TURBOMECANICA

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023

PREPARED IN ACCORDANCE WITH

MINISTER OF FINANCE ORDER NO. 2844/2016,

FOR THE APPROVAL OF ACCOUNTING REGULATIONS IN ACCORDANCE WITH

INTERNATIONAL FINANCIAL REPORTING STANDARDS,

with subsequent amendments and clarifications

TABLE OF CONTENTS

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

	Note	December 31, 2023	December 31, 2022
		RON	*RON*
Revenues from contracts with clients	**4**	131,363,429	139,161,607
Changes in inventories of finished goods and work in progress		5,989,632	(1,397,289)
Raw materials, consumables and utilities	**5**	(49,106,751)	(48,016,004)
Employee benefits and salaries	**6**	(55,661,491)	(52,614,460)*
Depreciation and amortization expenses	**11, 12**	(7,742,702)	(11,154,177)
Other operating expenses	**7**	(11,453,507)	(10,744,195)
Other operating income	**7**	1,149,640	2,144,011
Financial expenses	**8**	(2,619,428)	(3,000,113)
Finance income	**8**	1,518,037	824,690
Other gains and losses, net	**9**	590,540	(1,764,988)*
Profit before taxation		**14,027,400**	**13,439,082**
Income tax	**10**	(2,880,739)	(1,249,939)
Profit for the year		**11,146,661**	**12,189,143**
Other comprehensive income, net of taxation:			
Items which will be reclassified to profit and loss		-	-
Items which will not be reclassified to profit and loss:			
Revaluation of tangible assets, net of tax	**20**	20,602,623	-
Actuarial gain/ (loss) on defined benefits plan, net of tax	**22**	18,089	67,444
Other comprehensive income for the year		**20,620,711**	**67,444**
Total comprehensive income		**31,767,372**	**12,256,587**
Result per share:	***27***		
(RON / share)		0. 0302	0.0330**

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

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

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

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

CLAUDIA ANGHEL,

Economic & Commercial Director

RADU VIEHMANN,

CEO

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2023

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

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

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

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

The accompanying notes are an integral part of these financial statements.
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CLAUDIA ANGHEL,
Economic & Commercial Director

RADU VIEHMANN,
CEO

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

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

	Share capital	Reserves	Revaluation reserve	Retained earnings	Losses related to the free disposal of equity instruments *	Total
Balance on January 1, 2022	**36,944,248**	**35,263,201**	**47,190,885**	**1,800,021**	**(599,408)**	**120,598,947**
Profit of the year		-		12,189,143	-	12,189,143
Other comprehensive income:						
Actuarial gains related to the determined benefits plan, net of deferred tax (Note 22)	-	-	-	67,444	-	67,444
Total comprehensive income	**-**	**-**	**-**	**12,256,587**	**-**	**12,256,587**
Dividend distribution in year (Note 27)	-	-	-	(10,104,254)	-	(10,104,254)
Other reserves distribution to retained earnings (Noe 20)	-	(13,779,390)		13,779,390	-	-
Realized evaluation reserves	-	-	(222,931)	222,931	-	-
Balance on December 31, 2022	**36,944,248**	**21,483,811**	**46,967,954**	**17,954,675**	**(599,408)**	**122,751,280**

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

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

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CLAUDIA ANGHEL,
Economic & Commercial Director

RADU VIEHMANN,
CEO

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

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

1. GENERAL INFORMATION

TURBOMECANICA SA ("Turbomecanica" or the "Company") is a joint-stock company, incorporated in 1975, with the main activity the manufacturing of engines, mechanical assemblies and equipment for aircraft. It is a privately owned company whose shares are listed on the Bucharest Stock Exchange.
The main shareholders as of 31 December 2023 are as follows:
Viehmann Radu – shareholding of 25.92%
Ciorapciu Dana Maria – shareholding of 15.16%
Romanian State through the Authority for the Administration of State Assets - 150 shares, shareholding of 0.00004%
Other shareholders – shareholding of 58.92%.

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

The company has the following revenue streams:

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

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

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

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

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

The average number of employees is as follows:

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

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

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

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2023:

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

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)
The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The amendments provide guidance on the application of materiality judgments to the disclosure requirements of accounting policies. In particular, the amendments to IAS 1 replace the requirement to present "significant" accounting policies with a requirement to present "material" accounting policies. Guidance and illustrative examples are also added to the Practice Statement to assist in applying the concept of materiality when making judgments about the accounting policies to be presented. The Company has assessed the disclosure of accounting policies to ensure compliance with the amended standard. The amendments had an impact on the presentation of the Company accounting policies, but not on the measurement, recognition or disclosure of any of the Company financial statements items.

