



**S.C. TURBOMECANICA S.A.**

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**Trade Registry registration code J40/533/1991**

**Fiscal Code RO3156315 Sole Registration Code 3156315**

**Share capital subscribed and paid in: RON 36,944,247.50**

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**ANNUAL REPORT OF THE BOARD OF ADMINISTRATION  
OF TMB FOR 2014 ACCORDING TO NSC REGULATION NO. 1/2006**

SC TURBOMECANICA SA is a Romanian open joint-stock company according to the Constitutive Act and applicable regulations, entirely privately owned, whose shares are listed on the Bucharest Stock Exchange.

It operates exclusively in the field of manufacturing and, according to the classification of activities in the national economy, its main object of activity is the Manufacturing of engines, mechanical assemblies and equipment for aircraft – NACE CODE 3030.

The Company carries out its activity in a highly competitive environment according to the widely recognised principles of corporate governance, in accordance with Romanian legislation, the legislation of the European Union and international practices, supplying on domestic and foreign markets products and services both in the field of defence and civil aviation.

The company has a long history of start-ups, it has experienced diversifications and developments, but also restructuring, falls, searches, new beginnings. However, throughout all this time, it has never stopped operating in the aviation and defence industry.

The program of technical restructuring and relocation of the technological flows, started a long time ago, and realisation of the assets made available further to the reorganization of the company started to produce effects and to represent the solid basis for the company's redress in a short period of time.

The 2014 results are included in the financial statements of the year, prepared in accordance with International Financial Reporting Standards (IFRS). Some of the elements are listed below:

DENUMIRE	2014	2013
Revenues	53.675.358	34.568.549
Other revenues and losses	(2.363.784)	1.218.181
Variation of stocks	(162.517)	(353.357)
Raw materials	(12.999.635)	(9.820.189)
Expenses with employees' benefits	(17.977.039)	(19.124.743)
Expenses with depreciation of assets	(4.376.236)	(5.356.276)
Net financial expenses	(4.531.530)	(5.693.363)
Other operating expenses	(6.343.691)	(4.297.654)
Loss form sales of asstes	(12.742.291)	-
<b>Profit/ Loss before tax</b>	<b>(7.821.365)</b>	<b>(8.858.852)</b>
Tax on profit	4.266.896	266.625
<b>Profit/ Loss</b>	<b>(3.554.469)</b>	<b>(8.592.227)</b>

## FINANCIAL SITUATION

DENUMIRE	2014	2013
<b>Long-term Assets</b>		
Tangible	54.924.522	52.994.111
Intangible	10.445.422	12.081.387
<b>Total long-term assets</b>	<b>65.369.944</b>	<b>65.075.498</b>
<b>Current assets</b>		
Stocks	29.736.898	24.937.055
Trade receivables	2.143.829	1.962.183
Other receivables	1.047.431	818.272
Cash and cash equivalents	11.903.023	303.142
Assets for sale	11.120.396	46.954.594
<b>Total current assets</b>	<b>55.951.577</b>	<b>74.975.245</b>
<b>Total assets</b>	<b>121.321.521</b>	<b>140.050.743</b>
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Capital issued	1.024.571.055	1.024.571.055
reservations	80.544.931	101.379.301
earnings	(1.072.992.773)	(1.093.165.028)
<b>Total equity</b>	<b>32.123.213</b>	<b>32.785.328</b>
<b>Long-term liabilities</b>		
Loans	7.997.601	16.716.713
Deferred tax liabilities	4.737.497	7.945.637
Provisions	1.494.810	1.494.810
Other long-term liabilities	5.933.564	9.554.982
<b>Total current liabilities</b>	<b>20.163.472</b>	<b>35.712.142</b>
<b>Current liabilities</b>		
Trade payables and other payables	6.770.404	7.427.064
Loans	47.643.105	53.291.855
Provisions	1.565.401	1.902.261
Deferred income	4.953.313	2.441.438
Other current liabilities	8.102.614	6.490.655
<b>Total current liabilities</b>	<b>69.034.837</b>	<b>71.553.273</b>
<b>Total liabilities</b>	<b>89.198.309</b>	<b>107.265.415</b>
<b>Total equity and liabilities</b>	<b>121.321.521</b>	<b>140.050.743</b>

