ANNUAL REPORT TURBOMECANICA 2023

SUMMARY

THE MESSAGE OF THE PRESIDENT – GENERAL DIRECTOR

Dear shareholders,

It is my pleasure to present to you the financial results recorded by TURBOMECANICA for the year 2023 and I believe that they will reaffirm your trust in us.

We continue to record good financial results, although globally, the business environment is still influenced by economic uncertainties, inflationary pressures and geopolitical tensions.

In 2023, we recorded 131.4 million lei (2022: 139.2 million) of revenue from customer contracts and a net profit of 11.1 million lei, as well as a net profit margin of 8.49% (2022: 8.76%).

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

38% of the turnover for the whole year (2022: 34,2%) 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.

Maintaining the profitability of the company at a level close to that of the previous year, 8.49% in 2023 compared to 8.76% in 2022, although the turnover decreased by approximately 5.6% and the expenses remained at a level comparable to the previous year, demonstrates the quality of financial management. The sales decrease is due to the rescheduling in production of a set of mechanical assemblies and the lack of a resolution regarding the additional costs related to the NATO program. This impact will not significantly influence TBM's position in 2024.

TURBOMECANICA is still commited to the development strategy by diversifying its portfolio of civil engine maintenance services. Thus, in the year 2023, our Company established bank deposits of important values that are intended to ensure the own funds necessary to start this development project.

Regarding the production of aircraft components, I am pleased to note the increase in the volume of activity from 2023, which was reflected in an increase in sales in this segment, and we hope to maintain the positive trend for this year as well.

The year 2024 is a special one for TURBOMECANICA, which will celebrate 50 years since its establishment. Over time the Company encountered many challenges, but we would look at them as opportunities from which we learned important lessons, sometimes stepping out of our comfort zone. The most important aspect is that we never stopped, regardless of the challenges that arose. I firmly believe that we are part of one of the most successful stories in Romania's aeronautical history and we confidently look to the future.

I am honored to work with our customers, partners and investors. At the same time, I am proud of our team of specialists who have been guaranteeing excellence in the field of aviation for half a century.

I invite you to go through the annual report, in which TURBOMECANICA's performance in 2023 is presented in detail.

ANNUAL REPORT OF THE MANAGING BOARD

INTRODUCTION

This Annual Report of TURBOMECANICA S.A. as at 31.12.2023 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 31.12.2023 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 2023, 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 almost half of century 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.

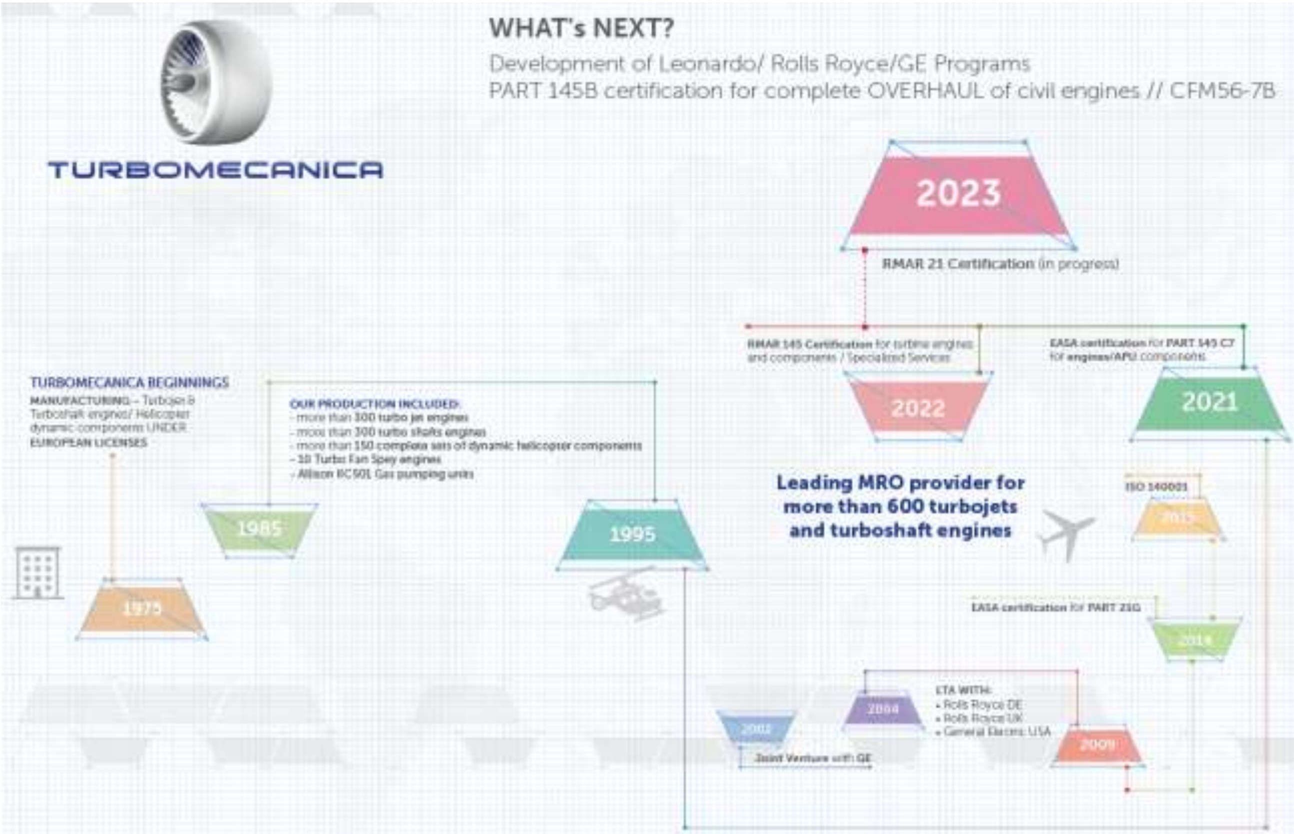
On the international market, the Company continued in 2023 to deliver components and subassemblies for civil aircraft engines. These programs have continued to run despite difficulties on the world market. In parallel, the activity of components for gas turbines continued.

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 2023 – EVENTS, INVESTMENTS AND KPI

In 2023, the Company began the transition process to implement the new requirements of the EASA Part 145 and Part 21 regulations by planning the transition to Safety Management, going to implement a Safety Management System aimed at proactively identifying hazards and mitigating risks related to of safety before they lead to aviation accidents and incidents.

At the beginning of 2023, the programs to be carried out during the next 3 years, the period 2023-2025, in collaboration with the client IAR Brașov, were secured by signing addendums for the performance of major maintenance on 12 helicopters from the UN programs/ SAR and Helicopter L/VIP, based on the dscussions discussions started at the end of 2022.

Continuing the good news, in 2023, TBM and Leonardo Helicopters signed a medium-term collaboration contract. Through this contract and through the investments in new equipment made by TBM, the company will be able to increase production by up to 30% within this program

During the year 2023, TBM received a visit from the Honeywell Defense & Aerospace Representative with the position of Sales Director – Engines, Power Systems, Wheels & Brakes. During the meeting, technical aspects were discussed regarding the implementation in TBM of the maintenance of the AGT 1500 engines that equip the Abrams tanks, tanks to be purchased by Romania through the endowment program. After this discussion, TBM was invited to the event celebrating Honeywell's 25th anniversary in Romania, where TBM representatives talked with the Honeywell Representative with the position of Government Relations Director Europe HBT & Aerospace & CEE. At the beginning of 2024, TBM also received positive reactions regarding the maintenance of these engines in TBM including from MoD / Armaments Directorate.

At the Le Bourget salon (#Paris Airshow) TBM participated in the initial meeting held by MTU Aero Engines and SAFRAN Helicopter Engines, with 25 representatives of industry and universities, meeting aiming to launch the invitation to participate in the joint European efforts to develop a new helicopter engine in the "European Next Generation Rotorcraft Technologies - "ENGRT" project. Following this meeting, TBM signed a tripartite NDA.

The project "Technology transfer for the optimization of mechanical surface treatment of some landmarks used in the aeronautical industry" in collaboration with the Faculty of Materials Science and Engineering within UNSTPB (formerly UPB) declared winner in 2022, is to be completed in June 2024. The project is already a success. As a result of the modernization of the equipment, it was possible to increase the production of several important milestones for Leonardo Helicopters, including the TGB (Tail Gearbox) which is an EASA certified product. Thus, it is intended to increase the number of TGBs delivered to 5 pieces per month, compared to an average of 3.75 pieces/month in 2023, respectively 2.17 pieces/month in 2022.

We want to continue the progress made and, as a result of the excellent collaboration with the UNSTPB team. In this sense, TBM in partnership with UNSTPB (National University of Science and Technology Polytechnics Bucharest) submitted a PED (Experimental Demonstration Project) project with the theme "Demonstration model for an advanced technology of thermomechanical treatment of steel surfaces for critical applications in aerospace industry (Demonstration model for an advanced thermomechanical surface treatment technology of steels used for critical aerospace applications) - AeroSurfSteel". According to the competition calendar, in the period from February to July 2024, the verification of the eligibility of the proposed projects and their evaluation takes place, with final results having a deadline of July 31, 2024.

IMPLEMENTATION OF THE INVESTMENT PLAN

In 2023, 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 2023 reached the percentage of 70%89.35%.

From a value point of view, the Company saved approximately EUR 1,100,000 during the procurement negotiations approved through the investment plan.

Therefore, the situation of investments related to the year 2023 is presented as follows (in EUR):

Approved investment plan	4,978,000
Delayed investments	1,067,000[1]
Approved investment value	**3,911,000**
Actual investment value	**2,718,425**
Saving	**1,192,575**

The investments made according to the approved investment plan concentrated a percentage of 90.92% for the production sections, namely for the modernization and efficiency of the production activity and are presented as follows:

3 numerical control mechanical processing equipment were purchased for the realization of planar rectification, turning/milling of gear wheels and rectification of the straight teeth profile. These were contracted by increasing the Leasing ceiling engaged with Banca Transilvania.

[1] *Din valoarea investiițiilor nerealizate de 350,000 Eur (33%) represents the postponement of the modernization of a TT furnace and 400,000 Eur (37%) represents the asphalting of factory roads*

These acquisitions will underpin production growth with Leonardo Helicopters calling for a 30% increase in deliveries over the coming years.

The company also made 2 upgrades to the nitriding furnace and the carburizing furnace. The modernization of the tempering/aging/annealing furnace was postponed due to the impossibility of immobilizing the equipment for a period longer than 3 days.

In order to ensure health and safety at work, the Company started the modifications of the buildings to comply with the technical regulations regarding fire safety, in order to align with the updates of the ISU requirements.
The installation of the fire detection, alarm and extinguishing system at the engine test benches was also contracted.

At the same time, the asphalting of industrial roads was also postponed (37% of the value of unrealized investments), due to equipment relocation activities.

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

ECONOMIC-FINANCIAL INDICATORS

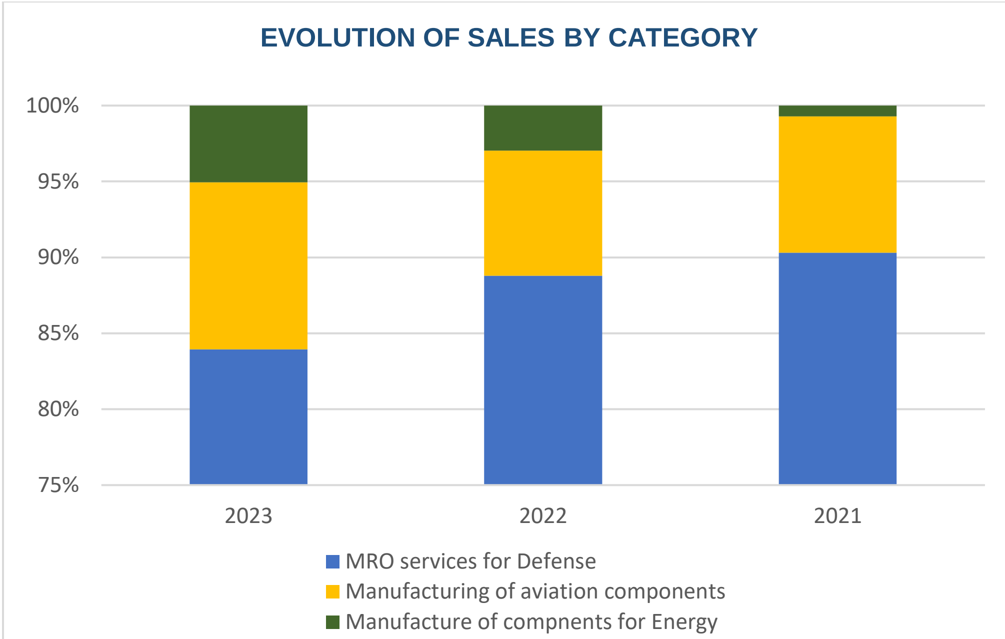
	2023	2022
Current liquidity	1,86	**2,34**
Degree of indebtedness	10,68	9,41
Flow speed - customers	83,31	75,29
Rotation rate of real estate assets	1,32	2,02
Overall solvency ratio	2,46	2,91
Financial rate of return	7,63	9,93
NET profit rate	8,49%	8,76%
Net treasury	19,161 K RON	17,923 K RON

MACROECONOMIC INDICATORS

	2023	2022
Inflation	10,4%	13.8%
Average exchange rate €	4,9465	4.94
Average exchange rate $	4,5743	4.63
Average exchange rate £	5,6869	5.02

EVOLUTION OF SALES BY CATEGORY

CATEGORY	2023	2022
Military aviation maintenance services	110,266,054	121,992,815
Manufacture of aviation products	14,458,127	11,479,502
Products manufacturing for Energy Division	6,639,248	4,123,419



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 global economy has been subjected to several tests in the year 2023: inflation and one of the most aggressive monetary tightening policies in recent decades, the war in Ukraine, the Israeli-Palestinian conflict, multiple tense geopolitical situations worldwide, China's economic problems and the rivalry the deepening rift between Washington and Beijing, which is forcing companies to rethink supply chains and security, and the beginning of 2024 is the same way. According to the "Global Economic Prospects" report published by the World Bank, in 2024 the global economy will experience a slowdown in economic growth for the third consecutive year, from 2.6% to 2.4%. The growth rate is below the average of the last decade by 0.75 percentage points.

Regarding Romania's economy, the World Bank's estimates predict a growth rate of 3.9% for 2024, respectively 4.1% for 2025, with the national economy maintaining first place in the European Union in terms of economic growth rate. Estimates for the euro zone are for growth of 1.3%, the growth rate to reach 2.3% in 2025.

Over the past two years, interest rates have risen sharply due to high inflation, and central banks have raised interest rates in a manner unprecedented in the past 40 years. This phenomenon took place both in the euro zone and in the USA, Great Britain and Switzerland. The interest rate reached 4% in the euro area, being the highest value ever recorded. 2024 outlook for central banks to cut interest rates.

In the Inflation Report of February 2024, the National Bank of Romania (BNR) revised downwards, to 4.7%, the inflation forecast for the end of 2024, compared to the estimate of 4.8% from November 2023. According to the National Bank's estimates, inflation will decrease to approximately 3.5% at the end of 2025. Considering these perspectives, the Board of Directors of the NBR decided in the meeting of February 13, 2024 to maintain the monetary policy interest rate at the level of 7%, the rate the interest rate for credit facilities (Lombard) at 8%, respectively the interest rate for the deposit facility at 6%, the signal being one of continuity, of supporting macroeconomic stability in Romania, in the context of a changing economy and current and future challenges. Also, for the national economy strongly integrated in that of the European Union, it is important to maintain a stable exchange rate, a depreciation of the national currency can increase the costs for imported materials.

According to the Global Economic Survey 2024 (GES2024) conducted by the Association of European Chambers of Commerce, the main causes of concern for the international business community are: geopolitical tensions, disruption of supply chains, access to raw materials and energy security. Supply chain issues have risen to the second biggest challenge facing the global economy in 2024, up from fourth place last year. However, geopolitical tensions represent for the second consecutive year the biggest challenge of the business environment, against the background of the conflicts in Ukraine and the Middle East, but also the complexity of the 2024 electoral year (elections for 76 states).

TBM faced several challenges during 2023:

- increase in the costs of raw materials, specific aviation materials (9%-14%) and those related to transport. Their effect has been felt by the aeronautical industry for almost 5 years, and market estimates indicate that the pressure on companies' costs will continue in 2024;

- supply chain complexity, the aeronautical industry relies on extensive and complex supply chains, which can be affected by delays, disruptions or changes in the supply of raw materials and specific aviation materials. Managing this complexity can put pressure on costs and operational efficiency.
- 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;
- the business continuity with increased precautionary measures to reduce the risks on the human resource;
- the application of a policy aimed at permanently ensuring the business continuity;
- the legislative framework that affected the business environment and created a lack of predictability in extremely important areas for the business environment, such as energy policy, fiscal legislation, social protection (increasing the minimum wage in the economy, changes to the Labor Code, etc.).

