



TURBOMECANICA

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

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

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

Commerce Registry Code J40/533/1991

Tax Code RO3156315 Unique Registration Code 3156315

Subscribed share fully paid capital 36,944,247.50 RON

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

CURRENT REPORT no. 8/04.05.2023

Current report under the provisions of art. 122 et seq of the Law no 24/2017 and art 116 et seq of ASF Regulation no 5/2018

Date of the report May 4th 2023

Name of the issuing entity: TURBOMECANICA SA

Headquarters: B-dul. Iuliu Maniu nr. 244, sector 6

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The regulated market by which the issued transferable securities are traded: Bursa de Valori Bucuresti, Titluri de capital –Standard Category

I. Important events to be reported:

As regards the reserved opinion formulated by our auditors ERNST&YOUNG on 2022 Financial Statements, the Company communicates to investors the point of view related to this situation:

- The reserve included in the auditor's opinion triggers only the comparative information that is part of the financial statements, respectively the figures related to the year 2021 and the comparability of these figures with the information of the current year, as follows:

"In our opinion, with the exception of the effects of the aspect mentioned in the paragraph of the "Basis of the qualified opinion" on the comparative information, ..."

"Our opinion on the current year's financial statements is also modified due to the effects of this aspect on the comparability of the current year's information with the comparative figures for the year ended December 31, 2021".

- In 2021, the following non-conformities with the requirements of the IFRS 15 standard "Revenue from contracts with clients" were found for the previous periods:

- The company recognized revenues from contracts with clients and respectively contractual assets only at the level of the costs accumulated in the production in progress at the end of the year, without margin;

- The company fully classified the production in progress as contractual assets and the related income as income from the contract with clients; based on the detailed analysis carried out in

2021, only part of the production in progress is carried out on the basis of contracts that meet the recognition criteria of IFRS15.

Extract from IFRS 15 "Revenue from contracts with customers"

"The objective of this standard is to establish the principles that an entity must apply in order to report information useful to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows generated by a contract with a customer. To achieve this objective, the essential principle of this standard is that an entity should recognize revenue to illustrate the transfer of promised goods or services to customers at a value that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity shall consider the terms of the contract and all relevant facts and circumstances when applying this Standard. An entity shall apply this Standard consistently, including the use of any practical solutions, to contracts with similar characteristics and in similar circumstances.

This standard specifies how to account for an individual contract with a customer. However, as a practical solution, an entity may apply this Standard to a portfolio of contracts (or performance obligations) with similar characteristics if the entity reasonably expects that the effects on the financial statements of applying this Standard to that portfolio will not be significantly different from those determined by the application of this standard for the individual contracts (or performance obligations) within the respective portfolio. When accounting for a portfolio, an entity must use estimates and assumptions that reflect the size and structure of that portfolio"

The relevant sections of IFRS 15 where non-conformities were identified are those regarding "Identification of the contract", paragraphs 9-12, and respectively "Measuring progress towards the complete fulfillment of a performance obligation", "Measurement" and "Allocation of the transaction price of performance obligations" , paragraphs 39-90.

Since 2021, measures have been taken for the proper implementation of this standard, as follows:

1. The appropriate division between production in progress, recognized in accordance with the requirements of IAS 2 "Inventories" and contractual assets recognized in accordance with IFRS 15, respectively between revenues from contracts with clients and the variation of production in progress;
2. The contractual assets were recognized at cost plus margin, reflecting the degree of fulfilment of the assumed performance obligations in line with IFRS15 requirements;
3. Production in progress was recognized at cost, in accordance with IAS 2.

This aspect is also mentioned in the auditor's opinion, as follows:

"In 2021, based on the additional analysis of the sales contracts, the Company concluded that only part of the production in progress at the end of the year is made on the basis of contracts that meet the recognition criteria of IFRS 15 "Revenue from contracts with customers", and, therefore, carried out the appropriate division between production in progress and contractual assets, respectively between revenues from contracts with clients and the variation in stocks of products in progress on December 31, 2021. Contractual assets were recognized at cost plus margin, reflecting the degree of fulfillment performance obligations assumed in line with the requirements of IFRS15, and the production in progress was recognized at cost, in accordance with the requirements of IAS 2."

As mentioned in the audit report, in 2021 the Company could not perform the analysis for the period 2019 and 2020, in order to have the comparative figures for 2020 corrected and, therefore, the opinion related to the 2021 financial statements was issued with reservations regarding the comparative information (year 2020) and the impact of the opening balances of 2020 on the situation of the global result and the situation of cash flows of the year 2021. Through the measures implemented in 2021, the Company presented a correct picture of the financial position,

but could not determine the impact related to the previous period on the situation of the global result and situation of the cash flows of the year 2021.

Because, the financial information of the year 2021 is part of the financial statements of the year 2022, in accordance with ISA 710 "Comparative data", para. 11, the 2022 report also included a reserve.

"11. If the auditor's report for the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion or an adverse opinion and the matter giving rise to the modification is not resolved, the auditor must modify the auditor's opinion with regarding the financial statements of the current period. In the Basis of change paragraph in the auditor's report, the auditor must either:

(a) refer to both the current period figures and the corresponding figures in the description of the matter giving rise to the change when the effects or potential effects of the matter on the current period figures are material; or

(b) In other cases, explain that the audit opinion has been modified because of the effects or possible effects of the unresolved matter on the comparability of the current period figures and the corresponding figures. (Ref: Paragraphs A3–A5)'

As detailed above, the opinion related to the year 2022 is modified due to the effects on the comparability of the figures of the current period and the corresponding figures. This reserve will no longer exist in the financial statements for the year 2023, as a result of the measures already implemented starting with 2021 and compliance with the requirements of the standard.

CEO

ECONOMIC & COMMERCIAL
DIRECTOR

VIEHMANN RADU

CLAUDIA ANGHEL