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

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

IAS 1 Presentation of financial statements: Classification of liabilities into current liabilities or long-term liabilities (amendments)
The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with early adoption permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for classifying liabilities as current or long term. The amendments clarify the meaning of the contractual right to delay the settlement of a liability, the requirement that this right exists at the end of the reporting period, the fact that management's intention regarding a possible settlement does not affect the classification, and the fact that the counterparty's options that could lead to settlement based on equity instruments does not affect the classification. Also, according to the amendments only clauses that an entity must comply with on or before the reporting date will affect the classification of a liability. Also, additional information presentations are required for long-term debts represented by loan arrangements in which there are clauses that must be complied with within twelve months of the reporting period. Management estimates that these amendments will have no impact the Company's financial statements during the initial application period.

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

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

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

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

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

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

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: the sale or contribution of assets between an investor and the associate or joint venture
The amendments address a known inconsistency between the requirements of IFRS 10 and those of IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the changes is that a gain or loss is recognized when a transaction involves a business (regardless of whether they are housed or not in a subsidiary). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are housed in a subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely, pending the outcome of its research project on the equity method. The amendments have not yet been endorsed by the EU. Management assessed that the amendment will have no impact on the Company's financial statements. The Company anticipates that the adoption of these new standards and amendments to existing standards will not have a material impact on the Company's financial statements during the period of initial application.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies are presented below:

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

Statement of compliance

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

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

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

Basis of preparation

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

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Going concern

The Company's financial statements were drawn up based on the going concern principle, which assumes that the Company will be able to carry out its current activity in the future. The year 2023 was dominated by the conflict between Russia and Ukraine. In this context, the Company was not directly affected by the conflict, but indirectly, as a result of the price increases for raw materials and materials, energy and gas. In order to evaluate the applicability of this hypothesis, the Company's Management analyzed the forecasts regarding the cash flows resulting from the translation of existing and future commercial relationships. Based on this analysis, which also took into account the current economic context, the management considers that the Company will be able to continue its activity in the future and, therefore, the application of the principle of continuity of activity in the preparation of the financial statements is justified.

In 2023, the Company registered a net profit of RON 11,146,661 (2022: RON 12,189,143). The company is currently dependent on the activity with two main local customers. The turnover with these customers for 2023 represents 64% of the total turnover of the Company (2022: 81.3%). However, the management of the Company considers that this aspect does not constitute an impediment, given the specialised nature of the services provided and also having orders concluded with these partners for the following periods, which ensure sufficient income. Also, the Company intends to start developing its activity in the civil industry, and in this sense it is considering a series of significant investments in the coming periods.

Fair value measurement

The Company measures and recognizes at fair value certain non-financial assets such land, buildings, other types of buildings, technical machinery, equipment, vehicles (including right of use for these assets) and furniture, office equipment and protection equipment. Also, fair values of financial instruments measured at amortized cost are estimated for disclosure purposes.

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

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

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

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

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

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

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

The Company's management determines the policies and procedures for both recurring fair value measurement, such as land, buildings, and equipment, and non-recurring measurement.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

The company has the following revenue streams:

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Trade Receivables

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

Leases

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

Company as a lessee

i) Right-of-use assets

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

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

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

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

ii) Lease liabilities

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

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Foreign currency transactions

Functional and presentation currency

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

Transactions and balances

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

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

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

The exchange rates used are EUR 1 = RON 4.9746 and USD 1 = RON 4.4958, the 2023 average rate is EUR 1 = 4.9464 RON (2022: EUR 1 = 4.9474 RON and USD 1 = 4.6346, the average rate is EUR 1 = 4.9315).

Borrowing costs

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

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

Employee benefits

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Benefits for termination of employment contract

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

Taxation

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

Current tax

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

Deferred tax

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

Deferred tax receivables are generally recognized for all taxable temporary differences if the taxable profits against which the deferred tax receivable can be used are available.

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

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

Current and deferred annual tax

Current and deferred tax are recognized in the profit or loss account, unless they refer to elements that are recognized in other comprehensive income or directly in equity, in which case current and deferred tax are also recognized in other comprehensive income, respectively, equity.
The income tax for the year ended December 31, 2023 was 16% (December 31, 2022: 16%).

Cash and cash equivalents

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

The revaluation surplus is transferred to retained earnings as the assets are written off / sold.

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

The depreciation periods for tangible assets are:

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

Land is not depreciated.