## TURBOMECANICA SHARES

DENUMIRE	2014	2013
Number of shares	369.442.475	369.442.475
Nominal value per share	0,10	0,10
Book value per share	0,08	0,09
Average price per share	0,03	0,03
Net profit per share	-0,009	-0,023
Market value per share at the end of the period	0,03	0,03
Stock capitalization	10.713.832,0	9.790.226,0

## MACROECONOMIC INDICATORS

DENUMIRE	2014	2013
Inflation	1,07	3,98
EUR average exchange rate	4,44	4,42
USD average exchange rate	3,35	3,33
GBP average exchange rate	5,51	5,19

## TURNOVER ON SEGMENTS

DENUMIRE	2014	2013
<b>Turnover, from which:</b>	<b>53.675.358</b>	<b>34.568.549</b>
Highlights and aircraft parts	9.919.690	24.828.679
Engine repairs	42.815.399	8.223.985
Others	940.269	1.515.885

An extremely important event, with major impact on the company's financial statement, is the sale of old construction and related land, registered in the land registry under no. 216617, assets which represent 36.9% of total assets considered for realisation (approved by Resolution no. 70/14.05.2012 of the Extraordinary General Meeting of Shareholders) and for which the RON equivalent of EUR 5,200,000 was received, at RON 4.4407/EUR exchange rate.

The amount obtained from the sale of such property was used to repay loans and accessory costs to BRD- GSG and Banca Transilvania, and to cover the expenses required to conclude the transaction and costs for settling the inconsistencies founds by the Civil Aeronautical Authority, the Emergency Situations Inspectorate and the Environmental Authority.

## PATRIMONY STOCK COUNTING

According to the provisions of the Accounting Law, the International Financial Reporting Standards, the Rules on the organisation and conduct of assets, liabilities and equity counting, the stock counting was performed in 2014 based on Decision 9/27.01.2015 for the annual stock counting of fixed assets and items of inventory, on Decision no. 192/03.11.2014 for the annual stock counting of raw materials, consumables, unfinished and finished products and Decision no 193/03.11.2014 for the annual inventory of assets, suppliers and creditors.

The results of the annual stock counting were recorded in the Annual Stock Counting Minutes of SC TURBOMECANICA SA, registered under no 79/25.02.2015

The cash and cash equivalents at banks as at December 31, 2014 were traced to the accounting documents and cash and cash equivalents in foreign currency were measured at the valid exchange rate of the NBR.

## **ORGANISATION OF CASH EQUIVALENT MANAGEMENT, ANALYTICAL AND SYNTHETIC ACCOUNTING**

The management of cash equivalent is organised by the nature thereof by categories and storage or utilization places as follows:

- fixed assets are organised in terms of quantity and value
- raw materials, items of inventory, consumables are organised in warehouses in the company by quantity and value

Cash equivalent is accounted using the permanent inventory and control is exercised in accordance with O.M.F.P. nr. 2861/09.10.2009.

## **QUALITY**

I. In 2014, the following actions were conducted in the field of **quality assurance**:

**1. To align to the reference standard requirements, the requirements of the regulatory authorities and to implement the organisational changes applied this year at TMB, the structural entities of TMB made changes to the following documents of the Quality Management System:**

- ◆ they revised the **TMB Quality Manual**
- ◆ they prepared/revised **114 General Procedures** including **Independent Annexes**
- ◆ they prepared/revised **29 Company Standards** including **Independent Annexes**
- ◆ they prepared/revised **22 Working Instructions** including **Independent Annexes**
- ◆ they prepared/revised **10 Regulations** including **Independent Annexes**
- ◆ they revised the **TMB Production Organisation Presentation Memoire** that TMB required in order to receive the civil authorisation from the **Romanian Civil Aeronautical Authority**, for the manufacturing of products intended for the **AgustaWestland** program, given the development of the contractual relationship with such client
- ◆ they revised **TMB-AgustaWestland Intercompany Agreement** and the **Quality Plan** code **PQ S-0002** related to the contractual relationship with **AgustaWestland**
- ◆ they prepared **9 System Quality Plans** including **Product Quality Plans** to comply with the contractual provisions of client **Ministry of National Defence**, regarding the manufacturing/repair of products produced by TMB and in accordance with the specific provisions of standards **NATO**, **AQAP 2120** and **AQAP 2105**
- ◆ they revised the **Regulation for the Organization and Operation of TMB**
- ◆ they revised the **Accounting Policy Manual**

In 2014, the **Quality System and Organisation Department** acted towards constantly improving the organisation and design of the Quality Management System.