Therefore, the year 2023 was a year with multiple challenges, in which TURBOMECANICA continued to register profit avoiding risks and achieving its strategic objectives.

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 member state of the European Union and NATO, a pillar of regional stability and an important provider of security in South-Eastern Europe,** 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.

TURBOMECANICA continues to demonstrate superior quality standards, the ability and the ability to provide the logistic support necessary for the Romanian army, assuming the duty of strengthening Romania's defense capacity and resilience.

In the above mentioned context, the domestic market continued to represent the main pillar of the company's sales consolidation in 2023.TBM managed to achieve within the internal maintenance programs of aeronautical products total percentage of sales for the domestic market of: 85.3 % (2022:86.4%) out of the total sales recorded in 2023.

The maintenance/maintenance activity in 2023 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 – appox. 52%):

- Continuation of the PUMA – “NATO” helicopter modernization program (4 helicopters, sets 5-8)
- The contracting in 2023 and the start of two new major programs of capital repairs of TURMO IVC/CA engines and PUMA IAR 330 helicopter mechanical assemblies, respectively
  - "UN (SAR)" Program 1-6 (6 helicopters), for the period 2024-2025;
  - “L/ VIP" Program 1-6 (6 helicopters), running in the period 2023-2025.
- New program of current repairs and applications of service bulletins for PUMA helicopter mechanical assemblies: "LIBAN" (3 CTP, AT);
- New programs and in parallel the continuation of periodic maintenance 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;

Programs carried out with the strategic client MApN (approx. turnover – 21.5% - 2022: 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** - contracted for the period 2023 and 2024, based on Contracts no. A1-10920/19.12.2022 and respectively no. A1-12503/22.12.2023, through TBM's participation in successfully completed public procurement procedures;

- **Various programs for maintenance works/post-delivery services of technical assistance and supply of parts through direct collaboration with military units**

TBM continued in 2023 the implementation program for full overhoul of the strategic VIPER engine

Programs run with the client Avioane Craiova S.A. (turnover – approx 11.50% 2022 - 1,24%)::

- 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;

MANUFACTURE OF HIGH TECHNOLOGY AND HIGH QUALITY EQUIPMENT

The Company's manufacturing activity continued to be represented in 2023 mainly by the execution of components and subassemblies for aviation engines. These programs, despite the existing difficulties on the world market, have managed to maintain an acceptable trend, with parallel sales of gas turbine components continuing.

At the beginning of 2023, following the negotiations in 2022, the LTA type agreement (Long Term Agreement) was concluded with Leonardo Helicopters, with an annual price update starting with 2024.

It is worth noting that during 2023 the collaboration relationships with partners that present a significant business potential on the international market were maintained (mainly the business relationship with Rolls-Royce Germany – through ITP Aero, Witzenmann Germany), with General Electric in the industrial field, other clients with smaller shares in the company's turnover). In the RR program, there was a decrease mainly due to the lack of orders for a period of 2 months, from the client Witzenmann.

However, at the annual level, there was a general increase in sales to external customers by approximately 20% from approximately the previous year.

Starting with the IV quarter of 2023, negotiations were started with GE Aerospace regarding the provision of component technical maintenance services for several types of civil CFM engines.

Production intended for export increased from 10.9% in 2022 to 15% in 2023.

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 2023, 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 2023, 146 regulations were elaborated / revised as follows:

REGULATION CATEGORY	2023	2022	2021
General Procedures including Independent Annexes	49	50	80
Company Standards including Independent Annexes	17	31	50
Specific Working Instructions including Independent Annexes	45	36	49
Regulations including Independent Annexes	9	7	9
Human resources strategy with all Independent Annex	0	2	1
Quality Plans	8	7	3
Wage Policy	9	8	1
Quality and Environment Manual	0	0	1
Presentation Expositions	9	18	3

** 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 (renamed Saftey and Compliance Department) acted in 2023 to implement a continuous improvement in the organization and design of the quality management system.

The National Aeronautical Military Authority could not schedule the certification audit, according to RMAR 21G requirements, for TBM authorization 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 received 3 second-party audits, as follows:

In March 2023, **ITP Aero** performed an on-site supplier initial assessment audit according to the requirements of the **EN 9100:2018 and AS 13100:2021** standards. In the conducted audit, **the ITP Aero** audit team found 5 non-conformities for which 13 corrective actions were established (all completed) and the client maintained **TBM** as an accepted supplier.

In May 2023, **Leonardo Helicopters** performed an on-site supplier **surveillance audit** according to the requirements of the international standard **EN 9100:2018** and the requirements of the **customer specification QRS-01** integrated into TBM through the **PQ S-0002 Quality Plan**. In the conducted audit, the **Leonardo Helicopters** audit team found 1 non-conformity for which 2 corrective actions were established (all completed) and the client maintained **TBM** as an accepted supplier.

In December 2023, **General Electric Vernova (Power)** performed an **on-site EHS supplier surveillance audit** according to the specific client requirements (SRG) extracted from a **checklist**. In the conducted audit, the **General Electric Vernova (Power)** audit team found 1 non-conformity for which 1 corrective action was established (in progress) and the client maintained **TBM** as an accepted supplier.

To prove compliance with the standards and regulations applicable in its activity, Turbomecanica supported 4 third-party audits carried out by certification/supervision authorities/bodies, as presented below:

In March 2023, the **Romanian Civil Aviation Authority (AACR)** carried out an on-site audit for the continuous supervision of the civil maintenance organization according to the provisions of **EU Regulation no. 1321/2014 (Part 145)**. Following the audit, the **AACR** audit team found 6 non-conformities for which 10 corrective actions were established (all completed), maintaining **TBM**'s authorization as a civil maintenance organization (**RO.145.051 - issued in March 2021).**

In May 2023, the **Romanian Civil Aviation Authority (AACR) and the European Aviation Safety Agency (EASA)** carried out an on-site audit for the continuous supervision of the civil manufacturing organization according to the provisions of **EU Regulation no. 748/2012 (Part 21, Section G)**. Following the audit, the **AACR and EASA** audit team found no non-conformities, reconfirming **TBM**'s authorization as a civil manufacturing organization (**RO.21G.008 rev. 02 - initially issued in December 2014, with the current revision from August 2020).**

In October 2023, **AEROQ** performed an on-site audit for the recertification 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, extending the certifications for the **TBM** quality and environmental management systems (issued in April 2021) until **09.11.2026**.

In November 2023, **TUV Nord** carried out an on-site audit for 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 no non-conformities, maintaining the **TBM** quality management system certifications (the current certificates are issued in February 2023 and are **valid until 22.02.2026**).

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 Saftey and Compliance Department carried out internal / external audits in 2023 as presented below:**

Internal audits quality management system and environment management system

Internal audits for the quality management system were carried out in accordance with the PA-TBM Audit Plan 2023 ed. 1, later evolved into ed. 2 and ed. 3 approved by the Director General.
In 2023, 24 SMQ audits were carried out in which 25 non-conformities were found, for which 48 corrective actions were established, which were completed in a proportion of 77.1% (37 completed).

Internal audits for the middle management system were carried out in accordance with the Audit Plan PA-TBM 2023 ed. 1, later evolved into ed. 2 and ed. 3, approved by the Director General.
In 2023, 2 SMM audits were carried out in which no non-conformities were found.

Internal product audits

The conduct of the internal audits produced was carried out in accordance with the Audit Plan PA-TBM 2023 ed. 1, later evolved into ed. 2 and ed. 3, approved by the Director General.

In 2023, 14 product audits were carried out in which 28 non-conformities were found, for which 55 corrective actions were established, which were completed in proportion to 94.5% (52 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 2023, 15 process audits were carried out in which 7 non-conformities were found for which 16 corrective actions were established which were completed in a proportion of 93.8% (15 completed).

External audits of suppliers

In March 2023, an external audit was carried out on-site (periodic evaluation of service providers/metrological checks) at the supplier **Mobil Industrial Pitesti (Romania)** according to the requirements of the **ISO 9001:2015 and ISO 17025:2018** standards and the specific requirements of TBM. In the conducted audit, the **TBM** audit team (CAI, CMETR) found no non-conformities, maintaining Mobil Industrial Pitesti as an unconditionally **accepted supplier.**

In March 2023, an external audit was carried out on-site (initial evaluation of service provider measuring parts) at the supplier **Ro Mega Trade Brasov (Romania)** according to the requirements of the **ISO 9001:2015** standard and the specific requirements of TBM and of the client **PZL Swidnik.** In the conducted audit, the TBM audit team (CAI, SCPD) **did not find non-conformities** and provided CCU with information regarding the supplier's capability in order to establish a future collaboration.

In June 2023, an external audit was carried out on-site (periodic supplier evaluation of semi-finished products) at the supplier **Leistritz Turbinentechnik Remscheid (Germany)** according to the requirements of the **EN 9100:2018** standard and the specific requirements of TBM. In the conducted audit, the **TBM** audit team (CAI, CCU, SCPL) found no non-conformities, maintaining **Leistritz Turbinentechnik Remscheid** as an unconditionally **accepted supplier**.

In July 2023, an external audit was carried out on-site (at the request of the CCU) (initial supplier assessment of teeth rectification operations in the manufacturing for the customer **Leonardo Helicopters**) at the supplier **CIMA Bologna (Italy)** according to the requirements of the **Part 21G regulation** and the specific requirements of **TBM.** In the conducted audit, the **TBM** audit team (CAI, CCU, BPT) found no non-conformities, maintaining **CIMA Bologna** 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 2023 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 2023 is presented below:

-**The strategic indicator I1** (degree of compliance with the production program) has a constant trend and falls within the proposed target of at least 97%, with an overall value of 99.55% (2022:99.69%). 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 a constant trend and falls within the proposed target of at least 97%, with an overall value of 99.16% (2022: 97.48%). This shows that the sales plan is being complied with, with few TBM delays in deliveries for external customers Leonardo Helicopters and ITP Aero.

-**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 2.38% (2022: 2.52%) (of which TBM has 2.28% and customers have 0%).

- **The strategic indicator I3** (the degree of non-compliance with the requirements of the technical execution documentation - non-conformities and scrap) has a constant trend and falls within the proposed target of maximum 0.75%, with an overall value of 0.24%. 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 1.71%; if unconfirmed / rejected complaints are excluded, the indicator reaches the overall value of 1.51%, still not falling within the proposed target (maximum 1.0%). This reveals that TBM ensures the conformity of the delivered products / services but the complaints a higher weight than the target.

The strategic indicator I4pg (external percentage loss - complaints) has a downward trend and does not fall within the proposed objective of maximum 0.5% of total sales, having a global value of 0.89%. This fact reveals that TBM ensures the conformity of the delivered products/services, but the costs of handling complaints are above the set target.

- **The strategic indicator I41** (time for resolving complaints) has an increasing trend and partially falls within the proposed objective of a maximum of 30 days, having a global value of 42 days (for resolution in TBM) and 7 days (for resolution at clients/in exploitation). This fact reveals that TBM ensures the resolution of customer/user complaints on time and with delays in TBM (in some situations) due to difficulties in identifying or confirming the complained of defects.

- **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 15%. This fact reveals that TBM ensures the conformity of the products/services delivered and the complaints during the warranty period are within the established target.

- **The strategic indicator I43** (recurrence rate of complained products) has an increasing trend and falls within the proposed objective of a maximum of 25%, having a global value of 25%. This fact reveals that TBM ensures the conformity of the delivered products/services and the recurrence of complaints is within the established target.

- **The strategic indicator I44** (median product complaint duration from delivery) has an increasing trend and falls within the proposed objective of a minimum of 250 days, having a value of 314 days at the end of 2023. This fact reveals that TBM ensures the conformity of products/services delivered and the duration of complaints is within the established target.

- **The strategic indicator I5** (non-quality costs) has a decreasing trend and does not fall within the proposed objective of a maximum of 600,000 RON/year, having a global value of 1,500,602 RON in 2023. These costs are due to waste (326,696 RON) and orders for investigation/repair of complained products (1,173,906 RON). Among these, there are 3 complaints with high costs (322,040 RON - Turmo 2394; 444,024 RON - Turmo 2321; 52,662 RON - Turmo 2228) which could not be determined to be due to errors in the repair process in TBM, they are unique and there is no probability of their repetition in the following period. If the costs of handling the 3 orders registered as complaints/reports but technically unjustified according to the maintenance documentation are excluded, then the value of the indicator is RON 681,876, which is closer to the objective of max. 600,000 ron.

- **The strategic indicator I6** (turnover achievement related to the reporting period) will be calculated on 28.02.2024 and will be reported in the next management analysis meeting; after trim. III-2023, the value reached is 80,435,146 lei, being above the target of 77,316,953 lei.

- **The strategic indicator I7** (degree of achievement of net profit margin) will be calculated on 28.02.2024 and will be reported in the next management analysis meeting; after trim. III-2023, the value reached is 4.61%, 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

In 2023, the following special processes were re-accredited:

In April 2023, **Nadcap** performed a surveillance audit of the **TBM** heat treatment processes according to **AC7102 and AC7101** requirements. In the ongoing audit, **Nadcap** found 3 minor non-conformities for which 12 corrective actions were established (all completed), and the **TBM** heat treatment processes were included in the **Merit Program for 24 months, re-accreditation being granted until 31.08.2025.**

Second party process certifications

Leonardo Helicopters Certifications

In 2023, 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:

- **Application of Solid Lubricants** (IT13/0153/04: valid until 31.01.2026);
- **Passivation** (IT13/0155/04: valabil până la 31.01.2026);
- **Chromate Treatment of Magnesium Alloys** (IT013/0156/04: valid until 31.01.2026);
- **Heat Treatment of Steel Alloys (Carburizing and sub-critical annealing; Hardening, deep freezing and tempering for low alloyed steels)** (IT12/0198/05: valid until 31.01.2026);
- **Cadmium Plating Electrodeposited** (IT13/0146/04: valid until 30.06.2026);
- **Copper Plating** (IT13/0157/04: valid until 30.06.2026);
- **Black Oxide Treatment of Steels** (IT13/0158/04: valid until 30.06.2026);
- **Phosphating of Steels** (IT13/0161/04: valid until 30.06.2026);
- **Shot Peening of Steel, Aluminium and Titanium Parts** (IT12/0280/04: valid until 18.09.2026);
- **Hard Chrome Plating** (IT12/0417/03: valid until 02.10.2026).

PZL Swidnik Certifications

In 2023, 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:

- **Brush Cadmium Plating, Electrodeposited** (PL10/0050/02: valid until 31.07.2026).

General Electric Certifications

In 2023, the special process and laboratory certifications previously obtained by **TBM from General Electric Aviation** were maintained and the process certifications re-accredited by **Nadcap** were extended (for which **GT193** certificates are issued for the period during which **Nadcap** accreditation is maintained - Heat Treatments, including Vacuum Brazing).

Rolls-Royce Certifications

In 2023, the approvals previously obtained by TBM 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 the year 2023, the qualifications of the **TBM** special processes previously obtained applicable to **Avio Aero** products were maintained; since there were no more **Avio Aero** orders, the requalification for Gas Nitriding of Steel Parts and Relevant Heat Treatments was not initiated (valid until 31.08.2023).

Introduction of new parts in production

For the client **Leonardo Helicopters** (Italy), 36 FAI files were drawn up (18 TGB benchmarks and 18 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 **PZL Swidnik (Poland),** 10 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.

For the **ITP Aero (Great Britain)** 1 FAI file was drawn up and was approved by the client. By updating it, the improvement of the manufacturing of the landmark 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",extended by annual visa no. 2184/19.12.2023 for the period 11.02.2024 – 11.02.2025.

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.

Following the controls of the National Environmental Guard carried out in 2023, 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.