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

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

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

Intangible assets

Intangible assets acquired separately

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

The depreciation periods for intangible assets are:

Other intangible assets	1-10 years

De-recognition of intangible assets

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

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

Inventories

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

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

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

Provisions

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

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

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

Onerous contracts

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Provisions (continued)

Guarantees

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

Trade and other payables

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

Financial assets and liabilities

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

<u>Financial assets</u>

Initial recognition and measurement

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

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

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

Financial assets at amortised cost (debt instruments)

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

The Company’s financial assets at amortised cost includes trade receivables, other receivables and contractual receivables, as well as other financial assets (State securities).

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

Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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

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

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

In making the depreciation assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as the consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

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

De-recognition of financial assets

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

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

De-recognition

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

Segment reporting

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

Settlement prices among segments are set objectively.

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Critical accounting judgements, estimates and assumptions

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

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

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

i) Recognition of contract revenues

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

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

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

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

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

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

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

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

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

3. SGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements, estimates and assumptions (continued)

Starting with 2021, the Company periodically analyzes and revises the estimation of contractual revenues and costs, both in the calculation prepared for each individual contract, as the contract progresses. In 2023, the Company recognized in revenue RON 2,162,210 (2022: RON 2,673,140) in correspondence with the contractual assets, including the net margin related to the contracts in progress on December 31, 2023, calculated based on the degree of fulfillment of the assumed obligations, as well as provisions for onerous contracts in the amount of RON 757,880 (2022: RON 953,947). In previous years, contractual assets were recognized only at the level of costs incurred.

iii) Lifetime of tangible and intangible fixed assets

The Company reviews the estimated useful lives of tangible and intangible assets at the end of each annual reporting period. Lifespans are shown below. In 2023, there were no changes in the useful lives of tangible and intangible assets.

iv) The fair value of property, plant and equipment

The company reflects the land, buildings and equipment held at fair value. It is reviewed with sufficient regularity to ensure that the net carrying amount does not differ materially from the fair value of those assets. The valuation of tangible assets is usually performed with the help of independent experts, the last valuation taking place on December 31, 2023.

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

v) Inventory provisions

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

vi) Obligations related to pensions

The present value of pension obligations depends on a number of factors established on an actuarial basis using a number of assumptions. Any modification of these assumptions, presented in detail in Note 21, will influence the book value of the pension obligations. Obligations related to pensions on December 31, 2023 amount to RON 879,870 (December 31, 2022: RON 941,926). The value was determined both on December 31, 2023 and on December 31, 2022 by Gelid Actuarial Company S.R.L. based on the consultancy and actuarial services contract concluded with it.

vii) Profit tax and deferred tax

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

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

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

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

4. INCOME FROM CONTRACTS WITH CLIENTS

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

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

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

The price allocated to the unfinished execution obligations (unsatisfied or partially unsatisfied) related to the revenues from the manufacturing and repair contracts at the end of the reporting period is RON 44,976,268 (2021: RON 31,470,340). The remaining performance obligation in respect of the provision of services is expected to be recognized within one year of the end of the reporting period.

5. RAW MATERIALS, CONSUMABLES AND UTILITIES

	December 31, 2023	December 31, 2022
Expenses with raw materials	35,060,614	35,990,124
Expenses with utilities	4,697,669	5,312,598
Expenses with auxiliary materials	4,765,725	4,451,766
Other material expenses	2,390,400	2,040,938
Packaging expenses	125,735	77,442
Cost of goods sold	2,066,608	143,136
Total	**49,106,751**	**48,016,004**

6. EMPLOYEE BENEFITS AND SALARIES

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

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

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

7. OTHER OPERATING EXPENSES AND INCOME, NET

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

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

8. NET FINANCIAL EXPENSES

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

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

9. OTHER GAINS AND (LOSSES), NET

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

10. INCOME TAX

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

The income tax recognized in profit or loss:

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

Reconciliation of current income tax:

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

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

10. INCOME TAX (continued)

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

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

In 2023 and 2022, respectively, the Company recorded a deferred tax related to the earnings from pension provisions recorded through the comprehensive result and a deferred tax income related to the provisions for bonuses, unused vacations, guarantees and value assistance of clients. The deferred tax recognized in relation to tangible assets is related to temporary differences, and is reduced as they are amortized. The increase recorded in 2023 is due to the revaluation made in as of December 31, 2023. No deferred tax was recognized for stock provisions, based on the rationale presented in Note 3.

