety data sheet. of the substance / mixture to prevent accidents of any kind.

The company provides suppliers of substances with information on the occurrence of certain risk factors of the substance / mixture at the time of their use, which may affect human health, as well as the occurrence of adverse environmental conditions.

This information will help the supplier to develop new chemical exposure scenarios to prevent any unwanted situations or to place the chemical in a higher risk class than originally intended.

At the request of its customers, TBM provides all the information regarding the amount of REACH identified chemical with which the parts are enriched, as well as the degree of risk that may affect the health of people who come into contact with the part.

HUMAN RESOURCE

CODE OF CONDUCT AND ETHICS – PRINCIPLES AND VALUES

The management of Turbomecanica has assumed as a fundamental principle in carrying out the activity the principles and values that determine the creation of a strategic partnership between management and employees by:

- ✓ Management based on clear strategic and operational objectives;
- ✓ Development of a professional and personal profile of employees corresponding to the highest standards of professional ethics and technical training;
- ✓ Ongoing training and long-term motivation of employees, ensuring job satisfaction and loyalty to the company;
- ✓ Career management and performance management;
- ✓ Creating a modern internal climate and adequate to affirm the team spirit;
- ✓ Business and team ethics, honesty;
- ✓ Lack of tolerance for human rights violations;
- ✓ Lack of tolerance for discrimination and harassment;
- ✓ Lack of tolerance for corruption, bribery and money laundering;

These **principles and values are integrated into the quality and environmental management system**, through the Internal Regulations which are trained to Turbomecanica employees annually.

The rules of procedure provide for separate and specific chapters on the Company's position in relation to the principles listed.
The Collective Labour Agreement 2022-2023 provides guidelines on the Company's standards regarding the code of conduct and ethics.
The Company discourages conflicts of interest and requires employees to avoid any situation that may affect their ability to act in the best interests of the company.

Due to its international exposure, Turbomecanica takes into account **existing anti-corruption policies at the international level and also imposed or recommended by business partners**. In 2022, Turbomecanica did not record any cases of corruption, money laundering, and bribery and was not a party to any lawsuits for unethical or corrupt behavior.

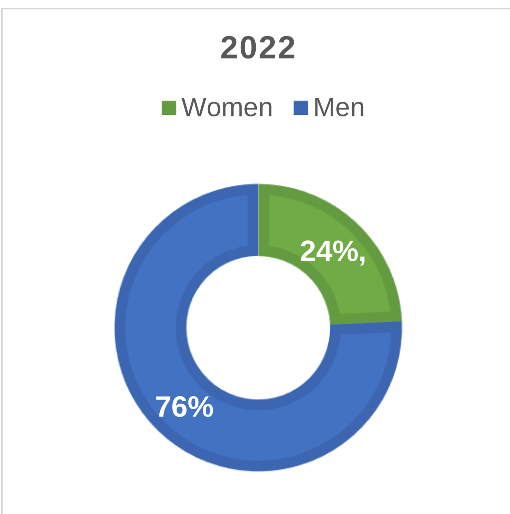
OUR STAFF

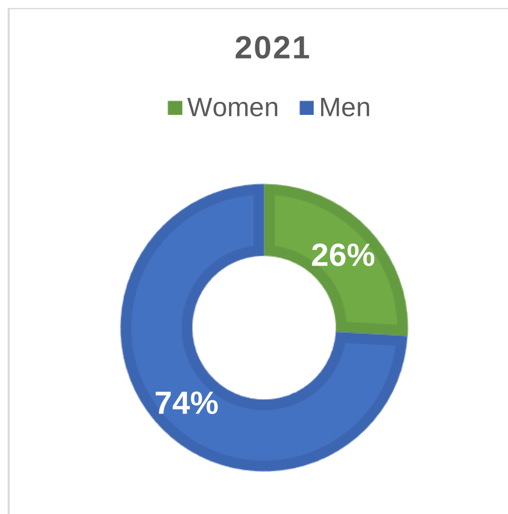
The management of the company ensured the development of the activities of Production, Technical and Compliance, Quality and Organization, Human Resources, Financial - Accounting, Legal, Marketing and Sales.

The total number of TBM staff on 31.12.2022 was 461 employees, decreasing compared to last year by 40 people.

The average age of the staff on 31.12.2022 was 48 years, similar as in 2021.

We ensure diversity through a gender balance and taking into account the specifics of the activity so the staff structure is as follows:





Between January and December 2022, a number of 93 employees left the company (of which 11 retired) and 53 people were employed.

Total expenses with salaries and employee benefits, made in 2022, amounted to 52,742,599 lei, of which:

COSTS	2022	2021
salary expenses:	46.200.894	47.034.576
spending on vouchers granted to employees	4.310.600	4.091.470
expenses regarding the labor insurance contribution	1.039.566	1.058.426
other expenditure on insurance and social protection (aid)	254.850	253.900
expenses with the company's contribution to health insurance other expenses (CCM)	936.689	970.196

The share of personnel expenses in turnover achieved for 2022 was 37.90%, registering an increase of 2.77% compared to 2021.

The costs involved in the recruitment process were approximately RON 63,695 representing the costs of purchasing recruitment services and subscriptions to specialized sites.

Regarding the degree of unionization of the company, 55.74% of the company's employees are union members.

Regarding the level of training and specialization of the staff, the situation is as follows:

EMPLOYEE TRAINING	2022	2021	2020
Higher education	31.02 %	31.34 %	31.38%
Employees with high school and post-high school education	39.91 %	40.32 %	41.40%
Employees graduating from vocational school	23.86 %	23.35 %	22.49%
General school graduate employees	5.21 %	4.99 %	4.73%

The relation between the manangment and the employees is regulated based on the Collective Labor Agreement for the years 2022-2023. The socio-professional climate is constantly monitored, there is a system of communication between the social partners that does not allow the emergence of conflict situations, which in fact were non-existent in 2022.

PERSONAL TRAINING

The company's personnel policy on staff training has been well supported in terms of internal training. The trainings took place in accordance with the Periodic Staff Training Plan approved for 2022.

Turbomechanics has certified staff to carry out the courses.

The specific certifications were ensured accordingly, the necessary competencies were maintained for operators, inspectors and laboratory workers for special processes and laboratories, effectively by specific trainings.

The specific training was carried our in accordance to the Anual Proffesional Training Plan. In this respect, the courses for Certification/Autorization, Professional Qulification assured both inside and putside the Company, a number of 378 employees were trained, amounting a total of 10,659 hours. Some of the specific trainings, due to the duration will be continued in 2022 and 2023.

For the management staff, a budget was allocated for MBA courses, with a duration of 2 that take place during the academic years 2021-2023, with a value of 5,000 Eur

For the external training and certification courses, the Company has invested the amount of 131,812 lei.

The specific training to ensure the maintenance of the necessary skills of operators, inspectors and laboratory workers for special processes and laboratories, carried out according to the annual Professional Training Plan in 2022, is structured as follows:

COURSE TYPE	2022		2021	
	No. of hours	No. Participants	No. of houres	No. Participants
Certification courses	810	340	1.283	405
Internal qualification	9.460	20	12.470	27
External training	143	13	3.056	88
External qualification	246	5	n/a	2
TOTAL	**10.659**	**378**	**16.809**	**522**

In order to ensure the human resources necessary to carry out the activities of manufacturing parts for aviation engines and maintenance of turbojet engines, turbomotors, helicopter mechanical assemblies, components and aggregates specific to them, as well as the production of high-tech industrial products, components and aggregates , TBM adopted the solution of practical teaching for students from grades 9-11 within the framework of dual education, carried out in partnership with technical colleges.

Turbomecanica concluded partnerships with 4 technical colleges for this form of education and publicized the company's offer in Bucharest and its surroundings in order to stimulate the interest of 8th grade graduates and their parents for the field of activity in which it operates and to generate the desire to become part of the Turbomecanica team

During the 3 years of study, Turbomecanica makes sustained efforts to convey to students the theoretical and practical knowledge necessary to classify children in the professions of Aviation Mechanic, CNC Operator, Fine Mechanic or Lathe, Milling Mechanic.

In addition to the practical experience, the students who signed dual education contracts with TBM receive:

- the premium of 800 lei if they obtain an average above 7 in the examinations during the practice and have 100% attendance.

- additional premium of 300 lei if they have averages over 8.

- transport settlement and the equivalent of a hot meal during the practical training sessions,

- employment in TBM at the end of the 3 years if they obtain the qualification diploma with grades above 7.

The total number of students enrolled at TBM in dual education in 2022 was 125 students and will continue to grow in the next school year.

Following the completion of the first complete cycle of dual education, the Company hired in 2022 7 Mechanics, 5 PM operators, 1 Metrologist and 1 compliance controller

The total expenses for dual education carried out in 2022 were in the amount of 945,993 lei, registering a decrease of 9.70% compared to 2021.

ASSESSMENT OF SAFETY AND HEALTH ISSUES

Occupational safety and health at Turbomecanica is a priority in company policy.

The entire activity of the Company is based on the principle of continuous improvement of production conditions, with direct effects in increasing safety and health at work.

Permanently, both through the activities carried out by the workers within the FSSM, and through the operative managements at the level of each compartment, the conditions for carrying out the production activity are monitored, so that the security conditions of the activity of the entire staff are respected.

In 2022, the investments started in the previous period in the direction of improving working conditions and refurbishment were continued, as follows:

The technological modernization works continued, namely:

- Within the SPSP special processes section (with the production areas: Thermal Treatments (TT), Surface Coatings (AS) and Painting) the works continued to improve the production conditions/working microclimate, by modernizing the ventilation and exhaust installations/ noxe treatment, namely:

  - The modernization works of the SHOPP1D crucible installation have begun, by replacing the filtration system, restoring the inner lining and the control panel;
  - Modernization of ENDO generator type GEN 20-E;
  - Modernization of the recirculated water demineralization installation by replacing the tanks and water circuits

- Within the Test Assembly section (SMI) the expansion works were completed and, respectively, the moving bridges in the Engines and Mechanical Assemblies areas were put into operation;

- Workspaces/compartments were rearranged in the areas of Aggregate Tests and Engine/Aggregate Control'

- Also, the noxious exhaust systems from the VIPER and TURMO test benches were checked and, if necessary, elements of their structure were replaced to maintain normal operating parameters.

- Replacement of several machines in the mechanical processing section to make the production process more efficient.

Prior to the start of periods of extreme temperatures, appropriate measures have been taken to ensure a proper working environment, by controlling and maintaining water-drainage and air conditioning systems, ensuring normal operation.

In all the spaces of the Company - production spaces, administrative spaces, warehouses, etc., periodic verifications were performed regarding the operation in optimal conditions of the fire detection and alarm systems.

Through the occupational safety and health program for the year 2022, all the activities necessary for the observance of the requirements provided by the Occupational Safety and Health Law no. 319/2006 and the methodological norms of application, as well as of the other legislative acts in the field.

In accordance with the TBM Prevention and Protection Plan, the necessary measures were applied to ensure the improvement of the level of security and protection of workers' health as follows;

- occupational safety and health risk assessment at all workplaces;
- on the basis of a risk assessment, preventive measures have been taken to ensure that the level of safety and health protection of workers is improved;
- the OSH materials have been permanently supplemented, according to the current legislation, which is used to carry out regular OSH training for TBM employees as well as to establish the necessary measures for the safe conduct of technological processes;
- the purchase of work equipment was continued for all TBM staff, both for the existing one and for the new employee;
- the supply of hygienic-sanitary materials (protection creams, hand cleaning paste, etc.) was ensured in accordance with the provisions of the Internal Regulations;
- new medical kits were purchased for the replacement of the damaged ones from the existing work areas / workspaces as well as for the endowment of the workspaces from the extension made to the C3 building - Mechanical Assemblies section. Materials for completing first aid kits were also purchased and general-purpose medicines were provided for first aid (including anti-burn spray for high-temperature workstations: plasma jet welding and cutting, etc.). ;

- Urgent eye wash solutions were periodically purchased for SPSP staff: Galvanizing, Storage-Packing and Painting and respiratory protection masks for SPSP staff, Non-Destructive Testing Laboratory, Plasma Cutting team, as well as for staff carrying out sanding and grinding activities;

- continued the purchase of new masks, in accordance with the latest requirements in the field, for welders;

- hoods/caps for head protection were provided for SPM personnel who carry out activities in areas with low temperatures

- protective gloves (chemical, mechanical, etc.) were periodically purchased for the salaried staff, as well as abdominal and/or lumbar protection belts for the staff from the SPM-presaj, SPSP and partially ATD sections.

- for personnel whose activities are carried out in a toxic environment, an antidote / protective diet consisting of milk powder and mineral water was periodically purchased in accordance with the regulations in force;

- the authorizations for lifting and pressure installations owned by TBM were extended (in accordance with CNCIR regulations);

Upgrades have been made to fire protection, namely:
- In all TBM buildings - production spaces, administrative spaces, warehouses, etc., fire alarm systems were installed and fire extinguishers were purchased, in addition to the existing ones.

The measures applied to ensure protection against SARS-CoV2 contamination continued in 2022, namely:

- medical laser thermometers for checking the temperature of each employee, as well as the installation of thermoscanners at the two access gates in TBM;
- the provision of personal protective equipment (disposable gloves, respiratory protection masks, work equipment), the wearing of protective masks being mandatory on the entire perimeter of the company, for all employees as well as for visitors / collaborators;
- rapid antigen tests to detect SARS-CoV2 virus contamination;
- sanitation of spaces and work surfaces, equipping each area / section / work space with spray disinfectant for both hands and surfaces;
- carpets at all entrances to buildings, moistened every 3 hours with chlorine-based disinfectant solution;
- dispensers with hand sanitizer dispensers, equipped with sensor, at all entrances to buildings / work spaces;
- disinfection at regular intervals of 2 hours of all areas of common use: toilets, dining rooms, access halls;
- rearrangement of work spaces / offices in the production sections and administrative spaces, in order to comply with the regulations established during the state of alert and / or urgency regarding the provision of physical distance during the performance of activities;
- organizing the activity of the shift work schedule within the administrative spaces / offices and production sections so as not to create crowds of staff;
- SSM pictograms / signals, management provisions regarding the measures applied in TBM to prevent SARS-CoV2 contamination.

MONITORING HEALTH CONDITION AND WORK SKILLS OF EMPLOYEES

The mandatory annual occupational medicine investigations/periodic medical check-ups for TBM staff were carried out at the TBM headquarters, in two stages, by the mobile medical team of the provider of occupational medicine medical services: in March for part of the employees, and respectively , between September and October 2022 for most employees.

From the Medical Evaluation Report prepared by the occupational physician, it was concluded that no occupational diseases were reported in the examined employees.

The medical recommendations regarding the work ability for the employees notified following the periodic medical check-up were analyzed internally and, as the case may be, the appropriate measures were applied.

Also, during September-October, the medical control was performed for the students who perform the internship in TBM for the school year 2022-2023.

Newly hired staff were assessed by performing on-the-job medical checks and staff infected with SARS-VOC 2 were regularly monitored and evaluated, according to medical reports.

During 2022, no work accident was registered in TBM.

Occupational Safety and Health (OSH) and Emergency Training (SU):

1. General introductory training in the fields of OSH and SU of new employees
2. Regular training of staff in the fields of OSH and SU;
3. Collective training (SSM + SU) for collaborators and visitors;
4. Training of students doing the internship in TBM, starting with February 2021, from the following educational institutions:
    - Carol I Technical College, specialization: Lathes;
    - I.C. Technological High School Bratianu, specializations: Milling and Mechanic of Fine Mechanics;
    - Dinicu Golescu Technological High School, specialization: Numerical control machine operator;
    - Henri Coandă Aeronautical Technical College, specialization: Aircraft mechanic.

Development of new working instructions and revisions of existing documents on occupational safety and health (OSH) and emergencies (SU).

In July 2022, the Training regarding the provision of first aid measures for people from TMB was carried out - 44 participants.

Starting from December 2022, the TBM PSI authorization process is underway.

INTERNAL ORGANIZATION & ORGANIZATIONAL STRUCTURE
TURBOMECANICA MANAGEMENT

The management of the company is in a unitary system.
The Chairman of the Managing Board is also the General Director of the company and ensures the executive management.

The organization of the Turomecanica management system is defined by the operative management that ensures the achievement of responsibilities and objectives based on a divisional type organization,

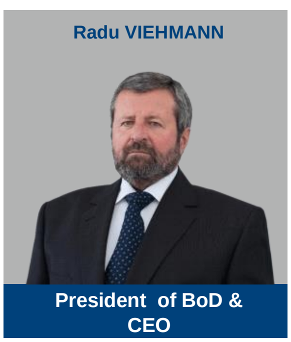
The management at operational level is ensured by the Directors of the 4 departments, which form the Managing Board.

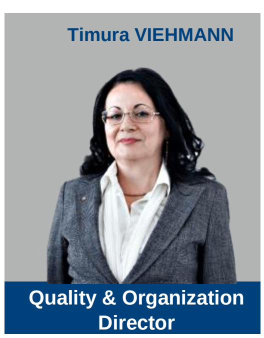
Each operational department has specific structures under it.

There were no changes in this structure in 2022.

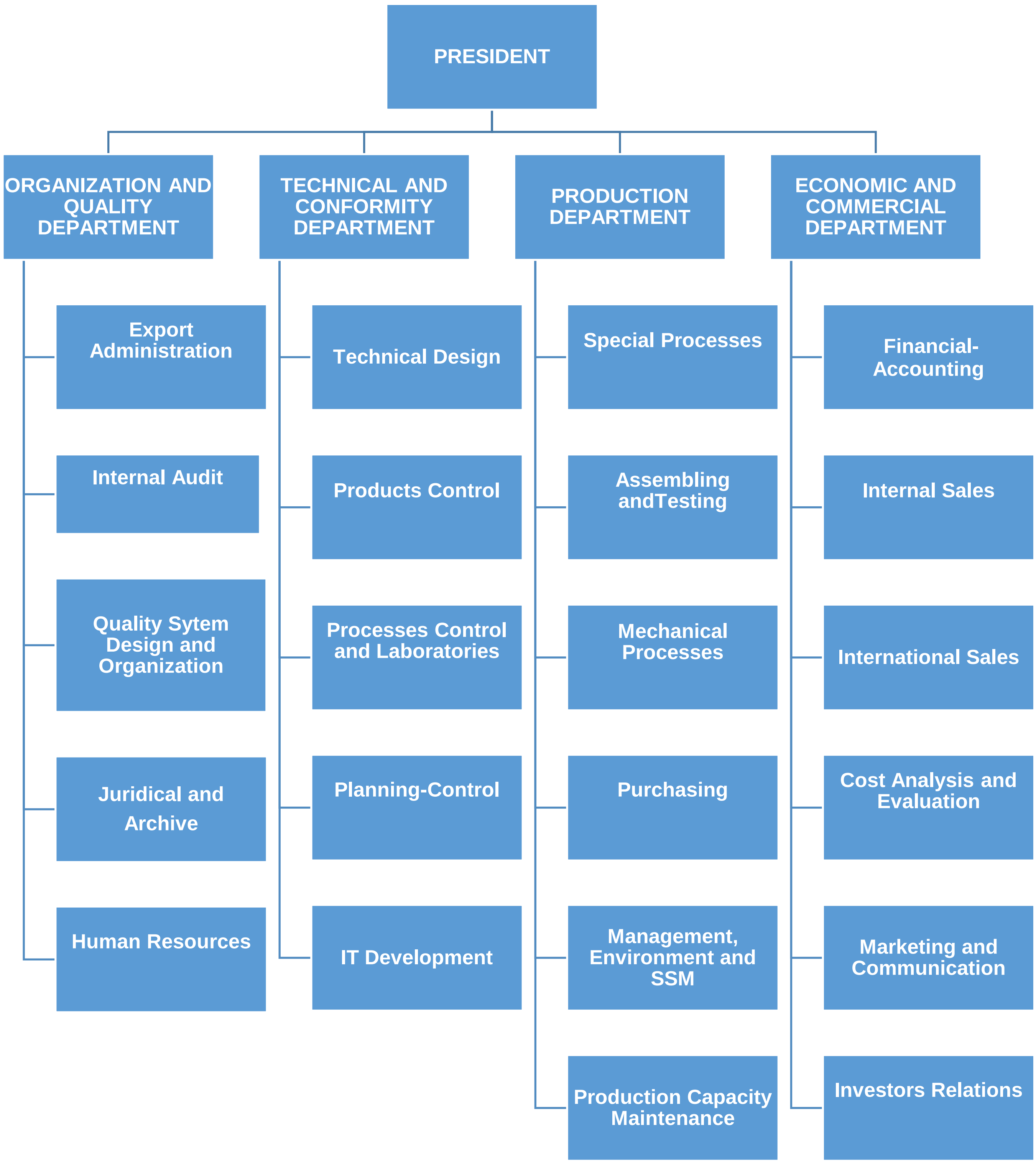
As at 31.12.2022, the non-executive management structure that ensures the current development of the activities has the following composition:

NAME	POSITION
VIEHMANN Radu	President of BoD & CEO
ANGHEL Claudia	Financial & Commercial Director
VIEHMANN Timura Wendy	Quality & Organization Director
TICĂ Sorin Daniel	Production Director
VASILESCU Șerban-Ion	Technical & Conformity Director





ORGANIZATIONAL CHART



TURBOMECANICA SHAREHOLDERS

Turbomecanica operates in accordance with the Companies Law no. 31/1990, amended and supplemented. The company was part of the public offer initiated by the Romanian Government in 1995, under the name of "Mass Privatization Program". Following this program, the Company fulfilled the listing conditions on the regulated market of the Bucharest Stock Exchange (BVB), where it was listed on 07.10.1998.

As an issuer, the Company complies with the provisions of Law 24/2017, on the capital market, and the specific regulations issued by the National Securities Commission (CNVM) based on the said law.

The nominal value of a share is 0.1 Lei.

MAIN SHAREHOLDERS

The shareholding structure includes at the end of 2022 a total number of 1,127 shareholders, individuals and legal entities.

The synthetic structure of the Turbomecanica shareholding published on 31.12.2022 on the website of the Bucharest Stock Exchange in accordance with the data received from the Central Depository presents the main shareholders as follows:

	Number of shares held	% Equity
Viehmann Radu	95,758,800	25.9198 %
Ciorapciu Dana Maria	56,003,876	15.1590 %
Other Shareholders	217,679,649	58.9211 %

In 2022, TBM granted dividends, offering investors a yield per share of approximately 10.5%. The net worth of the dividend was 0.02735 lei.

CORPORATE GOVERNANCE

Turbomecanica is a company that operates in accordance with the Companies Law no. 31/1990, amended and supplemented. The company was part of the public offer initiated by the Romanian Government in 1995, under the name of "Mass Privatization Program". Following this program, the Company fulfilled the listing conditions on the regulated market of the **Bucharest Stock Exchange (BVB)**, where it was listed on 07.10.1998.

As an issuer, the Company complies with the provisions of Law 24/2017, on the capital market, and the specific regulations issued by the National Securities Commission (CNVM) based on the said law.

The company is managed by a Board of Directors, consisting of 5 (five) directors, appointed by the Ordinary General Meeting of Shareholders on 25.04.2020 for a period of 4 years, with the possibility of being re-elected. From among these members appointed by the Ordinary General Meeting of Shareholders, the members of the board shall elect a Chairman and a Vice-Chairman. The Chairman is also the General Manager of the Company.

The Board of Directors is chaired by the Chairperson, or, failing that, by the Vice-Chairperson, having the same rights as the incumbent Chairperson.