**2. To prove compliance with its clients' requirements, TMB submitted itself to, and obtained qualification further to second party audits conducted thereby, as presented below:**

In May 2014, **Rolls-Royce** conducted an audit at **TMB** to supervise the quality management system for maintaining **TMB** as supplier, using as reference the quality requirements specific to the suppliers of **Rolls-Royce**, **SABRe 2<sup>nd</sup> Ed.** incorporated in the **PQ S-0008 "Quality Plan Rolls-Royce Manufacturing"**. Further to the audit, **Rolls-Royce** prepared **Audit Report (Global Supplier Oversight Summary Report) no. 203184 SCA 2014** of 22.05.2014. **Rolls-Royce** found **1 inconsistency** included in **Non-Conformity Report NCR 001** attached to the **Audit Report** mentioned above. **TMB** identified the root causes of the inconsistency, established and implemented the proper correction actions, which were accepted by **Rolls-Royce**. The results of the audit determined **Rolls-Royce** to maintain the **Quality Management System** certification of **TMB** and keep it on the list of approved suppliers for **Rolls-Royce plc. England** and **Rolls-Royce GmbH Deutschland**.

In September 2014, **AgustaWestland** conducted an audit at **TMB** to supervise the **TMB Quality Management System** and for the product **Arbore 109-0445-08-117**, using as reference the technical execution documentation of the product and the **PQ S-0002 Quality Plan** established by **TMB** for the **AgustaWestland** program. **AgustaWestland** presented the conclusions of the audit and issued **Statement of Approval (Supplier Certificate) no. AW/0622/10.10.2014**.

**3. To prove compliance with its clients' requirements, TMB submitted itself to, and obtained qualification further to third party audits conducted thereby, as presented below:**

In June 2014, the **Romanian Civil Aeronautical Authority (AACR)** conducted a second audit at **TMB** to authorise **TMB's** production organisation, in accordance with the provisions of **EU Regulation no. 748/2012, Part 21, Section A, Subpart G**. Further to the audit, **AACR** prepared **Investigation Report no. RTI-TMB-2014-AIG-P/2** of 24.06.2014 and found **7 inconsistencies** included in **Non-Conformity Report TMB-005+TMB-011** attached to the Investigation Report mentioned above. **TMB** has identified the causes of the inconsistencies, established proper correction/preventive measures to eliminate them and implemented the actions determined, which were also accepted by **AACR**.

In July 2014, **AEROQ** conducted an audit at **TMB** to supervise the quality management system, using as reference standard **SR EN ISO 9001:2008**. Further to the audit, **AEROQ** prepared **Audit Report** of 10.07.2014 and found no inconsistencies. Following the audit results, **AEROQ** has maintained the **TMB Quality Management System**, in accordance with the requirements of standard **SR EN ISO 9001:2008**, certificate no. 001/29.07.2013, valid until 28.07.2016.

In September 2014, the **Romanian Civil Aeronautical Authority (AACR)** conducted a third audit at **TMB** to authorise **TMB's** production organisation, in accordance with the provisions of **EU Regulation no. 748/2012, Part 21, Section A, Subpart G**. Further to the audit, **AACR** prepared **Investigation Report no. RTI-TMB-2014-AIG-P/3** of 01.10.2014, and found **11 inconsistencies** included in **Non-Conformity Report TMB-013+TMB-023** attached to the Investigation Report mentioned above. **TMB** has identified the causes of the inconsistencies, established proper correction measures to eliminate them and implemented the actions determined, which were also accepted by **AACR**.

In November 2014, the **Romanian Civil Aeronautical Authority (AACR)** conducted a fourth audit at **TMB** to authorise **TMB's** production organisation, in accordance with the provisions of **EU Regulation no. 748/2012, Part 21, Section A, Subpart G**. Further to the audit, **AACR** prepared **Investigation Report no. RTI-TMB-2014-AIG-P/4** of 01.12.2014, and found **2 inconsistencies** included in **Non-Conformity Report TMB-024+TMB-025** attached to the Investigation Report mentioned above. **TMB** has identified the causes of the inconsistencies, established proper correction measures to eliminate them and implemented the actions determined, which were also accepted by **AACR**. Further to such audit, **AACR** issued **Certificate no. RO.21G.0008** for the authorisation of **TMB's** production organisation.

