



**TURBOMECANICA**



**TURBOMECANICA**

**QUALITY. CAPABILITY. FLEXIBILITY**

**TURBOMECANICA SA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

**PREPARED IN ACCORDANCE WITH**

**MINISTER OF FINANCE ORDER NO. 2844/2016,**

**FOR THE APPROVAL OF ACCOUNTING REGULATIONS IN ACCORDANCE WITH**

**INTERNATIONAL FINANCIAL REPORTING STANDARDS,**

**with subsequent amendments and clarifications**

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

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

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

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**CLAUDIA ANGHEL,**  
Economic & Commercial Director

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**RADU VIEHMANN,**  
CEO

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022

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

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

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

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**CLAUDIA ANGHEL,**  
 Financial & Commercial Director

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**RADU VIEHMANN,**  
 CEO

**STATEMENT OF CASH FLOWS AS AT DECEMBER 31,  
2022**

	Note	December 31, 2022	December 31, 2021
<b>Cash flow from operations:</b>			
<b>Net profit / (loss) of the year</b>		<b>12,189,143</b>	<b>11,749,227</b>
<b>Adjustments for:</b>			
Income tax	10	1,249,939	2,454,482
Depreciation and amortization expenses	11, 12	11,154,177	10,977,081
Charge / (Reversal) of provision for receivables	15	(28,281)	101,480
Allowances for inventories and contractual assets	13	806,336	2,727,590
Other provisions	22	(1,095,386)	180,498
Net loss on sale of fixed assets	11, 12	96,507	102,305
Financial costs	8	3,000,113	2,036,616
Other financial gains	8	(824,690)	(108,129)
Prescribed dividends gains	7,26	(1,058,809)	-
Net gains / loss from exchange rate differences		87,051	(26,976)
<b>Changes in working capital</b>		<b>25,576,100</b>	<b>30,194,174</b>
(Increase) in trade and other receivables		(11,054,156)	(7,686,309)
(Increase) in contract assets		(267,115)	21,843,262
(Increase) of inventories		2,876,668	(34,682,189)
Increase / (Decrease) in trade and other liabilities		662,976	5,014,270
<b>Net cash generated by operating activities</b>		<b>17,794,473</b>	<b>14,683,208</b>
Income tax paid		(2,909,086)	(2,904,870)
Interest received		824,690	108,129
Interest paid		(2,479,307)	(1,821,691)
<b>Net cash (used in) operating activities</b>		<b>13,230,770</b>	<b>10,064,776</b>
<b>Cash flows from investment activities:</b>			
Purchase of tangible assets*		(6,951,749)	(2,039,759)
Purchase of intangible assets		(995,847)	(666,174)
Purchase of financial assets		(5,880,000)	-
Proceeds from sale of fixed assets		54,483	-
<b>Net cash (used in) investment activities</b>		<b>(13,773,113)</b>	<b>(2,705,933)</b>
<b>Net cash from financing activities:</b>			
Proceeds/ payments from borrowings	26	(704,508)	8,069,666
Payments related to leasing obligations*	26	(1,004,707)	(929,858)
Collections from other financial institutions	21, 26	4,627,651	-
Dividends paid	26	(9,293,651)	(686,082)
<b>Net cash generated from / (used in) financing activities</b>		<b>(6,375,321)</b>	<b>6,453,726</b>
<b>Net increase / (decrease) of cash and cash equivalents</b>		<b>(6,917,664)</b>	<b>13,812,569</b>
<b>Cash and cash equivalents at the beginning of the period</b>	18	<b>18,961,360</b>	<b>5,148,791</b>
<b>Cash and cash equivalents at the end of the period</b>	18	<b>12,043,696</b>	<b>18,961,360</b>

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

**CLAUDIA ANGHEL,**  
Economic & Commercial Director

**RADU VIEHMANN,**  
CEO

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

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

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

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

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**CLAUDIA ANGHEL,**  
Economic & Commercial Director

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**RADU VIEHMANN,**  
CEO

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

### 1. GENERAL INFORMATION

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

The main shareholdings is as follows:

Viehmann Radu – shareholding of 25.91%

Ciorapciu Dana Maria – shareholding of 15.15%

Romanian State Authority through the authority regarding the administration of state assets - 150 shares, shareholding of 0.00004%

Other shareholders – shareholding of 58.94%.

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

The company has the following revenue streams:

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

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

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

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

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

The average number of employees is as follows:

	<u>2021</u>	<u>2021</u>
Average number of employees	457	501



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

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

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

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

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

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

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

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

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

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

- **IFRS 17: Insurance contracts**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### **Statement of compliance**

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

#### ***Basis of preparation***

The individual financial statements have been prepared on the historical cost basis, except for tangible assets, which are measured at revalued amount, as described in the accounting policies below. The historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The financial statements are presented in Romanian lei ("RON") and all values are rounded to the nearest RON, unless otherwise indicated.