Of the 5 members of the Board of Directors, one is also the executive director - the chairman of the General Manager - and the rest are non-executive. Mr. Radu Ovidiu Sârbu declared himself an independent administrator fulfilling the criteria specified by the CGC of BVB at points A41-A49.

The administrators in office on 31.12.2022:

Name	Position	The year of first election	The year of expiry of this term
Radu Viehmann	President, General Manager	2000	2024
Dana Maria Ciorapciu	Non-executive administrator	2006	2024
Radu Ovidiu Sârbu	Independent, non-executiv administrator	2016	2024
Niculae Havrilet	Non-executive administrator	2021	2024
Henriette Spinka	Non-executive administrator	2008	2024

The obligations and responsibilities of the directors shall be governed by the terms of reference of the terms of reference and those specifically laid down in respect of companies. In addition, the Company adopts the Rules of Procedure of the Board of Directors detailing the main tasks, the organization, the committees as well as the policies to be implemented and supervised by the Board of Directors.

The Board of Directors Regulation provides the rules applicable by the Board of Directors in order to manage conflicts of interest in Chapter F of the Board of Directors Regulation.

The members of the Board of Directors, including the Chairman, may delegate the powers of representation and / or decision to the Directors of the company, appointed from among the directors or from outside the Board.

The members of the Board of Directors **voluntarily adopted and self-imposed CGB** of BVB, approved the Corporate Governance Regulation, which can be found on the company's website www.turbomecanica.ro and report to BVB the status of compliance with the Corporate Governance Code of the Bucharest Stock Exchange.

TBM has made and will make the necessary professional, legal and administrative efforts to ensure alignment with the provisions of the new Corporate Governance Code of the Bucharest Stock Exchange and the transparent presentation of these results.

The competencies and responsibilities of the Board of Directors are those provided in the RGC and in the Rules of Procedure of the Board of Directors. The Chairman of the Board of Directors also holds the position of General Manager of the Company.

Three working committees were formed by the Board, as follows: audit committee, nomination committee and remuneration committee. Most of these committees are made up of non-executive board members.

The qualification and professional experience of the administrators is presented in the CVs that can be accessed on the Company's website www.turbomecanica.ro.

The Corporate Governance Regulation is available to all interested parties on the official website of the Company www.turbomecanica.ro., section *Investor Relations - Corporate Governance*

ADMINISTRATORS' PARTICIPATION IN TBM SHARE CAPITAL ON 31.12.2022

Name	Position	No. Shares	% Equity
Radu Viehmann	President, General Director	95,758,800	25.9198 %
Dana Maria Ciorapciu	Non-executiv administrator	65,003,876	15.1590 %
Radu Ovidiu Sârbu	Independent non-executive administrator	-	-
Niculae Havrilet	Non-executive administrator	-	-
Henriette Spinka	Non-executive administrator	570,000	0.1543 %

During 2022, the Managing Board met in 8 meetings, at least 1 meeting per quarter, in the presence of 4-5 of its members - and adopted decisions that allow it to carry out its duties in an effective and efficient manner.
Thus, at its meetings, the Managing Board analyzed the financial results obtained during the reporting period and cumulated from the beginning of the year, as well as the economic performance in relation to the budget and the similar period last year.

The remuneration policy of the administrators applied so far is based on the national legislation in force. The administrators have concluded mandate contracts, in which a fixed indemnity is established.
The contract model can be accessed on the company's website www.turbomecanica.ro. There is no variable remuneration component or other form of remuneration for directors. In order to remunerate the members of the executive management on the principles of efficiency and performance, a Remuneration Committee has been created within the Board.

MANAGEMENT SYSTEM AND INTERNAL CONTROL

In accordance with the legal provisions, the financial-accounting statements and those regarding TBM's operations are audited by ERNST & YOUNG ASSURANCE SERVICES S.R.L., independent financial auditor, appointed by the general meeting of shareholders from 27.04.2021 for a period of 3 years.

Risk management and internal control have so far been carried out directly by the specialized department of the Company and by the Managing Board.

The Audit Committee has been set up and operates in accordance with the adopted regulations.

The Company has performed all activites related to the management of conflicts of interest, publicity of transactions, audit, equal treatment of shareholders in the current activity of the Company, approval of transactions with shareholders by BoD under the supervision of BoD and in strict accordance with legal provisions applicable to companies which are traded on a regulated market.

Also, regarding the internal audit, the Company has implemented the policies and conditions provided by law.

FAIR MOTIVATION AND REWARDS

Given the corporate size of the Company to date, the remuneration policy has not been adopted given that the remuneration of the members of the Managing Board has been set by the General Meeting at a level similar to those existing on the market.

ADDING VALUE TO INVESTOR RELATIONS

The company has a website with a section dedicated to investor relations, the content of which is to be updated in accordance with the provisions of the Managing Board Regulation and the Corporate Governance Code.
The company publishes on its website all information regarding general meetings, conditions of participation, documents, etc., current reports, corporate events, including the payment of dividends.

The company has so far not adopted a policy for the payment of dividends, but has demonstrated consistency and predictability in their payment.
The dedicated section contains information on the management of the company, the members of the Managing Board, the contact details of the person responsible for investor relations.

Upon request, the company shall invite specialists, consultants or experts as accredited journalists to the meetings of the GMS, as the Chairman of the Board deems appropriate, and shall hold two meetings with analysts and investors each year.

NON-FINANCIAL STATEMENT

In accordance with the accounting regulations regarding the individual annual financial statements and the consolidated annual financial statements, approved by ORDER no. 1802 of December 29, 2014 for the approval of the annual financial statements, the entities that, at the balance sheet date, exceed the criterion of having an average number of 500 employees during the financial year have the responsibility to include in the directors' report a **non-financial statement.**

Turbomecanica, registered during the year 2022 an average number of 457 employees, consequently the company does not have the obligation to report the non-financial statement.

However, the Company's Board of Directors decided to present non-financial information for the year 2022 in the form of a non-financial statement, attached to the Report of the Board of Directors, **in order to ensure a comprehensive, detailed and transparent reporting to investors and interested parties.**

COMPLIANCE WITH NON-FINANCIAL REPORTING REQUIREMENTS

COMPLIANCE REQUIREMENTS	CHAPTER FROM THE ANNUAL REPORT 2022	PAGE
Business model, Organizational context and stakeholders	Contextul organizației şi părțile interesate	10
Quality policy and environment	Integrated quality and environmental assurance system	16
Improving environmental performance	Climate change mitigation by improving environmental performance and preventing pollution	22
Improving performance in the field of pollution prevention	Climate change mitigation by improving environmental performance and preventing pollution	22
Climate change mitigation	Climate change mitigation by improving environmental performance and preventing pollution	22
Sustainable use of resources	Sustainable development and sustainable use of resources	40
Principles and values of Turbomecanica Code of conduct and ethics	Code of conduct and ethics - principles and values	27
Sustainable Development	Non-financial statement Sustainable development and sustainable use of resources	39
Social responsability	Social Responsability	42
Social and personnel issues	Human resource	26
Promoting diversity	Human resource	28
Human rights and the fight against corruption and money laundering	Human resource Corporate governance	27 36
Corporate governance	Corporate governance	36
Risk management and opportunities	Risk and opportunity management	43

COMPLIANCE WITH REGULATION REQUIREMENTS

The Company's activity is organized and regulated internally taking into account the compliance with the legislation and national and international standards in the aeronautical field through:

- ✓ the documents of the Quality and Environmental Management System (SMQ&M) which in 2022 was recertified by the competent state authorities in accordance with ISO 9001, ISO 14001 AS EN 9100, AQAP 2110, documents that are the basis for obtaining TBM authorization by AACR (Romanian Civil Aviation Authority) and by AAMN (National Aeronautical Military Authority) as MRO in accordance with Regulation (EU) no. 1321/2014 part 145 and with RMAR 145
- ✓ Implementation of the specific requirements of Turbomecanica customers
- ✓ Accounting Policy Manual prepared in accordance with the National Accounting Regulatory Framework and International Financial Reporting Standards ("IFRS")
- ✓ Corporate governance regulations
- ✓ European Commission Guidance on non-financial reporting (2017 / C215 / 01)
- ✓ ISO 26000 principles and recommendations
- ✓ CNVM Regulation no. 1 on issuers and securities transactions

Turbomecanica complies with all regulatory and reporting requirements, always adopting best practices in the field, in order to ensure the correct, complete and transparent information of all stakeholders.
The company has been reporting for at least 5 years a significant part of the recommendations on the information reported in the Non-Financial Statement, as an integral part of the Annual Report of the Board of Directors.

Regarding social responsibility, Turbomecanica follows as a guideline the 7 principles of the ISO 26000 standard correlated with the dedicated national and international standards and regulations, regarding: environmental requirements, ethics, trade union activity, good commercial practices. , the fight against corruption and bribery, stakeholders and concern for the community.

SUSTAINABLE DEVELOPMENT & SUSTAINABLE USE OF RESOURCES

Our continuous and sustained efforts regarding the sustainable development of the Company have not lost sight of the efficiency of waste management and investments in our own production capacities to ensure compliance with the standards imposed in the field of aviation.

According to the Corporate Governance Regulation, the executive management is ensured by the Executive Director who carefully monitors the activity of the 4 departments (Financial and Commercial, Production, Technical and Compliance, Quality and Organization) which are responsible for ensuring the sustainable development strategy of social, economic and environmental. The Director-General shall accordingly inform the Management Board whenever necessary in respect of such matters.

The proposal of the **sustainable development** strategy and the assurance of the performance management together with the planning of the resources and the deadlines are established by the Managing Board by assuming the strategic objectives for the current year, approved by the General Director.

Responsibilities are divided according to the organizational structure as follows:

- Activities dedicated to the business relationship, ensuring fair business practices, ensuring financial resources and analysis of development opportunities, **ensuring transparent communication with stakeholders, avoiding money laundering, compliance with corporate governance** regulations are the responsibility of the Economic and Commercial Department.

- Activities dedicated to the analysis of customer requirements, the development of technologies, production planning, the development of ERP software for the planning of production resources, the management of the technical archive are the responsibility of the Technical and Compliance Department.
- Activities dedicated to the **environment, health and safety at work, sustainable use of resources** by reducing the consumption of utilities, maintenance of equipment, ensuring supply are the responsibility of the Production Department.
- Dedicated activities to comply with the **quality and environment management system with specific standards and customer requirements, social responsibility, personnel activities, anti-discrimination, risk management,** process and product audit activities, **legal compliance aspects of human rights**, **the fight against corruption and bribery**, archiving activities in accordance with the law on national archives are the responsibility of the Quality and Organization Department.

Each responsibility is assigned an activity manager. In certain circumstances, some actions may be directly the responsibility of the board of directors.

With objectives that depend on the interdepartmental activities, they are allocated as a percentage to each department involved in their fulfillment according to the proportion of involvement.

All corrective actions, established following the identification of deviations from the process, are based on causal analyzes to identify the root cause.

The reporting of the procedural performance, of the degree of achievement of the objectives, of the stage of accomplishment of the corrective actions is made by the responsible ones, monthly / quarterly / half-yearly depending on the definition of the process indicator. Half-yearly results are reported in the management analysis every six months.

The directors of all departments together with the heads of the reporting structural entities participate in the reporting meetings.

The Turbomecanica team pursues a common goal, namely the development of the company by penetrating the maintenance services market for civil and military aircraft as well as to increase the portfolio with existing customers. In this sense, we constantly focus on optimizing the performance of resource allocation and consumption processes and we are constantly engaged in identifying solutions to reduce environmental impact, by replacing hazardous substances, increasing air quality and last but not least recycling.

Turbomecanica is committed to continuously developing and improving its management, quality and environmental systems implemented so as to operate at the highest level according to the applied standards.

In this sense, Turbomecanica undertakes through its quality and environment policy to contribute to sustainable development, by:

- ✓ ensuring the communication, understanding and application of the quality and environment policy;
- ✓ ensuring regular training and awareness of all employees of the organization on the importance of compliance with quality and environmental requirements;
- ✓ ensuring the increase of the efficiency of the quality and environmental management system, so as to guarantee the provision of compliant and safe products and services, while ensuring the improvement of environmental performance by promoting technical solutions and technologies as safe as possible for the environment;
- ✓ ensuring compliance with the legislation in force and with the regulations on quality and environmental protection;
- ✓ ensuring the identification and analysis of the risks related to the developed processes and their monitoring in order to maintain them within the accepted limits;

- ✓ managing environmental aspects in the processes carried out so as to minimize the impact generated on the environment;

Consequently, we are still involved in **protecting the environment and the sustainable use of resources** by:

- ➢ Communicating quality and environment policy to all stakeholders;
- ➢ Applying all legal and regulatory requirements;
- ➢ Ensuring the disposal of hazardous waste by certified means;
- ➢ Increasing the proportion of reusable waste;
- ➢ Reducing the amount of hazardous waste;
- ➢ Reducing greenhouse gas emissions;

We are convinced that by being aware of the importance of ethical behavior by every employee and by the constant concern for safety, we will be able to increase customer satisfaction and reduce our impact on the environment.

SOCIAL RESPONSABILITY

Turbomecanica cultivates, from the very beginning, the ideology of transmitting the profession from father to son, an ideology as a result of which the Company benefits from an internal society based on familiarity and respect.

From the point of view of communication with the local community, and with secondary and university education institutions, TBM is represented by the Director of Quality and Organization who dedicates time and effort to organizing and monitoring the training of young generations of specialists in the aeronautical industry.

Taking into account in particular the specificity of the object of activity carried out, based on the partnership contracts concluded with 4 (four) educational units and with the administrative-territorial units within the radius of which they are located, TBM proposed the continuous and long-term training of skills needed by students, thus supporting their transition from school to work

On this occasion, in July 2022 TMB successfully completed the first cycle of professional training carried out during 3 school years and organized, in collaboration with the educational units. The certification exam of the professional qualification in the MECHANIC field (level 3 of qualification according to the National Framework of Qualifications) for the specialization of 18 students with the professional qualification of aircraft mechanic, as well as of 12 students with the professional qualification of operator of numerical control machines. All the examined students obtained graduation diplomas. 7 Mechanics, 5 PM operators, 1 Metrologist and 1 compliance controller were employed in TBM.

Also, in the 2021-2022 school year, TBM opted for the inclusion in the training programm for another 120 students of the X^{th} and XI^{th} grades in the MECHANICAL professional training field (qualification level 3 according to the National Framework of Qualifications), with the following professional qualifications: numerical control machine operator, aircraft mechanic, turner, fine mechanics mechanic and router-turner-mortiser.

In this sense, TBM has allocated material resources (by providing textbooks and course materials), logistic (through access to the production lines and setting up a workshop-school) and human resources (through the involvement of specialists in the process of teaching theoretical concepts specific) in order to train the skills and abilities of a number of 120 students for their employment after completing their studies.
In November 2022, TURBOMECANICA formulated a series of tuition offers in dual education for the 2023-2024 school year for an additional number of 84 students who will be enrolled in the 9th grade with the same professional qualifications.

At the same time, we maintain a close connection with the Faculties of Aerospace Engineering and Materials Engineering within the Polytechnic University of Bucharest, also having a collaboration protocol currently underway in this regard.

The financial aid distributed to the community in 2022 through the sponsorship strategy took into account 3 main objectives: Education & Social, Environment and Medical. Among the largest projects continue to be, the contribution to the renovation of rural schools to support education, the fight against school dropout followed by the afforestation project, where even if we did not contribute volunteers for planting activities due to the health crisis, we managed to ensure planting of 130 seedlings.

RISK AND OPPORTUNITY MANAGEMENT

The **risk management** implemented in **TBM** takes into account the relevant context for the Company's activity both in terms of internal and external aspects, stakeholders and their requirements, in accordance with the provisions of the **Quality Manual**.

In this organizational planning process, the risks and opportunities that may affect the following are determined:

- The capacity of the **quality and environmental management system** to guarantee the achievement of the intended results;
- Amplification of the expected effects;
- Prevention or reduction of unwanted effects;
- Making improvements;

In this context, the Company plans the actions related to the monitoring of these risks and opportunities and monitors both the implementation of these actions in its processes / sub-processes / activities, as well as the effectiveness of the established actions. The established actions are, as a rule, proportionate to the impact on the conformity and saftely of the products / services delivered by the Company.

The planning of the treatment of risks and opportunities is done based on the Business Continuity Plan. This Plan creates a complete picture of the estimated manifestation of the identified risk factors and sets out the actions needed to reduce / use them and the functions responsible.
The **Business Continuity Plan** identifies, analyzes, evaluates and establishes / updates / updates annually, action / intervention plans to reduce the effects of risk factors acting on **TBM** such as:

⇒ risk factors associated with customers / suppliers;
⇒ environmental risk factors;
⇒ social risk factors;
⇒ risk factors associated with human resources;
⇒ disaster / calamity risk factors that may affect business continuity in terms of:
⇒ stocks;
⇒ computer system;

⇒ the company's assets (production capacity, buildings, know-how, water supply systems, gas, electricity, heat, etc.);
⇒ communication systems (telephone, e-mail, fax, etc.).

The Managment Council analyzes and establishes by Decision, **the Key Processes of the quality and environmental management system** that have a great importance in creating added value and in achieving strategic objectives on quality and environment, with impact on customer satisfaction and implicitly on **TBM's** financial situation.

The strategic objectives on quality and the environment derive from the short and medium term **TBM** strategy aimed at maintaining or developing the business and increasing the turnover.

For these processes, strategic indicators are established, the variation of the target is identified, monitored and, if necessary, corrected/ reduced.

System certification of the Integrated Quality and Environmental Management System in accordance with the latest editions of SR EN ISO 9001, AS 9100, AQAP 2110, SR EN ISO 14001 provide assurance to stakeholders on the involvement of TBM management in risk analysis, implementation and monitoring.

The latest edition of the Business Continuity Plan analyzes the risks related to the following 9 activities: Human Resources, Supply, Production, Compliance Control, Special Process Control, Sales, IT / Data Control and last but not least, Emergency Situations, Environment.

Managing the identified risk in environmental management

The environmental management risk analysis is governed by the specific internal procedures “Environmental Management” and “Waste Management” and is monitored on a monthly basis based on key process indicators established in accordance with these internal procedures and in accordance with applicable law.

The results of the effectiveness of the actions established by the TBM Management in order to reduce the risk related to the environmental management activity were presented in the Chapter: ***"Climate Change Mitigation by Improving Environmental Performance and Pollution Prevention".***

TBM also demonstrates in the period 2021-2022 the compliance of the activity with the legal requirements by obtaining the Integrated Environmental Authorization No. 05/2016 revised on 21.02.2020 valid until 2026.

The Integrated Environmental Authorization and the Water Management Authorization allow the operation in conditions of full legality of the existing installations, equipment and processes in Turbomecanica.

However, TBM management is constantly concerned with improving measured indicators and increasing the collection of hazardous waste.

The main risks identified in the Business Continuity Plan and their management

EXTERNAL RISKS

These risks are related to external factors and affect he Company by changing the demand for services offered by it, the competitive environment or the cost of some products, which cannot be controlled by the Company such as, for example, prices for raw materials (steel, nickel, magnesium, aluminum, etc.)

The global macoeconomic issues (energy crisis, continued unpredictable evolution of prices for raw materials and dysfunctions in supply chains, etc.) and European (euro inflation, economic imbalances in the European Union, especially in the Eurozone, etc.), combined with the geopolitical problems in the area (the war in Ukraine, the topic of migration and protectionism in the EU, the problems in the Middle East, etc.) create additional pressures on the aviation industry and those related to it.

IATA predicts that in 2023 total airline revenues will recover industry-wide to approximately 93% of pre-Covid levels. This reflects the further recovery of air passenger revenues to around USD 522 billion (about 86% of 2019 level) partially offset by air cargo revenues which have been unusually strong for several years at around USD 150 billion (approximately 150% of the 2019 level).

Economic risk

Earlier this year, the International Monetary Fund maintained its forecast for the development of the world economy, estimating that it will grow by 2.7% in 2022, amid the return of China's contribution to fueling global growth, probably from mid-2023, but also of an expected mild recession for the US economy. The IMF believes that great uncertainty persists, citing the risk of a significant climate event, a major cyber attack or the danger of an escalation of Russia's war in Ukraine. The World Bank predicts in the report "Global Economic Prospects" a 1.7% growth of the world economy in 2023, the slowest pace in the last three decades, except for the recessions of 2009 and 2020.
As far as Romania is concerned, in the autumn forecast published in October 2022, the National Strategy and Forecasting Commission estimates for the year 2023 a deceleration of economic growth to 2.8%, given that the unfavorable effects of the current geopolitical context will continue and become more visible at the European level. Activity in the industrial sector will continue to be influenced by the high level of energy product prices and the weakening of industry in Germany - Romania's main trading partner, with an increase in gross value added of only 0.4% expected.
The risks related to the current economic forecasts remain high in the current geopolitical context regarding the war in Ukraine and the sanctions associated with it. At the same time, supply chain distortions are expected to continue throughout 2023, CNSP considering that their persistence over a longer period of time becomes a risk for the evolution of the world economy. Also, maintaining high prices for a long period of time leads to the risk of reducing the rate of economic growth, diminishing profit margins and eroding purchasing power.
On the other hand, there are also premises for an economic growth beyond expectations supported by the faster materialization of reforms and investments foreseen from European funds, especially in PNRR, with a positive impact in mitigating global shocks. Also, the prolongation of Russia's war in Ukraine may lead to the relocation of some companies to Romania, the infusion of foreign capital being a breath of oxygen for the economy.

Market development risk

In 2022, the global civil air transport industry continued its slow recovery, with IATA estimates of a return to pre-pandemic traffic values in 2024. Airlines, airports and other players again began to hire at record rates, add capacity , to resume routes and, in some cases, to recover from a financial point of view.

As for the military aviation MRO market, it has had different developments from one country to another in the context of the pandemic. This market was estimated at USD 22.9 billion in 2018 and is expected to grow at a CAGR of 2.60% by 2028 to USD 29.6 billion. The military MRO market consists of five segments: Multi-role Aircraft MRO, Transport Aircraft MRO, Multi-mission Helicopter MRO, UAV MRO and Transport Helicopter MRO, and estimates indicate a 10.4% MRO market share for multi-mission helicopters -role.

TBM operates without competition on the domestic MRO market of military helicopter engines.
At the same time, the gradual transition was started for civil MRO addressed to both the domestic and the international market, on which several big players (Safran, MTU, Lufthansa Technik, etc.) and medium-sized

companies (Aero Norway, GA Telesis) are active , etc.) where it will be able to attract market share thanks to the tradition of five decades of experience in the military segment.

In terms of the manufacturing market for civil and military aviation components, the competition is strong, being influenced by the diversity of players in the market. TURBOMECANICA performs successfully on this market, becoming a supplier for decades for major manufacturers of engines and mechanical assemblies such as Rolls Royce, Leonardo, GE, etc.

The development of the market has an impact on ensuring the continuity of the business determined exclusively by the dependence on the approval of the state budget and the realization of budget allocations in order to conclude contracts with defense structures in the field of military aviation.

The risk related to the continuity of the activity determined the action of diversification of the activity and the penetration of the maintenance market of the civilian engines EU 1321/2014, Annex II (Section 145) - AACR, action that was estimated with long term of completion, as well as certification and in the military field by acquiring RMAR 145 - AANM, these to be followed by securing EASA certification .

Legislative risk - refers to potential changes in legislation, which could have a negative impact on the Company. This risk is currently under control due to the effectiveness of established actions and the current analysis through monitoring systems of legislative changes.

IT risk / data control is managed through continuous analysis of the performance of data processing and storage systems. In this sense, according to the investment plan approved for 2021, the server cluster in the Data Center was up-graded to ensure compatibility with the latest software version.