Deferred tax consists of:

	Assets		**Liabilities**		**Net**	
	31-Dec-23	**31-Dec-22**	**31-Dec-23**	**31-Dec-22**	**31-Dec-23**	**31-Dec-22**
Tangible assets	-	-	(6,579,581)	(2,918,347)	(6,579,581)	(2,918,347)
Provisions, including obligations related to employee benefits	764,502	982,030	-	(114,645)	764,502	867,385
Net tax (asset)/liability	**764,502**	**982,030**	**(6,579,581)**	**(3,032,992)**	**(5,815,079)**	**(2,050,962)**

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

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

11. PROPERTY, PLANT AND EQUIPMENT

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

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

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value measurement of the Company's tangible assets

The Company's freehold land; buildings and other constructions; technical machinery, equipment, vehicles (including right of use for these assets); and furniture, office equipment and protection equipment are valued at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. As at 31 December 2023, a revaluation of these assets at fair value was performed by Neoconsult Valuation, independent valuation consultant not related to the Company, Neoconsult Valuation is member of the Institute of Valuers of Romania, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and, for land and buildings, it was based on recent market transactions on arm's length terms for similar properties.

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

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

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

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

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

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

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

Valuation of the Company's tangible assets at fair value

The cost approach was used for equipment.

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

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

11. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

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

	Level 3	Fair value as at 31/12/2023
• Land	27,130,722	27,130,722
• Buildings	13,698,774	13,698,774
• Technical installations and equipment, vehicles	45,287,345	45,287,345
• Furniture, equipment, office supplies, protective equipment	302,004	302,004

Pledged or mortgaged assets

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

The right to use certain assets

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

See Note 26 for movements in lease liabilities.

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

12. INTANGIBLE ASSETS

	Other intangible assets	Intangible assets in progress	Total
COST			
As at December 31, 2021	**22,039,291**	**-**	**22,039,291**
Additions	-	952,692	952,692
Disposals	(470,014)		(470,014)
Transfers	952,692	(952,692)	--
As at December 31, 2022	**22,521,969**	**-**	**22,521,969**
Additions		1,073,040	1,073,040
Disposals			
Transfers	1,073,040	(1,073,040)	
As at December 31, 2023	**23,595,009**		**23,595,009**
ACCUMULATED AMORTISATION			
As at December 31, 2021	**21,100,743**	**-**	**21,100,743**
Amortization for the year	1,465,083	-	1,465,083
Accumulated amortization related to outflows	(479,014)	-	(479,014)
As at December 31, 2022	**22,086,812**	**-**	**22,086,812**
Amortization for the year	733,867		733,867
Accumulated amortization related to outflows			
As at December 31, 2023	**22,820,679**		**22,820,679**
NET BOOK VALUE			
As at December 31, 2022	**435,158**	**-**	**435,158**
As at December 31, 2023	**774,330**		**774,330**

Intangible assets are represented by:

1. SAP-ERP software. The payback period for these software programs is 3 years. The net book value of ERP as of December 31, 2022 is RON 313,468 (December 31, 2022: RON 175,931).
2. IT licenses, value remaining on December 31, 2023: RON 460,788 (31 December 2022: RON 256,255) with useful lives of 12 – 36 months.

13. INVENTORIES

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

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

13. INVENTORIES (continued)

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

For the adjustments related to slow-moving stocks, only those materials that had outflows in 2023 were taken into account, and the stocks on December 31, 2023 and December 31, 2022 that were different from zero. A rate was calculated as a ratio between the average stocks (as of December 31, 2023 and December 31, 2022) and the outflows from 2023. The adjustments were calculated according to the size of the rate: 30% for a rate equal to 3, 70% for a rate equal to 4 and 100% for a rate equal to 5 (and higher).

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

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

The movement of allowances for inventory impairment (excluding production in progress) is as follow:

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

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

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

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

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

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

14. CONTRACT ASSETS AND LIABILITIES

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

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

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

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

Based on historical experience, taking into account the specialized nature of the services offered, the limited number of clients and the fact that the main clients are state companies or multinationals with good reputation, the related credit risk is very low, therefore the related impairment is considered insignificant. Following the analysis performed by the Company's management, there was no impairment of these contractual receivables both on December 31, 2023 and on December 31, 2022.

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

15. TRADE RECEIVABLES

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

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

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

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

15. TRADE RECEIVABLES (*continued*)

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

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

The Company operates in the defense industry, where the main customers are state-owned companies that do not have problems with payments, The remaining balances are in relation with multinational with solid reputation, which did not presented delays for payments. The increase in the balance of receivables at the end of the year is due to the completion of a large number of orders towards the end of the year that were invoiced in the last month.

16. OTHER RECEIVABLES

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

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

17. OTHER CURRENT ASSETS

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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

TERM DEPOSITS

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

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

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

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

FINANCIAL ASSETS

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

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

19. SHARE CAPITAL

The share capital is fully paid in:

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

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

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

20. RESERVES

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

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

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

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

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

21. LOANS, LEASE LIABILITIES AND OTHER FINANCIAL LIABILITIES

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

a) Amounts owed to shareholders

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

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

These are extended annually, through addenda, and the interest related to these contracts is paid during the year.