In December 2014, TÜV NORD CERT (Germany) conducted an audit at TMB to supervise the quality management system, using as reference standard EN/AS 9100 and standard ISO 9001. Further to the audit, TÜV Nord Cert prepared the audit report of 10.12.2014, which presented the conclusions of the audit and found **2 minor inconsistencies**. As regards the inconsistencies found by TÜV Nord Cert in **Non-Conformity Reports NCR 1 and NCR 2** attached to the audit report, TMB has established **2 correction and preventive measures**, which were completed on time and were accepted by TÜV Nord Cert. The results of the audit have determined TÜV Nord Cert to maintain the **TMB Quality Management System** certification, in accordance with the requirements of standards EN 9100:2009 and ISO 9001:2008 and to maintain **Certificates no. 44 117 090174/23.02.2009** and **no. 44 100 090174/23.02.2009**.

**4. To guarantee the TMB management, clients and certification bodies that the company properly implements the requirements of the quality management system and keeps them efficient and effective, in 2014, the Department of Quality System and Organisation conducted internal audits as follows:**

#### **4.1 Internal system audits**

The internal audits on the quality management system were conducted in accordance with **Audit Plan PA-TMB 2014**, approved by the **General Director**.

In 2014, **41 audits** were conducted that found **45 inconsistencies** for which the company established **100 correction measures**, which were 93% completed.

#### **4.2. Internal product audits**

The internal product audits were conducted in accordance with **Audit Plan PA-TMB 2014**, approved by the **General Director**.

In 2014, **11 audits** were conducted that found **19 inconsistencies** for which the company established **32 correction measures**, which were 97% completed.

#### **4.3. Internal process audits**

The internal process audits were conducted in accordance with **Audit Plan PA-TMB 2014**, approved by the **General Director**.

In 2014, **13 audits** were conducted that found **16 inconsistencies** for which the company established **25 correction measures**, which were 100% completed.

**5. To ensure the monitoring of the performance of TMB's processes with a view to increasing customer satisfaction as regards the quality of the products/services delivered and increase the attractiveness of such products/processes on the aeronautical market, the following actions were conducted in 2014:**

**5.1** Under the general procedure **PG SMQ-05 "Management analysis"**, the key process indicators were set, which are required to reach the strategic and quality objectives and which influence the customer satisfaction level. Such indicators are:

- **Indicator I1 (compliance of delivery terms)** is increasing and meets the objective set (100%±3%), having an aggregate value of 98.29%;
- **Indicator I2 (compliance of requested quantities to be delivered to the customer)** is increasing and does not meet the objective set (100%±3%), having an aggregate value of 88.92%;

- **Indicator I3 (non-compliance of the requirements of the technical execution documentation)** is decreasing and meets the objective set ( $\leq 0,75\%$ ), having an aggregate value of 0.41%;
- **Indicator I3-1 (non-compliance of the quantities requested due to scraps)** is decreasing and meets the objective set ( $\leq 1\%$ ), having an aggregate value of 0.35%;
- **Indicator I4 (non-compliance of products delivered)** is increasing and meets the objective set ( $\leq 0,5\%$ ), having an aggregate value of 0.043%;
- **Indicator I5 (non-quality cost)** is increasing, does not have a proposed objective yet, having an aggregate value of RON 42801.82.

**5.2** As regards **special processes and the activity of quality laboratories**, in **2014** the Company continued its **policy of meeting the customers' needs**, and increasing the attractiveness of the Company for potential active customers in the aeronautical industry by the following actions:

#### **5.2.1. Accreditation of special processes**

##### **NADCAP third party accreditation of special processes**

The most significant events as regards **the growth of the level of attractiveness of TMB** in the aeronautical industry remain **the accreditations and re-accreditations** from the **NADCAP**.

In **2014**, the following **special processes** were **re-accredited**:

In February 2014, **NADCAP** conducted a re-accreditation audit at **TMB** on the chemical processes according to the **AC7108** requirements. Further to the audit, **3 inconsistencies** were found, which were properly corrected. Therefore, **the process received re-accreditation for 18 months (Merit Program)** (certificate expiry: **October 31, 2015**).