The Checkpoint update ensures the redundancy of the Core Firewall so that in the event of a failure, the processing load may be offloaded from the defective device.
Updates were made to major software versions, with the system set to check and update once every 6 hours for critical updates.

In 2020, the risk related to emergencies was reconsidered, which includes the actions established in case of extraordinary events such as fires in risk-specific areas, power outages, epidemic / pandemic.

Due to the quick reaction to evaluate and establish the actions related to the impact of the Covid 19 pandemic, the Company went through the pandemic period from 2020-2022 without a major impact on the continuity of the activity. There were significant reallocations between reporting quarters, but at the end of each reporting period the Company met a significant proportion of its budget projections and contractual obligations.

From a financial point of view, 3 main risks are identified and monitored, namely: liquidity risk, credit risk and market risk.

Credit risk is manifested by the Company's significant exposure to its main partners, which concentrate a significant proportion of its turnover.

To this end, the Financial Accounting Service monitors its financial reports on a quarterly basis and determines the need to use specific instruments to reduce this risk (application of advances, letters of guarantee, etc.). For the reporting period 2021-2022, the need for their use has not been identified, however significant exposure remains under monitoring.

Price risk

In carrying out its current activity, TBM is exposed to a high risk related to the market price of raw materials. Significant fluctuations may have an impact on the Company's performance in terms of the products manufactured by the Company, but less on the products related to the main maintenance and repair activity.
The price of raw materials is the most difficult element to forecast among all the Company's costs. TBM has not been involved in hedging operations on the price of raw materials, the manufacture being based on customer orders, which can be for components produced from different raw materials (nickel, steel, aluminum, etc.), but the possibility of using this type of tool is analyzed. financially in the future, if this option becomes viable.
Until now, in TBM the method by which the effect of increasing the price of raw materials was mainly counteracted by the continuous analysis of the customer's requirements in order to quantify the price changes of the supplied materials and the improvements to the technological process, in order to revise the prices agreed.

The foreign exchange risk analyzed by the share of the currency in the turnover is not significant, approximately 90% of the turnover is related to the national currency, as well as the credit lines related to the working capital being also committed in RON.

Inflation risk
In the context of the available data and the regulations in force, the BNR estimates a worsening of the inflation outlook, almost exclusively in the short term, anticipating that the annual inflation rate is expected from 16.3% in 2022 to 11.2% in 2023, following in 2024 inflation to return to a single digit, namely 4.2% in September 2024.

According to the National Bank, the main determinants of the decrease in the annual dynamics of inflation will be the basic disinflationary effects associated with the large increases previously recorded in energy and fuel prices, as well as the relatively more pronounced downward trend of the oil price in recent months.

In an attempt to control inflation, at the beginning of January 2023 the NBR decided to increase the monetary policy interest rate to 7% per annum, from 6.75% per annum.

Interest rate risk
The risk generated by the interest rate is the risk of variation in interest costs over time. This risk corresponds to an increase in the costs of financing the company through credit lines, being determined by the ROBOR evolution on the market.

ROBOR represents the average interest rate at which Romanian banks lend to each other, in lei. The evolution of ROBOR is influenced by several factors, the most important of which refer to the monetary policy of the BNR, liquidity on the market, inflation and fiscal policy.

ROBOR has experienced significant growth in recent years. Thus, the 3-month ROBOR index - according to which interest is calculated for most loans granted in lei - stood at 1.5% in January 2021, 3% in January 2022, decreasing in mid-January 2023 to 7, 3% after a peak of 8.2% in October 2022.

INTERNAL RISKS

The contractual risk related to the Company's employment in contractual obligations is monitored by applying the internal procedure for analyzing the contractual clauses.

The risk related to human resources is expressed by the mobility of the labor force for which the management has established the monitoring through a key process indicator. The evolution of the indicator is positive, but it is not in the target.
The aviation industry involves the management of a highly qualified human resource, and the level of experience plays an important role in maintenance and repair activities. With the disbandment of several institutions that trained qualified aviation staff after 1990, as well as the exodus of skilled labor, it is difficult to identify qualified

personnel in the labor market. Hiring people with lower salaries but who are not qualified brings either higher non-quality costs or additional training costs. The measures taken by the company aim at refining the recruitment process, securing the job by investing in education, developing future specialists through the care and education of young people enrolled in the dual education program, collaborating with recruitment companies for key positions. Management considers the individual professional development plan and supports personal initiatives.
Social risks related to accidents at work or violence, ethical behavior, physical or moral harassment are also monitored. All these aspects are defined in the Internal Regulations and monitored through the integrated management system of quality, environment and occupational safety. Monitoring is carried out by the representatives appointed within each operational structure who report to the occupational safety and health department.

Operational risk is mainly addressed by ensuring the preventive maintenance plan. We estimate the completion in 2022 of the action of putting into operation the secondary power supply. We continue to monitor the recurrence of accidental defects and ensure the elimination of root causes, as well as the completion of the modernization of five bathrooms in the area of special processes, according to the investment plan approved for 2022.

FINANCIAL STATEMENT FOR 2022

	2022	2021
Equity	36,944,248	36,944,248
Turnover	139,161,607	131,331,165
Sales Export	15,173,423	11,222,755
% Export sales in turnover	10,90%	8.7%
Average staff	457	501
Gross profit	13,439,082	14,203,709
NET INCOME	12,189,143	11,749,227
Cash and financial assets	17,923,696	18,961,360
General liquidity	2.04	1.99
Investments put into function	2,233,352	3,215,903
% Investments in turnover	1.60%	2.4%

DESCRIPTION OF THE FINANCIAL PROCESS

Internal accounting policies, standards and procedures are part of the quality and environmental management system and comply with specific national and international regulations.

The entire financial-accounting activity permanently considers the observance of the following principles:
- the principle of prudence;
- the principle of permanence of methods;
- the principle of business continuity;
- the principle of independence of the exercise;
- the principle of the intangibility of the opening balance sheet for the year;
- the principle of non-compensation;
- the principle of economic prevalence over legal.

The Company's accounting is the main tool for knowledge, management and control of assets, ensures the chronological and systematic recording of information, processing and storage, reflecting the real situation of assets and results obtained.

TBM conducts double-entry accounting, prepares monthly, quarterly reports, at the end of the year presenting the balance sheet.

The accounting records are made chronologically and systematically according to the chart of accounts and the rules in force, any patrimonial operation being recorded in a supporting document.

In addition, the Financial Accounting Service is organized in such a way as to enable a high quality financial reporting process. Roles and responsibilities are specifically defined and a control process is applied to ensure the correctness and accuracy of the financial reporting process.

The management of material values is organized according to their nature by categories and places of storage or use as follows:

- fixed assets are organized quantitatively - in value;

- raw materials, inventory items, consumables are organized in warehouses at the company level by the quantitative value method.

The accounting of material values is kept by using the permanent inventory, and the control is exercised in accordance with the O.M.F.P. no. 2861/2009.

SITUATION OF TANGIBLE ASSETS

Turbomecanica's facilities and production capacities are registered at the headquarters in Bucharest, where the company's headquarters are located, at Bd. Iuliu Maniu no. 244, Sector 6, 061126, Romania.
The company does not have secondary offices or other offices.

Turbomecanica has built all the types of spaces necessary for the good development of the production activity, the provision of maintenance services and the execution of chemical and thermal processes, according to the object of activity.

Production facilities include industrial halls, test benches, chemical and heat treatment halls, areas for warehouses depending on the specifics of the activity and spaces for administrative and social activities. All the facilities of the Company are maintained in good condition. The built-up area of the buildings is approximately 14.068 ha.

The company's facilities and production capacities comply with the provisions established in the health, safety and environmental management system, in compliance with the applicable legislation and regulations on occupational safety, as well as norms of protection and safety of property.

As of December 31, 2022, Turbomecanica owns tangible assets in gross value of 72.938.173 lei, which include: land, buildings, special constructions, installations, technological equipment, means of transport:

TANGIBLE ASSETS	Gross Value (Lei)	Degree of wear (%)	Estimated useful life (years)
Land	16,642,911	0%	
Buildings	13,739,711	8,50%	3 - 50 ani
Technical equipment, of which:	41,931,669	42,92%	1 –15 ani
- Technological equipment	33,173,718	40,72%	1 - 15 ani
- Measurement devices and equip.	6,456,950	52,44 %	
- Means of transport	2,301,001	47,87%	1 –10 ani
Other tangible assets	623,882	38,00%	1 - 8 ani
TOTAL	**72,938,173**		

ANNUAL INVENTORY OF PATRIMONY

Taking into account the provisions of the Accounting Law, the International Financial Reporting Standards, the Norms regarding the organization and performance of the inventory of assets, liabilities and equity, the inventory was carried out in 2022 based on Decisions no. 359.3/20.10.2022, for the annual inventory of fixed assets and inventory items, raw materials, materials, unfinished production, finished products, waste, packaging, goods and Decision no. 359.2/20.10.2022, for the annual inventory of assets, suppliers and creditors.

The results of the annual inventory were recorded in the Annual Inventory Minutes of TURBOMECANICA SA, registered under no. 84/31.01.2023.

The availabilities in bank accounts on 31.12.2022 were reconciled with the accounting record documents, and the availabilities in currencies were valued at the NBR exchange rate on that date.

SUMMARY OF FINANCIAL POSITION

	2022	2021
Tangible assets	61,816,980	64,527,951
Current assets	119,606,959	112,957,572
TOTAL ASSETS	**181,423,939**	**177,485,524**
Equity	122,751,280	120,598,947
Impairments	5,109,123	6,284,800
Deferred income	-	-
Total Debts	58,672,659	56,886,574
TOTAL EQUITY AND DEBT	**181,423,939**	**177,485,524**

SUMMARY OF OVERALL RESULT

	2022	2021
Operating income, of which:	140,009,552	134,933,049
- *Sales income*	136,096,376	128,533,049
- *Income from the application of IFRS 15*	3,065,231	2,798,116
Operating Expenses	124,362,016	118,895,888
Operating profit	**15,647,535**	**16,042,131**
Financial Income	1,453,159	391,071
Financial Expenses	3,661,612	2,229,494
Financial Profit / (Loss)	**(2,208,453)**	**(1,838,423)**
Profit before tax	**13,439,081**	**14,203,708**
Corporate tax	1,249,938	2,454,481
NET PROFIT AT 31.12.2022	**12,189,143**	**11.749.227**

The results for 2022 are presented in detail in the audited financial statements for the year, prepared in accordance with International Financial Reporting Standards (IFRS).

ANNEX - DECLARATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
Section A - Responsibilities of the Managing Board			
A.1 Does the company have internal regulations of the Managing Board that include the terms of reference regarding the Managing Board and the company's management functions?	✓		The company has adopted operating regulations for Managing Board. The responsibilities of the Managing Board, the key functions and the mode of operation are those provided by the articles of association and the legal provisions.
A.2 Provisions for the management of conflicts of interest are included in the CA regulations ?	✓		The company has adopted operating regulations for the Managing Board, which contain provisions on the management of conflicts of interest. The Managing Board will oversee the implementation and compliance with the applicable legal provisions as well as the policies approved at the level of the Board regarding non-competition and conflicts of interest.
A.3 The Managing Board or the Supervisory Board shall be composed of at least five members.	✓		The Managing Board consists of 5 members.
A.4 The majority of the members of the Managing Board must not hold executive office. At least one member of the Managing Board or the Supervisory Board must be independent in the case of Standard Class companies. Each independent member of the Managing Board or the Supervisory Board, as the case may be, shall submit a statement at the time of his nomination for election or re-election, as well as when any change in his status occurs, indicating the elements on the basis of which he is independent in his character and judgment.	✓		The composition of the Managing Board is as follows: Radu Viehmann - President, General Manager Dana Maria Ciorapciu - Non-executive director Radu Ovidiu Sârbu - Independent non-executive director Niculae Havrilet - Non-Executive Director Henriette Spinka - Non-Executive Director Of the 5 members of the Managing Board, one is also the executive director - the chairman of the General Manager - and the rest are non-executive. Mr. Radu Ovidiu Sârbu declared himself an independent administrator fulfilling the criteria specified by the CGC of BVB at points A41-A49.
A.5 Other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions on the Board of non-profit corporations and institutions, must be disclosed to potential shareholders and investors prior to appointment and during his term of office.	✓		The members of the Managing Board have submitted the declarations related to their relatively permanent professional commitments and obligations.

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
A.6 Any member of the Managing Board must submit to the Managing Board information on any relationship with a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights. This obligation refers to any report that may affect the member's position on matters decided by the Board.	✓		The members of the Managing Board have submitted the statements related to the relations with the shareholders who directly or indirectly hold more than 5% of all voting rights in addition to the provisions of the articles of association and the applicable legal provisions. refrain from any attitude which might affect the member's position on matters decided by the Council.
A.7 The company must appoint a secretary of the Board responsible for supporting the work of the Board.	✓		The Managing Board confirmed Ms. Claudia Anghel as Secretary of the Board of Directors.
A.8 The annual report shall indicate whether an evaluation of the Board has been carried out under management.		✓	Annually, the Managing Board presents the activity report in the first Ordinary General Meeting of Shareholders. The company is in the process of implementing the evaluation policies of the Managing Board, the activity of the Managing Board being analyzed mainly by the GMS.
A.9 The corporate governance statement must contain information on the number of meetings of the Board and the committees during the last year, the participation of the directors (in person and in absentia) and a report by the Board and the committees on their activities.	✓		During 2022, the Council met 8 times, with all its members present in person. The Audit Committee operates in accordance with the adopted operating regulations.
A.10 The annual report must include information on the exact number of independent members of the Board.	✓		Among the appointed members of the Managing Board, Mr. Radu Ovidiu Sârbu stated that he meets the conditions provided by the applicable regulations to be an independent member of the Board.
A.11 The company has a nomination committee of non-executive officers, which will lead the procedure for nominating new members to the Board and make recommendations to the Board.	✓		According to the provisions of the operating regulations of the Managing Board, in case of appointment of a new member of the Managing Board / renewal of the mandates, the Managing Board will set up a nomination committee.
Section B - Risk Management and Internal Control System			
B.1 The Managing Board must set up an audit committee in which at least one member must be an independent non-executive director. A majority of the members, including the chairperson, must have demonstrated that they have the appropriate qualifications relevant to the functions and responsibilities of the committee. At least one member of the audit committee must have proven and appropriate auditing or accounting experience.	✓		The Audit Committee is composed of directors with appropriate audit or accounting experience.

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
B.2 The chairman of the audit committee must be an independent non-executive member.	✓		Mr. Radu Ovidiu Sârbu is an independent director and was appointed chairman of the Audit Committee of the Board.
B.3 Within its responsibilities, the audit committee must carry out an annual evaluation of the internal control system.	✓		The Audit Committee shall carry out its activities in accordance with the rules adopted, including the evaluation of the internal control system.
B.4 The evaluation should consider the effectiveness and comprehensiveness of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Board's audit committee, the promptness and effectiveness with which the management addresses the deficiencies or weaknesses identified as a result of the audit. internal and the presentation of relevant reports to the attention of the Board.	✓		The Audit Committee has been set up and operates in accordance with the rules adopted, including the evaluation of the internal control system and internal control.
B.5 The audit committee must assess the conflicts of interest in relation to the transactions of the company and its subsidiaries with related parties.	✓		The Audit Committee has been set up and operates in accordance with the rules adopted, including the assessment of conflicts of interest in relation to the transactions of the company and its subsidiaries with related parties.
B.6 The audit committee must evaluate the effectiveness of the internal control system and the risk management system.	✓		The Audit Committee has been set up and operates in accordance with the rules adopted, including the analysis of the effectiveness of the internal control system and the risk management system.
B.7 The Audit Committee should monitor the application of generally accepted legal and internal auditing standards. The audit committee must receive and evaluate the reports of the internal audit team.	✓		The Audit Committee has been set up and operates in accordance with the adopted regulations, including the evaluation of the application and compliance with the generally accepted standards, a function characteristic of the audit committee.
B.8 Whenever the Code mentions reports or analyzes initiated by the Audit Committee, they should be followed by periodic (at least annually) or ad hoc reports to be subsequently submitted to the Board.	✓		The Audit Committee has been set up and operates in accordance with the adopted regulations, including the reporting to the Board of Directors in accordance with the provisions of the Corporate Governance Code of the BVB.

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
B.9 No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements entered into by the company with shareholders and their affiliates.	✓		The company applies the regulations in force established both by the Articles of Incorporation and by other derived corporate regulations.
B.10 The Board must adopt a policy to ensure that any transaction of the company with any of the closely related companies whose value is equal to or greater than 5% of the company's net assets (according to the latest financial report) is approved. following a binding opinion of the Board's audit committee and correctly disclosed to shareholders and potential investors, insofar as these transactions fall into the category of events subject to reporting requirements.	✓		The Audit Committee has been set up and operates in accordance with the adopted regulations, including the issuance of opinions on the company's transactions with closely related companies, transactions with a value of more than 5% of the company's net assets. The legal provisions for reporting transactions of over 50,000 Euros concluded with persons in close relations with the company are considered sufficient, being covering the criterion of 5% of the company's net assets.
B.11. The internal audit must be performed by a structurally separate division (internal audit department) within the company or by hiring an independent third party entity.	✓		The company has an internal audit structure.
B.12 In order to ensure the performance of the main functions of the internal audit department, it must report functionally to the Board of Directors through the audit committee. For administrative purposes and as part of the management's obligations to monitor and reduce risks, he must report directly to the general manager.	✓		The Internal Audit Division is required to report to the Audit Committee and the Board.
Section C - Fair Reward and Motivation			
C.1 The company must publish the remuneration policy on its website and include in the annual report a statement on the implementation of the remuneration policy during the annual period under review.	✓		The remuneration of the members of the Managing Board is established at the appointment of the members by the GMS, and the related decisions are published both on the Company's website, on the BVB and in the Official Gazette.
Section D - Adding value through investor relations			
D.1 The company must organize an Investor Relations service - made known to the general public through the responsible person or as an organizational unit. In addition to the information required by law, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all relevant information of interest to investors, including:	✓		The company has organized the investor relations service coordinated by the Specialized Advisor who manages the investor relations. There is a dedicated section on the company's website: www.turbomecanica.ro which includes various information about investors, structured according to the nature of that information.

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
D.1.1 The main corporate regulations: the articles of incorporation, the procedures regarding the general meetings of shareholders;	✓		
D.1.2 Professional CVs of members of the company's governing bodies, other professional commitments of members of the Board, including executive and non-executive positions on boards of directors of companies or non-profit institutions;	✓		Currently, there is an updated CV for each member of the Managing Board and the executive management on the company's website.
D.1.3 Current and periodic reports (quarterly, half-yearly and annual) - at least those provided for in point D.8 - including current reports with detailed information on non-compliance with this Code;	✓		
D.1.4 Information on general meetings of shareholders: agenda and information materials; the procedure for electing the members of the Council, including the decisions adopted;	✓		The information required by law is published on the Company's website. The necessary steps are to be implemented according to the Board Regulations regarding the issues related to: the procedure for electing the members of the Board; the arguments in support of the candidates' proposals for election to the Council, together with their professional CVs.
D.1.5 Information about corporate events, such as the payment of dividends and other distributions to shareholders, or other events that lead to the acquisition or limitation of a shareholder's rights, including deadlines and principles applied to such transactions. That information will be published in a timeframe that allows investors to make investment decisions;	✓		All information regarding the payment of dividends is published on the company's website as well as in the current reports.
D.1.6 Name and contact details of a person who will be able to provide relevant information upon request;	✓		
D.1.7 Company presentations (eg, investor presentations, quarterly earnings presentations, etc.), financial statements (quarterly, half-yearly, annual), audit reports and annual reports.	✓		The Company publishes all the information required by law, including the reports in the dedicated section on the BVB website and on its own website.
D.2 The company will have a policy on the annual distribution of dividends or other benefits to shareholders, proposed by the General Director or the Management Board and adopted by the Board, in the form of a set of guidelines that the company intends to follow regarding the distribution of net profit. The principles of the annual distribution policy to shareholders will be published on the company's website.	✓		The Company has adopted a dividend distribution policy and procedures for each dividend distribution, but due to the fluctuating economic situation and especially the uncertainties related to the defense and / or aeronautical field, it is difficult to establish a long-term policy regarding the annual distribution of dividends. To the extent that net income distributable in the form of a dividend was

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
			recorded and to the extent that losses from previous financial years were covered, the company demonstrated consistency and predictability in the allocation of dividends when the company's profit so allowed.
D.3 The company will adopt a policy on forecasts, whether they are made public or not. The forecast policy will set the frequency, the period considered and the content of the forecast. If published, forecasts can only be included in annual, half-yearly or quarterly reports.		✓	The Company could not objectively adopt a policy on forecasts setting out their frequency, duration and content, whether public or not, due to the fluctuating economic situation and especially the uncertainties related to defense and / or aeronautics. The annual reports of the directors and published annually in the revenue and expenditure budget contain the forecasts and estimates of the company's governing bodies in this regard.
D.4 The rules of general meeting of shareholders must not limit the participation of shareholders in general meetings and the exercise of their rights. The changes to the rules will take effect at the earliest, starting with the next shareholders' meeting.	✓		
D.5 The external auditors will be present at the general meeting of shareholders when their reports are presented at these meetings.	✓		
D.6 The Board will present a brief assessment of the internal control and significant risk management systems to the annual general meeting of shareholders, as well as opinions on issues subject to the decision of the general meeting.	✓		According to the BoD regulation, the annual report contains a brief assessment of the internal control and significant risk management systems.
D.7 Any specialist, consultant, expert or financial analyst may attend the shareholders' meeting at the prior invitation of the Board. Accredited journalists may also attend the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	✓		
D.8 The quarterly and half-yearly financial reports will include information in both Romanian and English on key factors influencing changes in sales, operating profit, net profit and other relevant financial indicators, both quarterly and from one year to the next.	✓		All financial reports are published in both Romanian and English.
D.9 A company will hold at least two meetings / teleconferences with analysts and investors each year. The information presented on these occasions will be published in the investor relations section of the company's website at the date of the meetings / teleconferences.	✓		The financial calendar provides for the organization of meetings with analysts and investors, especially on the occasion of the publication of the annual financial statements (as material for the OGMS) and the half-yearly financial statements.

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
D.10 If a company supports various forms of artistic and cultural expression, sports activities, educational or scientific activities and considers that their impact on the innovative nature and competitiveness of the company are part of its development mission and strategy, it will publish the policy on the activity in this area.		✓	The Company could not adopt and publish a policy to support the forms of artistic and cultural expression, sports, educational and scientific activities, due to the fluctuating economic situation and especially the uncertainties related to the field of defense and / or aeronautics. However, the Company develops a constant program of involvement in educational activities by supporting a complete cycle (grades 9-12) of high school dual education within the Carol I Technical College, specialization: Lathes; I.C. High School of Technology Bratianu, specializations: Milling-Planer-Mortar and Fine Mechanics Mechanic; Dinicu Golescu Technological High School, specialization: Numerical control machine operator; Henri Coandă Aeronautical Technical College, specialization: Aircraft mechanic by collaborating in research and development activities, Faculty of Materials Science and Engineering within the Polytechnic University of Bucharest.

INDIVIDUAL FINANCIAL STATEMENTS FOR 2022

Individual statement of financial position

The value of Tangible Fixed Assets increased with the value of equipment being supplied:
a) KASTO TWIN cutting machine
b) KELLENBERGER rectification machine
c) OKK processing center
d) 2 YCM lathes.

Depreciation expenses increased by 272,900 lei compared to 31.12.2021, as a result of the commissioning of some equipment necessary in the production process.