In January 2022, the two contracts were extended and addenda were concluded as follows: AA 13 /28.01.2022 to contract 178/2009 and AA 9 / 28.01.2022 to contract 867/2012. Both addenda have extended the validity of the 2 contracts until 31.01.2023, and the gross interest rate is 5.46% / year, which includes the percentage related to the investment income tax, which currently, according to the Fiscal Code, is 10%.

In May 2022, the two contracts were additionally amended as follows: AA 14 /13.05.2022 to contract 178/2009 and AA10 / 13.05.2022 to contract 867/2012. Both documents change the interest rate from 5.46% to 7.8% for the period 14.05.2022 – 31.01.2023. Therefore, the gross interest is 7.8% / year, which includes the percentage related to the investment income tax, which currently, according to the Fiscal Code, is 10%.

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

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

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

b) Amounts owed to credit institutions

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

(A) BRD – Credit facility no. 103 BIS/28.04.2006

The Company has a credit line and a SGB issuance facility and the opening of letters of credit with BRD which has been extended over time through addendums.

- Addendum no. 63 / 25.08.2021 extended the validity period of the global financing ceiling of facility A, multi-options, non-binding, until 31.08.2022, and for facility B until 31.12.2022.
- Addendum no. 64 / 31.08.2022 extended the validity period of the global financing ceiling of facility A, multi-options, non-binding, until 31.08.2023, and for facility B we have the specification regarding the term of use which cannot exceed the term of use of facility A, the SGB value cannot exceed 12 months from issue/opening. The contract provides for the facility fee (agreement) in our case of extension and a series of special fees (SGB amendment commission, SGB analysis commission, L\C (letter of credit) issuing commission, letter of credit modification commission, letter of credit non-utilization/cancellation commission). All other provisions of the Loan Contract remain unchanged, including those related to guarantees, interest, commissions. On 31.12.2022, the loan balance is RON 14,168,381.
- Addendum no. 65 / 29.08.2023 extended the validity period of the global financing ceiling of facility A, multi-options, non-binding, until 31.08.2024, and for facility B, the SGB value cannot exceed 12 months from issue/opening. The contract provides a series of special fees (SGB amendment commission, SGB analysis commission, L\C (letter of credit) issuing commission, letter of credit modification commission, letter of credit non-utilization/cancellation commission). The interest for the used amounts is floating the rate is ROBOR 3M + 3,5% margin p.a. On 31.12.2023, the loan balance is RON 6,019,635.

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

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

The value of the Bank Letters of Guarantee issued through the loan ceiling and valid on 31.12.2023 is RON 1,931,866, as follows: a Bank Letter of Guarantee was issued for the return of the advance in favor of the client, the Executive Unit for the Financing of Higher Education, Research and Innovation (UEFISCDI) in the amount of RON 283,668 with maturity date 25.01.2024. On 22.12.2023 a Performance Bank Letter of Guarantee was issued in favor of the client UM01836 in the amount of RON 1,648,198 with maturity date 20.12.2024.

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

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

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

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

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

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

On 16.05.2022, Addendum no. 33/186 was concluded, the purpose of which is to modify the following conditions: credit facility extension until 17.05.2023; the amount of the loan RON 9,400,000; Multiple drawings. Credit use until 16.05.2023. The interest is maintained at 2.5% plus ROBOR 6M calculated on the last working day of the previous calendar quarter. Credit use until 16.05.2023.

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

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

The following guarantees are maintained:

- first-ranking real estate mortgage on objectives 6, 8, 11 and 10, 583 sqm of land, 684 sqm of free land located outside the build-up area and movable collateral on the receipts and on the balance of the current account and of the sub-accounts opened with BT, under no. 186 / CES / 02 / 06.06.2012, amended and supplemented by AA 01/186 / CES / 02 / 21.05.2019.
- chattel mortgage on existing assets for 18 pieces of equipment, eliminating, unlike the previous contract, the Maxicut transmission machine.

Guarantees on the existing assets for 18 equipment are maintained, in accordance with the Movable Mortgage Agreement for the existing assets determined no. 186 / GAJ / 01.27.02.2014, amended and supplemented by the Addendum no.04/186 / GAJ / 01 / 18.05.2020.

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

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

b) Amounts owed to lease institutions and other financial liabilities

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

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

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

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

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

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

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

22. PROVISIONS

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

As at December 31, 2023, all provisions except the provision "Provisions for post-employment benefits" are presented as current provisions. From the total "Provision for post-employment benefits" the amount of RON 80,771 is disclosed as a short-term provision, while the difference of RON 799,099 is presented as a long-term provision (2022: the amount of RON 128,259 is disclosed as a short-term provision, while the difference of RON 813,667 is presented as a long-term provision).