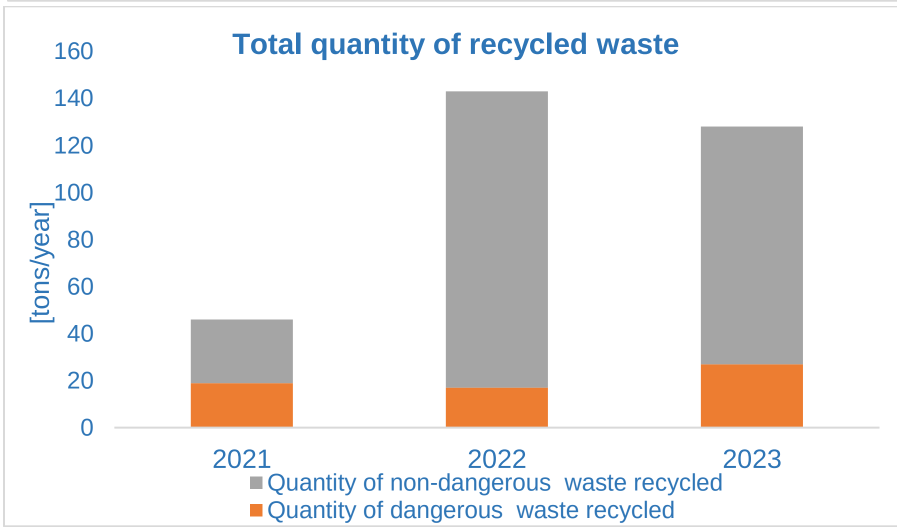
In order to prevent an emergency that may endanger the quality of the environment and the health of people, TBM has designated intervention teams for all risk areas in society. Exercises are periodically carried out to simulate possible emergencies that may result in accidental pollution. The purpose 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 2023, Turbomecanica demonstrated that the actions regarding **the reduction of the amount of hazardous waste were effective**, even if the quantities were higher than in 2022. 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 decreased 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.



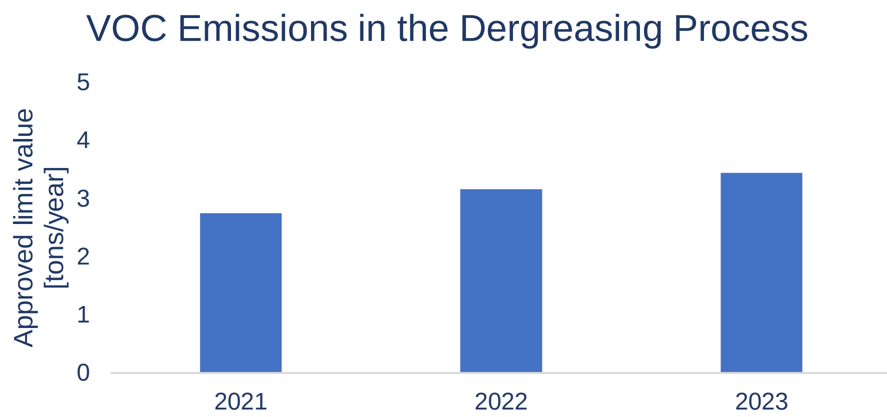
In 2023, Turbomecanica cuntinued to implement **measures with a major impact on the improvement of environmental performance** through:

- The filter system for the capture of heavy metal and dust emissions was installed on the Copper, Cadmium and Chromium lines. Following the measurement of the air emission parameters of the three lines, a large reduction in the concentration of heavy metals and dusts was found, for example, the concentration of cadmium decreased from 0.0087mg/m3 in 2022 to 0.0004mg/m3 in 2023, the concentration of chromium decreased from 0.0311mg/m3 in 2022 to 0.0085mg/m3 in 2023. Regarding the concentration of suspended dust, it is 2 times lower in 2023 compared to 2022 on all three lines.

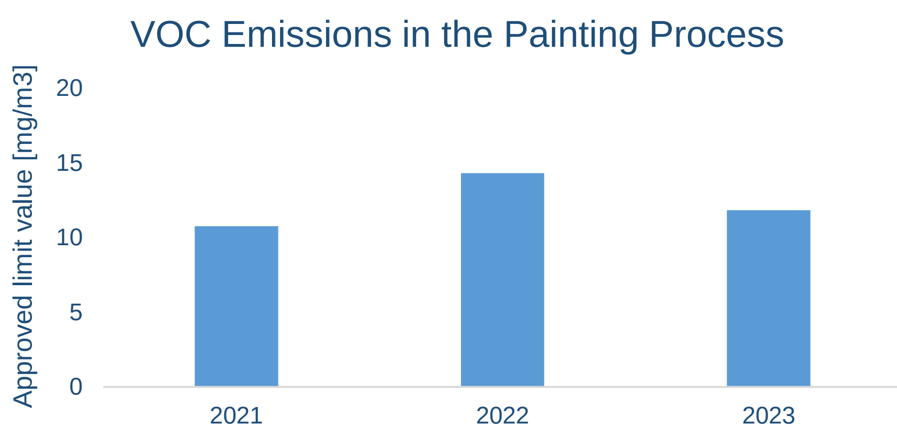
- It was decided to purchase and install a system of filters with the efficiency of capturing heavy metal emissions (Phosphating, Pickling, Viper Pickling) and the dust removed in the special processes.

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.

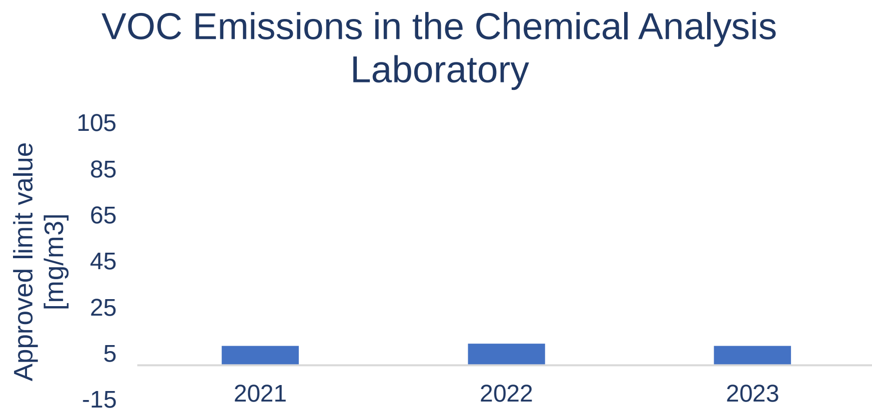
After calculating the consumption of VOC emissions, it turns out that it is below the limit allowed by law as follows:



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.



The **decrease** in the concentration of VOC emissions from 2023 compared to 2022 is due to the fact that at the beginning of 2023, the exhaust chimney related to the paint shop was cleaned, thus eliminating the surplus of powder with VOC content retained on the piping during the process of painting parts.

Turbomecanica, through the adopted measures, **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 2023 compared to 2022 was due to the increase in production volume.

The overall VOC level trend was decreasing.

NUCLEAR PROTECTION

In the first semester of 2023, the file was submitted to **CNCAN** for the **reauthorization** from the point of view of radiological security of the laboratory of non-destructive examinations with penetrating radiation and in July 2023 **CNCAN issued the new Authorization for Activities in the Nuclear Field GM1398/ 2023, valid until 11.07.2028.**

On July 3, 2023, a joint **EURATOM, IAEA and CNCAN inspection** was carried out in **TBM**, through the physical verification of the inventory of nuclear materials manufactured from MSRR 8014 material, magnesium with Th 241 content, in a percentage of 2.5÷4%, held according to CNCAN authorization TS/116/2021. Full compliance with the inventory declared by TBM and the conditions for keeping the nuclear materials in full physical and radiological security were found.

On August 23, 2023, the **National Commission for the Control of Nuclear Activities (CNCAN)** carried out an inspection at the **TBM** headquarters to check how the **Non-Destructive Control** (**NDT**) activities with penetrating radiation are carried out within the **DTC-SCPL**. According to the Verbal Control Process no. 6401/23.08.2023 it was established that the **CND** activities with penetrating radiation are carried out in conditions of full compliance with the requirements established in the authorization process.

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.

In 2023 TBM continued to comply with REACH requirements

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, extended by 6 months by agreement of both parties 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 2023, 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.

In this regard, in October 2023, the policy regarding warnings in the public interest was developed. It was developed on the basis of Law no. 361/2022 which transposes the **Directive (EU) 2019/1937 of the European Parliament** and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law, also known as **whistleblower protection framework.**

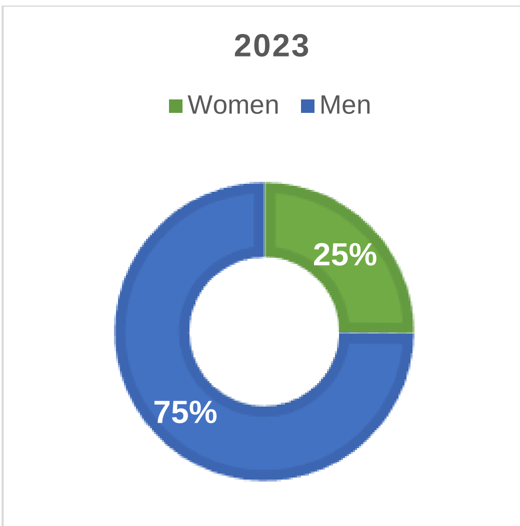
OUR STAFF

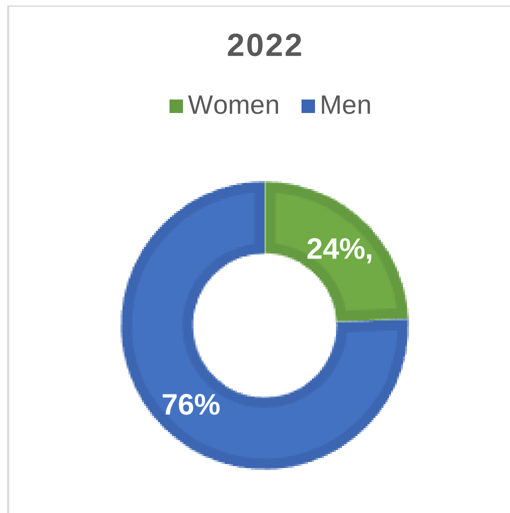
The resource assurance strategy adopted by the company has ensured the development of Production, Technical and Compliance, Quality and Organization, Human Resources, Financial - Accounting, Legal, Marketing and Sales activities in efficient conditions even if the labor market does not offer the range of necessary specializations the aeronautical industry.

The total TBM staff on 31.12.2023 was 484 employees, an increase of 16 people compared to last year.

The average age of the staff on 31.12.2023 was 48 years, the same as in 2022.

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 2023, a number of 85 employees left the company (including 7 retirees) and 106 people were hired (2022 - 93 employees left and 53 employed).

Total expenses with salaries and employee benefits (excluding the variance in provisions for employee benefits), made in 2023, amounted to 55.946.744 lei, of which:

COSTS	2023	2022	2021
salary expenses:	49,014,633	46,181,218	47,034,576
spending on vouchers granted to employees	4,607,980	4,310,600	4,091,470
expenses regarding the labor insurance contribution	1,102,826	1,039,566	1,058,426
other expenditure on insurance and social protection (aid)	245,888	254,850	253,900
expenses with the company's contribution to health insurance other expenses (CCM)	975,416	936,689	970,196

Compared to 2022, personnel expenses in 2023 registered an increase of 3,204,145 lei, but reach comparative values with those recorded in 2021.

The costs involved in the recruitment process were approximately 250,000 lei, representing the costs of purchasing recruitment services and subscriptions to specialized websites (2022: 63,695 lei) The need for recruitment services has increased due to the low quality of the workforce addressed by recruitment platforms recruitment (ex: BestJobs). Moreover, recruitment platforms do not offer a comprehensive range of specialists.

Regarding the degree of unionization of the company, **49,58%** (2022: **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	2023	2022	2021
Higher education	30,78%	31,02 %	31,34 %
Employees with high school and post-high school education	38,02%	39,91 %	40,32 %
Employees graduating from vocational school	26,66%	23,86 %	23,35 %
General school graduate employees	4,54%	5,21 %	4,99 %

The relation between the manangment and the employees is regulated based on the Collective Labor Agreement for the years 2022-2023 extended by 6 months by agreement of both parties. 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 2023.

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 438 employees were trained, amounting a total of 12.845 hours. Some of the specific trainings, due to the duration will be continued in 2024.

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 and have finished in 2023.

For the external training and certification courses, the Company has invested the amount of 102,532 lei.

The specific training to ensure the maintenance of the necessary skills of operators, inspectors and laboratory technicians for special processes and laboratories, carried out according to the annual Professional Training Plan in 2023, is structured as follows:

COURSE TYPE	2023		2022	
	No. of hours	No. Participants	No. of houres	No. Participants
Certification courses	1,430	320	810	340
Internal qualification	11,085	37	9,460	20
External training	-	-	143	13
External qualification	330	81	246	5
TOTAL	**12,845**	**438**	**10,659**	**378**

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 3 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.

- Performance premium 300 lei if they have a general annual average of at least 8.50

- transport settlement for periods of combined practice 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 2023 was 85 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 2023: 19 PM operators, 2 Warehousekeeper, 2 Metrologist and 2 conformity controller;

The total expenses for dual education carried out in 2023 were in the amount of **385.475** lei.

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 2023, the investments started in the previous period in the direction of improving working conditions and refurbishment were continued, as follows:

Production and storage hall Building C1:

- Within the Mechanical Processing Section - Pinions and CLIMO, working conditions and productivity were improved by dismantling some technologically outdated work equipment and replacing them with more efficient ones. Also, new welding cells were set up in the SPMG - Presaj section.
- Within the SPSP special processes section (with the production areas: Heat Treatments (TT), Surface Coatings (AS) and Painting) the works continued to improve the production conditions/working microclimate, by carrying out the following works:
- Modernization of the sandblasting/crushing machine within the TT section, including related installations;
- Consolidation/repair of TT furnace jacket;
- Works to bring some installations within the Special Processes section (SPSP-AS) to normal operating parameters, such as cleaning the smoke exhaust pipe within the section and replacing filters.

Production and storage hall Building C2:

- Within the SPM Mechanical Processing section, the redevelopment of the production space was carried out by disassembling and evacuating decommissioned machines.
- Also, in the area dedicated to the chemistry, metrology, metallography laboratories, a classroom was created for training and technical meetings.

Production and storage hall Building C3:

Within the Trial Assembly section (SMI) - modernization and expansion of the production spaces were carried out, namely:

- Redevelopment of production spaces for the location of the Metallization Plant: technological equipment and utility installations related to it - new investment, fully realized in 2023.
- The modernization works of the existing fire extinguishing installation with CO2 cylinders are underway, by replacing it in its entirety - the necessary measure to align with the ISU requirements, in order to obtain the fire safety authorization.
- Also, new compartments were made in the existing spaces of the Probe Assembly section: Precision planing, FOD control areas (eg transmission shaft balancing workshop).

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);

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 2023 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 2023, 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 March 2023, 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.

Starting from December 2022, the TBM PSI authorization process is underway. In 2023, the works began to implement the measures regarding compliance with PSI requirements, in order to obtain the Fire Safety Authorization.

The technical documentation was drawn up for buildings C1 and C2. The technical documentation for the C3 building is being developed.

The established activities regarding safety lighting, emergency evacuation and metal door replacement are also ongoing.

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,

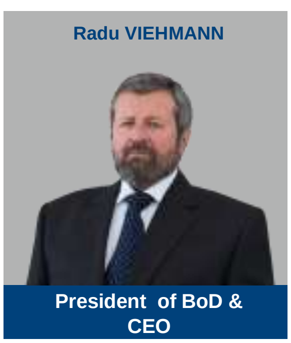
The management at operational level is ensured by the Directors of the 4 departments, which form the Managing Board.

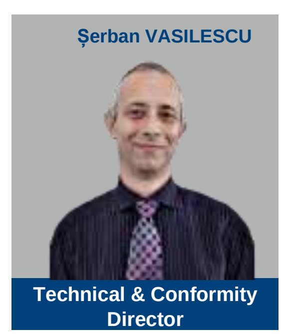
Each operational department has specific structures under it.

There were no changes in this structure in 2023.