Considering the current economic context and as a result of the increase in the prices of raw materials and materials, the costs of supplying these products have increased, having an impact on the entire production flow.
TMB continuously analyzes stocks with slow movement and no movement, so that this year, there was an impact on revenues related to the reversal of the provision, established in 2021.
Although the raw materials and materials come under management at a higher price, the total value of stocks decreased compared to the previous period, a major impact was the application of IFRS15 "Revenue from contracts with customers" which adjusted the value of production in progress.

Regarding commercial receivables, they registered an increase compared to the same period of 2021, mainly due to the situation of the contracts in execution and implicitly the deliveries made in the second half of December 2022 and collected after the end of the fiscal year 2023.

The contractual assets remained approximately at the same level as last year. . Contractual assets are the gross amounts owed by customers, related to ongoing contracts, for which costs incurred and recognized profits (minus recognized losses) exceed the total invoiced value of the respective contract.

In accordance with AGEA Decision no. 2/28.04.2022 TBM in TRIM II, purchased state securities (secured investments) worth 5,880,000 lei, these can be found under Short-term financial investments.

The long-term debts reflect the leasing contracts that the Company has concluded in order to ensure the investment plan, and the short-term loans include the amounts related to the working capital, as well as the part related to the short-term leasing contracts.

Individual profit and loss statement

Turnover on 31.12.2022: 139,161,607 RON (including the expected impact of IFRS15) exceeded the budgeted level of 133,901,139 RON

While in 2021, the increase in turnover exceeded, by approximately 50%, the increase in the prices of raw materials, in 2022 it was not possible to adjust the sales prices to the economic reality, due to the lack of revision of HG 126/ 21.09.2022 regarding the adjustment of the prices of product/service purchase contracts of sectoral contracts and Framework Agreements awarded in the fields of defense and security.
Therefore, the company had to carry out the maintenance works for the NATO program with the negotiated prices in 2020.
In order to limit the impact of the increase in operating expenses, the management ensured the increase in turnover according to the unoccupied capacity, a measure that could not significantly eliminate/diminish the escalation recorded by the inflation rate and the exponential increase in the price of utilities, the volatility of the exchange rate, the increase in interest rates.

The human resources management ensured in 2022 a total decrease of the salary fund of 1.77% which resulted from the decrease in the number of employees and the granting of bonuses or salary increases according to the performance evaluation process.

The internal decision no. 376 / 01.09.2021 for limiting the increase in personnel expenses by stopping hiring for vacant positions. However, staff turnover in the occupied positions was addressed through hiring.

Most of the expenditure accounts with the supply, with the provision of services, had an increase of at least 10% compared to the year 2021.
There was also a significant increase in utility expenses, 58% compared to 2021.

Other elements of the overall result

The variation on this element being given by the actuarial gain afferent to the determined benefits plan, in the amount of RON 67,444.

Individual statement of changes in equity

Equity on 31.12.2022 increased by 1.78%, compared to the same period last year.

Individual cash flow statement

In 2022, the Company deposited with BRD - Groupe Societe Generale, as a deposit, sums worth 9,000,000 lei. This amount is likely to be used to secure own funds in order to start the development project in the maintenance of civil engines. In 2023, it is desired to continue providing these funds up to the equivalent of 6,000,000 Eur.

In accordance with AGEA Decision no. 2/28.04.2022 TBM in TRIM II, purchased state securities (secured investments) worth 5,880,000 lei, these can be found under Short-term financial investments.

The economic environment and market information are continuously monitored and analyzed to document the Company's decisions regarding the determination of the most favorable destination of deposits, taking into account the evolution of reference interest rates and inflation forecasts.

TURBOMECANICA SA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

PREPARED IN ACCORDANCE WITH

MINISTER OF FINANCE ORDER NO. 2844/2016,

FOR THE APPROVAL OF ACCOUNTING REGULATIONS IN ACCORDANCE WITH

INTERNATIONAL FINANCIAL REPORTING STANDARDS,

with subsequent amendments and clarifications

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	December 31, 2022	December 31, 2021
		RON	*RON*
Revenues from contracts with clients	**4**	139,161,607	131,331,165
Changes in inventories of finished goods and work in progress		(1,397,289)	2,242,607
Raw materials, consumables and utilities	**5**	(48,016,004)	(41,843,823)
Employee benefits and salaries	**6**	(52,742,599)	(53,408,568)
Depreciation and amortization expenses	**11, 12**	(11,154,177)	(10,977,081)
Other operating expenses	**7**	(10,744,195)	(9,491,455)
Other operating income	**7**	2,144,011	1,349,869
Financial costs	**8**	(3,000,113)	(2,036,616)
Finance income	**8**	824,690	108,129
Other gains and losses	**9**	(1,636,849)	(3,070,518)
Profit before taxation		**13,439,082**	**14,203,709**
Income tax	**10**	(1,249,939)	(2,454,482)
Profit for the year		**12,189,143**	**11,749,227**
Other comprehensive income, net of taxation:			
Items which will be reclassified to profit and loss		-	
Items which will not be reclassified to profit and loss:			
Actuarial gain/ (loss) on defined benefits plan, net of deferred tax	**22**	67,444	534,442
Other comprehensive income for the year		**67,444**	**534,442**
Comprehensive income for the year		**12,256,587**	**12,283,669**
Result per share:	***27***		
(RON / share)		0,0335	0.0323

The financial statements were approved by the Board of Administration and authorized for issuance on March 23, 2022.

CLAUDIA ANGHEL,

Economic & Commercial Director

RADU VIEHMANN,

CEO

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022

	Note	December 31, 2022	December 31, 2021
ASSETS		***RON***	***RON***
Long-term assets			
Property, plant and equipment	**11**	61,375,822	63,583,402
Intangible assets	**12**	435,158	938,549
Other assets		6,000	6,000
Total long-term assets		**61,816,980**	**64,527,951**
Current assets			
Inventories	**13**	55,658,919	59,341,922
Trade receivables	**15**	28,706,415	20,270,368
Contract assets	**14**	12,219,893	11,952,778
Other receivables	**16**	1,534,620	1,250,786
Other current receivables*	**17**	3,563,416	1,180,357
Financial Investments	**18**	5,880,000	-
Cash and cash equivalents	**18**	12,043,696	18,961,360
Total current assets		**119,606,959**	**112,957,571**
Total assets		**181,423,939**	**177,485,522**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	**19**	36,944,248	36,944,248
Reserves	**20**	68,451,765	82,454,086
Retained earnings		17,954,675	1,800,021
Own shares		(599,408)	(599,408)
Total equity		**122,751,280**	**120,598,947**
Long-term liabilities			
Leases	**21**	1,857,927	2,055,578
Deferred tax liabilities	**10**	2,050,962	3,989,086
Provisions	**22**	813,667	1,485,978
Other financial liabilities	**21**	4,627,544	-
Total long-term liabilities		**9,350,100**	**7,530,642**
Current liabilities			
Trade and other liabilities	**23**	6,743,521	5,551,518
Borrowing & leasess	**21**	27,117,137	27,895,049
Current income tax		2,219,617	1,927,794
Provisions	**22**	4,295,456	4,798,822
Other current liabilities	**24**	8,946,828	9,182,750
Total current liabilities		**49,322,559**	**49,355,933**
Total liabilities		**58,672,659**	**56,886,575**
Total equity and liabilities		**181,423,939**	**177,485,522**

*The comparative figures as of December 31, 2021 have been reclassified in accordance with the presentation adopted in 2022. The amount of 1,180,357 RON included on December 31, 2021 in the "Other receivables" category is now presented separately in the "Other current assets" category.

The financial statements were approved by the Board of Administration and authorized for issuance on March 23, 2023.

CLAUDIA ANGHEL,	**RADU VIEHMANN,**
Financial & Commercial Director	CEO

STATEMENT OF CASH FLOWS AS AT DECEMBER 31, 2022

	Note	December 31, 2022	December 31, 2021
Cash flow from operations:			
Net profit / (loss) of the year		**12,189,143**	**11,749,227**
Adjustments for:			
Income tax	10	1,249,939	2,454,482
Depreciation and amortization expenses	11, 12	11,154,177	10,977,081
Charge / (Reversal) of provision for receivables	15	(28,281)	101,480
Allowances for inventories and contractual assets	13	806,336	2,727,590
Other provisions	22	(1,095,386)	180,498
Net loss on sale of fixed assets	11, 12	96,507	102,305
Financial costs	8	3,000,113	2,036,616
Other financial gains	8	(824,690)	(108,129)
Prescribed dividents gains	7,26	(1,058,809)	-
Net gains / loss from exchange rate differences		87,051	(26,976)
Changes in working capital		**25,576,100**	**30,194,174**
(Increase) in trade and other receivables		(11,054,156)	(7,686,309)
(Increase) in contract assets		(267,115)	21,843,262
(Increase) of inventories		2,876,668	(34,682,189)
Increase / (Decrease) in trade and other liabilities		662,976	5,014,270
Net cash generated by operating activities		**17,794,473**	**14,683,208**
Income tax paid		(2,909,086)	(2,904,870)
Interest received		824,690	108,129
Interest paid		(2,479,307)	(1,821,691)
Net cash (used in) operating activities		**13,230,770**	**10,064,776**
Cash flows from investment activities:			
Purchase of tangible assets*		(6,951,749)	(2,039,759)
Purchase of intangible assets		(995,847)	(666,174)
Purchase of financial assets		(5.880.000)	-
Proceeds from sale of fixed assets		54,483	-
Net cash (used in) investment activities		**(13,773,113)**	**(2,705,933)**
Net cash from financing activities:			
Proceeds/ payments from borrowings	26	(704,508)	8,069,666
Payments related to leasing obligations*	26	(1,004,707)	(929,858)
Collections from other financial institutions	21, 26	4,627,651	-
Dividends paid	26	(9,293,651)	(686,082)
Net cash generated from / (used in) financing activities		**(6,375,321)**	**6,453,726**
Net increase / (decrease) of cash and cash equivalents		**(6,917,664)**	**13,812,569**
Cash and cash equivalents at the beginning of the period	**18**	**18,961,360**	**5,148,791**
Cash and cash equivalents at the end of the period	**18**	**12,043,696**	**18,961,360**

The financial statements were approved by the Board of Administration and authorized for issuance on March 23, 2023.

CLAUDIA ANGHEL,

Economic & Commercial Director

RADU VIEHMANN,

CEO

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUTY
FOR THE YEAR ENDED DECEMBER 31, 2022

	Share capital	Reserves	Revaluation reserve	Retained earnings	Total
Balance on January 1, 2022	**36,944,248**	**35,263,201**	**47,190,885**	**1,200,613**	**120,598,947**
Profit of the year	-	-		12,189,143	12,189,143
Other comprehensive income:	-	-	-		
Actuarial gains related to the determined benefits plan, net of deferred tax	-	-	-	67,444	67,444
Total other comprehensive income for the year	-	-	-	12,256,587	12,256,587
Dividend distribution in year (Note 27)	-	-	-	(10,104,254)	(10,104,254)
Distribution of Other reservs to retained earning (Note 20)	-	(13,779,390)	-	13,779,390	-
Reevaluation reserves			(222,931)	222,931	
Balance of December 31, 2022	**36,944,248**	**21,483,811**	**46,967,954**	**17,355,267**	**122,751,280**

	Share capital	Reserves	Revaluation reserve	Retained earnings	Total
Balance on January 1, 2021	**1,024,571,055**	**55,980,030**	**47,579,992**	**(1,019,815,798)**	**108,315,279**
Profit of the year	-	-		11,749,227	11,749,227
Other comprehensive income					
Actuarial gains related to the determined benefits plan, net of deferred tax	-	-		534,442	534,442
Total comprehensive income for the year	-			12,283,669	12,283,669
	-				
Realization of revaluation reserves		-	(389,107)	389,107	-
Closing the reported result from the adoption of IAS 29 (Note 19)	(987,626,807)	(20,716,829)	-	1,008,343,636	-
Balance of December 31, 2021	**36,944,248**	**35,263,201**	**47,190,885**	**1,200,613**	**120,598,947**

The financial statements were approved by the Board of Administration and authorized for issuance on March 23, 2023.

CLAUDIA ANGHEL,
Economic & Commercial Director

RADU VIEHMANN,
CEO

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

1. GENERAL INFORMATION

TURBOMECANICA SA ("Turbomecanica" or the "Company") is a joint-stock company, incorporated in 1975, with the main activity the manufacturing of engines, mechanical assemblies and equipment for aircraft. It is a privately owned company whose shares are listed on the Bucharest Stock Exchange.

The main shareholdings is as follows:

Viehmann Radu – shareholding of 25.91%
Ciorapciu Dana Maria – shareholding of 15.15%
Romanian State Authority through the authority regarding the administration of state assets - 150 shares, shareholding of 0.00004%
Other shareholders – shareholding of 58.94%.

The evolution of the Company is as follows: 1975-1977- Engine production company Bucharest; 1978-1990 - Turbomecanica Bucuresti; from 20.11.1990, through GD no. 1213, the joint stock company "Compania Comerciala Turbomecanica SA" was incorporated. After 1991, from Turbomecanica SA two companies were formed: Aeroteh SA and Micron-Turboteh SA.

The company has the following revenue streams:

a. **MRO services for engines and mechanical assemblies for aircrafts and helicopters**. The main products serviced by the Company are: Turbo engines, Viper engines, modernization of Puma helicopters, spare parts for Viper, and Turbo engines, spare parts and engines for Rolls-Royce. Turbomecanica is the only producer and approved MRO service provider of gas turbine engines and mechanical assemblies for aircrafts on the Romanian market.

b. **Revenues from production of customer build to print components and spare parts under de above mentioned lincenses** - the entity provides: components for aircraft and rotorcraft engines and/or mechanical assemblies by using client's tehnical documentation and spare parts for base maintenance activities to the Ministry of Defense

c. **Income from the sale of materials** - the sale of materials that the company has in stock.

For more details on revenue recognition policies, see **Note 3.**

The main clients of the Company are on the domestic market - the Ministry of Defense and IAR Barsov, but the company also has transactions with clients located in Europe.

The average number of employees is as follows:

	2021	**2021**
Average number of employees	457	501

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 Changes in accounting policies and adoption of revised/amended IFRS

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2022:

- **IFRS 3 Business Combinations; IAS 16 Tangible assets; IAS 37 Provisions, contingent liabilities and contingent assets, as well as the project for annual improvements 2018-2020 (amendments)**

The amendments are effective for annual periods beginning on or after January 1, 2022, with early adoption permitted. The IASB issued amendments to the IFRS standards as follows:

- **IFRS 3 Business Combinations** (Amendments) updates a reference in IFRS 3 to the previous version of the IASB's Financial Conceptual Reporting Framework to the current version issued in 2018, without significantly changing the accounting requirements for business combinations.
- **IAS 16 Tangible assets** (amendments) prohibits an entity from deducting from the cost of tangible assets any proceeds from the sale of goods produced while the said asset is brought to the location and in the conditions necessary for it to be able to function according to management's decision. Instead, an entity recognizes such sales revenue and selling costs in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets** (amendments) specifies what costs an entity includes in determining the cost of a performing contract in order to determine whether a contract is onerous. According to the amendments, costs directly related to a contract for the provision of goods or services include both incremental costs and an allocation of costs directly related to contractual activities.
- **2018-2020 Annual Improvements** make minor changes to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Biological Assets and the illustrative examples accompanying IFRS 16 Leases.

The changes had no impact on the Company's financial statements.

- **IFRS 16 Leases- Covid 19 Related Rent Concessions of related rent after June 30, 2021 (Amendment) -** The amendments apply to annual reporting periods beginning on or after April 1, 2021, with early adoption permitted, including financial statements that have not yet been authorized for issue at the date the amendments are issued. In March 2021, through the amendments brought, the Council offers exemption to tenants from the application of the provisions of IFRS 16 for the changes that appear as a direct consequence of the covid-19 pandemic. Following the change, the practical solution now applies to rent concessions for which any reduction rate only affects payments originally due on or before 30 June 2022, provided the other conditions for the practical measure are met.

The changes had no impact on the Company's financial statements.

2.2 New standards and amendments to the existing standards issued but not yet effective and not early adopted

- **IFRS 17: Insurance contracts**

The standard is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. It is a new accounting standard for insurance contracts, covering recognition, measurement and presentation requirements. IFRS 17 applies to all types of insurance contracts issued, as well as certain guarantees and financial instruments with discretionary participation. The company has no contracts within the scope of IFRS 17; therefore the application of this standard has no impact on the Company's financial performance, financial position or cash flows.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The amendments provide guidance on the application of materiality judgments to the disclosure requirements of accounting policies. In particular, the amendments to IAS 1 replace the requirement to present "significant" accounting policies with a requirement to present "material" accounting policies. Guidance and illustrative examples are also added to the Practice Statement to assist in applying the concept of materiality when making judgments about the accounting policies to be presented. The management assessed that the amendment will not have an impact on the Company's financial statements.

- **IAS 8 Accounting policies, changes in accounting estimates and errors: definition of accounting estimates (amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. The changes introduce a definition of accounting estimates, namely the monetary values from the financial statements that are subject to measurement uncertainty, if they do not result from a correction of the error of the previous period. The amendments also clarify what changes in accounting estimates are and how they differ from changes in accounting policies and corrections of errors. The management assessed that the amendment will not have an impact on the Company's financial statements.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) *(continued)*

- **IAS 12 Income tax: Deferred tax related to assets and liabilities arising from a single transaction (amendments)**

The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The amendments narrow the scope and provide further clarity on the initial recognition exception under IAS 12 and specify how entities should account for deferred tax assets and liabilities arising from a single transaction, such as leases and site restoration obligations. The amendments clarify that, where payments extinguishing a debt are tax deductible, it is a matter of judgement, having regard to applicable tax law, whether such deductions are attributable for tax purposes to the debt or asset related to the transaction. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to temporary differences that are both taxable and deductible. It only applies if the recognition of a lease asset and a lease liability give rise to taxable and deductible temporary differences that are not equal. The management assessed that the amendment will not have an impact on the Company's financial statements.

- **IAS 1 Presentation of financial statements: Classification of liabilities into current liabilities or long-term liabilities (amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with early adoption permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for classifying liabilities as current or long term. The amendments clarify the meaning of the contractual right to delay the settlement of a liability, the requirement that this right exists at the end of the reporting period, the fact that management's intention regarding a possible settlement does not affect the classification, and the fact that the counterparty's options that could lead to settlement based on equity instruments does not affect the classification. Also, according to the amendments only clauses in loan agreements that an entity must comply with on or before the reporting date will affect the classification of a liability. Also, additional information presentations are required for long-term debts represented by loan contracts in which there are clauses that must be complied with within twelve months of the reporting period. The amendments have not yet been approved by the EU. Management is in the process of evaluating the effect that these amendments to the existing standards and interpretations may have on the Company's financial statements during the initial application period.

- **IFRS 16 Leasing contracts: Lease liability in a sale and take-back contact (amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring lease liabilities arising from a sale and leaseback transaction under IFRS 16, while not changing the accounting for leases that do not relate to sale and leaseback transactions. In particular, the seller-lessee determines "lease payments" or "revised lease payments" in such a way that the seller-lessee does not recognize any amount of gain or loss related to the right of use that it retains. The application of these requirements does not prevent the seller-lessee from recognizing in the profit or loss account any gain or loss related to the partial or total termination of a leasing contract. A seller-lessee applies the amendment retroactively, in accordance with IAS 8, to sale and leaseback transactions entered into after the date of initial application, which is the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments were still not approved by the EU. Management is in the process of evaluating the effect that these amendments to the existing standards and interpretations may have on the Company's financial statements during the initial application period.

- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: the sale or contribution of assets between an investor and the associate or joint venture**

The amendments address a known inconsistency between the requirements of IFRS 10 and those of IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the changes is that a gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are housed in a subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely, pending the outcome of its research project on the equity method. The amendments have not yet been approved by the EU. The management assessed that the amendment will not have an impact on the Company's financial statements.

The Company anticipates that the adoption of these new standards and amendments to existing standards will not have a material impact on the Company's financial statements during the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied in preparing these financial statements are presented below. These policies have been applied consistently throughout all the years disclosed, unless otherwise presented.

Statement of compliance

The individual financial statements have been prepared in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, with the subsequent modifications and clarifications.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The order of Minister of Finance no. 2844/2016, with subsequent amendments, is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, with the exception of IAS 21. The effects of the variation of exchange rates regarding the functional currency, the provisions of IAS 20 Accounting for government subsidies regarding to the recognition of revenues from green certificates, with the exception of IFRS 15 Revenues from contracts with customers regarding revenues from connection fees to the distribution network.

These exceptions have no impact on the financial statements of the Company.

Basis of preparation

The individual financial statements have been prepared on the historical cost basis, except for tangible assets, which are measured at revalued amount, as described in the accounting policies below. The historical cost is generally based on the fair value of the consideration given in exchange for the assets.
The financial statements are presented in Romanian lei ("RON") and all values are rounded to the nearest RON, unless otherwise indicated.

Going concern

The Company's financial statements were drawn up based on the going concern principle, which assumes that the Company will be able to carry out its current activity in the future. The year 2022 was dominated by the conflict between Russia and Ukraine. In this context, the Company was not directly affected by the conflict, but indirectly, as a result of the price increases for raw materials and materials, energy and gas. In order to evaluate the applicability of this hypothesis, the Company's Management analyzed the forecasts regarding the cash flows resulting from the translation of existing and future commercial relationships. Based on this analysis, which also took into account the current economic context, the management considers that the Company will be able to continue its activity in the future and, therefore, the application of the principle of continuity of activity in the preparation of the financial statements is justified.

In 2022, the Company registered a net profit of 12,189,143 RON (2021: 11,749,227 RON). The company is currently dependent on the activity with two main local customers. The turnover with these customers for 2022 represents 81,3% of the total turnover of the Company.
However, the management of the Company considers that this aspect does not constitute an impediment, given the specialised nature of the services provided and also having orders concluded with these partners for the following periods, which ensure sufficient income. Also, the Company intends to start developing its activity in the civil industry, and in this sense it is considering a series of significant investments in the coming periods.

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

The Company measures and recognizes at fair value certain non-financial assets such land, buildings, equipment's and furniture. Also, fair values of financial instruments measured at amortized cost are estimated for disclosure purposes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the sale transaction of the asset or the transfer of the liability occurs either:

- on the main market for the asset or liability, or
- in the absence of a main market, on the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants are acting in their own economic self-interest. A fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits by using the asset in its best use or by selling it to another market participant who would use the asset in its best use use.

All assets and liabilities for which fair value is measured or presented in the financial statements are classified within the fair value hierarchy, described as follows, based on the lowest input level that is significant to the fair value measurement as a whole:

¬ Level 1: market prices in active markets for identical assets or liabilities
¬ Level 2: inputs other than quoted market prices included in level 1, which are observable for the asset or liability, directly or indirectly.
¬ Level 3: inputs are unobservable for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing the categorization (based on the input data from the lowest level that is significant to the fair value assessment as whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as land, buildings, and equipment, and non-recurring measurement, such as assets held for sale from discontinued operations, if applicable.

External valuers are involved in the valuation of significant assets such as land, buildings and equipment. The involvement of external evaluators is decided annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, management analyzes movements in the values of assets and liabilities that need to be revalued according to the Company's policies, verifying the main inputs applied in the most recent valuation and evaluating changes from the previous valuation.

For the purpose of fair value disclosure, the Company has established classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

IFRS 15 "Revenue from contracts with customers" introduced a comprehensive model for the recognition and measurement of revenue. Revenue is recognized when the customer acquires control of the goods or services provided, at an amount that reflects the price the company expects to receive in exchange for those goods or services.