Other personnel-related provisions

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

Post-employment benefit provisions

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

The most recent actuarial valuation of the provision for post-employment benefits was performed on December 31, 2023, by GELID ACTUARIAL COMPANY, The present value of the benefit obligation determined the costs related to the current services and the cost of the past service, were measured using the Projected Credit Factor Method (MFCP), These benefits will be paid in large in the next 5-15 years, The principal assumptions used for the purposes of the actuarial valuations were as follows:

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

Mortality of employees and their family members,	Romanian Mortality Table for 2018 (for men and women) issued by the National Institute of Statistics,
Rate of employee turnover	In 2023, the employee turnover rate was 10.4%. For this exercise, the average of the last three years was considered to be 10.8% p.a. Based on the age structure of the staff, the staff turnover rate model takes into account the number of years remaining until retirement and results in a number of employees who would leave and be replaced equal to 10.8% of the total number of employees. The employee turnover rate is: - 28.5% p.a. for employees who are over 35 years old until retirement - On a linear basis - decreasing to 0% for employees with a number of years until retirement between 35 and 5 years; For the last 5 years until retirement, I considered that employees are no longer looking to change jobs and that they have gained enough experience not to be replaced for disciplinary reasons.
Rate of dismissals	For the period after December 31, 2023, no personnel redundancy plan was communicated.

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

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

2) Financial assumptions

Discount rate	As regards the discount rate, the Company took into account the yields of bonds on the active market at the end of December 2023. The available residual terms until maturity were 1 - 12 years and 14 years. For the other terms, the Company estimated the discount rate using the Smith-Wilson method. The long-term assumptions were: – estimated long-term inflation rate 2% pa – estimated long-term real yield of government bonds 1.45% pa – liquidity premium for Romania 0%, Thus, a balancing forward rate of 3.45% pa was considered, The method ensures compatibility between the discount rate and inflation rate, The weighted average discount rate is 6% p,a,
Inflation rate	Based on the statistics issued by INSSE and the NBR forecast as of November 2023, the Company estimated an inflation rate of: – 4.8% in 2024 – 3.5% in 2025 – 3.0% in 2026 – 2.5% for 2027 - 2031 and following a declining trend in the following years The weighted average rate of inflation is 2.8 p.a.
Wage growth rate	The Company estimates an average growth of maximum 4.0% in 2024. For 2025 and the following years, the Company estimated that salaries will increase by an average of the consumer price index of each year. The weighted average rate of salary increases is 2.8% pa.

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

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

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

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

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

22. PROVISIONS *(continued)*

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

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

Benefit Payment Maturity Analysis 2023

Projection of benefit payments (RON)

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

Sensitivity analysis 2023

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

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

Provisions for onerous contracts

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

23. TRADE AND OTHER LIABILITIES

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

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

24. OTHER CURRENT LIABILITES

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

25. SEGMENT REPORTING

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

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

Segment revenues

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

Geographic information

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

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

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

26. FINANCIAL INSTRUMENTS

a) Capital risk management

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

The Company's capital consists of debts, which include the borrowings disclosed in Note 21, cash and cash equivalents and term bank deposits, presented in Note 18, as well as equity.

Own equity comprises share capital, reserves and retained earnings, as disclosed in Notes 19 and 20.

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

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

The gearing ratio as at December 31, 2023 and December 31, 2022 is as follows:

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

b) Credit risk management

The company is subject to a credit risk due to its trade receivables and other types of receivables. The Company has policies designed to ensure that sales are made to customers with appropriate references regarding their creditworthiness.

The maturity date of the debts is closely monitored and the amounts due after the deadline are promptly tracked. Trade receivables (customers) are presented net of adjustments for impairment of uncertain receivables.

The Company develops policies that limit the value of credit exposure to any financial institution.

The Company does not request collateral deposits but in some limited cases, it requires advances from customers.