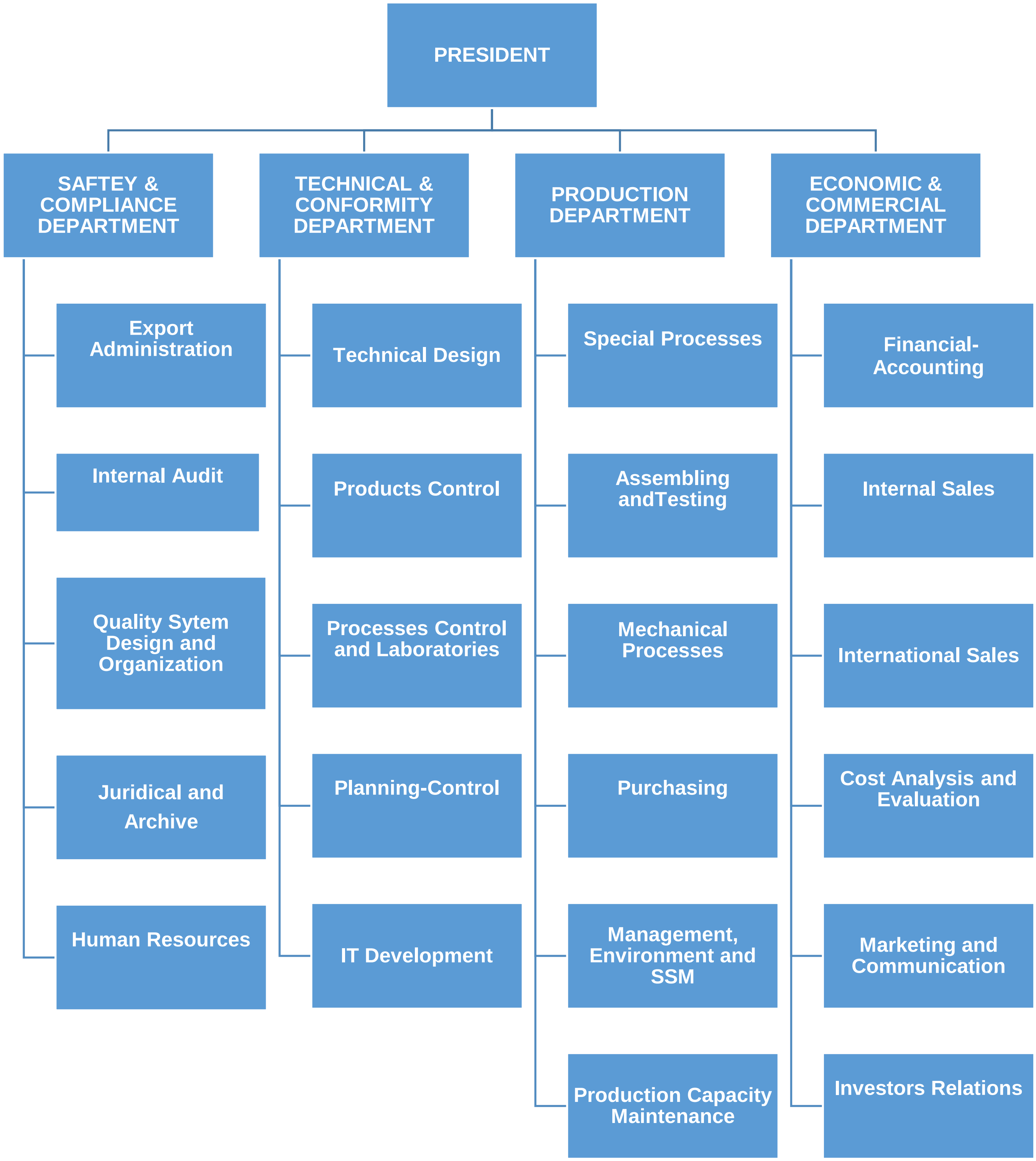
As at 31.12.2023, the non-executive management structure that ensures the current development of the activities has the following composition:

NAME	POSITION
VIEHMANN Radu	President of BoD & CEO
ANGHEL Claudia	Financial & Commercial Director
VIEHMANN Timura Wendy	Saftey & Compliance 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 Financial Surveillance Authority (ASF) 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 2023 a total number of 6.569 shareholders (2022: 6.127 shareholders), individuals and legal entities.

The synthetic structure of the Turbomecanica shareholding published on 31.12.2023 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	217,679,799	58.9211 %

In 2023, TBM distributed dividends related to the financial year 2022, offering investors a yield per share of approximately 8.8%.

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 Financial Surveillance Authority (ASF) 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 and Mr. Niculae Havrileț are declared as independent administrator fulfilling the criteria specified by the CGC of BVB at points A41-A49.

The administrators in office on 31.12.2023:

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	Independent, non-executive administrator	2021	2024
Henriette Spinka	Non-executive administrator *whose mandate ceased according to the decision of the CA dated 15.06.2023 by death. position left vacant until the next Ordinary General Meeting of Shareholders*	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	-	-

During 2023, the Managing Board met in 7 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 2023 an average number of 466 (2022: 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 2023 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 2023	
Business model, Organizational context and stakeholders	Context of the organization & stakeholders	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	22-26
Improving performance in the field of pollution prevention	Climate change mitigation by improving environmental performance and preventing pollution	22-26
Climate change mitigation	Climate change mitigation by improving environmental performance and preventing pollution	22-26
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	26
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	27
Human rights and the fight against corruption and money laundering	Human resource Corporate governance	26 35
Corporate governance	Corporate governance	35
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

Regarding the requirements of the European regulation (EU) no. 748/2012, Annex 1, Part 21, Section A, Subpart G amended by Regulations (EU) 2022/201 and with the requirements of European Regulation (EU) no. 1321/2014, Annex II - PART 145, Section A, amended by Regulation (EU) 2021/1963, Turbomecanica undertakes to implement a Safety Management System (SMS) by the end of 2024 at the latest.

The transition process for the implementation of the new requirements began in 2023 when the SMS implementation plan was created, the safety policy was issued, the training of the organization's staff on safety management began and the Safety Manager was identified.

Safety management aims to proactively identify hazards and mitigate safety risks before they lead to aviation accidents and incidents.

The objective of a safety management system is to provide a structured approach to the control of safety risks within the organization.

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 the reporting requirements of Commission Delegated Regulation (EU) 2021/2139, the Company has not identified economic activities eligible for the EU Taxonomy.

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 Saftey & Conformity Director 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

This initiative reflects TBM's ongoing commitment to training and integrating young people into the industrial sector, thus contributing to the sustainable development of a skilled workforce in the aeronautical field. Through these efforts, the company not only ensures an efficient transition from theoretical education to practical application, but also strengthens the connection between industry and the educational system, providing valuable opportunities for young professionals.

In July 2023 TBM successfully completed the second 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 12 students with the professional qualification of aircraft mechanic, as well as of 24 students with the professional qualification of operator of numerical control machines, 16 students with the professional qualification of miller-turner, 18 students with the professional qualification of fine mechanics, as well as 12 students with the professional qualification of turner.

All the examined students obtained graduation diplomas. This training had a significant impact on the professional career of these students, so that a number of 26 graduates were employed after completing the practice in the following positions in TBM: 19 PM Operators, 3 Managers, 2 Metrologists, 2 Compliance Controllers the product.

In this sense, TURBOMECANICA has allocated a wide range of resources to support professional training, including educational materials such as textbooks and course materials, logistical facilities by providing access to production lines and a specially designed workshop-school, as well as resources human by involving specialists in the teaching process of specific theoretical notions. These initiatives aim to develop the necessary skills and abilities to prepare students for integration into the workforce after completing their studies.

In September 2023, TBM continued to strengthen its involvement in the development of young generations of specialists in the aeronautical industry, concluding new partnership contracts with educational institutions, for a new professional training cycle.

In December 2023, TURBOMECANICA formulated a series of tuition offers in dual education for the 2024-2025 school year for an additional number of 94 students who will be enrolled in the 9th grade with the following professional qualifications: command machine operator numerical, aircraft mechanic, fine mechanics mechanic and turner.

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 2023 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 100 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 2022-2023 the compliance of the activity with the legal requirements by extending the Integrated Environmental Authorization No. 05/2016 revised on 21.02.2020 valid until 2026, through the annual visa no. 2184/19.12.2023 for the period 11.02.2024 – 11.02.2025.

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 anticipates a continuation of the recovery process of the aviation industry in the year 2024. Total airline revenues are expected to approach pre-COVID levels, with a recovery to approximately 97% of pre-pandemic levels by 2024. It is noted that the recovery of passenger and cargo traffic is expected to be strong in 2024, with passenger traffic expected to return to 95% of pre-pandemic levels and cargo traffic to 145% of 2019 levels. Total revenues in 2024 are expected to grow 7.6% year-over-year to a record $964 billion.

Economic risk

At the beginning of this year, the International Monetary Fund updated its "World Economic Outlook" report, increasing the global economic growth forecast to 3.1% for this year compared to 2.9% in the previous report. The IMF maintained its growth forecast for 2025 at 3.2%, which is below the historical average of 3.8% for the period 2000-2019. The IMF report points out that the global outlook reflects a more balanced balance of risks compared to previous years, as the risk of a wider conflict in the Middle East is counterbalanced by the prospect of lower fuel prices, which would help to reduce the inflation than was initially estimated.

As far as Romania is concerned, in the autumn forecast published in February 2024, the National Strategy and Forecasting Commission estimates for this year an economic growth of 3.4%, given that the unfavorable effects of the current economic and geopolitical context are accentuated at the level European. It is estimated that the gross value added of the industry will increase by 0.8% in 2024, after experiencing decreases of 2.6% in 2023 and 4.6% in 2022. The gradual recovery, starting from 2024, will be sustained investment and external demand.

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, the distortions on the supply chains are expected to continue throughout 2024, in the context of the situation recently generated by the Houthis from Yemen in the Red Sea, several important shipping lines have suspended their Suez Canal services, the alternative being much longer and more expensive through the south of the African continent. Also, maintaining for a long period of time high prices for raw materials leads to the risk of reducing the pace of economic growth, diminishing profit margins and eroding purchasing power.

In the medium term, Romania's economy is forecast to return to a potential growth of 3.75%, as consumption recovers and investments will remain solid, also supported by the PNRR. There are still premises for economic growth beyond expectations as a result of strong investments in industry.

Market development risk

In 2023, the global civil air transport industry continued to recover, with IATA forecasting a return to pre-pandemic traffic values in 2024. Europe performed stronger than IATA initially anticipated, despite multiple issues of capacity and market constraints. Given that demand for air transport will continue in 2024, net profit is expected to increase in turn. The key risks to the performance of this industry in Europe are related to the labor market and the wars in Ukraine and the Middle East.

The global civil aviation MRO market is valued at USD 78.5 billion in 2023 and is expected to grow at a CAGR of 5.1% during the forecast period 2024-2034. In terms of civil engine MROs, in 2023 there were approximately 7,700 engine overhauls, and forecasts are for 8,800 in 2024 and 9,000 in 2025, representing approximately 45% of the total MRO market.

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.).

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, action that was estimated with long term of completion and is followed by AANM / RMAR 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 the year 2023, the upgrade of the cluster of servers in the Data Center was carried out, the servers being worn, both physically and morally, out of warranty and no longer having support from the manufacturer, through the purchase of 3 servers and 1 storage to eliminate the risk of production process interruption.

Performed SAP migration from physical servers to virtual machines.

As a result of the repeated entry into the blacklist of the IP of the mail server, email communication being disrupted, the Board of Directors, based on Memo no. 11/15.04.2022, made the decision to acquire a class of public-property IPs TURBOMECANICA, specific equipment for their management and redundancy to internet access by providing a secondary internet connection from another provider.

Updates to major software versions continue, with the system set to search and update once every 6 hours for critical updates.

In 2020, the risk related to emergencies was addressed by starting the necessary activities in order to align the TBM with the updated ISU requirements and obtaining the new ISU authorization. With regard to the risk of power outages, TBM has started work on commissioning the second connection to the electricity supplier. This work, which involves the realization of the entire network (routes, transformers...etc...) was offered at a value of approximately 3 million lei. Consequently, TBM will execute this objective in stages to control the impact in the financial statements of this investment

From a financial point of view, the following main risks are identified and monitored:

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

The company's policy is to periodically monitor the balances of receivables, resulting in an insignificant exposure of the company to the risk of uncollectible receivables.

In order to minimize the risk, the company constantly analyzes and monitors customers through specific means of competitive intelligence and has a strict policy regarding the delivery of goods and services to customers and regarding the commercial credit granted to them.

When assessing credit risk, TBM considers both quantitative and qualitative information that is reasonable and acceptable, including historical experience and forward-looking information, available without undue cost or effort.

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 Lei.

The risk of exchange rate variations did not have a significant impact in 2023, despite a deterioration of the leu / euro exchange rate, as a result of active financial management and situation monitoring. In relation to the US dollar, the leu appreciated at the end of 2023, as a result of the gradual weakening of the US currency on the international financial markets during this period.

The company did not use derivative financial instruments to protect against exchange rate fluctuations.

Inflation risk

In the context of the available data and the regulations in force, the BNR estimates a decrease in inflation from 6.6% in 2023 to 4.7% for the end of 2024, respectively 3.5% for 2025.

According to the National Bank, the recent amplification of geopolitical tensions is the determining factor of the increase in annual inflation dynamics, but it is expected that the slowdown in global economic activity will exert a disinflationary influence.

In an attempt to control inflation, the BNR continued in the January-February 2024 meetings to maintain the monetary policy interest rate at the level of 7% per annum, maintaining the interest rate for the credit facility (Lombard) at 8.00 percent per annum and the interest rate on the deposit facility at 6.00 percent per year, respectively maintaining the current levels of the mandatory minimum reserve rates for liabilities in lei and in foreign currency of credit institutions.

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.

3M-12M ROBOR quotes have seen a significant increase in the current decade, but after a peak of 8.2% in October 2022, they have fallen slightly, and during the fourth quarter of 2023 they have shown a tendency to remain constant.

The 3-month ROBOR index, used to calculate variable interest rates for most loans granted in lei, fell at the end of February 2024 to 6.09%. 3-month ROBOR started 2024 at 6.21%, while at the beginning of 2023 it was at 7.56%. 6-month ROBOR stagnated at 6.11%, while 12-month ROBOR stagnated at 6.12%.

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 the risk of recording losses or not achieving sales and profits as a result of risks from a wide range of causes associated with the Company's processes, personnel, technology and infrastructure, as well as from external factors other than credit, market and liquidity risk , such as those arising from legal and regulatory requirements, as well as from generally accepted standards of organizational behavior.

The main responsibility for the development of controls related to operational risk rests with the Company's management. The responsibility is supported by the development of the company's general standards for operational risk management, taking into account the following:

- segregation of duties requirements
- transaction monitoring and reconciliation requirements
- alignment with regulatory and legal requirements
- documentation of controls and procedures

- requirements for periodic analysis of the operational risk to which the company is exposed and the adequacy of controls and procedures to prevent the identified risks
- operational loss reporting requirements and proposals to remedy the causes that generated them
- development of operational continuity plans
- professional development and training
- establishing ethical standards
- prevention of litigation risk, including insurance where applicable
- risk mitigation, including effective use of insurance where appropriate

FINANCIAL STATEMENT FOR 2023

	2023	2022
Equity	36,944,248	36,944,248
Turnover	131,363,429	139,161,607
Sales Export	19,328,116	18,870,042
% Export sales in turnover	14,71%	13.56%
Average staff	466	457
Gross profit	14,027,400	13,439,082
NET INCOME	11,146,661	12,189,143
Cash and financial assets	18,782,914	17,923,696
General liquidity	1,47	1,84
Investments	14,578,829	2,233,352
% Investments in turnover	11,10%	1,60%

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, 2023, Turbomecanica owns tangible assets in gross value of 86,418,848 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	27,130,722	0%	
Buildings	13,698,774	12,72%	3- 50 ani
Technical equipment, of which:	45,287,345	44,51%	1–15 ani
- Technological equipment	37,490,338	43.74%	1 -15 ani
- Measurement devices and equip.	5,694,208	54,35 %	1 – 8 ani
- Means of transport	2,102,799	47,87%	1 –10ani
Other tangible assets	302,044	50,66%	1 - 8ani
TOTAL	**86,418,847**		

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 2023 based on Decisions no. 357/20.10.2023, for the annual inventory of fixed assets and inventory items, raw materials, materials, unfinished production, finished products, waste, packaging, goods and Decision no. 356/20.10.2023, 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. 86/31.01.2024.

The availabilities in bank accounts on 31.12.2023 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

	2023	2022
Tangible assets	99,927,813	61,816,980
Current assets	146,017,884	119,606,959
TOTAL ASSETS	**245,945,698**	**181,423,939**
Equity	146,018,653	122,751,280
Liabilities	99,927,045	58,672,659
TOTAL EQUITY AND DEBT	**245,945,698**	**181,423,939**

SUMMARY OF COMPREHENSIVE INCOME	2023	2022
Revenues from contracts with clients	131,363,429	139,161,607
Changes in inventories of finished goods and work in progress	5,989,633	(1,397,289)
Raw materials, consumables and utilities	(49,106,751)	(48,016,004)
Employee benefits and salaries	(55,661,491)	(52,614,460)
Depreciation and amortization expenses	(7,742,702)	(11,154,177)
Other operating expenses	(11,453,507)	(10,744,195)
Other operating income	1,149,640	2,144,011
Financial expenses	(2,619,428)	(3,000,113)
Finance income	1,518,037	824,690
Other gains and losses, net	590,540	(1,764,988)
Profit before taxation	**14,027,400**	**13,439,082**
Income tax	(2,880,739)	(1,249,939)
Profit for the year	**11,146,661**	**12,189,143**
Other comprehensive income for the year, out of which	**20,620,711**	**67,444**
Revaluation of tangible assets, net of tax	*20,602,623*	-
Actuarial gain/ (loss) on defined benefits plan, net of tax	*18,089*	*67,444*
Total comprehensive income	**31,767,372**	**12,256,587**

The results for 2023 are presented in detail in the audited financial statements for the year, prepared in accordance with Minister of Finance no. 2844/2016, with subsequent amendments, is in accordance with the 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 - Independent non-Executive Director Henriette Spinka - Non-Executive Director whose mandate ceased according to the decision of the CA dated 15.06.2023 by death. position left vacant until the next Ordinary General Meeting of Shareholders 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 and Mr. Niculae Havrileț declared themselves as independent administrator fulfilling the criteria specified by the CGC of BVB at points A41-A49.