The information regarding the reasoning, estimates and significant accounting assumptions regarding the revenues from the contracts with clients are presented in the section Reasoning, estimates and significant accounting assumptions at the end of this note.

The company has the following revenue streams:

a. The manufacture of parts, components and assemblies for plains and helicopters

The main products produced by the Company are: Turmo engines, Viper engines, modernization of Puma helicopters, spare parts for Turmo and Viper engines, parts and engines for Rolls-Royce. Turbomecanica is the only manufacturer of gas turbine engines and mechanical assemblies for aircraft in the Romanian industry.

Revenue is recorded on the basis of an agreed order between the parties, the parties being committed to fulfill their respective obligations. The rights and payment terms of each party can be easily identified. Payment terms are from 30-120 days after the delivery of the goods. Orders have commercial substance and it is likely that the entity will collect the consideration to which it is entitled in exchange for the goods or services transferred to the customer.

Performance obligations refer to distinct performance obligations represented by the manufacture of parts, components and assemblies for various clients and are satisfied as the services are preset.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for the transfer of promised goods to a customer, excluding those amounts collected on behalf of third parties (for example, some sales taxes). These include fixed amounts as agreed between the parties. Both the terms of the order and the entity's usual business practices must be considered in determining the transaction price. The orders clearly mention the price for each delivered component. It is also assumed that the goods will be transferred to the customer as promised under the sales order.

IFRS 15 requires that the transaction price be allocated to each performance obligation identified in the order on the relative basis of the stand-alone selling price. There is no difficulty in allocating the price as it is clearly attributable and negotiated at the conclusion of the contract.

For orders with a fixed price, the Company recognizes revenues as production is completed, evaluating the completion stage of the projects. The Company transfers control of a good or service over time and therefore fulfills a performance obligation and recognizes revenue over time because the Company's performance creates or improves an asset that the customer controls as the asset is created or improved. The stage of completion is determined, using the method based on input, depending on the contractual costs incurred until the end of the reporting period, in the form of a percentage of the estimated total cost for each contract.

In case the outcome of an order cannot be estimated reliably, the revenue of the order is recognized only in line with the costs of the order that are likely to be recoverable. When the result of a production order can be reliably estimated and it is likely that the said order will be profitable, the predicted profit is recorded proportionally to the degree of execution during the duration of the order. If it is likely that the total costs of the order will exceed the total revenues of the order, the estimated loss is recorded as an expense, in accordance with IAS 37 Provisions, contingent liabilities and contingent assets.

The company presents as contractual assets the gross amounts owed by customers, related to ongoing contracts, for which the costs incurred and recognized profits (minus recognized losses) exceed the total invoiced value of the respective contract. If the invoices issued exceed the costs incurred plus the recognized profits (less the recognized losses), the gross amounts owed to the customers are presented as liabilities related to the contracts.

b. Revenues from MRO services of engines and mechanical assemblies for aircrafts and helicopters - the entity provides MRO services sold to Ministry of Defense.

The revenues are recorded based on approved contract between parties, parties being committed to perform their respective obligations. Each party’s rights and payment terms can be easily identified. The payment terms range from 10 days after the services will be provided. The contracts have commercial substance and it is probable that the entity will collect the consideration to which will be entitled in exchange for the goods or services transferred to the customer.

The performance obligations relate to distinct performance obligations represented by MRO services satisfied over time.

Revenue recognition (continued)

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised services to a customer, excluding those amounts collected on behalf of third parties.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for the provision of repair services. This includes fixed amounts as agreed between the parties. Both the terms of the contract and the entity's usual business practices must be considered in determining the transaction price. The contracts clearly mention the price for each repair. It is also assumed that the goods will be transferred to the customer as promised under the sales contract.

IFRS 15 requires the transaction price to be allocated to each performance obligation identified in the contract on a relative stand-alone selling price basis. There are no difficulties in allocating the price as they are clearly attributable and negotiated at the contract settlement.

For fixed price contracts, the Company recognizes the revenues as the services are provided, evaluating the completion stage of the projects. The Company transfers control over a good or service over time and, therefore, fulfills an obligation to execute and recognizes revenue over time, as the Company's execution creates or improves an asset that the client controls as the asset is created or improved. The completion stage is determined using the input method, based on the contractual costs incurred up to the end of the reporting period, as a percentage of the total estimated cost for each contract. If the outcome of a contract cannot be estimated reliably, the revenue of the contract is recognized only in line with the costs of the contract which are likely to be recoverable. When the result of a service contract can be estimated reliably and the contract is likely to be profitable, the expected profit is recorded in proportion to the degree of performance over the term of the contract. If the total costs of the contract are likely to exceed the total revenues of the contract, the estimated loss is recorded as an expense, in accordance with IAS 37 Provisions, contingent liabilities and contingent assets.

The company presents as contractual assets the gross amounts owed by customers, related to the ongoing contracts, for which the costs incurred and the recognized profits (minus the recognized losses) exceed the total invoiced value of the respective contract. If the invoices issued exceed the costs incurred plus the recognized profits (less the recognized losses), the gross amounts due to customers are presented as debts related to contracts.

c) Revenues from the sale of materials, waste materials and other services provided.

The revenues are recorded based on approved contract between parties, parties being committed to perform their respective obligations. Each party’s rights and payment terms can be easily identified. The payment terms range from 10 days after the services will be provided. The contracts have commercial substance and it is probable that the entity will collect the consideration to which will be entitled in exchange for the goods or services transferred to the customer.

The performance obligations relate to distinct performance obligations represented by sales of materials and are satisfied at point in time, when the delivery takes place.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised materials to a customer, excluding those amounts collected on behalf of third parties (e.g. some sales taxes).

They include fixed amounts, as agreed between the parties. Both the terms of the contract and the entity’s customary business practices need to be considered in order to determine the transaction price. The Company has distinct transaction price for each material sold. It is also assumed that the materials will be transferred to the customer as promised in accordance with exiting contract.

IFRS 15 requires that the transaction price be allocated to each performance obligation identified in the contract on the basis of the relative independent selling price. There are no difficulties in allocating the price, as these are clearly attributable and negotiated at the conclusion of the contract. The entity recognizes revenue in accordance with the arrangements established at the time of delivery.

For the activities performed, mentioned above in points a and b, the Company grants to its clients guarantees of good execution for a period that varies between 12 and 18 months. These fall within the scope of IAS 37 as:

a. the guarantees according to the contract offer the customer the assurance that the product will work;
b. the guarantees do not provide additional services other than the assurance that the good will work according to the agreed specifications;
c. customers do not have the option to purchase the warranty separately.

Therefore, these guarantees do not constitute separate performance obligations, but should be recognized as provisions in accordance with IAS 37.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Trade Receivables

Trade receivables are recognized at the transaction price determined in accordance with IFRS 15. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. The Company assesses at each balance-sheet date the requirement for an allowance for impairment in trade receivables. When measuring expected credit loss (hereinafter "ECL") the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are presented in the statement of financial position at fair value ar revaluation date, less any accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right of use of asset relates to rented cars which are depreciated over 3 years, as well as leased equipment amortised over a period between 3 to 20 years.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 3 Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company's exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in RON, which is functional currency of Turbomecanica SA and also the presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other net foreign exchange losses/(gains).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

The exchange rates used are 1 EUR = 4,9474 RON și 1 USD = 4,6346 RON, curs mediu 2022 1 EUR = 4,9315 RON (2021: 1 EUR =4,981 RON si 1 USD =4,3707, cures mediu 1 EUR=4,9204).

Borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period

Employee benefits

In the normal course of business, the Company makes payments to the Romanian State on behalf of its employees, for pensions, health and unemployment fund. The cost of these payments is charged to the income statement in the same period as the related salary cost.

All employees of the Company are members of the Romanian State pension plan.

The Company rewards its employees with retirement benefits according to the collective labor contract. For such pension plan, the cost of benefits is determined using the projected unit credit method, and actuarial assessments are performed on each balance sheet date.
The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate, the expected inflation rate and the expected rate of salary increase. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Benefits for termination of employment contract

Benefits for termination of the employment contract may be paid when the Company terminates the employment contract prior to the normal retirement date or any time the employee accepts voluntary redundancy in exchange for such benefits. The Company recognizes the benefits for termination of employment contract either when it clearly undertakes either to terminate the current employees' employment contracts according to an official plan without the realistic possibility to avoid it; or to offer benefits for terminating the employment contract further to an offer submitted to encourage voluntary redundancy. Benefits owed within more than 12 months from the reporting period are discounted on the reporting date.

Taxation

Income tax expenses consist of all current taxes payable, and deferred income taxes.

Current tax

The tax currently payable is based on the taxable income for the year. Taxable income differs from the income reported in the statement of comprehensive income due to items of revenues or expenses that are taxable or deductible in other years, and due to items that are never taxable or deductible. The Company's current income tax liability is determined by using the taxation rates enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized based on temporary differences between the carrying value of assets and liabilities in the financial statements and the corresponding fiscal base used in calculating taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax receivables are generally recognized for all taxable temporary differences if the taxable profits against which the deferred tax receivable can be used are available. No deferred tax receivables or liabilities are recognized if the temporary difference is generated by the initial recognition of goodwill or initial recognition of an asset or liability in a transaction that does not constitute a business combination and does not affect either the accounting income or taxable income upon the conclusion of the transaction (fiscal loss).

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the level of the taxes assumed to apply during the period set for the recovery of the debt or realization of the asset, considering the level of taxes (and tax laws) that are or will be in force until the end of the reporting period. The measurement of deferred assets and liabilities reflect the tax consequences that would arise from the manner in which the Company estimates, at the end of the reporting period, to recover or settle the carrying value of its assets and liabilities.

Current and deferred annual tax

Current and deferred tax are recognized in the profit or loss account, unless they refer to elements that are recognized in other global results or directly in equity, in which case current and deferred tax are also recognized in other global income results, respectively, equity.

The income tax for the year ended December 31, 2022 was 16% (December 31, 2021: 16%).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits held with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value, as well as bank overdraft. The overdraft is presented under loans as short-term liabilities in the statement of financial position.

Property, plant and equipment

Tangible assets used in production or to supply goods or services, or for administrative purposes, are presented in the statement of financial position at fair value at the date of reevaluation less depreciation and any impairment, subsequently accumulated. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. The accumulated depreciation at the revaluation date is eliminated with the gross accounting value of the asset, and the net value of the asset is replaced by its revalued value

Any revaluation surplus is recorded in other comprehensive income and is therefore credited to the reserve from the revaluation of equity assets, except to the extent that it includes a reduction in the revaluation of the same asset previously recognized in profit or loss and, in this case, the increase is recognized in the income statement. A revaluation deficit is recognized in the income statement, unless it offsets an existing surplus for the same asset, recognized in the asset revaluation reserve.
The revaluation surplus is transferred to retained earnings as the assets are written off / sold.

Tangible assets in progress that will be used in production or in administration are stated at cost less any impairment. Costs include professional fees and, in case of qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policies. Such assets are classified under such categories of tangible assets when completed or ready for use for the purpose they were intended. The depreciation of such assets, on the same basis as other owned assets, commences when the assets are ready for use as intended by the management.

The depreciation periods for tangible assets are:

	Years
Buildings	10-50
Installations and technological equipment	3-20
Furniture and other office equipment	3-15

Land is not depreciated.

Depreciation is charged so as to systematically allocate the cost of the asset less the residual value over its estimated useful life, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is no longer recognized further to its assignment or when no future economic benefits are expected from the continued use of the asset. Any gain or loss resulting from the assignment or disposal of an item of property, plant and equipment is determined as the difference between proceeds from sales and the carrying value of the asset and is recognized in the Company's profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with determined useful lives and which are acquired separately are reported at cost less any subsequent accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with undetermined useful lives and which are acquired separately, are reported at cost less accumulated impairment losses.

The depreciation periods for intangible assets are:

Other intangible assets	1-10 ani

De-recognition of intangible assets

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gains or losses from the de-recognition of an intangible asset, measured as difference between net proceeds from sale and the asset's carrying value are recognized in profit and loss when the asset is derecognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that that such assets have impaired. Should such indication exist, the Company estimates the recoverable value of the asset to determine the extent of the impairment (if any).

Where the recoverable value of a particular asset cannot be estimated, the Company estimates the recoverable value of the cash generating unit to which the asset belongs. Where there can be identified a reasonable and consistent basis of allocation, corporate assets will also be allocated to individual cash generating units or, if not, to the smallest company of cash generating units for which a reasonable and consistent basis of allocation can be identified.

Intangible assets with undetermined useful lives and intangible assets not yet available for use are tested at least annually for impairment or anytime there is an indication that the asset might be impaired.

The recoverable value means the highest of fair value minus sale costs and its value in use. When measuring the value in use, estimated future cash flows are discounted at their current value by using a discount rate determined prior to taxation, which reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates related to future cash flows have not been adjusted.

If the recoverable value of an asset (or cash-generating unit) is estimated to be lower than its carrying value, then the carrying value of the asset (or the cash-generating unit) is reduced to the level of the recoverable value. Impairment is recognized immediately in profit or loss, if the relevant asset is not registered at a re-measured value, in which case the impairment is treated as reduction of re-measurement.

Where the impairment is reversed, the carrying value of the asset (or the cash-generating unit) is increased at the level of its new estimated recoverable value, only that the increased carrying value must not exceed the carrying value that would have been established should the impairment for the asset (cash-generating unit) had not been recognized in previous years. A reversal of impairment is immediately recognized in profit or loss, except where the asset is accounted at revalued amount, in which case the reversal of the impairment is treated as increase of the revaluation.

Inventories

Inventories, which include raw materials, finished products, semi-finished products, work in progress, are valued at the lowest of cost and net realizable value.

The cost of inventories includes all the costs related to the acquisition and processing, as well as other costs incurred to bring the stocks in the form and in the place where they are found. The cost of finished products and production in progress includes the direct expenses related to production, namely: direct materials, energy consumed, direct labor and other direct production expenses, as well as the share of indirect production expenses rationally allocated as being related to manufacturing them.

Raw material inventory costs are determined using the weighted average cost method. The net realizable value represents the estimated sale price during the normal course of the activity, minus the estimated costs for completion and the estimated costs necessary to carry out the sale.

Provisions

Provisions are recognized when the Company has a present obligation (legal or implicit) as a result of a past event, and it is probable that an outflow of resources incorporating economic benefits will be required to settle that obligation and a reliable estimate of the value of the obligation may be made.

The value recognized as provision is the best estimate of the counter value required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties related to the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, the carrying value thereof is the present value of such cash flows (if the effect of the time value of money is material).

When expected that some or all the economic benefits required to settle a provision will be recovered from third parties, then the receivable is recognized as asset if it is almost certain that the repayment will be collected and the value of the receivable can be reliably assessed.

Onerous contracts

Present obligations generated under onerous contracts are recognized and measured as provisions. A contract is onerous when the unavoidable costs of meeting the obligations under the contract exceeds the economic benefits expected to be received under it.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (Continued)

Restructurings

A provision for restructuring costs is recognized when the Company has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The measurement of a provision for restructuring includes only direct expenses related to the restructuring, which mean such values that are mandatorily generated by restructuring and are not associated with the Company's ongoing activities.

Guarantees

Provisions for estimated costs of guarantee obligations according to local legislation concerning the sale of goods are recognized on the date when the relevant products are sold, at the best estimate made by the management as regards the expenses required to settle the Company's obligation.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. In this category are also included non-trade liabilities such as VAT and social securities recognized at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Financial assets and liabilities

Financial assets and financial liabilities are recognized when the Company becomes a party in the contractual provisions of the instrument.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the entity's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or fair value through the OCI, it must give rise to cash flows that are "excluding principal and interest payments (SPPIs)" of the outstanding principal amount. This assessment is called the SPPI test and is performed at the instrument level. Non-SPPI cash-flow financial assets are classified and measured at fair value through profit or loss, regardless of business model.

The Company's business model for managing financial assets refers to how it manages deal with its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

1. Financial assets at amortised cost (debt instruments)
2. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
3. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
4. Financial assets at fair value through profit or loss

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period.

The Company's financial assets at amortised cost includes trade receivables, other receivables and contractual receivalbes.

The Company does not hold any financial assets at fair value through OCI or profit or loss.

De-recognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company performed an assessment at year end and no material difference arise in applying ELC model and current accounting policy by allowing receivables older than 270 days.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations,
aswell as the consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk is remote as the greatest part of company balance of accounts receivables consists of four main clients which are state owned, the average collection period is 20 days, thus there is limited risk of material credit losses.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of investment grade in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Company considers the changes in the risk that the specified debtor will default on the contract.

The company does not have financial guarantee contracts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that there is limited probability of default for the existing clients, as mentioned above there is a high concentration of three state owned clients, the average number of collection days is 22 days, no default occurred in the last years and few chances to occur as the clients are stated owned acting in defence industry.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a. significant financial difficulty of the issuer or the borrower;

b. a breach of contract, such as a default or past due event;

c. the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

d. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e. disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss within other gains or losses line.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

De-recognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on de-recognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on de-recognition of an investment in an equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings including short term bank loans and loans from shareholders.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9, Financial instruments. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit and loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9, Financial instruments are satisfied.

The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income. This category generally applies to interest-bearing loans and borrowings.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

Subsidies

Subsidies represent non-reimbursable financial resources granted to the Company on the condition that certain criteria are met. Subsidies include asset subsidies and revenue subsidies.
Asset grants are government grants for which the main condition is that the Company must purchase, construct or otherwise acquire fixed assets.

Income grants include government grants that are not asset grants.

Grants are not recognized until there is reasonable assurance that:

(a) The company will respect the conditions attached to their granting; and
(b) grants will be received.

Asset grants are presented in the statement of financial position by recording the grant as upfront revenue, which is then recognized in profit or loss on a systematic basis over the useful life of the asset.

Subsidies related to income are recognized as part of profit or loss under "Other income", as related expenses are recorded. Until the expenditure is incurred, the subsidy received is recognized as income in advance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

A segment is a part of the Company that is involved in activity segments from which it can obtain revenues and register expenses (including revenues and expenses corresponding to transactions with other parts of the same entity), whose operating results are regularly followed by the Company's management in order to made decisions on the resources to be allocated to the segment and assess its performances and for which separate financial information is available. Segment information is disclosed regarding the company's activity segments and are established based on the Company's management and internal reporting structure.

Settlement prices among segments are set objectively.

The results, assets and liabilities related to a segment include elements that may be allocated directly to one segment, and elements that may be allocated on a reasonable basis.

Capital expenses related to a segment represent the total costs registered over the period for purchasing tangible and intangible assets.

Contingent assets and liabilities

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- a present obligation that arises from past events that is not recognized because:

    a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
    b. the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the Company's financial statements, but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

A contingent asset is not recognized in the Company's financial statements, but disclosed when an inflow of economic benefits is probable.

Subsequent events

Events occurring after the reporting date 31 December 2022, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in the financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting date (non-adjusting events), when material, are disclosed in the notes to the financial statements.

Critical accounting judgements

In order to draw up the Company's financial statements, its management must use reasoning, estimates that influence the reported value of revenues, expenses, assets and liabilities, as well as the value of the amounts reported in the notes to the financial statements and the presentation of contingent liabilities. The related uncertainty of these assumptions and estimates may lead to significant adjustments of the accounting value of assets and liabilities in future periods.

Other information regarding the Group's exposure to risks and uncertainties is included in:
• Risk management policies (Note 26);
• Information on sensitivity analyzes (Note 26).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements (continued)

The following are the critical judgments that management made in the process of applying the Company's accounting policies and that have a significant effect on the accounting values recognized in the financial statements.

i) Recognition of contract revenues

As presented above, in the Revenue Recognition section, IFRS 15 has introduced a comprehensive model for revenue recognition and measurement, which requires critical reasoning as well as significant estimates. The critical reasonings made by the Company's management are

- on the one hand, related to the determination of the method of income recognition for the activities carried out.

Following a comprehensive analysis, the Company determined that the revenues related to the main activities consisting in the manufacture and repair services of engines and mechanical assemblies are recognized as the assumed obligations, is performed, fand for the other activities recognition at the time of delivery of the obligation. The reasoning applied is presented in the section Revenue recognition IFRS 15. Also, as part of this analysis, the Company's management determined that the use of the input-based method in determining the degree of satisfaction of the assumed obligations is adequate, taking into account the specific activities.

- on the other hand, related to the identification of contracts that meet the criteria for recognizing IFRS 15.

Thus, based on the analysis performed, it was established that collaboration protocols and framework contracts concluded with the main clients do not meet, individually, the criteria and definitions of a contract according to IFRS 15, but only together with other subsequent agreements. The company also analyzed the accounting treatment applied to the activities carried out in anticipation of future contracts and the costs incurred with the manufacture or repair of mechanical assemblies until the contractual agreements meet the criteria established by IFRS 15. Based on this analysis, it was determined that these costs falls within the scope of the IAS 2 Inventories standard, and therefore the eligible costs mentioned in the Inventories section are capitalized in the production in progress until the beginning of the contract. At the beginning of the contract, these costs are recognized in income on a cumulative basis, thus reflecting the work already performed.

The following describes significant estimates and assumptions about future events and other sources of uncertainty at the reporting date, which present a major risk of leading to significant adjustments to the carrying amount of assets or liabilities during the next financial year. The company bases its estimates and assumptions on the parameters available at the date of preparation of the financial statements. However, existing circumstances and assumptions regarding future periods may be subject to change in the context of changes in market conditions or other factors beyond the Company's control. Such changes are reflected in the assumptions as they occur. The basic estimates and assumptions are constantly reviewed. Revisions to accounting estimates are recognized prospectively.

In the process of applying the Company's accounting policies, the management used the following significant estimates and assumptions:

ii) Revenue recognition - the degree of fulfillment of the obligations assumed in the contracts with the clients

The company recognizes the revenues from manufacturing and repair services depending on the degree of fulfillment of the obligations assumed by the individual contracts. The degree of fulfillment of the assumed obligations is determined by reporting the cost incurred until the end of the reporting period on each individual execution obligation to the estimated total cost of the project. Management's estimate of total budgeted costs is based primarily on pre-calculations performed by the technical department at the beginning of the project and subsequently revised, as appropriate, to the effect of significant changes indicated by the project managers. Given the nature of the activities carried out, the date on which the contractual activity begins and the date on which the activity is completed are usually within different accounting periods.

Starting with 2021, the Company periodically analyzes and revises the estimation of contractual revenues and costs, both in the calculation prepared for each individual contract, as the contract progresses. In 2022, the Company recognized in revenue RON 2,673,140 (2021: RON 3,644,565) in correspondence with the contractual assets, representing the net margin related to the contracts in progress on December 31, 2022, calculated based on the degree of fulfillment of the assumed obligations, as well as provisions for onerous contracts in the amount of RON 953,947 (2021: RON 676,153). In previous years, contractual assets were recognized only at the level of costs incurred.

iii) Lifetime of tangible and intangible fixed assets

The Company reviews the estimated useful lives of tangible and intangible assets at the end of each annual reporting period. Lifespans are shown below. In 2022, there were no changes in the useful lives of tangible and intangible assets.

3. SGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements (Continued)

iii) The fair value of property, plant and equipment

The company reflects the land, buildings and equipment held at fair value. It is reviewed with sufficient regularity to ensure that the net carrying amount does not differ materially from the fair value of those assets. The valuation of tangible assets is usually performed with the help of independent experts, the last valuation taking place on December 31, 2020.