#### ***Going concern***

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

In 2022, the Company registered a net profit of 12,189,143 RON (2021: 11,749,227 RON). The company is currently dependent on the activity with two main local customers. The turnover with these customers for 2022 represents 81,3% of the total turnover of the Company.

However, the management of the Company considers that this aspect does not constitute an impediment, given the specialised nature of the services provided and also having orders concluded with these partners for the following periods, which ensure sufficient income. Also, the Company intends to start developing its activity in the civil industry, and in this sense it is considering a series of significant investments in the coming periods.

#### ***Current versus non-current classification***

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

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

All other assets are classified as non-current.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

A liability is current when:

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

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

#### ***Fair value measurement***

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

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

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

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

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

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

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

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

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

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

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Revenue recognition**

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

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

The company has the following revenue streams:

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

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

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

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

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

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

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

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

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

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

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

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

### **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 existing contract.

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

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

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Revenue recognition (continued)**

##### **Trade Receivables**

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

##### **Leases**

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

##### *Company as a lessee*

###### **i) Right-of-use assets**

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

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

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

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

###### **ii) Lease liabilities**

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

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

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

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

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

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



### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### ***Foreign currency transactions***

##### Functional and presentation currency

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

##### Transactions and balances

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

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

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

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

#### ***Borrowing costs***

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

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

#### ***Employee benefits***

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

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

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

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

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



### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Employee benefits (continued)**

##### *Benefits for termination of employment contract*

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

#### **Taxation**

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

##### *Current tax*

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

##### *Deferred tax*

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

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

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

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

##### *Current and deferred annual tax*

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

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

#### **Cash and cash equivalents**

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

### 3. SIGNIFICANT 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:

	<u>Years</u>
Buildings	10-50
Installations and technological equipment	3-20
Furniture and other office equipment	3-15

Land is not depreciated.

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

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

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

#### **Intangible assets**

##### *Intangible assets acquired separately*

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

The depreciation periods for intangible assets are:

Other intangible assets	1-10 ani
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##### *De-recognition of intangible assets*

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### ***Impairment of tangible and intangible assets other than goodwill***

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

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

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

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

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

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

#### ***Inventories***

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

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

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

#### ***Provisions***

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

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

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

#### ***Onerous contracts***

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Provisions (Continued)**

##### *Restructurings*

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

##### *Guarantees*

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

##### **Trade and other payables**

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

##### **Financial assets and liabilities**

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

##### Financial assets

##### *Initial recognition and measurement*

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

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

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

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

##### *Subsequent measurement*

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### ***Financial assets and liabilities (continued)***

##### *Financial assets at amortised cost*

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

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

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

##### *De-recognition*

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

##### *Impairment*

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

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

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

##### *Significant increase in credit risk*

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

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

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

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### ***Financial assets and liabilities (continued)***

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

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

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

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

The company does not have financial guarantee contracts.

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

#### *Definition of default*

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

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

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

#### *Credit-impaired financial assets*

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

- a. significant financial difficulty of the issuer or the borrower;
- b. a breach of contract, such as a default or past due event;
- c. the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- d. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e. disappearance of an active market for that financial asset because of financial difficulties.

#### *Write-off policy*

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### ***Financial assets and liabilities (continued)***

##### *Measurement and recognition of expected credit losses*

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

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

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

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

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

##### *De-recognition of financial assets*

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

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

##### *Initial recognition and measurement*

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

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

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



### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### ***Financial assets and liabilities (continued)***

##### *Subsequent measurement*

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

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

##### *Financial liabilities at fair value through profit or loss*

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

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

##### *Financial liabilities at amortised cost (loans and borrowings)*

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

##### *De-recognition*

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

#### **Subsidies**

Subsidies represent non-reimbursable financial resources granted to the Company on the condition that certain criteria are met. Subsidies include asset subsidies and revenue subsidies.

Asset grants are government grants for which the main condition is that the Company must purchase, construct or otherwise acquire fixed assets.

Income grants include government grants that are not asset grants.

Grants are not recognized until there is reasonable assurance that:

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

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

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



### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Segment reporting**

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

Settlement prices among segments are set objectively.

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

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

#### **Contingent assets and liabilities**

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- a present obligation that arises from past events that is not recognized because:
  - a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - b. the amount of the obligation cannot be measured with sufficient reliability.

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

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

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

#### **Subsequent events**

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

#### **Critical accounting judgements**

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

Other information regarding the Group's exposure to risks and uncertainties is included in:

- Risk management policies (Note 26);
- Information on sensitivity analyzes (Note 26).