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

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

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

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

26. FINANCIAL INSTRUMENTS (continued)

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

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

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

c) Foreign currency risk management

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

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

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

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

26. FINANCIAL INSTRUMENTS (continued)

2022	**EUR** **EUR 1 = RON** **4.9474**	**USD** **USD 1 = RON** **4.6346**	**GBP** **GBP 1 = RON** **5.5878**	**CHF** **CHF 1 = RON** **5.0829**	**RON** **RON 1 = RON**	**TOTAL** **December 31,** **2022**
	RON	***RON***	***RON***		***RON***	***RON***
ASSETS						
Cash and cash equivalents	2,510,078	23,661	1,323	4,834	9,503,799	12,043,696
Financial assets					5,880,000	5,880,000
Trade receivables	6,264,095	9,924	-	-	22,432,397	28,706,415
Contract assets	5,592,362	-	-	-	6,627,531	12,219,893
LIABILITIES						
Trade and other liabilities	2,216,852	49,769	8,040		4,468,860	6,743,521
Short and long-term loans and leases	2,803,128	-	-	-	26,171,936	228,975,064
Other financial liabilities					4,627,544	4,627,544
Net balance exposure (assets - liabilities)	**9,346,555**	**(16,185)**	**(6,717)**	**4,833**	**9,175,387**	**18,503,875**

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

26. FINANCIAL INSTRUMENTS (continued)

c) Foreign currency risk management (continued)

Sensitivity analysis

The Company is mainly exposed in respect of the exchange rate of the EUR vs. RON. The following table details the Company's sensitivity to a 10% increase in the main currencies the company has monetary items.

10% is the sensitivity rate used when reporting foreign currency risk internally to senior management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

A negative number below indicates a decrease in profit, when there is a 10% weakening of the RON. For a 10% strengthening of RON against the currencies the company has the monetary items denominated there would be an equal and opposite impact on the profit and equity and the balance would be positive.

	10% strengthening of RON against EUR - impact on the result as at:	
	December 31, 2023	**December 31, 2022**
EUR	(1,598,136)	934,655
USD	(68,421)	(283)
GBP	(8,451)	(457)
CHF	2,917	483

d) Liquidity and interest risk management

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

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's operating cash flows are impacted mainly by the changes in interest rates, due to the borrowings with variable interest rates contracted from internal credit institutions.

The Company has significant borrowings with variable interest rates that expose the Company to significant cash flow risk. The Company is on ongoing negotiation process with the bank to renegotiate repayment terms and interest.

Sensitivity analysis – interest

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

Part of interest the Company pays to lease companies, where the interest is fixed, thus no impact on fluctuations of interest rates.

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

Assuming a 2% increase, which historically is an increase in ROBOR rates, the impact on the profit and loss account will be insignificant.

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

26. FINANCIAL INSTRUMENTS (continued)

d) Liquidity and interest risk management (continued)

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

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

26. FINANCIAL INSTRUMENTS (continued)

d) Liquidity and interest risk management (continued)

2022	*Interest rate*	*Less than 1 month*	*Less than 1 year*	*1 to 5 years*	*More than 5 years*	*Total*
Trade and other liabilities		**2,728,554**	**4,014,967**	**-**	**-**	**6,743,521**
Long and short-term borrowings (of which)		**-**	**29,596,446**	**1,857,927**	**-**	**31,454,373**
Short term loans in lei - BRD	ROBOR 3M +3.50%		14,168,382			14,168,382
Interest - BRD			1,096,727			1,096,727
Short term loans Banca Transilvania	ROBOR 6M+2.25%		7,123,555			7,123,555
Interest Banca Transilvania			870,239			870,239
Leasing BTRL			945,201	1,857,927		2,803,128
Shareholder loans	8.80%		4,880,000			4,880,000
Interest - Shareholder loans			380,640			380,640
Other long-term financial liabilities				4,627,544		4,627,544
Total liabilities		**2,728,554**	**33,479,711**	**6,485,471**	**-**	**43,693,736**

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

26. FINANCIAL INSTRUMENTS (continued)

e) Changes in liabilities arising from financing activities

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

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

	1-Jan-2022	Collections/ New contracts	Payments	Other variations	Interest during the year	Interest paid	Dividends granted	Foreign exchange movement	31-Dec-2022
Borrowings	26,789,393		704,508	-	2,347,606	2,347,606	-	(87,050)	26,171,936
Leasing	3,161,235	646,600	1,004,707	-	131,702	131,702	-		2,803,128
Other financial liabilities	-	4,627,544	-	-	-	-	-		4,627,544
Dividends	1,076,277		9,293,651	1,058,809*	-	-	10,104,256		828,073
Total financial liabilities	**31,026,905**	**5,274,144**	**11,002,866**	**1,058,809**	**2,479,308**	**2,479,308**	**10,104,256**	**(87,050)**	**34,430,681**

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

f) Fair value of financial instruments

1. Financial assets and liabilities carried at fair value

As at December 31, 2023, December 31, 2022 the Company does not hold any financial instruments carried at fair value.