The fair value is determined using the market value method for real estate and movable property for which there is a market on which they can be traded, and the net replacement cost method for specialized assets for which there is no market on which they can be capitalized.
For specialized real estate, two methods were considered, the determination of the new cost, adjusted with the related wear and tear, as well as the income approach. When applying the income approach, the value of the asset in question is determined by discounting the cash flows that could reasonably be obtained from the operation. The main assumptions for performing the valuation, using the discounted value method, are represented by the estimated cash flows and their discount rate. In 2022, based on the evolution of the real estate and furniture market, it was not considered necessary to update the valuation for tangible fixed assets.

iv) Inventory provisions

At the end of each reporting period, the Company considers whether the provisions for slow-moving stocks are sufficient. The policy for the provision of slow-moving stocks is detailed in Note 13. The assumptions and depreciation rates applied were determined by the company's management based on analyzes performed by the Company's technicians and engineers. Note 13 shows the movements in the value of provisions for inventories during the year.

v) Obligations related to pensions

The present value of pension obligations depends on a number of factors established on an actuarial basis using a number of assumptions. Any modification of these assumptions, presented in detail in Note 21, will influence the book value of the pension obligations.

Obligations related to pensions on December 31, 2022 amount to 941,926 RON (December 31, 2021: 1,150,356 RON). The value was determined both on December 31, 2022 and on December 31, 2021 by Gelid Actuarial Company S.R.L. based on the consultancy and actuarial services contract concluded with it.

vi) Profit tax and deferred tax

The company is subject to corporate income tax in one jurisdiction (Romania). There are many transactions and calculations for which the final determination of the tax is uncertain. The company records provisions, if any, for possible future consequences of tax inspections. If the final fiscal result of these aspects is different from the amounts initially registered, the respective differences will have an impact on the receivables and debts regarding the current and deferred profit tax in the period in which the respective difference appears.

The company also calculates deferred tax, as set out in Note 10. The company has not recorded deferred tax in connection with value adjustments on inventories, considering, based on the analysis performed, that they do not generate a temporary difference, according to the standard.

The company has old stocks of components, specific for helicopters and airplanes. These include special materials, whose scrapping / sale requires the observance of very strict procedures; these are difficult to acquire from the market, and considering the specific activity of the Company, the management does not intend to capitalize on them by selling / scrapping and may need them in future works.

4. INCOME FROM CONTRACTS WITH CLIENTS

Below, an analysis of the Company's income for the financial year:

	December 31, 2022	December 31, 2021
	RON	***RON***
Recognised over the time		
Income from the sale of finished products	34,308,117	39,417,810
Incomes from rendering of repair services	103,287,619	90,120,845
Recognised at delivery moment		
Income from the sale of merchandise	224,709	124,718
Income from services provided	666,626	1,365,210
Income from other activities	1,513	1,513
Income from the sale of residual products	673,023	301,069
Total	**139,161,607**	**131,331,165**

Starting with 2021, the Company performed an analysis of the contracted obligations, which allowed it to recognize these revenues at cost plus the associated margin.

The price allocated to the unfinished execution obligations (unsatisfied or partially unsatisfied) related to the revenues from the manufacturing and repair contracts at the end of the reporting period is 31,470,340 RON (2021: 47,250,144 RON). The remaining performance obligation in respect of the provision of services is expected to be recognized within one year of the end of the reporting period.

5. RAW MATERIALS, CONSUMABLES AND UTILITIES

	December 31, 2022	December 31, 2021
Expenses with raw materials	35,990,124	32,497,885
Expenses with utilities	5,312,598	3,361,973
Expenses with auxiliary materials	4,451,766	3,585,858
Other material expenses	2,040,938	2,235,245
Packaging expenses	77,442	59,112
Cost of goods sold	143,136	103,750
Total	**48,016,004**	**41,843,823**

6. EMPLOYEE BENEFITS

	December 31, 2022	December 31, 2021
Salaries	50,511,494	51,126,046
Social security contributions	2,231,105	2,282,522
Total	**52,742,599**	**53,408,568**

7. OTHER OPERATING EXPENSES AND INCOME, NET

	December 31, 2022	December 31, 2021
	RON	*RON*
Services provided by third parties	3,783,985	3,462,342
Other operating expenses	2,354,203	2,010,271
Other operating income	(2,144,011)	(1,349,869)
Duties and taxes	942,533	926,064
Repairs	1,195,108	1,401,585
Advertising, publicity and protocol	1,113,537	496,017
Insurance premiums	217,814	155,671
Secondment	221,037	91,180
Rental expenses	74,665	89,152
Employee training	113,676	85,189
Transport expenses	727,637	773,984
Total, net	**8,600,184**	**8,141,586**

Other operating income includes dividends prescribed in 2022 resumed at income in the amount of RON 1,058,809 and revenues with utilities (water and energy) invoiced to neighboring companies that do not have separate connection.

8. NET FINANCIAL COSTS

	December 31, 2022	December 31, 2021
Interest expense related to loans	2,347,606	1,493,466
nterest expenses related to leasing contracts	131,702	164,113
Bank commissions	353,902	63,089
Other financial expenses	166,903	315,948
Interest income	(824,690)	(108,129)
Total	**2,175,423**	**1,928,487**

9. GAINS AND LOSSES FROM SALE OF ASSETS AND OTHER GAINS AND LOSSES

	December 31, 2022	December 31, 2021
	RON	***RON***
Net gain on foreign exchange	47,213	(26,975)
Movement of provisions, for current assets, employee benefits, and other provisions (Notes 13, 15)	778,054	2,827,745
Variation in provisions for employee benefits (Note 22)	(128,139)	(13,499)
Variation in provisions for guarantees and honorable contracts (Note 22)	958,276	(220,472)
Other gains and losses, net	(156,190)	(14,380)
Other gains and losses from sale of assets	78,600	102,305
Variation of other provisions, net or related expense	59,035	415,794
Out of which:		
Variation in other provisions (Note 22)	59.035	(568,764)
Provision expense / (reversal) for additional contributions (Note 22)	(1,984,558)	948,558
Recognition of the expense regarding the previously provisioned additional contributions	1,984,558	-
Total	**1,636,849**	**3,070,518**

As December 31,2021 the change in provisions is mainly influenced by the change in the stock provision (RON 2.7 million).

10. INCOME TAX

In 2022 and 2021, the income tax rate was 16%.

The income tax recognized in profit or loss:

	December 31, 2022	December 31, 2021
Income tax	3,200,909	3,201,232
Deferred income tax	(1,950,970)	(746,750)
Total	**1,249,939**	**2,454,482**

Reconciliation of current income tax:

	December 31, 2022	December 31, 2021
Profit before taxation	**13,439,082**	**14,203,708**
Income tax (16%)	**2,150,253**	**2,272,593**
Non-deductible expenses/ Non-taxable income	338,101	657,167
Tax deductions	(1,238,415)	(475,278)
Income tax expense	**1,249,939**	**2,454,482**
Effective tax rate	**9,30 %**	**17.28%**

Non-deductible expenses mainly include non-deductible depreciation and provisioning expenses. Non-taxable income consists mainly of reversals of provisions.

10. INCOME TAX (continued)

The deferred income tax in 2022 and 2021 is as follows:

	Balance as at January 1, 2021	Recognized through profit or loss	Recognized through other comprehensive income	Balance as at December 31, 2021	Recognized through profit or loss	Recognized through other comprehensive income	Balance as at December 31, 2022
Tangible assets	(4,634,038)	-	-	(4,634,038)	1,715,691	-	(2,918,347)
Provisions, including obligations related to employee benefits	-	746,750	(101,798)	644,952	235,280	(12,847)	867,385
Net tax asset/(liability)	**(4,634,038)**	**746,750**	**(101,798)**	**(3,989,086)**	**1,950,970**	**(12,847)**	**(2,050,962)**

In 2022 and 2021, respectively, the Company recorded a deferred tax related to the earnings from pension provisions recorded through the comprehensive result and a deferred tax income related to the provisions for bonuses, unused vacations, guarantees and value assistance of clients. The deferred tax recognized in relation to tangible assets is related to temporary differences, and is reduced as they are amortized. No deferred tax was recognized for stock provisions, based on the rationale presented in note 3.

Deferred tax consists of:

	Assets		Liabilities		Net	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Tangible assets	-	-	(2,918,347)	(4,634,038)	(2,918,347)	(4,634,038)
Provisions, including obligations related to employee benefits	982,030	746,750	(114,645)	(101,798)	867,385	644,952
Net tax (asset)/liability	**982,030**	**746,750**	**(3,032,992)**	**(4,735,836)**	**(2,050,962)**	**(3,989,086)**

Deferred tax liabilities and assets are expected to be recovered over a period longer than 12 months from the end of the financial year on December 31, 2022 and December 31, 2021 respectively.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and other constructions	Technical installations and machinery	Furniture, equipment, office supplies, protective equipment	Tangible Assets in progress	Advances for fixed assets	Total
COST							
January 1, 2021	**16,642,911**	**13,643,530**	**39,159,811**	**227,271**	**2,029,751**		**71,703,273**
Additions	-	96,181	125,817	-	3,763,062		3,985,060
Transfers	-	-	2,911,443	304,461	(3,215,904)		-
Disposals	-	-	(2,227,594)*	(3,610)	-		(2,231,204)
December 31, 2021	**16,642,911**	**13,739,711**	**39,969,477**	**528,122**	**2,576,909**		**73,457,129**
Additions	-	-	855,474	-	1,559,182	5,183,693**	7,598,3494
Transfers	-	-	1,372,633	95,759	(1,468,392)		-
Disposals	-	-	(265,914)	-	-	-	(265,914)
	-						
December 31, 2022	**16,642,911**	**13,739,711**	**41,931,670**	**623,881**	**2,667,700**	**5,183,1693**	**80,789,564**
ACCUMULATED DEPRECIATION				**5,183,693**			
January 1, 2021	**-**	**-**	**-**	-	**-**	**-**	
Depreciation for the year	**-**	583,280	9,230,538	106,626-	-	-	9,920,444
Accumulated depreciation related to outflows	-	-	(46,716)	-	-	-	(46,716)
December 31, 2021	**-**	**583,280**	**9,183,822**	**106,626**	**-**	**-**	**9,873,728**
Depreciation for the year	**-**	590,330	9,098,764		-	-	9,689,094
Accumulated depreciation related to outflows	-	-	(149,079)	-	-	-	(149,079)
December 31, 2022	**-**	**1,173,610**	**18,133,507**	**106,626**	**-**	**-**	**19,413,743**
NET BOOK VALUE	**-**	**-**	**-**	**-**	**-**	**-**	**-**
December 31, 2021	**16,642,911**	**13,156,431**	**30,785,655**	**421,496**	**2,576,909**	**-**	**63,583,402**
December 31, 2022	**16,642,911**	**12,566,101**	**23,798,163**	**517,255**	**2,667,700**	**5,183,693**	**61,375,822**

** Outputs from technical installations on December 31, 2021, include an equipment in the amount of 1,856,572 RON that was returned to the supplier because it did not work properly, this being a movement without cash outflow for the cash flow situation, Also, in 2021, two pieces of equipment in the amount of 1,719,692 RON were transferred from stocks,*

*** On December 31, 2022, the Company has advances to suppliers for equipment, of which for an amount of 4,627,544 RON financing has been receveid from other financial institutions, for more details please see Note 21.*

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value measurement of the Company's freehold land and buildings

The Company's freehold land, buildings, equipment's and furniture are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses, The last fair value measurement of the Company's freehold land and buildings as at 31 December 2020 was performed by Neoconsult Valuation, independent valuation consultant not related to the Company, Neoconsult Valuation is member of the Institute of Valuers of Romania, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties,

The valuation report has been drawn up for the land, buildings, plant, equipment, vehicles, furniture and human and material protection equipment located in the same place, The valuation techniques used were market approach and for specialised properties where the market information available was insufficient, the Company used the net replacement cost method, To determine the final value, the valuer also used the cost and income approach

The categorization per level of fair value as per IFRS 13 is as follows:

- Level 1 – no asset can be included in this category, as there is no active market (transactions) for identical assets where unadjusted prices can be used and accessed by the entity and the appraiser at the valuation date
- Level 2 – not used, as it could be determined any inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,
- Level 3 – land, buildings and equipment's were valued using income and cost approach,

Details of the Company's freehold land and buildings and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 3	**Fair value as at 31/12/2022**
	RON	***RON***
Land	16,642,911	16,642,911
Buildings	12,566,101	12,566,101
Technical installations and machinery	23,798,163	23,798,163
Equipment's and vehicles	517,255	517,255

Pledged or mortgaged assets

As of December 31, 2022, the Company has pledged or mortgaged depreciable tangible assets in the net book value of RON 17,034,677 (December 31, 2021: RON 21,646,953) and land in the amount of RON 10,264,304 (December 31, 2021: RON 16,020,708).

The right to use certain assets

Included in the tangible fixed assets presented are also assets representing the right to use some equipment in the a of RON 5,387,389 as of December 31, 2022 (December 31, 2021: RON 5,208,283); the depreciation expense for the year 2022 was RON,585,854 (December 31, 2021: RON 443,716). In 2022 the additions were in the amount of 646,000 RON. See Note 26 for movements in leasing liabilities.

12. INTANGIBLE ASSETS

	Other intangible assets	Intangible assets in progress	Total
COST			
As at December 31, 2020	**21,280,321**	**92,796**	**21,373,118**
Additions	-	666,173	666,173
Transfers	758,971	(758,971)	-
As at December 31, 2021	**22,039,291**	**-**	**22,039,291**
Additions	-	952,692	952,692
Disposals	(470,014)	-	(470,014)
Transfers	952,692	(952,692)	-
As at December 31, 2022	**22,521,969**	**-**	**22,521,969**
ACCUMULATED AMORTISATION			
As at December 31, 2020	**20,044,106**	**-**	**20,044,106**
Amortization for the year	1,056,637		1,056,637
Accumulated amortization related to outflows	-	-	
As at December 31, 2021	**21,100,743**	**-**	**21,100,743**
Amortization for the year	1,465,083	-	1,465,083
Accumulated amortization related to outflows	(479,014)		(479,014)
As at December 31, 2022	**22,086,812**	**-**	**22,086,812**
NET BOOK VALUE			
As at December 31, 2021	**938,549**	**-**	**938,549**
As at December 31, 2022	**435,157**	**-**	**435,157**

Intangible assets are represented by:

1. SAP-ERP software, The payback period for these software programs is 3 years, The net book value of ERP as of December 31, 2022 is RON 175,931 (December 31, 2021: RON 415,282),

2. IT licenses, value remaining on 31,12,2022: 256,255 RON (31 December 2021: 420,411 RON) with useful lives of 12 - 36 months,

13. INVENTORIES

	December 31, 2022	December 31, 2021
	RON	*RON*
Raw materials	37,689,547	40,169,839
Consumables	3,207,888	2,529,041
Packaging	58,786	30,324
Finished goods	3,078,441	5,296,567
Work in progress	15,468,586	15,424,099
Semi-finished goods	14,667,841	13,551,886
Residual products	105,583	151,132
Merchandise	-	449
Inventory allowances	(18,617,752)	(17,811,415)
Total	**55,658,920**	**59,341,922**

Stocks without movement were adjusted: by 100% those without movement in the last 5 years (or more), by 70% those without movement in the last 4 years and by 50% those without movement in the last 3 years, Stocks without movement in the last 2 years were not adjusted because most manufactured products have a long cycle of use.

For the adjustments related to slow-moving stocks, only those materials that had exits in 2022 were taken into account, and the stocks on 12,31,2022 and 12,31,2021 that were different from zero, A rate was calculated as a ratio between the average stocks (on 31,12,2022 and 31,12,2021) and the outputs from the year 2022, The adjustments were calculated according to the size of the rate: 30% for a rate equal to 3,70% for a rate equal to 4 and 100% for a rate equal to 5 (and higher).

Stocks of raw materials and materials from DPPV management – VIPER finished parts; DPRP – Repaired parts; DPMP - hazardous materials, intended exclusively for the manufacture of aircraft parts and the repair of VIPER 632-41 engines, were 100% provisioned.

The company also evaluated and recorded, if necessary, any adjustments to determine the net realizable value in accordance with IAS 2.

The movement of allowances for inventory impairment is as follows:

	December 31, 2022	December 31, 2021
	RON	*RON*
Balance at the beginning of the year	**(14,967,558)**	**(13,017,671)**
Increase/Decrease of allowances in profit or loss	715,706	(1,949,587)
Balance at the end of the year	**(14,251,852)**	**(14,967,258)**

The increase in allowance per types of inventories can be presented as follows for 2022:

Inventory type	**Variation in allowance 2022**	**Variation in allowance 2021**
Raw materials	(785,264)	1,756,879
Consumable	167,413	254,590
Finished goods and Residuals products	(97,555)	52,779
Packages	-	(114,661)
Total	**(715,405)**	**1,949,587**

13, INVENTORIES (continued)

The movement within the adjustments for the depreciation of the stocks related to the production in progress is the following:

	December 31,2022	December 31,2021
	RON	*RON*
Balance at the beginning of the year	**(2,844,157)**	**-**
Transfer of contractual assets*	-	(2,066,371)
Provision increase/(decrease) recognized in profit and loss	(1,521,743)	(777,786)
Balance at the end of the year	**(4,365,900)**	**(2,844,157)**

**Following the change in accounting treatment in 2021, the provision related to ongoing production was transferred from contractual assets to stocks*

14. CONTRACT ASSETS

	December 31,2022	December 31,2021
	RON	*RON*
Repairs and production contracts	12,219,893	11,952,778
Loss allowance	**12,219,893**	-
Total		**11,952,778**
Non-current	-	-
Current	12,219,893	11,952,778

Amounts relating to contract assets are balances due from customers under repairs contracts that arise when the Company enters in repairs agreement with customers. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Payment for repairs services is not due from the customer until the repairs services are complete and therefore a contract asset is recognized over the period in which the repairs services are performed to represent the entity's right to consideration for the services transferred to date,

The loss allowance related to contract assets is recognized at an amount equal to lifetime ECL, simplified approach and taking into account historical default experience,

Based on historical experience, taking into account the specialized nature of the services offered, the limited number of clients and the fact that the main clients are state companies sau multinationals with good reputation, the related credit risk is very low, therefore the related impairment is considered insignificant, Following the analysis performed by the Company's management, there was no impairment of these contractual receivables both on December 31, 2022 and on December 31, 2021,

15. TRADE RECEIVABLES

	December 31, 2022	December 31, 2021
	RON	*RON*
Trade receivables	28,473,631	20,520,299
Clients - invoices to be issued	544,815	90,382
Allowance for doubtful debts	(312,031)	(340,313)
Total	**28,706,415**	**20,270,368**

15. TRADE RECEIVABLES (continued)

The movement of allowances for impairment of trade receivables is as follows:

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	**340,313**	**238,832**
(Decrease) / Increase of allowance in profit or loss	(28,282)	101,481
Balance at the end of the year	**312,031**	**340,313**

The company allowed in proportion of 100% the receivables which exceed 270 days because the historical experience indicated that these receivables are generally not recoverable.

The company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e,g, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier, None of the trade receivables that have been written off is subject to enforcement activities.

The company performed the evaluation on the ECL approach and no significant difference appeared because the company operates in the defense industry, where the main customers are state-owned companies that do not have problems with payments, The remaining balances are in relation with multinational with solid reputation, which did not presented delays for payments.The increase in the balance of receivables at the end of the year is due to the completion of a large number of orders towards the end of the year that were invoiced in the last month, Majority of these were collected later, there being no risk regarding the increased balance on December 31, 2022 and December 31, 2021, respectively.

16. OTHER RECEIVABLES

	December 31, 2022	December 31, 2021
Sundry debtors	-	45,911
Other receivables	1,534,620	1,204,875
Total	**1,534,620**	**1,250,786**

Other receivables include mainly contrinutions for medical leave and other short term receivables.

17. OTHER CURRENT RECEIVABLES

	December 31, 2022	December 31, 2021
Prepaind expenses	413,336	272,940
Advance expenses - leasing	1,530,064	-
Advances to suppliers	1,620,015	907,417
Total	**3,563,416**	**1,180,357**

On December 31, 2022, the Company paid the advance for 5 financial leasing contracts for equipment to be delivered in the following period.

18. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Cash in banks	12,000,422	18,902,135
Petty cash	14,450	16,220
Other cash equivalents	28,824	43,005
Total	**12,043,696**	**18,961,360**

On December 31, 2022, the Company established a bank deposit in the amount of 9,000,000 RON, from December 6, 2022 for a period of 30 days with an interest rate of 6,30%

FINANCIAL ASSETS

	December 31, 2022	December 31, 2021
State titles	5,880,000	-

In June 2022, the Company purchased state securities in the amount of 5,880,000 RON purchased which are due in June 2023, with a return of investment of 6,35%, The relative fair value of these securities does not differ substantially from the recorded value.

19. SHARE CAPITAL

The share capital is fully paid in:

	No, of shares	Share capital
		RON
Share capital as at December 31, 2021	**369,442,475**	**1,024,571,055**
Closing the reported result from the adoption of IAS 29	-	(987,626,807)
Share capital as at December 31, 2021	**369,442,475**	**36,944,248**
Share capital as at December 31, 2022	**369,442,475**	**36,944,248**

The share capital of the Company was inflated until December 31, 2003, the date from which the Romanian economy was no longer considered inflationary.
Following the OGMS Decision 3 / 26,08,2021, in TRIM III, it was decided to close the reported result from the adoption of IAS 29 - debtor by reducing the corresponding amount of capital and reserves.

As a result of this operation, the following items will be presented in the financial statements as follows:

a) The company's own capital in the financial statements will be of RON 36,944,248, the paid subscribed capital, registered at the Trade Register;
b) The legal reserve will be reduced by RON 8,302,633;
c) Other reserves will be reduced by RON 12,414,196;
d) The reported result will decrease by RON 3,280;
e) Also, the above adjustments are closed with the amounts previously registered in the result carried forward in the amount of RON 1,008,346,916.

When these amounts were registered (2012) they did not have any impact on the company's patrimony, respectively on the own capitals, these remaining at the value before making these registrations, because the respective amounts are canceled each other.
In 2021 when this inflation is canceled, the equity was not changed, for the same reasons: the respective amounts are mutually canceled.
Therefore, on December 31, 2021, following the decision to cancel this inflation, the equity has not been changed, for the same reasons by netting off these amouns. For more details, see the Statement of Equity Changes for the financial year ended December 31, 2021.

20. RESERVES

	December 31, 2022	December 31, 2021
Legal reserves	7,388,850	7,388,850
Revaluation reserves	46,967,954	47,190,885
Other reserves	14,094,961	27,874,351
Total	**68,451,765**	**82,454,086**

Following the AGOA Decision 1/28,04,2022, it was decided to distribute the amount of 13,779,390 RON from the category of other "Other reserves" to "Carried forward result, For more details, see the Statement of Equity Changes for the financial year ended December 31, 2022.

In the category of "Other reserves" of 14,094,961 RON there are also included the tax deductions granted for export in the years 2000-2003 in the amount of 4,957,578 RON (their inflated value being 6,100,419 RON), If the management decides to change their destination, they will be charged, The management decided not to use these reserves, therefore no deferred tax was created for them.

In the year 2022 and 2021, respectively, the Company did not constitute an additional legal reserve, since it was constituted already in 2017 in the amount of 20% of the share capital in accordance with the minimum threshold as stipulated in the Commercial Companies Law no, 31/1990 with its subsequent modifications.