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
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.
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 2023, the Council met 7 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 and Mr. Niculae Havrileț stated that they meet 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			

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
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.
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	✓		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

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
committee must receive and evaluate the reports of the internal audit team.			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.
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. Also, the Company has a remuneration policy in force and annually publishes the remuneration

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
			reports provided by the applicable legislation.
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.
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	✓		The Company publishes all the information required by law, including the reports in the

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
presentations, etc.), financial statements (quarterly, half-yearly, annual), audit reports and annual reports.			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 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	✓		

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
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.
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 9-11) of high school dual education with following insitutions : 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 Furthermore TBM is involved in research and development activities with the Faculty of Materials Science and Engineering within the Polytechnic University of Bucharest.

INDIVIDUAL FINANCIAL STATEMENTS FOR 2023

Individual statement of financial position

The value of Tangible Fixed Assets increased with the value of the following equipment:

a) OKK VCX350 machining center
b) Modernization of the ecruisation installation
c) CFM oil pump test stand
d) KELLENBERGER grinding machine
e) OERLIKON metallization installation.

The significant increase in the value of tangible assets comes from the revaluation of fixed assets.

At 31.12.2023, following the revaluation carried out by the company NEOCONSULT, an independent evaluator member of ANEVAR, all the land, buildings, and machinery/equipment from TBM's heritage was revalued, and they were reflected in the accounting at fair value.

Details regarding the values of fixed assets reassessed can be found in the Financial Statements.

Depreciation expenses decreased by 3,411,475 lei compared to 31.12.2022, as a result of the complete depreciation of some equipment needed in the production process.

The value of stocks has increased compared to the previous period - a significant impact was also had by the increase in the prices of raw materials and materials for aviation, with which TBM supplies itself, also in 2023, we have also supplied raw materials and materials for the related orders to the client IAR Brasov for the year 2024.

TBM continuously analyzes slow-moving and non-moving stocks, but this year there was an impact on expenses.

Loans and leasing debts reflect the leasing contracts that the company has concluded in order to secure the Investment Plan, and the short-term loans include the amounts related to the working capital, as well as the part related to the leasing contracts on TS

Regarding the commercial receivables, these represent the advances invoiced to the client IAR, Program 1 Helicopter VIP, Program Helicopters L, as well as invoices issued in December 2023, to clients and not yet collected.

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 (safe investments) worth 5,880,000 lei, they reached maturity in June 2023, the company collecting the nominal value.

In 2023, the company did not purchase such securities.

The long-term loans 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 recorded at 31.12.2023 is amounting 131,363,429 RON (including the expected impact of IFRS15) below the budgeted level of 157,023,378 RON

Our business model continuously records a volatility of production, especially regarding the delivery schedule related to the maintenance of engines and mechanical assemblies. Most of the time, these appear as a result of changes requested by clients following operational emergencies, without changing the contracted values. Specifically, in 2023 there were several such requests from our partners, which generated changes in the financial indicators, both in terms of income and expenses.

It is necessary to always have in mind several influencing factors specific to society, which determine the evolution of income and expenses - the maintenance of engines and mechanical assemblies are long-term production processes, the manufacture of aviation products is a small series and also with a cycle long manufacturing time, ad hoc requests from customers, especially regarding the addition of some orders or advance delivery requests.

The variation in stocks of finished products and work in progress increased compared to last year, primarily due to the increase in work in progress.

The financial income has doubled compared to the previous period - through the interest that the company collected from the established deposits, including the interest collected from the securities.

The company improved its policy regarding provisions, the result being their reduction.

In 2023, there was a total increase in the salary fund of 6.08%, 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 expenses with raw materials and materials, as well as services, remained at a value comparable to that of last year.

Other elements of the comprehensive income

The variation on this element being given mainly by the revaluation of tangible assets, net of tax, in the amount of 20,602,623 Leo and by the actuarial gain afferent to the determined benefits plan, in the amount of 18,089 Lei (2022: 67,444 Lei).

Individual statement of changes in equity

Equity on 31.12.2023 increased by 18,95%, compared to the same period last year (2022: 1,78%).

Individual cash flow statement

In 2023, the Company deposited with BRD - Groupe Societe Generale and Banca Transilvania, as deposits, sums worth 18,000,000 lei. This amount is likely to be used to ensure own funds in order to start the development project in the maintenance of civil engines. In 2024, it is desired to continue providing these funds up to the equivalent of 6,000,000 Eur.

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

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023

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

TABLE OF CONTENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023

	Note	December 31, 2023	December 31, 2022
		RON	***RON***
Revenues from contracts with clients	**4**	131,363,429	139,161,607
Changes in inventories of finished goods and work in progress		5,989,632	(1,397,289)
Raw materials, consumables and utilities	**5**	(49,106,751)	(48,016,004)
Employee benefits and salaries	**6**	(55,661,491)	(52,614,460)*
Depreciation and amortization expenses	**11, 12**	(7,742,702)	(11,154,177)
Other operating expenses	**7**	(11,453,507)	(10,744,195)
Other operating income	**7**	1,149,640	2,144,011
Financial expenses	**8**	(2,619,428)	(3,000,113)
Finance income	**8**	1,518,037	824,690
Other gains and losses, net	**9**	590,540	(1,764,988)*
Profit before taxation		**14,027,400**	**13,439,082**
Income tax	**10**	(2,880,739)	(1,249,939)
Profit for the year		**11,146,661**	**12,189,143**
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:			
Revaluation of tangible assets, net of tax	**20**	20,602,623	-
Actuarial gain/ (loss) on defined benefits plan, net of tax	**22**	18,089	67,444
Other comprehensive income for the year		**20,620,711**	**67,444**
Total comprehensive income		**31,767,372**	**12,256,587**
Result per share:	***27***		
(RON / share)		0. 0302	0.0330**

**The comparative figures as of December 31, 2022 have been reclassified in accordance with the presentation adopted in 2023. The amount of 128,139 RON included in 2022 in the "Other gains and losses, net" category is now presented separately in the " Employee benefits and salaries " category.*

**Earnings per share for the year ended 31 December 2022 has been adjusted accordingly to the calculation presented in Note 27

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the Board of Administration and authorized for issuance on March 27, 2024.

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

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2023

	Note	December 31, 2023	December 31, 2022
ASSETS		***RON***	***RON***
Long-term assets			
Property, plant and equipment	**11**	99,147,483	61,375,822
Intangible assets	**12**	774,330	435,158
Other assets		6,000	6,000
Total long-term assets		**99,927,813**	**61,816,980**
Current assets			
Inventories	**13**	80,750,305	55,658,919
Trade receivables	**15**	29,982,186	28,706,415
Contract assets	**14**	11,697,107	12,219,893
Other receivables	**16**	1,491,807	1,534,620
Other current assets*	**17**	3,313,564	3,563,416
Other financial investments	**18**	-	5,880,000
Term deposits	**18**	18,000,000	-
Cash and cash equivalents	**18**	782,914	12,043,696
Total current assets		**146,017,884**	**119,606,959**
Total assets		**245,945,698**	**181,423,939**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	**19**	36,944,248	36,944,248
Reserves	**20**	88,601,997	68,451,765
Retained earnings		21,071,817	17,954,675
Losses related to the free disposal of equity instruments		(599,408)	(599,408)
Total equity		**146,018,653**	**122,751,280**
Long-term liabilities			
Leases	**21**	10,140,582	1,857,927
Deferred tax liabilities	**10**	5,815,079	2,050,962
Provisions	**22**	799,099	813,667
Other financial liabilities	**21**	4,656,223	4,627,544
Total long-term liabilities		**21,410,983**	**9,350,100**
Current liabilities			
Trade and other liabilities	**23**	9,106,997	6,743,521
Contract liabilities	**14**	32,695,740	
Borrowing & leases	**21**	20,766,700	27,117,137
Current income tax		1,873,718	2,219,617
Provisions	**22**	3,807,170	4,295,456
Other current liabilities	**24**	10,265,737	8,946,828
Total current liabilities		**78,516,063**	**49,322,559**
Total liabilities		**99,927,045**	**58,672,659**
Total equity and liabilities		**245,945,698**	**181,423,939**

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the Board of Administration and authorized for issuance on March 27, 2024.

CLAUDIA ANGHEL,

Economic & Commercial Director

RADU VIEHMANN,

CEO

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED AS AT DECEMBER 31, 2023

		December 31, 2023	December 31, 2022
Cash flow from operations:		***RON***	***RON***
Net profit / (loss) of the year		**11.146.661**	**12,189,143**
Adjustments for:			
Income tax	10	2,880,739	1,249,939
Depreciation and amortization expenses	11, 12	7,742,701	11,154,177
Revaluation impact through profit and loss	9, 11	(868,811)	-
Charge / (Reversal) of provision for receivables	15	(140,162)	(28,281)
Charge / (Reversal) of provision for inventories and onerous contracts	13	806.664	806,336
Movements in other provisions	22	(285,253)	(1,095,386)
Net loss on the disposal of tangible assets	11, 12	11,469	96,507
Financial expenses	8	2,619,428	3,000,113
Financial income	8	(1,518,037)	(824,690)
Income from prescribed dividends	26	-	(1,058,809)
Net gains / loss from exchange rate differences		(25,325)	87,051
Changes in working capital:		**22,370,074**	**25,576,100**
(Increase) in trade and other receivables		(883,894)	(11,054,156)
(Increase) / decrease in contract assets		522,786	(267,115)
(Increase) / decrease in contract liabilities		32,695,740	
(Increase) of inventories		(26,094,116)	2,876,668
Increase / (Decrease) in trade and other liabilities		2,705,171	662,976
Net cash generated by operating activities		**31,315,761**	**17,794,473**
Income tax paid		(3,390,275)	(2,909,086)
Interest received		1,558,987	824,690
Interest paid	26	(2,215,066)	(2,479,307)
Net cash (used in) operating activities		**27,269,407**	**13,230,770**
Cash flows from investment activities			
Purchase of tangible assets, including advances for tangible assets		(13,278,476)	(6,951,749)
Purchase of intangible assets		(1,073,040)	(995,847)
Purchase of financial assets		-	(5,880,000)
Proceeds from the liquidation of financial assets		5,880,000	-
Variation in term deposits		(18,000,000)	-
Proceeds from sale of fixed assets		-	54,483
Net cash (used in) investment activities		**(26,471,516)**	**(13,773,113)**
Net cash from financing activities:			
Net movement of borrowings	26	(7,152,794	(704,507)
Payments related to lease obligations	26	(2,095,854)	(1,004,707)
Collections from other financial institutions	26	5,117,124	4,627,544
Dividends paid	26	(7,927,149)	(9,293,651)
Net cash generated from / (used in) financing activities		**(12,058,673)**	**(6,375,321)**
Net increase / (decrease) of cash and cash equivalents		**(11,260,782)**	**(6,917,664)**
Cash and cash equivalents at the beginning of the period	**18**	**12,043,696**	**18,961,360**
Cash and cash equivalents at the end of the period	**18**	**782,914**	**12,043,696**

The accompanying notes are an integral part of these financial statements.
The financial statements were approved by the Board of Administration and authorized for issuance on March 27, 2024.

CLAUDIA ANGHEL,
Economic & Commercial Director

RADU VIEHMANN,
CEO

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023
(all amounts are expressed in RON)

	Share capital	Reserves	Revaluation reserve	Retained earnings	Losses related to the free disposal of equity instruments*	Total
Balance on January 1, 2023	**36,944,248**	**21,483,811**	**46,967,954**	**17,954,675**	**(599,408)**	**122,751,280**
					-	
Profit of the year	-	-	-	11,146,661	-	11,146,661
Other comprehensive income:					-	
Actuarial gains related to the determined benefits plan, net of deferred tax (Note 22)	-	-	-	18,089	-	18,089
Tangible asset evaluation, net of tax (Note 20)	-	-	20,602,623	-	-	20,602,623
Other comprehensive income	-	-	20,602,623	18,089	-	20,620,711
Total comprehensive income	**-**	**-**	**20.602.623**	**11.164.750**	**-**	**31.767.372**
Dividend distribution in year (Note 27)	-	-		(8,500,000)	-	(8,500,000)
Revaluation reserves	-	-	(452,391)	452,391	-	-
Balance on December 31, 2023	**36,944,248**	**21,483,811**	**67,118,186**	**21,071,816**	**(599,408)**	**146,018,653**

	Share capital	Reserves	Revaluation reserve	Retained earnings	Losses related to the free disposal of equity instruments *	Total
Balance on January 1, 2022	**36,944,248**	**35,263,201**	**47,190,885**	**1,800,021**	**(599,408)**	**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 (Note 22)	-	-	-	67,444	-	67,444
Total comprehensive income	**-**	**-**	**-**	**12,256,587**	**-**	**12,256,587**
Dividend distribution in year (Note 27)	-	-	-	(10,104,254)	-	(10,104,254)
Other reserves distribution to retained earnings (Noe 20)	-	(13,779,390)		13,779,390	-	-
Realized evaluation reserves	-	-	(222,931)	222,931	-	-
Balance on December 31, 2022	**36,944,248**	**21,483,811**	**46,967,954**	**17,954,675**	**(599,408)**	**122,751,280**

*In the financial statements for the financial year ended December 31, 2022, "Losses related to the free disposal of equity instruments" were included on column "Retained earnings" in the statement of changes in equity and are now presented on a separate column, to enhance the presentation

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the Board of Administration and authorized for issuance on March 27, 2024.

CLAUDIA ANGHEL,
Economic & Commercial Director

RADU VIEHMANN,
CEO

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023

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 shareholders as of 31 December 2023 are as follows:
Viehmann Radu – shareholding of 25.92%
Ciorapciu Dana Maria – shareholding of 15.16%
Romanian State through the Authority for the Administration of State Assets - 150 shares, shareholding of 0.00004%
Other shareholders – shareholding of 58.92%.

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 licenses** - the entity provides: components for aircraft and rotorcraft engines and/or mechanical assemblies by using client's technical 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 Brasov, but the company also has transactions with clients located in Europe.

The average number of employees is as follows:

	2023	**2022**
Average number of employees	476	457

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 2023:

- **IFRS 17 Insurance Contracts**
- **IAS 1 Presentation of Financial Statements and International Financial Reporting Practice Statement 2: Disclosure of Accounting Policies (Amendments)**
- **IAS 8 Accounting Policies, Changes in Accounting Estimates and Error Corrections: Definition of Accounting Estimates (Amendments),**
- **IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments),**
- **IAS 12 Income Taxes: International Tax Reform - Pillar Two Model Rules (Amendments)**

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (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 Company has assessed the disclosure of accounting policies to ensure compliance with the amended standard. The amendments had an impact on the presentation of the Company accounting policies, but not on the measurement, recognition or disclosure of any of the Company financial statements items.

2.2 Standards issued, but not yet effective, and not early adopted

The standards/amendments that are not yet effective, but they have been endorsed by the European Union

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 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 arrangements in which there are clauses that must be complied with within twelve months of the reporting period. Management estimates that these amendments will have no impact the Company's financial statements during the initial application period.

IFRS 16 Leases: Lease liability in a sale and leaseback (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 lease. 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. 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.