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Critical accounting judgements (continued)**

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

##### **i) Recognition of contract revenues**

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

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

Following a comprehensive analysis, the Company determined that the revenues related to the main activities consisting in the manufacture and repair services of engines and mechanical assemblies are recognized as the assumed obligations, is performed, and 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 fall within the scope of the IAS 2 Inventories standard, and therefore the eligible costs mentioned in the Inventories section are capitalized in the production in progress until the beginning of the contract. At the beginning of the contract, these costs are recognized in income on a cumulative basis, thus reflecting the work already performed.

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

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

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

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

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

##### **iii) Lifetime of tangible and intangible fixed assets**

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Critical accounting judgements (Continued)**

##### iii) The fair value of property, plant and equipment

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

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

##### iv) Inventory provisions

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

##### v) Obligations related to pensions

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

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

##### vi) Profit tax and deferred tax

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

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

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

#### 4. INCOME FROM CONTRACTS WITH CLIENTS

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

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

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

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

#### 5. RAW MATERIALS, CONSUMABLES AND UTILITIES

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

#### 6. EMPLOYEE BENEFITS

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

## 7. OTHER OPERATING EXPENSES AND INCOME, NET

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

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

## 8. NET FINANCIAL COSTS

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

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

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

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

## 10. INCOME TAX

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

The income tax recognized in profit or loss:

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

Reconciliation of current income tax:

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

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

10. **INCOME TAX (continued)**

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

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

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

Deferred tax consists of:

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

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



## 11. PROPERTY, PLANT AND EQUIPMENT

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

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

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

## 11. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

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

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

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

### Pledged or mortgaged assets

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

### The right to use certain assets

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

## 12. INTANGIBLE ASSETS

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

Intangible assets are represented by:

1. SAP-ERP software, The payback period for these software programs is 3 years, The net book value of ERP as of December 31, 2022 is RON 175,931 (December 31, 2021: RON 415,282),
2. IT licenses, value remaining on 31,12,2022: 256,255 RON (31 December 2021: 420,411 RON) with useful lives of 12 - 36 months,

### 13. INVENTORIES

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

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

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

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

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

The movement of allowances for inventory impairment is as follows:

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

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

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

### 13, INVENTORIES (continued)

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

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

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

### 14. CONTRACT ASSETS

	<u>December 31,2022</u>	<u>December 31,2021</u>
	<i>RON</i>	<i>RON</i>
Repairs and production contracts	12,219,893	11,952,778
Loss allowance	<b>12,219,893</b>	-
<b>Total</b>	<b>12,219,893</b>	<b>11,952,778</b>
Non-current	-	-
Current	12,219,893	11,952,778

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

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

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

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

### 15. TRADE RECEIVABLES

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

#### 15. TRADE RECEIVABLES (continued)

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

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

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

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

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

#### 16. OTHER RECEIVABLES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Sundry debtors	-	45,911
Other receivables	1,534,620	1,204,875
<b>Total</b>	<b>1,534,620</b>	<b>1,250,786</b>

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

#### 17. OTHER CURRENT RECEIVABLES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepaid expenses	413,336	272,940
Advance expenses - leasing	1,530,064	-
Advances to suppliers	1,620,015	907,417
<b>Total</b>	<b>3,563,416</b>	<b>1,180,357</b>

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

## 18. CASH AND CASH EQUIVALENTS

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

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

## FINANCIAL ASSETS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
State titles	5,880,000	-

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

## 19. SHARE CAPITAL

The share capital is fully paid in:

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

The share capital of the Company was inflated until December 31, 2003, the date from which the Romanian economy was no longer considered inflationary.

Following the OGMS Decision 3 / 26,08,2021, in TRIM III, it was decided to close the reported result from the adoption of IAS 29 - debtor by reducing the corresponding amount of capital and reserves.

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

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

When these amounts were registered (2012) they did not have any impact on the company's patrimony, respectively on the own capitals, these remaining at the value before making these registrations, because the respective amounts are canceled each other.

In 2021 when this inflation is canceled, the equity was not changed, for the same reasons: the respective amounts are mutually canceled.

Therefore, on December 31, 2021, following the decision to cancel this inflation, the equity has not been changed, for the same reasons by netting off these amounts. For more details, see the Statement of Equity Changes for the financial year ended December 31, 2021.