21. BORROWINGS

	December 31, 2022	December 31, 2021
a) Short-term debts from shareholders	**4,880,000**	**4,880,000**
Interest payable to shareholders	4,880,000	4,880,000

b) Loans from banking institutions, lease entities and other financial liabilities		
Secured loans		
Short-term loans	21,291,936	21,909,394
Short-term leasing debts	945,201	1,105,655
Long-term leasing debts	1,857,927	2,055,578
Other long-term financial loan	4,627,544	-
Total loans from banking institutions, leasing entities and other financial liabilities	**28,722,608**	**25,070,627**
Total loans	**33,602,602**	**29,950,627**
of which:		
Short-term loans	**27,117,137**	**27,895,049**

21, BORROWINGS (continued)

a) Amounts owed to shareholders

At the end of March 2009, the Company concluded loan contracts with shareholders to finance its operating activity as follows:

- Viehmann Radu: RON 4,580,000 of which RON 4,500,000 according to Contract 178/2009 and the subsequent addenda and RON 80,000 according to short-term contract no, 538/2011, non-interest bearing.

- Ciorapciu Dana Maria: RON 300,000 according to Contract 867/2012 and the subsequent addenda.

These are extended annually, by additional documents, during the year the interest related to these contracts is paid.

In January 2022, the two contracts were extended and additional documents were concluded as follows: AA 13 / 28.01.2022 to contract 178/2009 and AA 9 / 28.01.2022 to contract 867/2012, respectively.

Both additional documents extend the validity of the 2 contracts until 31.01.2023, and the gross interest rate is 5,46% / year, which includes the percentage related to the investment income tax, which currently, according to the Fiscal Code, is 10%.
Both additional documents extend the validity of the 2 contracts until 31.01.2022, and the gross interest is 5,80% / year, which includes the percentage of tax on investment income, which currently, according to the Fiscal Code, is 10%.

The loan balance on 31.12.2021 is unchanged, In 2021, the interest due for 2021 to Mr, Viehmann Radu in the amount of 236,809 lei and to Ms, Ciorapciu Dana Maria in the amount of 15,786 lei was paid.

In January 2022, the two contracts were extended and additional documents were concluded as follows: AA 13 / 28.01.2022 to contract 178/2009 and respectively AA 9 / 28.01.2022 to contract 867/2012.

Both additional documents extend the validity of the 2 contracts until 31.01.2023, and the gross interest is 5,46% / year, which includes the percentage of tax on investment income, which currently, according to the Fiscal Code, is 10%.

In May 2022, the two contracts were additionally amended as follows: AA 14 / 13.05.2022 to contract 178/2009 and respectively AA10 / 13.05.2022 to contract 867/2012.

Both documents change the interest rate from 5,46% to 7,8% for the period 14.05.2022 – 31.01.2023. Thus, the gross interest is 7,8% / year, the interest which includes the percentage of tax on investment income, which currently, according to the Fiscal Code, is 10%.

b) Amounts owed to credit institutions

Contract	December, 31 2022	December, 31 2021
(A) BRD		
– Working Capital no, 103 BIS/28,04,2006	14,168,381	14,572,012
(D) Banca Transilvania		
– Working Capital no, 186/24,06,2009	7,123,555	7,337,382
	21,291,936	**21,909,394**

(A) BRD – Credit facility no, 103 BIS/28,04,2006

The company has a credit line and a SGB issuance facility and the opening of letters of credit with BRD which has been extended over time by additional documents.

- Additional act no, 63 / 25.08.2021 extended the validity period of the global financing ceiling of facility A, multi-options, non-binding, until 31.08.2022, and for facility B until 31.12.2022.
- Additional act no, 64 / 31.08.2022 extended the validity period of the global financing ceiling of facility A, multi-options, non-binding, until 31.08.2023, and for facility B we have the specification regarding the term of use which cannot exceed the term of use of facility A, the SGB value cannot exceed 12 months from issue/opening. The contract provides for the facility fee (agreement) in our case of extension and a series of fees in special cases (SGB amendment commission, SGB analysis commission, L\C opening commission (letter of credit), letter of credit modification commission, letter of credit non-interpretation/cancellation commission). All other provisions of the Credit Agreement remain unchanged, including those related to guarantees, interest, commissions. On 31.12.2022, the credit balance is 14,168,381 RON.

21. BORROWINGS (continued)

The value of the letters of guarantee issued from the credit ceiling and valid on 01.01.2022 is RON 641,312, due on 08.31.2022. On 15.09.2022, a Bank Guarantee Letter was issued for the return of the advance in favor of the client, the Executive Unit for the Financing of Higher Education, Research and Innovation (UEFISCDI) in the amount of 145,800 RON with a due date of 31.01.2023. On 22.12.2022, a Bank Guarantee Letter of Good Execution was issued in favor of the client UM01836 in the amount of 1,284,522 RON with maturity date 30.06.2023.

On 31.12.2022, the approved limit is 19,365,000 RON, of which 14,168,381 RON was used through the credit line and 1,427,322 RON through Bank Guarantee Letters, the available limit being 3,769,296 RON.

(A1) BRD - Factoring contract 539/04,05,2006

In 2006 the Company concluded a factoring contract, the factoring contract no, 539 / 04.05.2006, which was successively extended,

By addendum No.5 to the Factoring Contract no, 539 / 04.05.2019, the financing ceiling of 500,000 Eur was established, for covering the risk of non-payment of 500,000 Eur. The factoring commission is 1,1% + VAT and 9 EUR / document + VAT.

On 31.08.2021, the Factoring Contract was not renewed. The company gave up the assignment of receivables for the customer GE Hungary.

Considering that in January 2022, the last invoices assigned under the factoring contract no, 539/04.05.2006 concluded between BRD - Societe General Group and Turbomecanica, it was automatically terminated according to notification no, 6187/08.09.2021 transmitted by BRD.

(B) Banca Transilvania – Loan contract no, 186/24,06,2009

On 18,05,2021, Additional Act no, 29/186, the purpose of which is to modify the following conditions: credit facility extension until 18,05,2022; the amount of the loan 9,400,000 RON; Multiple shots.

Period of use: until 17.05.2022. Deadline 18.05.2022.

Interest rate, The annual interest rate is 4,98% variable and consists of the 6-month ROBOR index, calculated on 31.03.2021, to which the Bank's margin of 3,25% is added. The ROBOR index is 1,73%, but in all cases where the value of the reference index falls below zero, for the purpose of interest calculation, the zero value is used.

The annual interest rate will be updated Quarterly on the first working day of the calendar quarter with the official level of the 6-month ROBOR index calculated on the last working day of the previous calendar quarter.

On 21.07.2021, Additional Act no. 30/186 by which the interest margin was reduced from 3,25% to 2,5%, starting from 15.08.2021.

On 12.10.2021, Additional Act no. 31/186 by which the guarantee structure is changed by eliminating the buildings with cadastral numbers 233974 and 229339 based on an evaluation report, provided that the remaining guarantee has a degree of coverage of 85%.

The following guarantees are maintained:

- prime real estate mortgage on objectives 6,8,11 and 10, land of 583 sqm, free urban land of 684 sqm and real movable guarantee on the proceeds and the balance of the current account and sub-accounts opened at BT, with no, 186 / CES / 02 / 06.06.2012, amended and supplemented by AA 01/186 / CES / 02 / 21.05.2019.
- chattel mortgage on existing assets for 18 pieces of equipment, eliminating, unlike the previous contract, the Maxicut transmission machine.

Guarantees on the existing assets for 18 equipment are maintained, in accordance with the Movable Mortgage Agreement for the existing assets determined no, 186 / GAJ / 01 / 27.02.2014, amended and supplemented by the additional Act no. 04/186 / GAJ / 01 / 18.05.2020.

According to the standard contractual clauses, the client undertakes to submit to the bank for analysis all the documents necessary to extend the credit facility at least 45 days before the maturity of the facility.

Turbomecanica has the obligation to perform a turnover through BT of min, 33% of the turnover achieved. Running condition has been met The special terms of the facility are maintained and remain unchanged.

21. BORROWINGS (continued)

On 28,02,2022, the Additional Act no, 32/186, which specifies the use of the credit line for working capital, An evaluation commission is added to the issuance of the additional document in a fixed amount of 3,045 lei, payable on the date of implementation of the additional document and the guarantees that are maintained are specified, Loan amount: 9,400,000 lei; Multiple shots.
Period of use: until 17.05.2022. Deadline 18.05.2022.

On 16.05.2022, Additional Act no, 33/186, the purpose of which is to modify the following conditions: credit facility extension until 17.05.2023; the amount of the loan 9,400,000 lei; Multiple shots, Credit use until 16.05.2023.
The interest is maintained at 2,5% plus ROBOR 6M calculated on the last working day of the previous calendar quarter, Credit use until 16.05.2023.
The balance of the loan on 31.12.2022 is 7,123,555 RON (31.12.2021: 7,337,382 RON).

b) Amounts owed to leasing companies and other financial institutions

In 2022, the Company concluded Leasing Contracts with BT Leasing, thus equipment was purchased to increase production capacity: YCM turning machine and KASTO KASTO TWIN band sawing machine, Their balance on 31.12.2022 is: 646,600 RON.
Leasing contracts 4003351 and 4003350 concluded with UNICREDIT LEASING, in the amount of EUR 174,132 and entered under IFRS 16 "Leasing Contracts", were completed in April 2022, their balance being 0 on December 31, 2022.
Furthermore, the Company still has financial leasing contracts in progress for equipment concluded in previous years, the balance of which is 2,156,527 RON as of December 31, 2022.
The assets related to these lease agreements are presented in the Note 11. All lease liabilities are due within a period until 5 years.
In 2022, the entity had approved a leasing ceiling of EUR 2,750,000 + VAT, and in the course of 2022, this ceiling was supplemented with the amount of EUR 1,220,000 + VAT.

The Company also concluded leaseback contracts for the OERLIKON Thermal Spraying System with a financed value of 1,046,416 EURO, with an estimated delivery date of November 2023, and GLEASON PFAUTER mortising equipment with a financed value of 720,000 EURO with an estimated delivery date April 2024. Until December 31, 2022, the Company paid advances in the amount of 4,627,544 RON to equipment suppliers, In accordance with the sales and leaseback contracts, these advances were financed by the leasing companies. According to the contractual terms, these assets will be acquired in 2023 and therefore, on December 31, 2022, the amounts paid as an advance for their acquisition are presented as "Advances for tangible assets" - see Note 11. In exchange for these advances paid, financing was obtained from the leasing company, presented on the line of other financial debts. According to the contractual terms, these assets will be received in the next period. From the date of receipt, the Company will acquire a right of use and in return a financial leasing debt, based on the concluded accounts.

22. PROVISIONS

	Provisions for post-employment benefits	Other provisions related to personnel	Provisions for Guarantees	Provisions for onerous contracts	Total
Balance as of 01.01.2022	**1,150,356**	**4,122,669**	**335,622**	**676,153**	**6,284,800**
Additions	196,471	2,161,698	680,482	277,794	3,316,445
Used	(324,610)	(4,087,221)			(4,411,831)
Actuarial gain – other comprehensive income	(80,291)				(80,291)
Balancce as of 31.12.2022	**941,926**	**2,197,146**	**1,016,104**	**953,947**	**5,109,123**

On December 31, 2022, all provisions except the provision "Provisions for post-employment benefits" are presented as current provisions.
From the total "Provision for post-employment benefits" the amount of 128,259 is presented as a short-term provision, while the difference of 813,667 RON is presented as a long-term provision.

22. **PROVISIONS *(continued)***

The following are included in "Other personnel-related provisions": provision for performance bonuses of 2022 that will be granted in 2023, provision for vacations not taken on December 31, 2022, As of December 31, 2021, in this category of provisions was also recorded the provision constituted for the payment of additional social contributions related to the gift vouchers offered in the amount of 1,984,558 RON established by the Romanian Tax Authorities (from this provision the amount of 1,000,000 RON of was established on December 31, 2019). This provision was reversed during the year 2022 when the Company paid these contributions; The expenditure with these contributions registered in the current year is presented in Note 9 together with the reversal of the related provision. The amounts presented for additions in 2002, mainly comprise the provision for performance bonuses for the year 2022, and those presented for use, consist of the payment of the provision for performance bonuses together with the granting of these bonuses, and the reversal of the provision mentioned above together with the recording of the expense related.

The company provides the following benefits to its employees:
a) Retirement benefits in the amount of two basic salaries in the month preceding retirement;
b) Assistance in case of death of the employee: 5 minimum salaries per company plus 25% of this amount of each dependent child;
c) Upon termination of the activity from the company's initiative as a result of the restriction of its activity, compensatory payments of up to 6 individual salaries, representing 20% of the individual salary of the month preceding the termination of the collaboration, for each year worked in the company, but not less than one salary, in addition to the rights due to the day, without affecting the salary rights of the remaining staff.

The most recent actuarial valuation of the provision for post-employment benefits was performed on December 31, 2022, by GELID ACTUARIAL COMPANY, The present value of the benefit obligation determined the costs related to the current services and the cost of the past service, were measured using the Projected Credit Factor Method (MFCP), These benefits will be paid in large in the next 5-15 years, The principal assumptions used for the purposes of the actuarial valuations were as follows:

Demographic assumptions on the future characteristics of employees eligible for receiving benefits:

Mortality of employees and their family members,	Romanian Mortality Table for 2018 men and women issued by the National Institute of Statistics,
Rate of employee turnover	In 2022, the employee turnover rate was 11%, For this exercise, the average of the last three years was considered to be 9,3% p,a, Based on the age structure of the staff, the staff turnover rate model takes into account the number of years remaining until retirement and results in a number of employees who would leave and be replaced equal to 9,3% of the total number of employees, The employee turnover rate is: - 25,5% pa for employees who are over 35 years old until retirement - Linearly decreasing to 0% for employees with a number of years until retirement between 35 and 5 years; For the last 5 years until retirement, I considered that employees are no longer looking to change jobs and that they have gained enough experience not to be replaced for disciplinary reasons,
Rate of dismissals	For the period after December 2022, the Company did not communicate a personnel redundancy plan,

Financial assumptions

Discount rate

As regards the discount rate, the Company took into account the yields of bonds on the active market at the end of December 2022, The available residual terms until maturity were 1 - 10 years and 13-14 years, For the other terms, the Company estimated the discount rate using the Smith-Wilson method, The long-term assumptions were:

– estimated long-term inflation rate 2% pa
– estimated long-term real yield of government bonds 1,45% pa
– liquidity premium for Romania 0%,

Thus, a balancing forward rate of 3,45% pa was considered,
The method ensures compatibility between the discount rate and inflation rate,
The weighted average discount rate is 8.1% p,a,

Inflation rate

Based on the statistics issued by INSSE and the NBR forecast as of November, 2022, the Company estimated an inflation rate of:

– 16,3% în 2022
– 11,2% în 2023
– 6,1% în 2024
– 3,6% în 2025
– 2,7% în 2026
− 2,5% for 2027 - 2031 and following a declining trend in the following years

22. PROVISIONS *(continued)*

Wage growth rate	The Company estimates an average growth of maximum 3,7% in 2023, For 2024 and the following years, the Company estimated that salaries will increase by an average of the consumer price index of each year. The weighted average rate of salary increases is 3.3% pa.

The components of defined benefit costs recognized in profit or loss are as follows:

Change the present value of the obligation	**December 31, 2022**	**December 31, 2021**
Present value of obligation	1,150,356	1,800,095
Interest cost	53,713	42,729
Cost of current service	142,758	205,130
Payments from provisions during year	(324,610)	(261,358)
Actuarial (Gain)/Loss of the year	(80,291)	(636,240)
Past service costs	-	-
Present value of the obligation – December 31	**941,926**	**1,150,356**

Calculation for the period:	**December 31, 2022**	**December 31, 2021**
Interest cost	53,713	42,729
Current service cost	142,758	205,130
Past service cost	-	-
Benefits paid	196,471	247,859
Other elemens of the global result*:		
Actuarial gains and losses from changes in financial assumptions	(80,291)	(636,240)
TOTAL	**(80,291)**	**(636,240)**

*in the Statement of comprehensive income, the amount is presented net of the deferred tax impact both on December 31, 2022 and on December 31, 2021

Change in provision	**December 31, 2022**	**December 31, 2021**
Opening Balnce – January 1st	1,150,356	1,800,356
Expenditure/ (Income) related to the period	116,180	(388,381)
Payments	(324,610)	(261,358)
Total provision	**941,926**	**1,150,536**

Significant actuarial assumptions for determining the defined obligation are the following: discount rate, projected salary increases and mortality,

Benefit Payment Maturity Analysis 2022

Maturity of obligations with defined benefits	**Retirement benefits**	**Employee death benefits**	**Total obligations with defined benefits**
Pana la 1 year	80,879	47,380	128,259
1 – 2 year	112,797	47,338	160,135
2 – 5 year	358,189	134,203	492,392
5 – 10 year	1,043,893	161,327	1,205,220
Peste 10 year	1,054,150	122,664	1,176,814

22. *PROVISIONS* (*continued*)

Sensitivity analysis 2021

Hypotheses	**December, 31 2022**	**December, 31 2021**
	Post-employment benefits	Post-employment benefits
PVDBO at 31,12,2022 (RON)	941,926	1,150,356
Discount rate +1%	888,061	1,077,350
Discount rate -1%	1,001,066	1,231,281
Wage growth rate +1%	1,004,444	1,232,899
Wage growth rate -1%	884,234	1,074,679
Increased longevity by 1 year	934,440	1,143,928

As mentioned in Note 3, for contract revenues, the Company offers its customers a guarantee between 12-18 months, The management of the Company makes an analysis of the historical costs with the repairs under warranty. Based on this analysis, the Company determined that the level of expenses for warranty works, which is on a decreasing trend, was at a level of 0,49% of turnover, a percentage used in determining the provision for guarantees.

23. TRADE AND OTHER LIABILITIES

	December 31, 2022	**December 31, 2021**
Trade liabilities	5,719,775	4,273,032
Liabilities on invoices to be received	1,021,428	1,265,915
Other creditors	2,318	12,571
Total	**6,743,521**	**5,551,518**

24. OTHER CURRENT LIABILITES AND DEFERRED INCOME

Other current liabilities	**December 31, 2022**	**December 31, 2021**
Salaries	1,878,906	1,942,787
Salary taxes	2,430,202	2,531,620
VAT payable	3,443,732	3,249,763
Other creditors	75,899	159,882
Other taxes	290,016	222,421
Advances from clients	-	12,459
Dividends	828,073	1,076,277
Total	**8,946,828**	**9,182,750**

25. SEGMENT REPORTING

Operating segments of the Company are driven by the main products and services delivered, as it is shown below: manufacturing of aircraft parts, repairs of engines and other. The geographical segmentation of the operations derives from the country of origin for the main customers of the Company.

The Company's management does not monitor the business at the level of these segments, only the registered revenues. Owned assets serve all segments presented. Therefore, the Company cannot present profitability and CAPEX at the individual segment level.

25. SEGMENT REPORTING *(continued)*

Segment revenues	**December 31, 2022**	**December 31, 2021**
Manufacturing of aircraft parts	34,308,117	38,512,607
Repairs of engines	103,287,619	90,120,845
Other revenues	1,565,871	2,697,713
Total	**139,161,607**	**131,331,165**

Geographic information

The company revenue form external customers and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets by geographical location are detailed below:

Location	**2022 Revenues**	**2021 Revenues**
EUROPA	139,028,953	131,228,370
- Out of which Romania	120.291.565	121,530,133
USA	122,739	87,128
ASIA	9,914	15,667
TOTAL	**139,161,607**	**131,331,765**

26. FINANCIAL INSTRUMENTS

a) Capital risk management

The Company manages its capital so as to make sure that it will continue its business along time with the maximization of the shareholders' wealth, by optimizing the balance of liabilities and equity.
The Company's capital consists of debts, which include the borrowings disclosed in Note 20, cash and cash equivalents and equity,
Own equity comprises share capital, reserves and retained earnings, as disclosed in Notes 19 and 20.

The Company monitors capital based on the gearing ratio. Such ratio is calculated as ratio between the net debt and total capital, The net debt is calculated as total borrowings (including both long and short-term loans) less cash and cash equivalents.
The total capital is calculated as "capital and reserves" as reported in the balance sheet.

The gearing ratio as at December 31, 2022 and December 31, 2021 is as follows:

	December 31, 2022	**December 31, 2021**
Total borrowings	**28,975,064**	29,950,627
Cash and cash equivalents	(12,043,696)	(18,961,360)
Net debt	**16,931,368**	**10,989,267**
Total capital and reserves	122,751,780	120,598,947
Gearing ratio	14%	9%

The change in the degree of indebtedness is due to the increase in cash and cash equivalents as of December 31, 2022.

26. FINANCIAL INSTRUMENTS *(continued)*

b) Credit risk management

The company is subject to a credit risk due to its trade receivables and other types of receivables, The company has policies designed to ensure that sales are made to customers with appropriate references regarding their creditworthiness, The maturity date of the debts is closely monitored and the amounts due after the deadline are promptly tracked, Trade receivables (customers) are presented net of adjustments for impairment of uncertain receivables.
The company develops policies that limit the value of credit exposure to any financial institution, The Company does not request collateral deposits but in some limited cases, it requires advances from customers.

The concentration of trade receivables and revenue from contracts is as follows:

	Trade receivables as of 31 December 2022	**Contractual Assets as of 31 December 2022**	**Revenue from contracts with customers 2022**	**Trade receivables as of 31 December 2021**	**Contractual Assets as of 31 December 2021**	**Revenue from contracts with customers 2021**
Top 3 clients	25,564,107	7,311,314	119,270,918	15,824,791	10,764,873	123,215,826
Others	3,142,309	4,908,578	19,890,689	4,445,577	1,187,905	8,115,339
Total	**28,706,415**	**12,040,812**	**139,161,607**	**20,270,368**	**11,952,778**	**131,331,165**

The main 3 clients according to sales are represented by 2 entities with majority state participation, clients that fall into a low risk category and Leonardo S,p,a Helicopters Division, an external entity with a very good creditworthiness, There are also income and their income in each period.

Cash is held in financial institutions that are valued at minimal risk of default. These are BRD and Banca Transilvania.
The book values present the maximum exposure of the Company to the credit risk related to the existing receivables.
On this basis, the provision for loss on December 31, 2022, December 31, 2021 was determined by the provision of receivables older than 270 days.

26. *FINANCIAL INSTRUMENTS (continued)*

c) Foreign currency risk management

The Company is exposed to foreign currency fluctuations in commercial and financing transactions. Foreign currency risk arises from recognized trade assets and liabilities, borrowings inclusively, expressed in foreign currency. Due to high associated costs, the Company's policy is not to use financial derivatives to mitigate such risk.

The carrying amounts of the Company's currencies expressed in monetary assets and liabilities as at the reporting date are the following:

2022	**EUR 1 EUR = RON 4,9474**	**USD 1 USD = RON 4,6346**	**GBP 1 GBP = RON 5,5878**	**CHF 1 CHF = RON 5,0829**	**RON 1 RON = RON**	**TOTAL December 31, 2022**
	RON	***RON***	***RON***		***RON***	***RON***
ASSETS						
Cash and cash equivalents	2,510,078	23,661	1,323	4,834	9,503,799	12,043,696
Financial assets					5,880,000	5,880,000
Receivables and other current assets	6,264,095	9,924	-	-	22,432,397	28,706,415
Contract assets	5,592,362	-	-	-	6,627,531	12,219,893
LIABILITIES						
Trade and other liabilities	2,216,852	49,769	8,040		4,468,860	6,743,521
Short and long-term loans	2,803,128	-	-	-	26,171,936	228,975,064
Other financial liabilities					4,627,544	4,627,544
Net balance exposure (assets - liabilities)	**9,346,555**	**(16,185)**	**(6,717)**	**4,833**	**9,175,387**	**18,503,876**

2021	**EUR 1 EUR = RON 4,9481**	**USD 1 USD = RON 4,3707**	**GBP 1 GBP = RON 5,8994**	**CHF 1 CHF = RON 4,7884**	**RON 1 RON = RON**	**TOTAL December 31, 2021**
	RON	***RON***	***RON***		***RON***	***RON***
ASSETS						
Cash and cash equivalents	3,745,707	48,664	7,199	1,854	15,157,936	18,961,360
Receivables and other current assets	3,353,123	12,079	-	-	16,905,166	20,270,368
	-	-	-	-	11,952,778	11,952,778
LIABILITIES						
Trade and other liabilities	71,594	143,684	-		5,336,240	5,551,518
Short and long-term loans	3,161,235	-	-	-	26,789,393	29,950,628
Net balance exposure (assets - liabilities)	**3,866,001**	**(82,941)**	**7,199**	**1,854**	**11,890,247**	**15,682,360**

26. FINANCIAL INSTRUMENTS (continued)

c) Foreign currency risk management (continued)

Sensitivity analysis

The Company is mainly exposed in respect of the exchange rate of the EUR vs, RON, The following table details the Company's sensitivity to a 10% increase in the main currencies the company has monetary items.