In February 2014, **NADCAP** conducted a re-accreditation audit at **TMB** on the **welding processes** according to the **AC7110** requirements. The audit found no **inconsistencies**. Therefore, the process received **re-accreditation for 24 months (Merit Program)** (certificate expiry: **April 30, 2016**).

In May 2014, **NADCAP** conducted a re-accreditation audit at **TMB** on the **heat treatment processes**, according to the **AC7101** and **AC7102** requirements. Further to the audit, **3 inconsistencies** were found, which were properly corrected. Therefore, the process received **re-accreditation for 18 months (Merit Program)** (certificate expiry: **January 31, 2016**).

#### **5.2.2. Second-party process certifications**

##### **5.2.2.1. AgustaWestland certifications**

This year, all the **special process and laboratory certifications** previously obtained were maintained.

The requalification files were sent to the client and re-qualifications were obtained for the following processes:

- 1) **Passivation** (equipment code PASIVATION) (DQP no. **IT13-0155-01**, valid until 31.01.2017);
- 2) **Dry lubrication** (equipment code VOPSAERO) (DQP no. **IT13-0153-01**, valid until 31.01.2017);
- 3) **Mordanting** (equipment code MORDANT) (DQP no. **IT13-0156-01**, valid until 31.01.2017);
- 4) **Coppering** (equipment code COPPER) (DQP no. **IT13-0157-01**, valid until 31.01.2017);
- 5) **Phosphating** (equipment code PHOSPHATE) (DQP no. **IT13-0161-01**, valid until 31.01.2017);
- 6) **Chrome plating** (equipment code CHROMING) (DQP no. **IT12/0417/00**, valid until 02.10.2017)
- 7) **Browning** (equipment code BROWNING) (DQP no. **IT13-0158-01**, valid until 28.02.2017);
- 8) **Impregnating** (equipment code IMPREGNATE) (DQP no. **IT13-0169-01**, valid until 31.03.2017);

- 9) **Normalizing, austenitizing heat treatment** (furnace code AUSTENIZ) (DQP no. IT12-0198-01 / valid until 31.01.2017);
- 10) **Sub-cooling** (equipment code SUBCOOL) (DQP no. 2/267 / valid until 01.08.2017);
- 11) **Sub-critical re-baking** (furnace code PUNSOLUT) (DQP no. 2/274 / valid until 01.08.2017);
- 12) **Cold work** (equipment code SHOTP1D) (DQP no. 2/280 / valid until 11.10.2017);
- 13) **Cold work** (SHOTP3D) (DQP IT12/0202/01 valid until 19.12.2017);
- 14) **Tempering and precipitation hardening** (furnace code REVEALUS) (DQP no. IT12/0196/01 valid until 22.12.2017);
- 15) **Normalizing, austenitizing heat treatment** (furnace code CEMCALIR) (DQP no. IT12/0200/01 valid until 20.12.2017);
- 16) **Steel tempering** (furnace code REVNJOS) (DQP IT12/0223/01, valid until 20.12.2017);

#### 5.2.2.2. General Electric certifications

This year, all the **special process and equipment certifications** previously obtained were maintained.

II. In the field of **compliance control**, the following events took place in **2014**:

#### 1. Compliance assessment process:

The compliance assessment process was updated to the specific requirements for issuance of commissioning certificates for civil aeronautical items according to the **EASA** provisions:

- Alignment of internal procedures to the **EASA** requirements by applying the final administrative control details required to assess the civil items;
- Resolution of the manner of closing manufacturing files of civil aeronautical items according to the model files;
- Reorganisation of the technical documentation archive and the records of civil item production;
- Personnel certification for verification and issuance of **EASA Form1** certificate.

#### 2. Introducing new benchmarks in production

12 new benchmarks were introduced in production during this period for client **AGUSTA WESTLAND**, for which 12 FAI files were created. In addition, 7 FAI files were created for parts included in the current production, due to technological changes.

### 6. Central Laboratory Accreditations

In December 2014, the Central Laboratory was accredited by **General Electric**, according to Specification S-400, as International Independent Testing Laboratory for Metallic Materials.