2. Non-financial assets carried at fair value

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

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

26. FINANCIAL INSTRUMENTS (continued)

The different levels are defined as follows:

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

31-Dec-2023

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

31-Dec-2022

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

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

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

27. EARNINGS PER SHARE

(a) Basic

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

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

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

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

27. EARNINGS PER SHARE (continued)

(b) Diluted

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

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

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

28. RELATED PARTIES

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

	December 31, 2023	December 31, 2022
Total	**4,880,000**	**4,880,000**
Radu Viehmann	4,580,000	4,580,000
Maria Ciorapciu	300,000	300,000

Terms and conditions of transactions with related parties:

The terms and conditions related to the loans presented above are described in Note 21. No guarantees were provided for the loans with the affiliated entities. There have been no guarantees provided or received for any related party loans.

Key management employees

Please see below for an overview of the benefits granted to members of management. In the years ended December 31, 2023 and December 31, 2022 there were no transactions concluded between the company and key management members.

During 2023, the Company paid benefits to the key management members consisting of the members of the Board of Directors ("C.A.") of Turbomecanica SA and the general manager, as follows:

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

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

At 2023 and 2022 year end, there were no guarantees or future obligations assumed by the Company on behalf of the directors.

29. COMMITMENTS AND CONTINGENCIES

The Company has commitments in the amount RON 11,913,465 related to the purchase of tangible or intangible assets on December 31, 2023 (December 31, 2022: RON 14,764,382).

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

Commitments related to leasing liabilities are presented in Note 21.

Contingencies

Taxation

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

In 2023, the interest value is 0.02% for each day of delay; the delay penalties are 0.01% for each day of delay.

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

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

Environmental matters

Environmental regulations are developing in Romania, and the Company did not register any liabilities as at December 31, 2023 or December 31, 2022 for any estimated costs, including legal and consulting fees, site surveys, the design and implementation of recovery plans as regards the environment. The Company's management believes that provisions regarding environmental obligations are not necessary.

Mitigating climate change by improving environmental performance and preventing pollution

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

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

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

The Company, through the prism of the activity carried out, uses organic solvents with volatile organic compounds, which fall under the scope of the legal provisions. Volatile organic compounds, VOCs, are an important category of atmospheric pollutants, frequently encountered in the atmosphere as a result of human activities. The main activity of the company that generates emissions with volatile organic compounds is the process of degreasing parts, the organic solvent used being tetrachloroethylene. At the beginning of 2023, the exhaust chimney related to the paint shop was cleaned, thus eliminating the excess powder with VOC content retained on the piping during the process of painting parts, leading to a decrease in the concentration of VOC emissions.

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

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

29. COMMITMENTS AND CONTINGENCIES (continued)

Other information

The war in Ukraine and the related sanctions against the Russian Federation have a continuous impact on European and global economies. The entity has no significant direct exposure in Ukraine, Russia or Belarus. However, the impact on the general economic situation may require the periodic review of certain assumptions and estimates (cost of energy, cost of raw materials and general impact of inflationary pressure). On December 31, 2023, based on the available information, the Company analyzed the potential impact of the change in micro and macroeconomic conditions on the financial situation and the results of the Company's operations and concluded that there is no impact on the financial position as of December 31, 2023.

30. AUDIT FEES

Starting with 2021, the auditor of the Company is Ernst&Young Assurance Services SRL. The fees for audit services of the financial statements on December 31, 2023 prepared in accordance with the Order of the Ministry of Public Finances 2844/2016, approving the accounting regulations in accordance with the International Financial Reporting Standards, with the subsequent modifications and clarifications were in an amount EURO 42,800, excluding TVA.

31. SUBSEQUENT EVENTS

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

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

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

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

MANAGEMENT DECLARATION

I the undersigned, Eng. Radu Viehmann Chairman of the Board of Directors and CEO, hereby assume responsibility for the preparation of accounting reports on 31.12.2023.

We declare that all accounting policies used by TURBOMECANICA S.A. for the preparation of accounting reports on 31.12.2023 are in accordance with Accounting Law 82/1991 republished, with subsequent changes and additions, with O.M.F.P. no. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards and Order no. 85/2022 regarding the main aspects related to the preparation and submission of annual financial statements and annual accounting reports of economic operators to the territorial units of the Ministry of Public Finance and for the regulation of some accounting aspects.

We confirm that during the year 2023 there were no cases of violations or possible cases of non-compliance with laws or regulations that could significantly influence the accounting reports.

We declare that the accounting reports on December 31, 2023 of **TURBOMECANICA S.A.** give a true view of the financial position, financial performance and other information related to the activity carried out between 01.01.2023 - 31.12.2023.

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

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

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

Date: March 27, 2024

CEO,
Eng. VIEHMANN RADU

FINANCIAL & COMMERCIAL DIRECTOR,
Ec. ANGHEL CLAUDIA