The standards/amendments that are not yet effective and they have not yet been endorsed by the European Union

IAS 7 Statement of Cash Flows and IFRS 7 Presentation of Financial Instruments - Supplier Finance Arrangements (Amendments)
The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with early adoption permitted. The amendments complement the requirements already set out in IFRS and require an entity to disclose in the notes to the financial statements the terms of supplier finance arrangements. In addition, entities are required to disclose in the notes to the financial statements at the beginning and the end of the reporting period the amounts recorded in respect of supplier finance arrangements and the positions in which these liabilities are presented, as well as the amounts recorded for the financial liabilities for which the relevant trade payables have been settled by the (financing) parties. Entities should also disclose in the notes to the financial statements the type and effect of non-cash changes in the recorded amounts of financial liabilities related to supplier financing arrangements that prevent comparability of the recorded amounts of financial liabilities. In addition, the amendments require an entity to disclose in the notes to the financial statements, at the beginning and end of the reporting period, the terms of payment for financial payables to suppliers and comparable trade payables that are not part of these arrangements. The amendments have not yet been endorsed by the EU. Management has assessed that the amendment will have no impact on the Company's financial statements.

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

2.2 Standards issued, but not yet effective, and not early adopted (continued)

IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments).
The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with early adoption permitted. The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity’s objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments mention that an entity can use an observable exchange rate without adjustment or another estimation technique. The amendments have not yet been endorsed by the EU. Management has assessed the amendment will have no impact on the Company's financial statements.

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 (regardless of whether they are housed or not in a subsidiary). 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 endorsed by the EU. Management assessed that the amendment will have no 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. MATERIAL ACCOUNTING POLICIES

The material accounting policies are presented below:

The material 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.

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.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

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 2023 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 2023, the Company registered a net profit of RON 11,146,661 (2022: RON 12,189,143). The company is currently dependent on the activity with two main local customers. The turnover with these customers for 2023 represents 64% of the total turnover of the Company (2022: 81.3%). 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.

Fair value measurement

The Company measures and recognizes at fair value certain non-financial assets such land, buildings, other types of buildings, technical machinery, equipment, vehicles (including right of use for these assets) and furniture, office equipment and protection equipment. 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.

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.

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

In accordance with IFRS 15 "Revenue from contracts with customers", the Company recognizes revenue when the customer acquires control of the goods or services provided, at an amount that reflects the price it 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. MATERIAL 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. MATERIAL 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 EUR 1 = RON 4.9746 and USD 1 = RON 4.4958, the 2023 average rate is EUR 1 = 4.9464 RON (2022: EUR 1 = 4.9474 RON and USD 1 = 4.6346, the average rate is EUR 1 = 4.9315).

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.

3. MATERIAL 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.

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 comprehensive income or directly in equity, in which case current and deferred tax are also recognized in other comprehensive income, respectively, equity.
The income tax for the year ended December 31, 2023 was 16% (December 31, 2022: 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.

3. MATERIAL ACCOUNTING POLICIES (continued)

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:

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

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 years

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. MATERIAL 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. MATERIAL ACCOUNTING POLICIES (continued)

Provisions (continued)

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.

Financial assets at amortised cost (debt instruments)

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 receivables, as well as other financial assets (State securities).

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

Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments measured at amortised cost. 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.

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

The Company performed an assessment at year end and no material difference arise in applying ELC model and current accounting which sets allowances for receivables older than 270 days.

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.

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.

In making the depreciation 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, as well as the consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

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.

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.

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. MATERIAL ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Financial liabilities

Initial recognition and measurement

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.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in the category of financial liabilities at amortised cost (loans and borrowings).

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.

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

Critical accounting judgements, estimates and assumptions

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).

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.

3. SGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements, estimates and assumptions (continued)

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 2023, the Company recognized in revenue RON 2,162,210 (2022: RON 2,673,140) in correspondence with the contractual assets, including the net margin related to the contracts in progress on December 31, 2023, calculated based on the degree of fulfillment of the assumed obligations, as well as provisions for onerous contracts in the amount of RON 757,880 (2022: RON 953,947). 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 2023, there were no changes in the useful lives of tangible and intangible assets.

iv) 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, 2023.

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.

v) 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.

vi) 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, 2023 amount to RON 879,870 (December 31, 2022: RON 941,926). The value was determined both on December 31, 2023 and on December 31, 2022 by Gelid Actuarial Company S.R.L. based on the consultancy and actuarial services contract concluded with it.

vii) 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.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

4. INCOME FROM CONTRACTS WITH CLIENTS

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

	December 31, 2023	December 31, 2022
Recognised over the time		
Income from the sale of finished products	23,151,320	34,308,117
Incomes from rendering of repair services	104,121,524	103,287,619
Recognised at delivery		
Income from the sale of merchandise	2,725,453	224,709
Income from services provided	918,219	666,626
Income from other activities	1,513	1,513
Income from the sale of residual products	445,401	673,023
Total	**131,363,429**	**139,161,607**

Starting with 2021, the Company performed an analysis of the contracted obligations, which allowed it to recognize client contract 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 RON 44,976,268 (2021: RON 31,470,340). 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, 2023	December 31, 2022
Expenses with raw materials	35,060,614	35,990,124
Expenses with utilities	4,697,669	5,312,598
Expenses with auxiliary materials	4,765,725	4,451,766
Other material expenses	2,390,400	2,040,938
Packaging expenses	125,735	77,442
Cost of goods sold	2,066,608	143,136
Total	**49,106,751**	**48,016,004**

6. EMPLOYEE BENEFITS AND SALARIES

	December 31, 2023	December 31, 2022
Salaries	53,622,613	50,511,494
Social security contributions	2,324,131	2,231,105
Movements in provisions for employee benefits (Note 22)	(285,253)	(128,139)*
Total	**55,661,491**	**52,614,460**

* Comparative figures for the year ended December 31, 2022 have been reclassified in accordance with the presentation adopted in 2023 - movements in provisions for employee benefits amounting to 128,139, included in 2022 on the line "Other gains and losses, net" is now presented on the line "Employee benefits and salaries".

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

7. OTHER OPERATING EXPENSES AND INCOME, NET

	December 31, 2023	December 31, 2022
Services provided by third parties	4,113,085	3,783,985
Other operating expenses	2,244,933	2,354,203
Duties and taxes	909,028	942,533
Repairs	1,166,805	1,195,108
Advertising, publicity and protocol	1,248,585	1,113,537
Insurance premiums	247,244	217,814
Secondment	398,156	221,037
Rental expenses	92,204	74,665
Employee training	354,158	113,676
Transport expenses	679,308	727,637
Other operating expenses	**11,453,507**	**10,744,195**
Other operating income	(1,149,640)	(2,144,011)
Other operating income	**(1,149,640)**	**(2,144,011)**
Total, net	**10,303,867**	**8,600,184**

Other operating income includes revenues with utilities (water and energy) invoiced to neighboring companies that do not have separate connection.

8. NET FINANCIAL EXPENSES

	December 31, 2023	December 31, 2022
Interest expense related to loans	1,677,337	2,347,606
Interest expenses related to leasing contracts	537,729	131,702
Bank commissions	319,089	353,902
Other financial expenses	85,272	166,903
Financial expenses	**(2,619,428)**	**(3,000,113)**
Interest income	(1,518,037)	(824,690)
Financial income	**(1,518,037)**	**(824,690)**
Total	**1,101,391**	**2,175,423**

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

9. OTHER GAINS AND (LOSSES), NET

	December 31, 2023	December 31, 2022
Net gain on foreign exchange	78,211	(47,213)
Movement of provisions, for current assets, employee benefits, and other provisions (Notes 13, 15)	(862,568)	(778,054)
Movements in provisions for guarantees and honorable contracts (Note 22)	196,067	(958,276)
Other gains	321,489	156,190
Losses from disposal of tangible assets (Note 11)	(11,469)	(78,600)
Expenses on tangible asset revaluation (Note 11)	(204,879)	-
Income from tangible asset revaluation (Note 11)	1,073,687	-
Movements in other provisions, net of the related expense	-	(59,035)
Total	**590,540**	**(1,764,988)**

10. INCOME TAX

In 2023 and 2022, the income tax rate was 16%.

The income tax recognized in profit or loss:

	December 31, 2023	December 31, 2022
Current income tax	3,044,376	3,200,909
Deferred income tax	(163,638)	(1,950,970)
Total	**2,880,739**	**1,249,939**

Reconciliation of current income tax:

	December 31, 2023	December 31, 2022
Profit before taxation	**13,776,409**	**13,439,082**
Income tax (16%)	**2,204,225**	**2,150,253**
Non-deductible expenses/ Non-taxable income	1,791,820	338,101
Tax deductions	(1,115,307)	(1,238,415)
Income tax expense	**2,880,739**	**1,249,939**
Effective tax rate	**20.91%**	**9.30 %**

(all amounts are expressed in Romanian Lei (“RON”), unless otherwise stated)

10. INCOME TAX (continued)

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

	Balance as at January 1, 2022	Recognized through profit or loss	Recognized through other comprehensive income	Balance as at December 31, 2022	Recognized through profit or loss	Recognized through other comprehensive income	Balance as at December 31, 2023
Tangible assets	(4,634,038)	1,715,691	-	(2,918,347)	263,075	(3,924,309)	(6,759,581)
Provisions, including obligations related to employee benefits	(644,952)	235,280	(12,847)	867,385	(99,347)	(3,445)	(704,502)
Net tax asset/(liability)	**(3,989,086)**	**1,950,971**	**(12,847)**	**(2,050,962)**	**163,638**	**(3,927,755)**	**(5,815,079)**

In 2023 and 2022, 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. The increase recorded in 2023 is due to the revaluation made in as of December 31, 2023. 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-23	**31-Dec-22**	**31-Dec-23**	**31-Dec-22**	**31-Dec-23**	**31-Dec-22**
Tangible assets	-	-	(6,579,581)	(2,918,347)	(6,579,581)	(2,918,347)
Provisions, including obligations related to employee benefits	764,502	982,030	-	(114,645)	764,502	867,385
Net tax (asset)/liability	**764,502**	**982,030**	**(6,579,581)**	**(3,032,992)**	**(5,815,079)**	**(2,050,962)**

Deferred tax assets and liabilities are expected to be recovered over a period longer than 12 months from the end of the financial year on December 31, 2023 and December 31, 2022 respectively.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

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, 2022	**16,642,911**	**13,739,711**	**39,969,477**	**528,122**	2,576,909	**-**	**73,457,129**
Additions	-	-	855,524	-	1,559,182	5,183,693**	7,598,399
Transfers	-	-	1,372,633	95,759	(1,468,392)	-	-
Disposals	-	-	(265,914)	-	-	-	(265,914)
December 31, 2022	**16,642,911**	**13,739,711**	**41,931,720**	**623,881**	**2,667,699**	**5,183,693**	**80,789,615**
Additions	-	-	2,972,757	-	6,905,318	9,518,146**	19,396,221
Transfers	-	29,187	11,497,110	19,923	(5,377,972)	(6,168,248)*	-
Disposals		-	(139,781)	-	-	-	(139,781)
Impact on revaluation reserve	10,487,811	732,553	13,231,575	74,993	-	-	24,526,932
Revaluation impact on the profit and loss account, net	-	949,350	(54,270)	(26,269)	-	-	868,811
Cancellation of depreciation resulting from revaluation	-	(1,752,027)	(24,151,766)	(390,523)	-	-	(26,294,316)
December 31, 2023	**27,130,722**	**13,698,774**	**45,287,345**	**302,004**	**4,195,045**	**8,533,591**	**99,147,482**
ACCUMULATED DEPRECIATION							
January 1, 2022	**-**	**583,280**	**9,183,822**	**106,626**	**-**	**-**	**9,873,728**
Depreciation for the year	**-**	590,380	9,098,764	-	-	-	9,689,094
Accumulated depreciation related to outflows	-	-	(149,079)	-	-	-	(149,079)
December 31, 2022	**-**	**1,173,660**	**18,133,507**	**106,626**	**-**	**-**	**19,413,743**
Depreciation for the year	**-**	578,367	6,146,571	283,897	-	-	7,008,835
Accumulated depreciation related to outflows	-	-	(128,312)	-	-	-	(128,312)
Cancellation of depreciation resulting from revaluation	-	(1,752,027)	(24,151,766)	(390,523)	-	-	(26,294,316)
December 31, 2023	**-**	**-**	**-**	**-**	**-**	**-**	**-**
NET BOOK VALUE							
December 31, 2022	**16,642,911**	**12,566,051**	**23,798,213**	**517,255**	**2,667,699**	**5,183,693**	**61,375,822**
December 31, 2023	**27,130,722**	**13,698,774**	**45,287,345**	**302,004**	**4,195,045**	**8,533,591**	**99,147,483**

*During 2023, the Company received equipment for which it received financing from other financial institutions.
**As at December 31, 2023, the Company has advances paid to suppliers for equipment, of which RON 4,656,223 (2022: RON 4,627,544) has been received from other financial institutions, for further details see Note 21.

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value measurement of the Company's tangible assets

The Company's freehold land; buildings and other constructions; technical machinery, equipment, vehicles (including right of use for these assets); and furniture, office equipment and protection equipment are valued at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. As at 31 December 2023, a revaluation of these assets at fair value 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, for land and buildings, it was based on recent market transactions on arm's length terms for similar properties.

The valuation report was prepared 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 performed revaluation showed gains from revaluation amounting to RON 25,395,743 as follows:
- gains related to land amounting to RON 10,487,811
- gains related to buildings amounting to RON 1,681,903
- gains related to technological equipment amounting to RON 9,753,273
- gains related to measuring devices and installations amounting to RON 2,247,928
- gains related to the revaluation of vehicles amounting to RON 1,176,104
- gains related to the revaluation of furniture and of protective equipment for people and materials, amounting to RON 48,722

The total increase from revaluation was registered as follows: RON 24,526,932 revaluation reserves increase and RON 868,811 net revaluation impact on the profit and loss account (from which revenues from the revaluation of property, plant and equipment amounting to RON 1,073,687 and expenses with the revaluation of tangible assets amounting to RON 204,879).

The net book value of buildings, plant and machinery after revaluation is as follows:
- Land – RON 27,130,722
- Buildings and other constructions – RON 13,698,774;
- Technical installations and machinery – RON 43,184,546;
- Equipment and vehicles – RON 2,102,799.
- Furniture and protective equipment for assets – RON 302,004.

For land and buildings, the cost and income approach were used. For the cost approach, a gross replacement cost was estimated. The replacement cost was determined using the guidelines set out by Cornel Schiopu in the valuation guide "Reconstruction costs - replacement costs, industrial, commercial and agricultural buildings", Iorval, 2010 adjusted with indices discounted for August 2023- July 2024. The gross replacement cost was reduced with estimated accumulated depreciation.

The income approach involved estimating the gross operating income, the capitalisation rate for the net operating income, converting the gross operating income into the buildings value by using the following formula: gross operating income/capitalisation rate for the net operating income. The gross operating income was estimated as follows:
- a monthly rent EUR 6/ sqm for Central Warehouses, EUR 7/ sqm for renovated general stores (office space), EUR 4.5 /sqm for heat treatment room and turbo engine testing stand, EUR 5/sqm for the storage area, for laminated product management and for light construction hall and EUR 4 /sqm for fuel and fuel oil warehouse were estimated;
- the potential gross income was estimated as the rent collected for 12 months;
- an occupancy rate of 90% was estimated and the actual gross income were estimated;
- the owner's expenses were estimated.

Capitalisation rate for to actual net income: 8.50% was used.

Valuation of the Company's tangible assets at fair value

The cost approach was used for equipment.

The cost approach is based on the principle of substitution: a prudent buyer will not pay more for a property or car than the cost for buying another property or an equivalent car. The principle can be applied either to an individual asset, a piece of machinery or a whole complex installation. The method principle is to correct the replacement value (again) with the actual depreciation, the steps to be followed being as follows:

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

- Determining replacement value (according to the definition: the replacement value of a fixed asset, in an unaltered condition, at its place of use, ready for operation. It includes all the expenses that would have to be incurred as at the valuation date for replacing the equipment considered "as new", with similar technical and economic features, with the one to be valued) by one of the recommended methods (estimate, cost-capacity, index).

The replacement value was determined by assimilating the capacity costs again starting from the quotation and using the indexation method. For some of the equipment (for which a more active market exists) the quotations were taken from the offers attached to the report.

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 the market, income and cost approaches.

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 31/12/2023
• Land	27,130,722	27,130,722
• Buildings	13,698,774	13,698,774
• Technical installations and equipment, vehicles	45,287,345	45,287,345
• Furniture, equipment, office supplies, protective equipment	302,004	302,004

Pledged or mortgaged assets

As of December 31, 2023, the Company has pledged or mortgaged depreciable tangible assets in the net book value of RON 13,572,649 (December 31, 2022: RON 17,034,677) and land in the amount of RON 16,709,633 (December 31, 2022: RON 10,264,304).

The right to use certain assets

Included in the presented tangible assets above are also assets representing the right to use some equipment amounting to RON 14,861,900 (after revaluation) (December 31, 2022: RON 5,387,389); the depreciation expense in 2023 was RON 550,328 (December 31, 2022: RON 585,854). In 2023, the additions were in the amount of RON 11,628,833 (2022: RON 646,000) and the increase due to revaluation was n amount of RON 66,750.