In 2014, the TMB laboratories took part in **Round-Robin** Inter-laboratory Cross-testing Program organized at the **EXOVA-France Institute**, supported by **Airbus**, **General Electric Aero**, **Safrane Grup**, **Eurocopter**, **MTU** and **GKN**, which involved the following tests:

- steel Rockwell / Vickers, kit 6-1 hardness
- aluminium Brinell / Rockwell B, kit 6-2 hardness
- cemented steel kit 6-3 micro-hardness
- aluminium kit 10-7 electrical conductivity.



## 7. Complaints / Notifications

In 2014, TMB received 13 complaints from clients, 4 of which from domestic clients (3 complaints from the Ministry of National Defence's military units and 1 complaint from IAR Braşov) and 9 from foreign clients (4 complaints from AGUSTA-WESTLAND, 2 complaints from ROLLS-ROYCE and 3 complaints from GEAE). 13 corrective actions were set, which were completed or are in process of completion.

### Complaints/notifications regarding customer parts (holder – Mechanical Processing Workshop)

In 2014, 9 complaints/notifications were received. Their status is summarized below:

Total C/N:	9	Complaints
Customer - C/N benchmark (no. of affected pieces):		
- AW - 109-0403-14-1 (2 pieces)	2	Complaints
- AW - 109-0403-14-3 (1 piece)	1	Complaints
- AW - 109-0403-10-1 (2 pieces)	1	Complaints
- RR - 23004936 (1 piece)	1	Complaints
- RR - EU18116 (1 piece)	1	Complaints
- GEAE - 9392M53G02 (1 piece)	1	Complaints
- GEAE - 9374M55G05 (2 pieces)	1	Complaints
- GEAE - 2122M91P01 (1 piece)	1	Complaints

Further to the analysis and settlement of C/N, the Company established correction and preventive measures meant to correct, strengthen or improve process performances. The status of correction and preventive measures is indicated below:

Total ACP:	9
Total C/N rejected:	3
Total CPA closed:	5
Total CPA opened:	1

### Complaints/notifications regarding TMB/Customer products (holder – Sample Installation Workshop)

In 2014, 4 complaints/notifications were received. Their status is summarized below:

Total C/N:	4	Complaints / Notifications
Total C/N per category of products:		
- TURMO engine	1	Notifications
- BRP main rotor head	1	Notifications
- ventilating level	1	Notifications
- T56 engine	1	Complaints

Total C/N from domestic clients:	4
UM 02040	1
UM 01836	2
IAR Braşov	1

Further to the analysis and settlement of **C/N**, the Company established correction and preventive measures meant to correct, strengthen or improve process performances. The status of the correction and preventive measures is indicated below:

Total <b>C/N</b> closed:	<b>2</b>
Total <b>C/N</b> opened:	<b>3</b>

## 8. Nuclear Protection

In April 2014, **CNCAN** inspected **TMB's processes in the nuclear field**. Given that **TMB** aligned to the **CNCAN** requirements, it was granted the **Permit to Conduct Nuclear Activities (open sources and radiation generating sources) no. 241 of April 11, 2014** (permit expiry: **April 11, 2019**).

## 9. Environmental Protection

Under the 2014 environmental program, as part of the environmental permits that **SC TMB SA** currently holds, the company took measures to prevent and eliminate the effects of environmental pollution, in order to comply with the applicable legislation in the field.

**SC TMB SA** holds:

- Integrated Environmental Permit no. 5/2005 for the Entire Company and in the field of Metal Coating, revised on February 18, 2009 valid until December 29, 2015;
  - Water Management Permit no. 47-BU/40/18.07.2008, revised and valid until 31.12.2015;
  - Used Water Capture Authorisation no. 429/09.06.2011, undefined validity;
  - Site declarations for precursor operations.

To prevent accidental pollution, **SC TMB SA** has taken the following measures applied monthly, biannually or annually, in accordance with the provisions outlined in the environmental permit, as follows:

- has monitored on a monthly basis the used water discharged through the two used connections before being discharged into the city sewage (24 trial reports issued by the **National Institute of Research –Development for Industrial Ecology - Ecoind Bucharest**, all parameters comply with the admitted interval);
  - has monitored bi-annually the emissions and imissions from all stationary sources existing in the company premises (46 trial reports issued by **SC Cast SA**);
  - has monitored annually groundwater and soil (3 trial reports issued by **National Institute of Research –Development for Industrial Ecology - Ecoind Bucharest**, all parameters comply with the admitted interval);
  - has monitored annually the noise produced by the noise polluting sources held by the company (1 trial report issued by the **National Institute of Research –Development for Industrial Ecology - Ecoind Bucharest**, all parameters comply with the admitted interval);
  - has stored temporarily, in its own waste establishment and then eliminated or recovered all types of waste generated by the company, which it selected in special containers. Hazardous and non-hazardous waste was eliminated or recovered by specialised and authorised companies.