## 20. RESERVES

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

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

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

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

## 21. BORROWINGS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>a) Short-term debts from shareholders</b>	<b><u>4,880,000</u></b>	<b><u>4,880,000</u></b>
Interest payable to shareholders	<u>4,880,000</u>	<u>4,880,000</u>
<b>b) Loans from banking institutions, lease entities and other financial liabilities</b>		
<b>Secured loans</b>		
Short-term loans	21,291,936	21,909,394
Short-term leasing debts	945,201	1,105,655
Long-term leasing debts	1,857,927	2,055,578
Other long-term financial loan	<u>4,627,544</u>	<u>-</u>
<b>Total loans from banking institutions, leasing entities and other financial liabilities</b>	<b><u>28,722,608</u></b>	<b><u>25,070,627</u></b>
<b>Total loans</b>	<b><u>33,602,602</u></b>	<b><u>29,950,627</u></b>
<i>of which:</i>		
Short-term loans	<u>27,117,137</u>	<u>27,895,049</u>



## 21, BORROWINGS (continued)

### a) Amounts owed to shareholders

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

- Viehmann Radu: RON 4,580,000 of which RON 4,500,000 according to Contract 178/2009 and the subsequent addenda and RON 80,000 according to short-term contract no, 538/2011, non-interest bearing.
- Ciorapciu Dana Maria: RON 300,000 according to Contract 867/2012 and the subsequent addenda.

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

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

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

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

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

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

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

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

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

### b) Amounts owed to credit institutions

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

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

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

- Additional act no, 63 / 25.08.2021 extended the validity period of the global financing ceiling of facility A, multi-options, non-binding, until 31.08.2022, and for facility B until 31.12.2022.

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

## 21. BORROWINGS (continued)

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

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

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

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

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

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

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

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

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

Period of use: until 17.05.2022. Deadline 18.05.2022.

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

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

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

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

The following guarantees are maintained:

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

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

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

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

## 21. BORROWINGS (continued)

On 28.02.2022, the Additional Act no, 32/186, which specifies the use of the credit line for working capital, An evaluation commission is added to the issuance of the additional document in a fixed amount of 3,045 lei, payable on the date of implementation of the additional document and the guarantees that are maintained are specified, Loan amount: 9,400,000 lei; Multiple shots.  
Period of use: until 17.05.2022. Deadline 18.05.2022.

On 16.05.2022, Additional Act no, 33/186, the purpose of which is to modify the following conditions: credit facility extension until 17.05.2023; the amount of the loan 9,400,000 lei; Multiple shots, Credit use until 16.05.2023.

The interest is maintained at 2,5% plus ROBOR 6M calculated on the last working day of the previous calendar quarter, Credit use until 16.05.2023.

The balance of the loan on 31.12.2022 is 7,123,555 RON (31.12.2021: 7,337,382 RON).

### b) Amounts owed to leasing companies and other financial institutions

In 2022, the Company concluded Leasing Contracts with BT Leasing, thus equipment was purchased to increase production capacity: YCM turning machine and KASTO KASTO TWIN band sawing machine, Their balance on 31.12.2022 is: 646,600 RON.

Leasing contracts 4003351 and 4003350 concluded with UNICREDIT LEASING, in the amount of EUR 174,132 and entered under IFRS 16 "Leasing Contracts", were completed in April 2022, their balance being 0 on December 31, 2022.

Furthermore, the Company still has financial leasing contracts in progress for equipment concluded in previous years, the balance of which is 2,156,527 RON as of December 31, 2022.

The assets related to these lease agreements are presented in the Note 11. All lease liabilities are due within a period until 5 years.

In 2022, the entity had approved a leasing ceiling of EUR 2,750,000 + VAT, and in the course of 2022, this ceiling was supplemented with the amount of EUR 1,220,000 + VAT.

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

## 22. PROVISIONS

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

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

## 22. PROVISIONS (continued)

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

The company provides the following benefits to its employees:

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

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

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

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

### Financial assumptions

Discount rate	As regards the discount rate, the Company took into account the yields of bonds on the active market at the end of December 2022, The available residual terms until maturity were 1 - 10 years and 13-14 years, For the other terms, the Company estimated the discount rate using the Smith-Wilson method, The long-term assumptions were:  – estimated long-term inflation rate 2% pa – estimated long-term real yield of government bonds 1,45% pa – liquidity premium for Romania 0%,  Thus, a balancing forward rate of 3,45% pa was considered, The method ensures compatibility between the discount rate and inflation rate, The weighted average discount rate is 8.1% p,a,
Inflation rate	Based on the statistics issued by INSSE and the NBR forecast as of November, 2022, the Company estimated an inflation rate of:  – 16,3% în 2022 – 11,2% în 2023 – 6,1% în 2024 – 3,6% în 2025 – 2,7% în 2026 – 2,5% for 2027 - 2031 and following a declining trend in the following years

## 22. PROVISIONS (continued)

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

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

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

  

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

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

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

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

### Benefit Payment Maturity Analysis 2022

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

## 22. PROVISIONS (continued)

### Sensitivity analysis 2021

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

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

## 23. TRADE AND OTHER LIABILITIES

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

## 24. OTHER CURRENT LIABILITIES AND DEFERRED INCOME

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

## 25. SEGMENT REPORTING

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

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

## 25. SEGMENT REPORTING (continued)

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

### Geographic information

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

Location	2022 Revenues	2021 Revenues
EUROPA	139,028,953	131,228,370
- Out of which Romania	120,291,565	121,530,133
USA	122,739	87,128
ASIA	9,914	15,667
<b>TOTAL</b>	<b>139,161,607</b>	<b>131,331,765</b>

## 26. FINANCIAL INSTRUMENTS

### a) Capital risk management

The Company manages its capital so as to make sure that it will continue its business along time with the maximization of the shareholders' wealth, by optimizing the balance of liabilities and equity.