10% is the sensitivity rate used when reporting foreign currency risk internally to senior management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

A negative number below indicates a decrease in profit, when there is a 10% weakening of the RON. For a 10% strengthening of RON against the currencies the company has the monetary items denominated there would be an equal and opposite impact on the profit and equity and the balance would be positive.

	10% strengthening of RON against EUR - impact on the result as at:	
	December 31, 2022	**December 31, 2021**
EUR	934,655	386,600
USD	(283)	(8,294)
GBP	(457)	(720)
CHF	483	185

d) Liquidity and interest risk management

A prudent liquidity risk management requires maintaining sufficient cash and available credit lines, by continually monitoring the estimated and actual cash flow and by correlating the maturities of financial assets and liabilities.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates, The Company's operating cash flows are impacted mainly by the changes in interest rates, due to the borrowings with variable interest rates contracted from internal credit institutions. The Company has significant borrowings with variable interest rates that expose the Company to significant cash flow risk. The Company is on ongoing negotiation process with the bank to renegotiate repayment terms and interest.

Sensitivity analysis – interest

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

Part of interest the company pays to lease companies, where the interest is fixed, thus no impact on fluctuations of interest rates,
For the short term loan, the interest has a volatile component (ROBOR) and is about 5-6% per month.

For the short-term loan, the interest rate has a volatile component (ROBOR) and is about 5-6% per month.
Assuming a 2% increase, which historically is an increase in ROBOR rates, the impact on the profit and loss account will be insignificant.

25. FINANCIAL INSTRUMENTS (continued)
d) Liquidity and interest risk management (continued)

2022	**Interest rate**	**Less than 1 month**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	***Total***
Trade and other liabilities		2.728.554	4.014.967	-	-	6.743.521
Long and short-term borrowings (of which)			29.596.446	1.857.927		31.454.373
Short term loans in lei - BRD	ROBOR 3M +3.50%		14.168.382			14.168.382
Interest - BRD			1.096.727			1.096.727
Short term loans Banca transilvania	ROBOR 6M+2.25%		7.123.555			7.123.555
Interest Banca transilvania			870.239			870.239
Leasing BTRL			945.201	1.857.927		2.803.128
Shareholder loans	8.80%		4.880.000			4.880.000
Interest - Shareholder loans			380.640			380.640
Other fianancial liabilities				4.627.544		4.627.544
Total liabilities		**2.728.554**	**33.479.711**	**6.485.471**	**-**	**43.693.736**

2021	**Interest rate**	**Less than 1 month**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Trade and other liabilities		5,031,328	520,190	-		5,551,518
Long and short-term borrowings (of which)			**29,613,560**	**2,055,579**		**31,669,139**
Short term loans in lei - BRD	ROBOR 3M +3,50%		14,572,012			14,572,012
Interest - BRD			988,416			988,416
Short term loans Banca transilvania	ROBOR 6M+2,25%		7,337,381			7,337,381
Interest Banca transilvania			448,929			448,929
Leasing BTRL			1,105,656	2,055,579		3,161,235
Shareholder loans	5,80%		4,880,000			4,880,000
Interest - Shareholder loans			281,166			281,166
Total liabilities		**5,031,328**	**30,133,750**	**2,055,579**		**37,220,657**

25, FINANCIAL INSTRUMENTS (continued)

d) Liquidity and interest risk management (continued)

Changes in liabilities arising from financing activities

	1-Jan-2022	Encashment	Payments	Other variations*	Interest in 2022	Interest paid	Foreign exchange movement	New leases	Dividends granted	31-Dec-2022
Borrowings	26,789,393	-	704,508	-	2,347,606	2,347,606	(87,050)	-	-	26,171,936
Leasing	3,161,235	646,600	1,004,707		131,702	131,702	-	-	-	12,889,013
Other financial liabilities	-	4,627,544	-		-	-				
Dividends	1,076,277	-	9,293,651	1,058,809*	2,479.308-	2,479,308		-	10,104,256	828,073
Total financial liabilities	**31,026,905**	**5,274,144**	**11,002,866**	**1,058,809**				**-**	**10,104,256**	**39,889,022**

**The amount of 1,058,809 RON represents the value of the dividends distributed in the previous periods, not withdrawn, which were prescribed in 2022 and resumed as income*

	1-Jan-2021	Encashment	Payments	Overdraft	Interest in 2021	Interest paid	Foreign exchange movement	New leases	Dividends granted	31-Dec-2021
Borrowings	18,719,725	8,069,668	-	1,856,573	1,493,466	1,493,466	-	-	-	26,789,393
Leasing	5,947,666	-	929,858	-	164,113	164,113	-	-	-	3,161,235
Dividends	1,762,359	-	686,000	1,856,573	-	-	-	-	-	1,076,277
Total financial liabilities	**26,429,750**	**8,069,668**	**1,615,858**	**1,856,573**	**1,657,579-**	**1,657,579-**	**-**	**-**	**-**	**31,026,905**

**During 2021, as mentioned in Note 11, one of the leased equipment was returned to the supplier*

26. FINANCIAL INSTRUMENTS (continued)

e) Fair value of financial instruments

1. Financial assets and liabilities carried at fair value

As at December 31, 2022, December 31, 2021 the Company does not hold any financial instruments carried at fair value,

2. Non-financial assets carried at fair value

The table below analyses the Company's assets and liabilities carried at fair value, by valuation method, As of 31 December 2022, 31 December 2021 there have been no transfers between fair value levels

The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

31-Dec-2021

Assets	**Level 1**	**Level 2**	**Level 3**
Land	-	-	16,642,911
Buildings	-	-	12,566,101
Equipment	-	-	24,315,418

31-Dec-2021

Assets	**Level 1**	**Level 2**	**Level 3**
Land	-	-	16,642,911
Buildings	-	-	13,156,431
Equipment	-	-	31,207,151

3. Assets and liabilities not carried at fair value but for which fair value is disclosed

The assets and liabilities of the Company are carried at amortised cost; their carrying values are a reasonable approximation of fair value.
Trade receivables include the contractual amounts for settlement of trades and other obligations due to the Company.
Trade and other payables and borrowings represent contract amounts and obligations due by the Company.

27. EARNINGS PER SHARE

(a) *Basic*

The basic result per share is calculated by dividing the shareholders' profit to the weighted average number of ordinary shares issued during the year, except for ordinary shares purchased by the Company and kept as treasury shares.

	2022	2021
Company shareholders result	12,189,143	11,749,227
Weighted average number of ordinary shares issued	363,448,395	363,448,395
Basic earnings per share	0,0335	0,0323

(b) *Diluted*

The diluted result per share is calculated by adjusting the weighted average of existing shares to take into account the translation of all potentially diluted shares. The Company did not register convertible debts or share issuance options which may be converted to ordinary shares that may adjust the weighted average number of shares.

During the year 2022, based on the AGOA decision of April 28, 2022, it was decided to distribute dividends in the amount of 10,104,256 RON from the profit related to the financial year ended on December 31, 2021 in the amount of 11,749,227 RON, the difference in the amount of 1,644,971 RON being distributed as a distribution to 'Result carried over,

.

The total value of dividends paid in 2022 was 9,293,651 RON, of which:

- The amount of 17,468 RON representing payment dividends related to the financial year ended on December 31, 2018
- The amount of 9,276,183 RON, of which 503,296 RON representing dividend tax related to dividend payments related to the financial year ended on December 31, 2021.

Also, during the financial year ended on December 31, 2022, the Company prescribed dividends in the amount of 1,058,809 RON, representing dividends related to the financial year ended on December 31, 2018.

At December 31, 2022, the Company has dividends payable in the amount of 828,073 RON (2021: 1,076,277 RON).

28. RELATED PARTIES

The company has loans received from related parties as per below illustration:

	December 31, 2022	December 31, 2021
Total	**4,880,000**	**4,880,000**
Radu Viehmann	4,580,000	4,580,000
Maria Ciorapciu	300,000	300,000

Terms and conditions of transactions with related parties:

The terms and conditions related to the loans presented above are described in Note 20, No guarantees were provided for the loans with the affiliated entities,There have been no guarantees provided or received for any related party loans.

Key management employees

Please see below for an overview of the benefits granted to members of management. In the years ended December 31, 2022 and December 31, 2021 there were no transactions concluded between the company and key management members.

28. RELATED PARTIES *(continued)*

During 2022, the Company paid benefits to the key management members consisting of the members of the Board of Directors ("C,A,") of Turbomecanica SA and the general manager, as follows:

	31 December 2022	31 December 2021
Board of Directors and General Director	2,950,461	2,77,108
Total		

As of December 31, 2022, the Company does not grant advances for settlement to the directors / members of the board of directors
At 2022 and 2021 year end, there were no guarantees or future obligations assumed by the Company on behalf of the directors.

29. COMMITMENTS AND CONTINGENCIES

The company has commitments in the amount of RON 10,642,033 related to the purchase of tangible or intangible assets on December 31, 2022.

The company issued bank letters of guarantee in favor of suppliers and customers on December 31, 2022 in the amount of RON 1,30,322 - (December 31, 2021: RON 641,312,) (Note 21).

Liabilities related to leasing liabilities are presented in Note 20.

Contingencies

Taxation

Taxation system in Romania is still developing trying to consolidate and harmonize with the European legislation. In this respect, there still are various interpretations of the tax laws, In certain cases, tax authorities may treat differently certain aspects and calculate supplementary taxes and levies and related interests and penalties.

In 2022, the interest value is 0,02% for each day of delay; the delay penalties are 0,01% for each day of delay.

In Romania, the fiscal year stays open for verifications during 5 years, In the last 5 years there have been no tax inspections on the profit tax. The management estimates that the tax liabilities included in these financial statements are adequate.

In accordance with the provisions issued by the Ministry of Public Finance, which regulate the tax regime of items of equity which have not been subject to income tax as at their accounting registration, due to their nature, should the Company change the destination of revaluation reserves (by covering losses or allocation to shareholders), it will incur additional income tax liabilities.

Environmental matters

Environmental regulations are developing in Romania, and the Company did not register any liabilities as at December 31, 2022 or December 31, 2021 for any estimated costs, including legal and consulting fees, site surveys, the design and implementation of recovery plans as regards the environment, The Company's management believes that provisions regarding environmental obligations are not necessary.

Other information

The war in Ukraine and the related sanctions against the Russian Federation have a continuous impact on European and global economies. The entity has no significant direct exposure in Ukraine, Russia or Belarus. However, the impact on the general economic situation may require the periodic review of certain assumptions and estimates (cost of energy, cost of raw materials and general impact of inflationary pressure). On December 31, 2022, based on the available information, the Company analyzed the potential impact of the change in micro and macroeconomic conditions on the financial situation and the results of the Company's operations and concluded that there is no impact on the financial position as of December 31, 2022.

30. AUDIT FEES

Starting with 2021, the auditor of the Company is Ernst&Young Assurance Services SRL. The fees for audit services of the financial statements on December 31, 2022 prepared in accordance with the Order of the Ministry of Public Finances 2844/2016, for the approval of the accounting regulations in accordance with the International Financial Reporting Standards, with the subsequent modifications and clarifications were in the amount of 42.800 EURO,excluding TVA.

31. SUBSEQUENT EVENTS

In February 2023, the two loan contracts with associations were extended and additional documents were concluded as follows: AA 15 / 14.02.2023 to contract 178/2009 and respectively AA 11 / 14.02.2023 to contract 867/2012.

No other events occurred subsequent to the balance sheet date.

The financial statements were approved by the Board of Administration and authorized for issuance on March 23, 2023.

CLAUDIA ANGHEL, Economic & Commercial Director	**RADU VIEHMANN,** CEO

MANAGEMENT DECLARATION

I the undersigned, Eng, Radu Viehmann Chairman of the Board of Directors and CEO, hereby assume responsibility for the preparation of accounting reports on 31.12.2022.

We declare that all accounting policies used by TURBOMECANICA S,A, for the preparation of accounting reports on 31,12,2022 are in accordance with Accounting Law no, 82/1991 republished, with subsequent changes and additions, with O,M,F,P, no, 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards and Order no, 85/2022 regarding the main aspects related to the preparation and submission of annual financial statements and annual accounting reports of economic operators to the territorial units of the Ministry of Public Finance and for the regulation of some accounting aspects,

We confirm that during the year 2022 there were no cases of violations or possible cases of non-compliance with laws or regulations that could significantly influence the accounting reports,

We declare that the accounting reports on December 31, 2022 of TURBOMECANICA S,A, provides a true picture of the financial position, financial performance and other information related to the activity carried out between 01.01.2022 - 31.12.2022.

We declare that TURBOMECANICA SA carries out its activity under conditions of continuity, it does not intend and does not need to liquidate or significantly reduce the volume of its activity as a result of:

- the loss of important clients,
- the application of a restructuring plan,
- outstanding payments,
- liquidity problems, litigation as defendant and plaintiff with shareholders, debtors, significant creditors, state bodies, claims,
- sector, market risk,
- other factors.

We declare that the management members are not aware of significant uncertainties related to events or conditions that may cause significant doubts on the company's ability to continue its activity.

Date: March 23, 2023

CEO,
Eng, VIEHMANN RADU

FINANCIAL & COMMERCIAL DIRECTOR,
Ec, ANGHEL CLAUDIA

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working world

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of TURBOMECANICA S.A.

Report on the Audit of the Financial Statements

Qualified opinion

We have audited the financial statements of TURBOMECANICA S.A (the Company) with official head office in 244, Iuliu Maniu Boulevard, 6th District, Bucharest, Romania, identified by sole fiscal registration number 3156315, which comprise the statement of financial position as at December 31, 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects on the comparative information included in the financial statements of the matter referred to in the Basis for qualified opinion paragraph, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards ("IFRS"), with all subsequent modifications and clarifications.

Basis for qualified opinion

Limitation on the scope of the auditor's work– effect on comparative information

As of 31 December 2020, the Company recorded contract assets of RON 31.7 million in relation with the production in progress at that date and revenues attributable to these contract assets in amount of RON 8.3 million. The Company recognized revenue from contracts with customers and respectively contract assets, only at the level of accumulated cost in work in progress at year end, without any margin. In 2021, based on further analysis of sales contracts, the Company determined that only a part of the production in progress at year-end is performed under contracts with clients that meet the IFRS 15 "Revenues from contracts with customers" criteria, and, thus, performed the appropriate split between work in progress and contract assets, respectively revenues from customers and change in inventories as at 31 December 2021. Contract assets have been recognized at cost plus margin, reflecting the progress toward complete satisfaction of the performance obligations assumed in line with IFRS 15 requirements, and work in progress at cost, in line with IAS 2.

Determining the corresponding impact for the financial year ended 31 December 2020 required a complex and comprehensive assessment, which the management was unable to provide. Since work in progress balance as of 31 December 2020 entered into determination of 2021 result, in absence of an assessment performed for prior period, it was not practicable for us to determine the part of the margin attributable to the contract assets as of 31 December 2020, recognized fully in 2021 results. In addition, it was not practicable for us to determine the corresponding effects on working capital changes presented in the statement of cash flows for 2021 should the contract assets and work in progress as at 31 December 2020 been presented and measured in accordance with requirements of IFRS 15 and IAS 2, as explained above. Our opinion on prior year financial statements was modified in regard to this matter.

Our opinion on the current year financial statements is also modified because of the effects of this matter the comparability of current year information and the corresponding figures for the year ended 31 December 2021.

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

In addition to the matter described in the Basis for qualified opinion section, we have determined the matter described below to be the key audit matter to be communicated in our report.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition from customer contracts

Majority of the Company revenues are from repair services and manufacturing of turbines and mechanical assemblies for planes and helicopters. The Company has numerous projects contracted, with individual project revenue that varies from very small values up to RON 4 million for which performance obligation is recognized over the time and which can extend beyond the financial year. Also, because of the specific of its specialized work and concentration of revenues in relation with few clients, the company has in place long term collaboration protocols. The revenue is recognized according to the stage of completion of the respective projects, which is measured using the cost method. Were losses are expected this is recognized in the statement of comprehensive income. Determination of contracts that meet the IFRS 15 requirements, as well as estimation of cost to complete require significant judgements and estimations to be made. During prior year, the Company's management performed a comprehensive analysis of its customers' contracts to identify the contracts which meet the IFRS 15 criteria and the accounting treatment to reflect the standard requirements, and the conclusions from this exercise were applied consistently during 2022.

We considered the recognition of revenues a key audit matter, due to the high number of projects, resulting in a risk of projects revenues, net income and project related balance sheet caption being materially misstated, as well as, due to complexity of judgements required to be performed under IFRS 15.

The Company's accounting policies in respect of revenues, as well as significant judgments made are described in Note 3 "Main accounting policies" to the financial statement, sections "Revenue recognition" and "Critical accounting judgments, estimates and hypothesis".

How our audit addressed the key audit matter

Our audit procedures included, but were not limited to the following procedures:

- ➢ Performed a detailed understanding of the revenue processes and related documentation flows, identifying the controls designed and implemented within the respective processes that we considered relevant and significant for our audit;
- ➢ Inspected a sample of sales contracts to evaluate the appropriate application of the Company's accounting policies on revenue recognition, as well as their, conformity with IFRS 15 requirements. Our procedures included analyzing the accounting treatment of projects in progress at year end, as well as their presentation in the financial statements;
- ➢ For a sample of customers, we confirmed the receivable balances at the year end and the realized transactions during the year, to evaluate the completeness and fairness of the transactions recorded;
- ➢ Performed tests of details by inspecting relevant supporting evidence on a sample basis for the revenues recorded during the year; we have also performed detailed testing for a selection of sales transactions recorded close to year end and after the end of the financial year, by checking the invoices, delivery notes and / or contracts, to confirm that the revenues were recognized in the correct accounting period;
- ➢ Assessed the management' estimates and judgements used in the revenue recognition, which include reconciling for a sample of projects the information with the supporting documents such as contracts price, project budget in regard to the estimated cost,made inquiries with the production director, evaluating the percentage of completion for the projects as well as corroboration of this information with the evidence available subsequent to the year-end;
- ➢ We also assessed the management's process of identifying the loss-making contracts by evaluating their cost to complete analysis of ongoing contracts;
- ➢ Analyzed the correlation between revenues, accounts receivable and cash transactions using data analytics procedures and performed test of cash collections by vouching with supporting bank statements for a sample of transactions.

We also evaluated the information included in the financial statements to determine their compliance with the disclosure requirements of OMF 2844/2016, with subsequent amendments and clarifications.

Other information

The other information comprises the Annual Report, which includes the required aspects to be presented in the Administrators' Report according to the provisions of the Ministry of Public Finance Order no. 2844/2016 and Non-Financial Declaration, as well as Remuneration Report, but does not include the financial statements and our auditors' report thereon. Management is responsible for the other information.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Except for the effects of the matter described in Basis for qualified opinion paragraph on the comparative information, we have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Annual Report (which includes the required aspects to be presented in the Administrators' Report according to the provisions of the Ministry of Public Finance Order no. 2844/2016) and Remuneration Report, we have read these reports and report that:

a) in the Annual Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2022;
b) the Annual Report, identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 articles 15 – 19;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at December 31, 2022, except for the effects of the matter referred to in the Basis for qualified opinion paragraph on comparative information, we have not identified information included in the Annual Report that contains a material misstatement of fact;
d) the Remuneration Report identified above includes, in all material respects, the required information according to the provisions of article 107 (1) and (2) from Law 24/2017 on issuers of financial instruments and market operations.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Company by the General Meeting of Shareholders on 27 April 2021 to audit the financial statements for the financial years end December 31, 2021, 31 December 2022 and 31 December 2023. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for two years, covering the financial periods ended December 31, 2021 and December 31,2022.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 23 March 2023.

Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.
In addition to statutory audit services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Company.

Report on the compliance of the electronic format of the financial statements with the requirements of the ESEF Regulation

We have performed a reasonable assurance engagement on the compliance of the financial statements presented in XHTML format of TURBOMECANICA S.A. (the "Company") for the year ended 31 December 2022, with the requirements of the Commission Delegated Regulation (EU) 2018 /815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation).

These procedures refer to testing the format and whether the electronic format of the financial statements (XHTML) corresponds to the audited financial statements and expressing an opinion on the compliance of the electronic format of the financial statements of the Company for the year ended 31 December 2022 with the requirements of the ESEF Regulation. In accordance with these requirements, the electronic format of the financial statements should be presented in XHTML format.

Responsibilities of the Management and Those Charged with Governance

The Management of the Company is responsible for the compliance with the requirements of the ESEF Regulation in the preparation of the electronic format of the financial statements in XHTML format and for ensuring consistency between the electronic format of the financial statements (XHTML) and the audited financial statements.

The responsibility of the Management also includes the design, implementation and maintenance of such internal control as determined is necessary to enable the preparation of the financial statements in ESEF format that are free from any material non-compliance with the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process for the preparation of financial statements, including the application of the ESEF Regulation.

Auditor's Responsibility

Our responsibility is to express an opinion providing reasonable assurance on the compliance of the electronic format of the financial statements with the requirements of the ESEF Regulation.
We have performed a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform our engagement to obtain reasonable assurance about whether the electronic format of the financial statements of the Company is prepared, in all material respects, in accordance ESEF regulation. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect material non-compliance with the requirements when it exists.

Our Independence and Quality Management

We apply International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, designs, implements and operates a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have maintained our independence and confirm that we have met the ethical and independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

Summary of procedures performed

The objective of the procedures that we have planned and performed was to obtain reasonable assurance that the electronic format of the financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation. When conducting our assessment of the compliance with the requirements of the ESEF Regulation of the electronic reporting format (XHTML) of the financial statements of the Company, we have maintained professional skepticism and applied professional judgement. We have also:

- obtained an understanding of the internal control and the processes related to the application of the ESEF Regulation in respect of the financial statements of the Company, including the preparation of the financial statements of the Company in XHTML format;
- tested the validity of the applied XHTML format;
- checked whether the electronic format of the financial statements (XHTML) corresponds to the audited financial statements.

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

Opinion on the compliance of the electronic format of the financial statements with the requirements of the ESEF Regulation

Based on the procedures performed, our opinion is that the electronic format of the financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation.

On behalf of,
Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania
Registered in the electronic Public Register under No. FA77

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Firma de audit: ERNST & YOUNG ASSURANCE SERVICES S.R.L.
Registrul Public Electronic: FA77

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditor financiar: Cojocaru Iuliana Verona
Registru Public Electronic: AF1568

Cojocaru

Name of the Auditor / Partner: Verona Cojocaru
Registered in the electronic Public Register under FA 1568

Bucharest, Romania
27 March 2023