See Note 26 for movements in lease liabilities.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

12. INTANGIBLE ASSETS

	Other intangible assets	Intangible assets in progress	Total
COST			
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**
Additions		1,073,040	1,073,040
Disposals			
Transfers	1,073,040	(1,073,040)	
As at December 31, 2023	**23,595,009**		**23,595,009**
ACCUMULATED AMORTISATION			
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**
Amortization for the year	733,867		733,867
Accumulated amortization related to outflows			
As at December 31, 2023	**22,820,679**		**22,820,679**
NET BOOK VALUE			
As at December 31, 2022	**435,158**	**-**	**435,158**
As at December 31, 2023	**774,330**		**774,330**

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 313,468 (December 31, 2022: RON 175,931).
2. IT licenses, value remaining on December 31, 2023: RON 460,788 (31 December 2022: RON 256,255) with useful lives of 12 – 36 months.

13. INVENTORIES

	December 31, 2023	December 31, 2022
Raw materials	57,466,358	37,689,547
Consumables	3,801,813	3,207,888
Packaging	72,801	58,786
Finished goods	3,609,129	3,078,441
Work in progress	16,962,672	15,468,586
Semi-finished goods	18,288,201	14,667,841
Residual products	169,813	105,582
Inventory allowances	(19,620,482)	(18,617,752)
Total	**80,750,305**	**55,658,919**

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

13. INVENTORIES (continued)

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 outflows in 2023 were taken into account, and the stocks on December 31, 2023 and December 31, 2022 that were different from zero. A rate was calculated as a ratio between the average stocks (as of December 31, 2023 and December 31, 2022) and the outflows from 2023. 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 (excluding production in progress) is as follow:

	December 31, 2023	December 31, 2022
Balance at the beginning of the year	**(14,251,852)**	**(14,967,558)**
(Increase)/decrease of allowances through profit or loss	(1,065,779)	715,706
Balance at the end of the year	**(15,317,631)**	**(14,251,852)**

The increase in allowance per types of inventories can be presented as follows for 2023:

Inventory type	Variation in allowance 2023	Variation in allowance 2022
Raw materials	(518,880)	(785,264)
Consumables and chemicals	(292,167)	167,413
Finished goods and Residuals products	(254,733)	(97,555)
Total	**(1,065,779)**	**(715,405)**

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

	December 31, 2023	December 31, 2022
Balance at the beginning of the year	**(4,365,900)**	**(2,844,157)**
Provision (increase)/decrease recognized in profit and loss	63,049	(1,521,743)
Balance at the end of the year	**(4,302,851)**	**(4,365,900)**

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

14. CONTRACT ASSETS AND LIABILITIES

	December 31, 2023	December 31, 2022
Repairs and production contracts	11,697,107	12,219,893
Total	**11,697,107**	**12,219,893**
Non current	-	-
Current	11,697,107	12,219,893

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 or 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, 2023 and on December 31, 2022.

As at December 31, 2023, the Company had contract liabilities amounting to RON 32,695,740 (2022: nil) as advance payments from IAS SA for the current contracts in progress.

15. TRADE RECEIVABLES

	December 31, 2023	December 31, 2022
Trade receivables	29,839,302	28,473,631
Clients - invoices to be issued	314,754	544,815
Allowance for doubtful debts	(171,869)	(312,031)
Total	**29,982,186**	**28,706,415**

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

	December 31, 2023	December 31, 2022
Balance at the beginning of the year	**312,031**	**340,313**
(Decrease) / Increase of allowance through profit or loss	(140,162)	(28,282)
Balance at the end of the year	**171,869**	**312,031**

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

15. TRADE RECEIVABLES (*continued*)

The Company set provisions 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 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.

16. OTHER RECEIVABLES

	December 31, 2023	December 31, 2022
	-	-
Other receivables	1,491,807	1,534,620
Total	**1,491,807**	**1,534,620**

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

17. OTHER CURRENT ASSETS

	December 31, 2023	December 31, 2022
Prepaid expenses	498,323	413,336
Prepayments - leases	631,727	1,530,064
Advances to suppliers	2,183,514	1,620,015
Total	**3,313,564**	**3,563,416**

On December 31, 2023, the Company paid the advance for 5 financial leases for equipment to be delivered in the following period:

- GLEASON slotting equipment
- GLEASON gear cutting or gear grinding correction equipment
- OKAMOTO correction machine.
- Fire extinguishing installation
- OMNIS METROHM titration system

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

18. CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND FINANCIAL ASSETS

CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022
Cash at banks	695,233	12,000,422
Petty cash	13,498	14,450
Other cash available	74,184	28,824
Total	**782,914**	**12,043,696**

TERM DEPOSITS

	December 31, 2023	December 31, 2022
Bank deposits	18,000,000	-

On December 31, 2023, the Company set time bank deposits of the following amounts:

- RON 9,000,000, from December 7, 2023 for 180 days' term, for an interest of 5.80% p.a. through BRD,
- RON 4,000,000 from December 4, 2023 for 90 days' term, for an interest of 5.70% p.a. through BRD
- RON 5,000,000 from December 4, 2023 for 90 days' term, for an interest of 5.85% p.a. through Banca Transilvania.

These deposits are disclosed separately from cash and cash equivalents considering the period for which they were set and that they are not held for the purpose of meeting short-term cash commitments.

FINANCIAL ASSETS

	December 31, 2023	December 31, 2022
State securities	-	5,880,000

In June 2022, the Company purchased state securities in the amount of RON 5,880,000, with the maturity in June 2023, with a return of investment of 6.35%. The fair value of these securities does not differ substantially from the recorded value. At maturity, these securities have not been extended and, in 2023, the balance is zero.

19. SHARE CAPITAL

The share capital is fully paid in:

	No. of shares	Share capital
		RON
Share capital paid in as at January 1, 2022	**369,442,475**	**36,944,248**
Share capital as at December 31, 2022	**369,442,475**	**36,944,248**
Share capital as at December 31, 2023	**369,442,475**	**36,944,248**

In 2023, the Company did not register any changes in share capital.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

20. RESERVES

	December 31, 2023	December 31, 2022
Legal reserves	7,388,850	7,388,850
Revaluation reserves	67,118,186	46,967,954
Other reserves	14,094,961	14,094,961
Total	**88,601,997**	**68,451,765**

In 2023 and 2022, respectively, the Company did not set an additional legal reserve, since it was already set in 2017 in the amount of 20% of the share capital in accordance with the minimum threshold as stipulated in the Trading Companies Law no. 31/1990 with its subsequent amendments.

The change in revaluation reserves as at December 31, 2023 and December 31, 2022, respectively, is detailed below:

	December 31, 2023	December 31, 2022
Balance at the beginning of the financial year	**46,967,954**	**47,190,885**
Realized revaluation reserve during the year	(452,391)	(222,931)
Increase in revaluation reserve due to the revaluation of property, plant and equipment (Note 11)	24,526,932	-
Deferred income on the revaluation reserve (Note 10)	(3,924,309)	-
Increase in revaluation reserve due to the valuation, net of tax	**20,602,623**	**-**
Balance at the end of the financial year	**67,118,186**	**46,967,954**

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

21. LOANS, LEASE LIABILITIES AND OTHER FINANCIAL LIABILITIES

	December 31, 2023	December 31, 2022
a) Short-term debts to shareholders	**4,880,000**	**4,880,000**
Loans from shareholders (Note 28)	4,880,000	4,880,000
b) Loans from banking institutions, lease entities and other financial liabilities		
Secured loans		
Short-term bank loans	14,113,817	21,291,936
Short-term lease liabilities	1,772,883	945,201
Long-term lease liabilities	10,140,582	1,857,927
Other long-term financial liabilities	4,656,223	4,627,544
Total loans from banking institutions, lease entities and other secured financial liabilities	**30,683,505**	**28,722,608**
Total loans, lease liabilities and other financial liabilities (a + b)	**35,563,505**	**33,602,608**
Of which:		
Short-term loans and lease liabilities	**20,766,700**	**27,117,137**

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, through addenda, and the interest related to these contracts is paid during the year.

In January 2022, the two contracts were extended and addenda were concluded as follows: AA 13 /28.01.2022 to contract 178/2009 and AA 9 / 28.01.2022 to contract 867/2012. Both addenda have extended 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%.

In May 2022, the two contracts were additionally amended as follows: AA 14 /13.05.2022 to contract 178/2009 and 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. Therefore, the gross interest is 7.8% / year, which includes the percentage related to the investment income tax, which currently, according to the Fiscal Code, is 10%.

In February 2023, the two loan contracts with the shareholders were extended and addenda were concluded as follows: AA 15 /14.02.2023 to contract 178/2009 and AA 11 / 14.02.2023 to contract 867/2012; these addenda change the interest rate from 7.8% to 8.8%/year for the period 01.02.2023 – 31.01.2024. Therefore, the gross interest is 8.8% / year, which includes the percentage related to the investment income tax, which currently, according to the Fiscal Code, is 10%.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

21. LOANS, LEASE LIABILITIES AND OTHER FINANCIAL LIABILITIES *(continued)*

b) Amounts owed to credit institutions

Contract	**Balance at December 31, 2023**	**Balance at December 31, 2022**
(A) BRD		
– Credit facility no. 103 BIS/28.04.2006	6,019,635	14,168,381
(D) Banca Transilvania		
– Loan Contract no.186/24.06.2009	8,094,182	7,123,555
	14,113,817	**21,291,936**

(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 through addendums.

- Addendum 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.
- Addendum 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 special fees (SGB amendment commission, SGB analysis commission, L\C (letter of credit) issuing commission, letter of credit modification commission, letter of credit non-utilization/cancellation commission). All other provisions of the Loan Contract remain unchanged, including those related to guarantees, interest, commissions. On 31.12.2022, the loan balance is RON 14,168,381.
- Addendum no. 65 / 29.08.2023 extended the validity period of the global financing ceiling of facility A, multi-options, non-binding, until 31.08.2024, and for facility B, the SGB value cannot exceed 12 months from issue/opening. The contract provides a series of special fees (SGB amendment commission, SGB analysis commission, L\C (letter of credit) issuing commission, letter of credit modification commission, letter of credit non-utilization/cancellation commission). The interest for the used amounts is floating the rate is ROBOR 3M + 3,5% margin p.a. On 31.12.2023, the loan balance is RON 6,019,635.

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 Letter of Guarantee 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 RON 145,800 with a due date of 31.01.2023. On 22.12.2022, a Performance Bank Letter of Guarantee was issued in favor of the client UM01836 in the amount of RON 1,284,522 with maturity date 30.06.2023.

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

The value of the Bank Letters of Guarantee issued through the loan ceiling and valid on 31.12.2023 is RON 1,931,866, as follows: a Bank Letter of Guarantee 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 RON 283,668 with maturity date 25.01.2024. On 22.12.2023 a Performance Bank Letter of Guarantee was issued in favor of the client UM01836 in the amount of RON 1,648,198 with maturity date 20.12.2024.

On 31.12.2023, the approved limit is RON 19,365,000, of which RON 6,019,635 was used through the credit line and RON 1,931,866 through Bank Letters of Guarantee, the available limit being RON 11,413,499.

21. LOANS, LEASE LIABILITIES AND OTHER FINANCIAL LIABILITIES (continued)

(B) Banca Transilvania – Loan contract no. 186/24.06.2009

On 18.05.2021, Addendum no. 29/186 was concluded, the purpose of which is to modify the following conditions: credit facility extension until 18.05.2022; the amount of the loan RON 9,400,000; multiple drawings.
Period of use: until 17.05.2022. Maturity: 18.05.2022

On 12.10.2021, Addendum no. 31/186 was concluded, 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 coverage degree of 85%.

On 28.02.2022, Addendum no. 32/186 was concluded, which specifies the use of the credit line for working capital. An evaluation commission is added at the issuance of the Addendum in a fixed amount of RON 3,045, payable on the date of implementation of the Addendum and the guarantees that are maintained are specified. Loan amount: RON 9,400,000; multiple drawings. Period of use: until 17.05.2022. Maturity 18.05.2022.

On 16.05.2022, Addendum no. 33/186 was concluded, the purpose of which is to modify the following conditions: credit facility extension until 17.05.2023; the amount of the loan RON 9,400,000; Multiple drawings. 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.

On 12.05.2023, Addendum no. 38/186, was concluded, the purpose of which is to modify the following conditions: credit facility extension until 16.05.2024; the amount of the loan RON 9,400,000; Multiple drawings. Credit use until 16.05.2024. The interest is maintained at 2.5% plus ROBOR 6M calculated on the last working day of the previous calendar quarter. Credit use until 16.05.2024.

The balance of the loan on 31.12.2023 is RON 8,094,182 (31.12.2022: RON 7,123,555).

The following guarantees are maintained:

- first-ranking real estate mortgage on objectives 6, 8, 11 and 10, 583 sqm of land, 684 sqm of free land located outside the build-up area and movable collateral on the receipts and on the balance of the current account and of the sub-accounts opened with BT, under 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 Addendum 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. The turnover condition was met. The special terms of the facility are maintained and remain unchanged.

b) Amounts owed to lease institutions and other financial liabilities

In 2023, the Company concluded new leases with BT Leasing, for the purchase of equipment to increase the production activity:

- GLEASON slotting equipment
- GLEASON gear cutting or gear grinding correction equipment
  OKAMOTO correction machine
- Fire extinguishing installation
- OMNIS METROHM titration system

Their balance on 31.12.2023 is: RON 4,962,161 (the initial value of the new lease contracts concluded in 2023 have amounted to RON 6,117,746).

Furthermore, the Company still has financial leases in progress for equipment, which were concluded in previous years, the balance of which is RON 6,951,309 on December 31, 2023. The assets related to these leases are presented in the Note 11.

All lease liabilities are due within a period until 5 years.

The Company has concluded sale and leaseback contracts for the GLEASON PFAUTER slotting equipment with a financed value of EURO 914,077 with an estimated reception date of April 2024 and for the GLEASON gear cutting or gear grinding correction equipment with a financed value of Euro 990,000, with an estimated reception date of September 2024. Until December 31, 2023, the Company paid advances in the amount of RON 4,656,223 to equipment suppliers, presented in Note 11. In return for these advances paid, financing was obtained from the lease company, presented in the other financial liabilities line. According to the contractual terms, these assets will be received during the following period. Starting with the reception date, the Company will obtain a right of use and, in return for it, a financial lease liability, based on the concluded contracts.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

22. PROVISIONS

	Provisions for post-employment benefits	Other provisions related to personnel	Provisions for Guarantees	Provisions for onerous contracts	Total
Balance as of 01.01.2023	**941,926**	**2,197,146**	**1,016,104**	**953,947**	**5,109,123**
Additions	197,488	1,891,928	-	757,880	2,847,296
Used	(238,010)	-	-	-	(238,010)
Reversal through profit and loss	-	(2,136,659)	-	(953,947)	(3,090,606)
Actuarial gain – other comprehensive income	(21,534)	-	-	-	(21,534)
Balance as of 31.12.2023	**879,870**	**1,952,415**	**1,016,104**	**757,880**	**4,606,272**

As at December 31, 2023, 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 RON 80,771 is disclosed as a short-term provision, while the difference of RON 799,099 is presented as a long-term provision (2022: the amount of RON 128,259 is disclosed as a short-term provision, while the difference of RON 813,667 is presented as a long-term provision).

Other personnel-related provisions

The following are included in "Other personnel-related provisions": provision for performance bonuses for 2023 that will be granted in 2024, provision for vacations not taken as at December 31, 2023. The expenditure with these contributions registered in the current year is disclosed in Note 6 together with the reversal of the related provision. The amounts presented as additions in 2023 mainly comprise the provision for performance bonuses for 2023, and those presented for use, consist in the reversal of the provision for performance bonuses together with the granting of these bonuses.

Post-employment benefit provisions

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, 2023, 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:

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

Mortality of employees and their family members,	Romanian Mortality Table for 2018 (for men and women) issued by the National Institute of Statistics,
Rate of employee turnover	In 2023, the employee turnover rate was 10.4%. For this exercise, the average of the last three years was considered to be 10.8% 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 10.8% of the total number of employees. The employee turnover rate is: - 28.5% p.a. for employees who are over 35 years old until retirement - On a linear basis - 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 31, 2023, no personnel redundancy plan was communicated.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

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

2) 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 2023. The available residual terms until maturity were 1 - 12 years and 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 6% p,a,

Inflation rate: Based on the statistics issued by INSSE and the NBR forecast as of November 2023, the Company estimated an inflation rate of:

– 4.8% in 2024
– 3.5% in 2025
– 3.0% in 2026
– 2.5% for 2027 - 2031 and following a declining trend in the following years

The weighted average rate of inflation is 2.8 p.a.