The Company's capital consists of debts, which include the borrowings disclosed in Note 20, cash and cash equivalents and equity, Own equity comprises share capital, reserves and retained earnings, as disclosed in Notes 19 and 20.

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

The total capital is calculated as "capital and reserves" as reported in the balance sheet.

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

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

The change in the degree of indebtedness is due to the increase in cash and cash equivalents as of December 31, 2022.

## 26. FINANCIAL INSTRUMENTS (continued)

### b) Credit risk management

The company is subject to a credit risk due to its trade receivables and other types of receivables, The company has policies designed to ensure that sales are made to customers with appropriate references regarding their creditworthiness, The maturity date of the debts is closely monitored and the amounts due after the deadline are promptly tracked, Trade receivables (customers) are presented net of adjustments for impairment of uncertain receivables.

The company develops policies that limit the value of credit exposure to any financial institution, The Company does not request collateral deposits but in some limited cases, it requires advances from customers.

The concentration of trade receivables and revenue from contracts is as follows:

	<b>Trade receivables as of 31 December 2022</b>	<b>Contractual Assets as of 31 December 2022</b>	<b>Revenue from contracts with customers 2022</b>	<b>Trade receivables as of 31 December 2021</b>	<b>Contractual Assets as of 31 December 2021</b>	<b>Revenue from contracts with customers 2021</b>
Top 3 clients	25,564,107	7,311,314	119,270,918	15,824,791	10,764,873	123,215,826
Others	3,142,309	4,908,578	19,890,689	4,445,577	1,187,905	8,115,339
<b>Total</b>	<b>28,706,415</b>	<b>12,040,812</b>	<b>139,161,607</b>	<b>20,270,368</b>	<b>11,952,778</b>	<b>131,331,165</b>

The main 3 clients according to sales are represented by 2 entities with majority state participation, clients that fall into a low risk category and Leonardo S.p.a Helicopters Division, an external entity with a very good creditworthiness, There are also income and their income in each period.

Cash is held in financial institutions that are valued at minimal risk of default. These are BRD and Banca Transilvania.

The book values present the maximum exposure of the Company to the credit risk related to the existing receivables.

On this basis, the provision for loss on December 31, 2022, December 31, 2021 was determined by the provision of receivables older than 270 days.



26. **FINANCIAL INSTRUMENTS (continued)**

**c) Foreign currency risk management**

The Company is exposed to foreign currency fluctuations in commercial and financing transactions. Foreign currency risk arises from recognized trade assets and liabilities, borrowings inclusively, expressed in foreign currency. Due to high associated costs, the Company's policy is not to use financial derivatives to mitigate such risk.

The carrying amounts of the Company's currencies expressed in monetary assets and liabilities as at the reporting date are the following:

2022	EUR 1 EUR = RON 4,9474	USD 1 USD = RON 4,6346	GBP 1 GBP = RON 5,5878	CHF 1 CHF = RON 5,0829	RON 1 RON = RON	TOTAL December 31, 2022
	RON	RON	RON		RON	RON
<b>ASSETS</b>						
Cash and cash equivalents	2,510,078	23,661	1,323	4,834	9,503,799	12,043,696
Financial assets					5,880,000	5,880,000
Receivables and other current assets	6,264,095	9,924	-	-	22,432,397	28,706,415
Contract assets	5,592,362	-	-	-	6,627,531	12,219,893
<b>LIABILITIES</b>						
Trade and other liabilities	2,216,852	49,769	8,040		4,468,860	6,743,521
Short and long-term loans	2,803,128	-	-		26,171,936	228,975,064
Other financial liabilities					4,627,544	4,627,544
<b>Net balance exposure (assets - liabilities)</b>	<b>9,346,555</b>	<b>(16,185)</b>	<b>(6,717)</b>	<b>4,833</b>	<b>9,175,387</b>	<b>18,503,876</b>
<b>2021</b>	<b>EUR 1 EUR = RON 4,9481</b>	<b>USD 1 USD = RON 4,3707</b>	<b>GBP 1 GBP = RON 5,8994</b>	<b>CHF 1 CHF = RON 4,7884</b>	<b>RON 1 RON = RON</b>	<b>TOTAL December 31, 2021</b>
	RON	RON	RON		RON	RON
<b>ASSETS</b>						
Cash and cash equivalents	3,745,707	48,664	7,199	1,854	15,157,936	18,961,360
Receivables and other current assets	3,353,123	12,079	-	-	16,905,166	20,270,368
	-	-	-	-	11,952,778	11,952,778
<b>LIABILITIES</b>						
Trade and other liabilities	71,594	143,684	-		5,336,240	5,551,518
Short and long-term loans	3,161,235	-	-		26,789,393	29,950,628
<b>Net balance exposure (assets - liabilities)</b>	<b>3,866,001</b>	<b>(82,941)</b>	<b>7,199</b>	<b>1,854</b>	<b>11,890,247</b>	<b>15,682,360</b>

**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.

	<b>10% strengthening of RON against EUR - impact on the result as at:</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
EUR	934,655	386,600
USD	(283)	(8,294)
GBP	(457)	(720)
CHF	483	185

**d) Liquidity and interest risk management**

A prudent liquidity risk management requires maintaining sufficient cash and available credit lines, by continually monitoring the estimated and actual cash flow and by correlating the maturities of financial assets and liabilities.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates, The Company's operating cash flows are impacted mainly by the changes in interest rates, due to the borrowings with variable interest rates contracted from internal credit institutions. The Company has significant borrowings with variable interest rates that expose the Company to significant cash flow risk. The Company is on ongoing negotiation process with the bank to renegotiate repayment terms and interest.

**Sensitivity analysis – interest**

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

Part of interest the company pays to lease companies, where the interest is fixed, thus no impact on fluctuations of interest rates, For the short term loan, the interest has a volatile component (ROBOR) and is about 5-6% per month.

For the short-term loan, the interest rate has a volatile component (ROBOR) and is about 5-6% per month. Assuming a 2% increase, which historically is an increase in ROBOR rates, the impact on the profit and loss account will be insignificant.

25. **FINANCIAL INSTRUMENTS (continued)**  
d) **Liquidity and interest risk management (continued)**

2022	Interest rate	Less than 1 month	Less than 1 year	1 to 5 years	More than 5 years	Total
Trade and other liabilities		2.728.554	4.014.967	-	-	6.743.521
<b>Long and short-term borrowings (of which)</b>			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
<i>Other financial liabilities</i>				4.627.544		4.627.544
<b>Total liabilities</b>		<b>2.728.554</b>	<b>33.479.711</b>	<b>6.485.471</b>	<b>-</b>	<b>43.693.736</b>

2021	Interest rate	Less than 1 month	Less than 1 year	1 to 5 years	More than 5 years	Total
Trade and other liabilities		5,031,328	520,190	-		5,551,518
<b>Long and short-term borrowings (of which)</b>			<b>29,613,560</b>	<b>2,055,579</b>		<b>31,669,139</b>
Short term loans in lei - BRD	ROBOR 3M +3,50%		14,572,012			14,572,012
Interest - BRD			988,416			988,416
Short term loans Banca transilvania	ROBOR 6M+2,25%		7,337,381			7,337,381
Interest Banca transilvania			448,929			448,929
Leasing BTRL			1,105,656	2,055,579		3,161,235
Shareholder loans	5,80%		4,880,000			4,880,000
Interest - Shareholder loans			281,166			281,166
<b>Total liabilities</b>		<b>5,031,328</b>	<b>30,133,750</b>	<b>2,055,579</b>		<b>37,220,657</b>

25, FINANCIAL INSTRUMENTS (continued)

d) Liquidity and interest risk management (continued)

Changes in liabilities arising from financing activities

	<u>1-Jan-2022</u>	<u>Encashment</u>	<u>Payments</u>	<u>Other variations*</u>	<u>Interest in 2022</u>	<u>Interest paid</u>	<u>Foreign exchange movement</u>	<u>New leases</u>	<u>Dividends granted</u>	<u>31-Dec-2022</u>
Borrowings	26,789,393	-	704,508	-	2,347,606	2,347,606	(87,050)	-	-	26,171,936
Leasing	3,161,235	646,600	1,004,707		131,702	131,702	-	-	-	12,889,013
Other financial liabilities	-	4,627,544	-		-	-				
Dividends	<u>1,076,277</u>	<u>-</u>	<u>9,293,651</u>	<u>1,058,809*</u>	<u>2,479,308-</u>	<u>2,479,308</u>		<u>-</u>	<u>10,104,256</u>	<u>828,073</u>
<b>Total financial liabilities</b>	<b><u>31,026,905</u></b>	<b><u>5,274,144</u></b>	<b><u>11,002,866</u></b>	<b><u>1,058,809</u></b>				<b><u>-</u></b>	<b><u>10,104,256</u></b>	<b><u>39,889,022</u></b>