Wage growth rate: The Company estimates an average growth of maximum 4.0% in 2024. For 2025 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 2.8% pa.

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

Change the present value of the obligation	**December 31, 2023**	**December 31, 2022**
Present value of obligation	941,926	1,150,356
Interest cost	70,785	53,713
Cost of current service	126,703	142,758
Payments from provisions during year	(238,010)	(324,610)
Actuarial (Gain)/Loss of the year	(21,534)	(80,291)
Past service costs	-	-
Present value of the obligation – December 31	**879,870**	**941,926**

Calculation for the period:	**December 31, 2023**	**December 31, 2022**
Interest cost	70,785	53,713
Current service cost	126,703	142,758
Past service cost	-	-
Expenses for the period, charged to the income statement	197.488	196,471
Other comprehensive income*:		
Amount of actuarial (gain)/loss during the reporting period	(21,534)	(80,291)

**in the Statement of Comprehensive Income, the amount is presented net of the deferred tax impact both as at December 31, 2023 and December 31, 2022.*

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

22. PROVISIONS *(continued)*

Change in provision	**December 31, 2023**	**December 31, 2022**
Opening trial balance – January 1st	941,926	1,150,356
Movement related to the period	175,954	116,180
Payments	(238,010)	(324,610)
Total provision	**879,870**	**941,926**

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

Benefit Payment Maturity Analysis 2023

Projection of benefit payments (RON)

Maturity of obligations with defined benefits	**Retirement benefits**	**Employee death benefits**	**Total obligations with defined benefits**
Pana la 1 year	23,573	57,198	80,771
1 – 2 years	8,003	56,308	64,311
2 – 5 years	104,789	155,986	260,774
5 – 10 years	1,221,989	179,775	1,401,764
Above 10 years		124,071	1,015,756

Sensitivity analysis 2023

Hypotheses	**December, 31 2023**	**December, 31 2022**
	Post-employment benefits	Post-employment benefits
PVDBO at 31,12,2023 (RON)	879,870	941,926
Discount rate +1%	818,706	888,061
Discount rate -1%	947,681	1,001,066
Wage growth rate +1%	949,845	1,004,444
Wage growth rate -1%	815,798	884,234
Increased longevity by 1 year	866,690	934,440

As mentioned in Note 3, in contract revenues, the Company offers its customers a warranty between 12-18 months. The Company management makes an analysis of the historical costs with the repairs under warranty and, based on this analysis, a warranty provision is recorded. In 2023, the warrantee provision has remained at the same level as in 2022: RON 1,016,104.

Provisions for onerous contracts

For the concluded fabrication contracts, where the Company estimates losses, a provision for onerous contracts was recorded.

23. TRADE AND OTHER LIABILITIES

	December 31, 2023	**December 31, 2022**
Trade liabilities	7,958,652	5,719,775
Liabilities on invoices to be received	1,148,345	1,021,428
Other creditors	-	2,318
Total	**9,106,997**	**6,743,521**

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

24. OTHER CURRENT LIABILITES

Other current liabilities	December 31, 2023	December 31, 2022
Salaries	2,265,552	1,878,906
Salary taxes	2,982,323	2,430,202
VAT payable	3,317,578	3,443,732
Other creditors	39,965	75,899
Other taxes	259,395	290,016
Dividends	1,400,924	828,073
Total	**10, 265,737**	**8,946,828**

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.

Segment revenues

	December 31, 2023	December 31, 2022
Manufacturing of aircraft parts	23,151,320	34,308,117
Repairs of engines	104,121,524	103,287,619
Other revenues	4,090,585	1,565,871
Total	**131,363,429**	**139,161,607**

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	2023	2022
EUROPA	131,172,225	139,028,953
- Out of which Romania	112,035,314	120,291,565
USA	122,098	122,739
ASIA	69,106	9,914
TOTAL	**131,363,429**	**139,161,607**

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

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 21, cash and cash equivalents and term bank deposits, presented in Note 18, as well as 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, 2023 and December 31, 2022 is as follows:

	December 31, 2023	December 31, 2022
Total borrowings	30,907,282	28,975,064
Cash and cash equivalents and term deposits	(18,782,914)	(12,043,696)
Net debt	**12,124,368**	**16,931,368**
Total capital and reserves	146,018,653	122,751,780
Gearing ratio	8%	14%

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 2023	Contractual Assets as of 31 December 2023	Revenue from contracts with customers 2023	Trade receivables as of 31 December 2022	Contractual assets as of 31 December 2022	Revenue from contracts with customers 2022
Top 3 clients	24,087,151	7,067,145	110,413,050	25,564,107	7,311,314	119,270,918
Others	5,895,035	4,630,052	20,950,379	3,142,309	4,908,578	19,890,689
Total	**29,982,186**	**11,697,107**	**131,363,429**	**28,706,415**	**12,219,893**	**139,161,607**

The top 3 clients according to sales fall into a low risk category.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

26. FINANCIAL INSTRUMENTS (continued)

Cash, including term deposits, 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.

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:

2023	**EUR EUR 1 = RON 4.9746**	**USD USD 1 = RON 4.4958**	**GBP GBP 1 = RON 5.7225**	**CHF CHF 1 = RON 5.3666**	**RON RON 1 = RON**	**TOTAL December 31, 2022**
	RON	***RON***	***RON***		***RON***	***RON***
ASSETS						
Cash and cash equivalents	427,935	51,005	10,255	51,026	242,694	782,914
Term deposits					18,000,000	18,000,000
Trade receivables	5,590,927	-	-	-	24,391,260	29,982,186
Contract assets	-	-	-	-	11,697,107	11,697,107
LIABILITIES						
Trade and other liabilities	5,430,530	735,215	94,767	21,858	2,824,627	9,106,997
Short and long-term loans and leases	11,913,464	-	-	-	18,993,817	30,907,282
Contractual liabilities	-	-	-	-	32,695,740	32,695,740
Other long-term financial liabilities	4,656,223	-	-	-	-	4,656,223
Net balance exposure (assets - liabilities)	**(15,981,356)**	**(684,210)**	**(84,512)**	**29,168**	**(183,123)**	**(16,904,034)**

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

26. FINANCIAL INSTRUMENTS (continued)

2022	**EUR EUR 1 = RON 4.9474**	**USD USD 1 = RON 4.6346**	**GBP GBP 1 = RON 5.5878**	**CHF CHF 1 = RON 5.0829**	**RON RON 1 = 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
Trade receivables	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 and leases	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**	**18,503,875**

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

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, 2023	**December 31, 2022**
EUR	(1,598,136)	934,655
USD	(68,421)	(283)
GBP	(8,451)	(457)
CHF	2,917	483

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 short-term loans, the interest has a volatile component (ROBOR) and is about 8-9% 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.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

26. FINANCIAL INSTRUMENTS (continued)

d) Liquidity and interest risk management (continued)

2023	*Interest rate*	*Less than 1 month*	*Less than 1 year*	*1 to 5 years*	*More than 5 years*	*Total*
Trade and other liabilities		**3,646,892**	**5,460,105**		**-**	**9,106,997**
Long and short-term borrowings (of which)		**-**	**22,445,862**	**5,052,137**	**-**	**27,497,999**
Short term loans in RON - BRD	ROBOR 3M +3.50%		6,019,635			6,019,635
Interest - BRD			575,477			575,477
Short term loans Banca Transilvania	ROBOR 6M+2.25%		8,094,182			8,094,182
Interest Banca Transilvania			674,245			674,245
Leasing BTRL			1,772,883	10,140,582		11,913,465
Shareholder loans	8.80%		4,880,000			4,880,000
Interest - Shareholder loans			429,440			429,440
Other long-term financial liabilities				4,656,223		4,656,223
Total liabilities		**3,646,892**	**27,905,967**	**14,796,805**		**46,349,664**

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

26. 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 long-term financial liabilities				4,627,544		4,627,544
Total liabilities		**2,728,554**	**33,479,711**	**6,485,471**	**-**	**43,693,736**

(all amounts are expressed in Romanian Lei (“RON”), unless otherwise stated)

26. FINANCIAL INSTRUMENTS (continued)

e) Changes in liabilities arising from financing activities

	1-Jan-2023	Collections/New contracts	Payments	Other variations	Interest during the year	Interest paid	Dividends granted	Foreign exchange movement	31-Dec-2023
Borrowings	26,171,936	-	7,152,794		1,677,337	1,677,337	-	(25,325)	18,993,817
Leases	2,803,128	6,117,746	2,095,854	5,088,445*	537,729	537,729	-		11,913,465
Other financial liabilities	4,627,544	5,117,124	-	(5,088,445)	-	-	-		4,656,223
Dividends	828,073	-	7,927,149	-	-	-	8,500,000		1,400,924
Total financial liabilities	**34,430,681**	**11,234,869**	**17,175,797**	**-**	**2,215,066**	**2,215,066**	**8,500,000**	**(25,325)**	**36,964,429**

*other changes represent advances paid for a sale and lease back contract that was completed during 2023 and transferred as a finance lease liability.

	1-Jan-2022	Collections/ New contracts	Payments	Other variations	Interest during the year	Interest paid	Dividends granted	Foreign exchange movement	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	-		2,803,128
Other financial liabilities	-	4,627,544	-	-	-	-	-		4,627,544
Dividends	1,076,277		9,293,651	1,058,809*	-	-	10,104,256		828,073
Total financial liabilities	**31,026,905**	**5,274,144**	**11,002,866**	**1,058,809**	**2,479,308**	**2,479,308**	**10,104,256**	**(87,050)**	**34,430,681**

*the amount of RON 1,058,809 represents the value of the dividends distributed in the previous periods, not withdrawn, which were prescribed in 2022 and reversed to income

f) Fair value of financial instruments

1. Financial assets and liabilities carried at fair value

As at December 31, 2023, December 31, 2022 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.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

26. FINANCIAL INSTRUMENTS (continued)

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-2023

Assets	**Level 1**	**Level 2**	**Level 3 (Note 11)**
Land	-	-	27,130,722
Buildings	-	-	13,698,774
Equipment	-	-	45,589,349

31-Dec-2022

Assets	**Level 1**	**Level 2**	**Level 3 (Note 11)**
Land	-	-	16,642,911
Buildings	-	-	12,566,151
Equipment	-	-	24,315,468

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 (own shares).

	2023	**2022**
Company shareholders result	11,146,661	12,189,143
Weighted average number of ordinary shares issued	363,448,395	363,448,395
Basic earnings per share	0. 0302	0.0330*

*For the calculation of basic earnings per share for the financial year ended December 31, 2022, the Company corrected the weighted average number of ordinary shares in the issue, which led to a change in Earnings per share compared to the value presented in the financial statements of the previous financial year (RON 0.0335/share).

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

27. EARNINGS PER SHARE (continued)

(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 2023, based on the OGSM Decision of April 28, 2023, it was decided to distribute dividends in an amount RON 8,500,000 from the profit related to the financial year ended on December 31, 2022 in an amount RON 12,189,144, the difference amounting to RON 3,689,144 representing the profit not appropriated on other destinations representing own source for financing of investments.

At December 31, 2023, the Company has dividends payable in an amount RON 744,239 for 2021 and RON 656.685 for 2022.

28. RELATED PARTIES

The Company has loans received from related parties as per below illustration:

	December 31, 2023	December 31, 2022
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 21. 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, 2023 and December 31, 2022 there were no transactions concluded between the company and key management members.

During 2023, 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 2023	31 December 2022
Board of Directors and General Director	2,736,164	2,950,461

As of December 31, 2023 and December 31, 2022, the Company has granted advances for settlement to the directors / members of the board of directors.

At 2023 and 2022 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 RON 11,913,465 related to the purchase of tangible or intangible assets on December 31, 2023 (December 31, 2022: RON 14,764,382).

The Company issued letters of bank guarantee in favor of business partners on December 31, 2023 in an amount RON 1,931,866 (December 31, 2022: RON 1,430,322) (Note 21).

Commitments related to leasing liabilities are presented in Note 21.

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 2023, 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 for 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, 2023 or December 31, 2022 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.

Mitigating climate change by improving environmental performance and preventing pollution

The Company is constantly concerned with protecting the environment, being focused on optimizing the performance of resource allocation and consumption processes and is engaged in identifying solutions to reduce the impact on the environment, by replacing some hazardous substances, increasing air quality and last but not least, recycling.

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

The Company is in the process of modernizing the production sections, replacing old and unproductive machine tools with the latest generation industrial centers, with the aim of reducing the amount of hazardous waste. Thus, in 2022, the filter system was installed to capture the emissions of heavy metals and powders on the Copper, Cadmium and Chromation lines, which led to a reduction in the concentration of heavy metals and powders. In addition, the Company decided to purchase and install a system of filters with the efficiency of capturing heavy metal emissions (Phosphating, Pickling, Viper Pickling) and dusts removed in special processes.

The Company, through the prism of the activity carried out, uses organic solvents with volatile organic compounds, which fall under the scope of the 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. At the beginning of 2023, the exhaust chimney related to the paint shop was cleaned, thus eliminating the excess powder with VOC content retained on the piping during the process of painting parts, leading to a decrease in the concentration of VOC emissions.

On December 31, 2023, based on the available information, the Company analyzed the potential impact of climate change on the financial situation and the results of the Company's operations and concluded that there is no impact on the financial position from December 31, 2023

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

29. COMMITMENTS AND CONTINGENCIES (continued)

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, 2023, 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, 2023.

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, 2023 prepared in accordance with the Order of the Ministry of Public Finances 2844/2016, approving the accounting regulations in accordance with the International Financial Reporting Standards, with the subsequent modifications and clarifications were in an amount EURO 42,800, excluding TVA.

31. SUBSEQUENT EVENTS

In February 2024, the two loan contracts with associations were extended and additional documents were concluded as follows: AA 16/07.02.204 to contract 178/2009 and AA 12/7.02.2024 to contract 867/2012, respectively.

No other events occurred subsequent to the balance sheet date which could have an impact on the financial statements at December 31, 2023.

The financial statements were approved by the Board of Administration and authorized for issuance on March 27, 2024.

CLAUDIA ANGHEL,	**RADU VIEHMANN,**
Economic & Commercial Director	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 31.12.2023.

We declare that all accounting policies used by TURBOMECANICA S.A. for the preparation of accounting reports on 31.12.2023 are in accordance with Accounting Law 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 2023 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, 2023 of **TURBOMECANICA S.A.** give a true view of the financial position, financial performance and other information related to the activity carried out between 01.01.2023 - 31.12.2023.

We declare that **TURBOMECANICA S.A.** 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 27, 2024

CEO,
Eng. VIEHMANN RADU

FINANCIAL & COMMERCIAL DIRECTOR,
Ec. ANGHEL CLAUDIA

Ernst & Young Assurance Services SRL
Bucharest Tower Center Building, 21st Floor
15-17 Ion Mihalache Blvd., District 1
011171 Bucharest, Romania

Tel: +40 21 402 4000
Fax: +40 21 310 7193
office@ro.ey.com
ey.com

Building a better working world

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of TURBOMECANICA S.A.

Report on the Audit of the Financial Statements

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, 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, 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, with all subsequent modifications and clarifications.

Basis for opinion

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 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.

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 3.3 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 *Revenues from Contracts with Customers* ("IFRS 15") requirements, as well as estimation of cost to complete require significant judgements and estimations to be made. In 2021, 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 2023.

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 "Material accounting policies" to the financial statements, 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 of the Managing Board, which includes the 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. 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 of the Managing Board and Remuneration Report, we have read these reports and report that:

a) in the Annual Report of the Managing Board 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, 2023;
b) the Annual Report of the Managing Board, 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, 2023, we have not identified information included in the Annual Report of the Managing Board 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 ended 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 three years, covering the financial periods ended December 31, 2021, December 31, 2022 and December 31, 2023.

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 27 March 2024.

Building a better
working world

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 2023, with the requirements of the Commission Delegated Regulation (EU) 2019 /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 2023 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.

Building a better working world

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, which requires that we design, implement and operate a system of quality management, including policies or 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.

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Firma de audit: ERNST & YOUNG ASSURANCE SERVICES S.R.L.
Registrul Public Electronic: FA77

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)
Auditor financiar: Oslobeanu Ariadna
Registrul Public Electronic: AF2199

AOslobeanu

Name of the Auditor/ Partner: Ariadna Oslobeanu
Registered in the electronic Public Register under AF 2199

Bucharest, Romania
29 March 2024