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

	<u>1-Jan-2021</u>	<u>Encashment</u>	<u>Payments</u>	<u>Overdraft</u>	<u>Interest in 2021</u>	<u>Interest paid</u>	<u>Foreign exchange movement</u>	<u>New leases</u>	<u>Dividends granted</u>	<u>31-Dec-2021</u>
Borrowings	18,719,725	8,069,668	-	1,856,573	1,493,466	1,493,466	-	-	-	26,789,393
Leasing	5,947,666	-	929,858	-	164,113	164,113	-	-	-	3,161,235
Dividends	<u>1,762,359</u>	<u>-</u>	<u>686,000</u>	<u>1,856,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,076,277</u>
<b>Total financial liabilities</b>	<b><u>26,429,750</u></b>	<b><u>8,069,668</u></b>	<b><u>1,615,858</u></b>	<b><u>1,856,573</u></b>	<b><u>1,657,579-</u></b>	<b><u>1,657,579-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>31,026,905</u></b>

\*During 2021, as mentioned in Note 11, one of the leased equipment was returned to the supplier

## 26. FINANCIAL INSTRUMENTS (continued)

### e) Fair value of financial instruments

#### 1. Financial assets and liabilities carried at fair value

As at December 31, 2022, December 31, 2021 the Company does not hold any financial instruments carried at fair value,

#### 2. Non-financial assets carried at fair value

The table below analyses the Company's assets and liabilities carried at fair value, by valuation method, As of 31 December 2022, 31 December 2021 there have been no transfers between fair value levels

The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

#### 31-Dec-2021

Assets	Level 1	Level 2	Level 3
Land	-	-	16,642,911
Buildings	-	-	12,566,101
Equipment	-	-	24,315,418

#### 31-Dec-2021

Assets	Level 1	Level 2	Level 3
Land	-	-	16,642,911
Buildings	-	-	13,156,431
Equipment	-	-	31,207,151

#### 3. Assets and liabilities not carried at fair value but for which fair value is disclosed

The assets and liabilities of the Company are carried at amortised cost; their carrying values are a reasonable approximation of fair value. Trade receivables include the contractual amounts for settlement of trades and other obligations due to the Company. Trade and other payables and borrowings represent contract amounts and obligations due by the Company.

## 27. EARNINGS PER SHARE

### (a) Basic

The basic result per share is calculated by dividing the shareholders' profit to the weighted average number of ordinary shares issued during the year, except for ordinary shares purchased by the Company and kept as treasury shares.

	<u>2022</u>	<u>2021</u>
Company shareholders result	12,189,143	11,749,227
Weighted average number of ordinary shares issued	363,448,395	363,448,395
Basic earnings per share	0,0335	0,0323

### (b) Diluted

The diluted result per share is calculated by adjusting the weighted average of existing shares to take into account the translation of all potentially diluted shares. The Company did not register convertible debts or share issuance options which may be converted to ordinary shares that may adjust the weighted average number of shares.

During the year 2022, based on the AGOA decision of April 28, 2022, it was decided to distribute dividends in the amount of 10,104,256 RON from the profit related to the financial year ended on December 31, 2021 in the amount of 11,749,227 RON, the difference in the amount of 1,644,971 RON being distributed as a distribution to 'Result carried over,

The total value of dividends paid in 2022 was 9,293,651 RON, of which:

- The amount of 17,468 RON representing payment dividends related to the financial year ended on December 31, 2018
- The amount of 9,276,183 RON, of which 503,296 RON representing dividend tax related to dividend payments related to the financial year ended on December 31, 2021.

Also, during the financial year ended on December 31, 2022, the Company prescribed dividends in the amount of 1,058,809 RON, representing dividends related to the financial year ended on December 31, 2018.

At December 31, 2022, the Company has dividends payable in the amount of 828,073 RON (2021: 1,076,277 RON).

## 28. RELATED PARTIES

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Total</b>	<b>4,880,000</b>	<b>4,880,000</b>
Radu Viehmann	4,580,000	4,580,000
Maria Ciorapciu	300,000	300,000

### Terms and conditions of transactions with related parties:

The terms and conditions related to the loans presented above are described in Note 20, No guarantees were provided for the loans with the affiliated entities, There have been no guarantees provided or received for any related party loans.

### Key management employees

Please see below for an overview of the benefits granted to members of management. In the years ended December 31, 2022 and December 31, 2021 there were no transactions concluded between the company and key management members.

## 28. RELATED PARTIES (continued)

During 2022, the Company paid benefits to the key management members consisting of the members of the Board of Directors ("C,A,") of Turbomecanica SA and the general manager, as follows:

	31 December 2022	31 December 2021
Board of Directors and General Director	2,950,461	2,77,108
<b>Total</b>		

As of December 31, 2022, the Company does not grant advances for settlement to the directors / members of the board of directors. At 2022 and 2021 year end, there were no guarantees or future obligations assumed by the Company on behalf of the directors.

## 29. COMMITMENTS AND CONTINGENCIES

The company has commitments in the amount of RON 10,642,033 related to the purchase of tangible or intangible assets on December 31, 2022.

The company issued bank letters of guarantee in favor of suppliers and customers on December 31, 2022 in the amount of RON 1,30,322 - (December 31, 2021: RON 641,312,) (Note 21).

Liabilities related to leasing liabilities are presented in Note 20.

### Contingencies

#### Taxation

Taxation system in Romania is still developing trying to consolidate and harmonize with the European legislation. In this respect, there still are various interpretations of the tax laws, In certain cases, tax authorities may treat differently certain aspects and calculate supplementary taxes and levies and related interests and penalties.

In 2022, the interest value is 0,02% for each day of delay; the delay penalties are 0,01% for each day of delay.

In Romania, the fiscal year stays open for verifications during 5 years, In the last 5 years there have been no tax inspections on the profit tax. The management estimates that the tax liabilities included in these financial statements are adequate.

In accordance with the provisions issued by the Ministry of Public Finance, which regulate the tax regime of items of equity which have not been subject to income tax as at their accounting registration, due to their nature, should the Company change the destination of revaluation reserves (by covering losses or allocation to shareholders), it will incur additional income tax liabilities.

#### Environmental matters

Environmental regulations are developing in Romania, and the Company did not register any liabilities as at December 31, 2022 or December 31, 2021 for any estimated costs, including legal and consulting fees, site surveys, the design and implementation of recovery plans as regards the environment, The Company's management believes that provisions regarding environmental obligations are not necessary.

#### Other information

The war in Ukraine and the related sanctions against the Russian Federation have a continuous impact on European and global economies. The entity has no significant direct exposure in Ukraine, Russia or Belarus. However, the impact on the general economic situation may require the periodic review of certain assumptions and estimates (cost of energy, cost of raw materials and general impact of inflationary pressure). On December 31, 2022, based on the available information, the Company analyzed the potential impact of the change in micro and macroeconomic conditions on the financial situation and the results of the Company's operations and concluded that there is no impact on the financial position as of December 31, 2022.

### 30. AUDIT FEES

Starting with 2021, the auditor of the Company is Ernst&Young Assurance Services SRL. The fees for audit services of the financial statements on December 31, 2022 prepared in accordance with the Order of the Ministry of Public Finances 2844/2016, for the approval of the accounting regulations in accordance with the International Financial Reporting Standards, with the subsequent modifications and clarifications were in the amount of 42.800 EURO,excluding TVA.

### 31. SUBSEQUENT EVENTS

In February 2023, the two loan contracts with associations were extended and additional documents were concluded as follows: AA 15 / 14.02.2023 to contract 178/2009 and respectively AA 11 / 14.02.2023 to contract 867/2012.

No other events occurred subsequent to the balance sheet date.

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

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**CLAUDIA ANGHEL,**  
Economic & Commercial Director

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**RADU VIEHMANN,**  
CEO



## MANAGEMENT DECLARATION

I the undersigned, Eng, Radu Viehmann Chairman of the Board of Directors and CEO, hereby assume responsibility for the preparation of accounting reports on 31.12.2022.

We declare that all accounting policies used by TURBOMECANICA S,A, for the preparation of accounting reports on 31,12,2022 are in accordance with Accounting Law no, 82/1991 republished, with subsequent changes and additions, with O,M,F,P, no, 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards and Order no, 85/2022 regarding the main aspects related to the preparation and submission of annual financial statements and annual accounting reports of economic operators to the territorial units of the Ministry of Public Finance and for the regulation of some accounting aspects,

We confirm that during the year 2022 there were no cases of violations or possible cases of non-compliance with laws or regulations that could significantly influence the accounting reports,

We declare that the accounting reports on December 31, 2022 of TURBOMECANICA S,A, provides a true picture of the financial position, financial performance and other information related to the activity carried out between 01.01.2022 - 31.12.2022.

We declare that TURBOMECANICA SA carries out its activity under conditions of continuity, it does not intend and does not need to liquidate or significantly reduce the volume of its activity as a result of:

- the loss of important clients,
- the application of a restructuring plan,
- outstanding payments,
- liquidity problems, litigation as defendant and plaintiff with shareholders, debtors, significant creditors, state bodies, claims,
- sector, market risk,
- other factors.

We declare that the management members are not aware of significant uncertainties related to events or conditions that may cause significant doubts on the company's ability to continue its activity.

Date: March 23, 2023

**CEO,  
Eng, VIEHMANN RADU**

**FINANCIAL & COMMERCIAL DIRECTOR,  
Ec, ANGHEL CLAUDIA**