To comply with the legislation in force, the company paid the amounts due to the Environmental fund for stationary sources and waste packaging.

In 2014, there were no environment related incidents or used water or air pollution above the maximum values admitted by the legislation in force.

## 10. Personnel training

In 2014, in accordance with the provisions of the **TMB Periodical Personnel Training Plan**, through specific training and certification sessions, the company provided and maintained the required competences of the **49** operators, inspector and laboratory technicians for special processes and laboratories. **17** specific trainings were actually delivered.

### G. HUMAN RESOURCES

Through the specialised departments, the company management ensured the operation of Production (operations), Quality Assurance, Financial - Accounting, Marketing – Sales and Human Resources.

As at December 31, 2014, **TMB** had a total of **337** employees.

The personnel's average age as at such date was 49.5 years, as compared to 50.5 years in 2013.

Between January and December 2014, 41 employees left the company and 51 were employed.

In 2014, the expenses with employees' benefits totalled RON 17.977.039 of which:

- salaries: RON 13.025.507;
- meal vouchers: RON 642.766;
- compensatory salaries: RON 413.778;
- vouchers: RON 141.420
- *social security: RON 3.753.568.*

The costs incurred with recruitment were approximately RON 15,000.

The company's personnel policy regarding the education, improvement and certification of its personnel was well implemented as regards internal trainings, but the budget allocated to external trainings was reduced. Trainings were delivered in accordance with the plan approved for 2014.

According to it, the company invested RON 47,477 in improving the competences and skills of the TESA personnel and the management and approximately RON 10,962 for training and certification courses outside the company.

Approximately 813 courses were delivered, which were attended by 146 employees.

Improvement and certification courses were delivered in the company, which totalled approximately 271 hours for 87 employees.

During the period under review, only 59 employees attended educational courses and various improvement (certification) courses, totalling 542 hours.

Personnel expenses totalled 33.49% of the turnover obtained in 2014.

67.35% of the company employees are trade union members.

As regards the training and qualification of the personnel, the situation is as follows:

- 28.48% employees with higher education – 96 persons, of which:
  - PhD: 1 employee
  - Post-university studies: 4 EMBA employees
- 42.43% of employees with secondary and post-secondary studies - 143 persons
- 22.25% of employees with vocational studies - 75 persons
- 5.63% of employees with primary studies - 19 persons

The relationship between the management and employees are regulated under the Collective Labour Agreement for 2012-2014. The social and professional environment is permanently monitored, through a communication system between social partners which prevents conflicts, which were non-existent in 2014.

## **Assessment of labour protection and occupational safety**

At **TMB**, labour protection and occupational safety is first of all a social responsibility matter, which is treated in close relation to its priorities related to economic growth, health and training.

Therefore, the company management is preoccupied with providing to all its employees the best conditions to conduct their activity safely.

Under the labour protection and security program for 2014, the company carried out all the activities required to comply with Law no. 319/2006 on Occupational Safety and Health and the application rules thereof, as well as the other acts of legislation in the field, by taking the following measures:

- assessed the risks for occupational safety and health in all the working locations;
- based on the risk assessment, it took preventive measures to ensure the improvement of the level of safety and health protection of its workers;
- it filled in the occupational safety and health materials, according to the current legislation, which are used in delivering the periodical occupational safety and health trainings to **TMB** employees and it established the measures required to operate the technological processes under safe conditions;
- it provided cleaning and sanitary materials (protection creams, etc.) in compliance with the provisions of the Internal Regulations;
- it completed the purchase of protection shoes for the personnel working on the shop floors and whose activity involves walking around shop floors, and metal capped boots for visitors;
- it purchased emergency eye cleaning solutions for the personnel working in the Galvanizing, Storing-Packaging and Painting Workshops and safety masks for the personnel working in the Non-destructive Testing Laboratory;
- for cold periods, it purchased hooded quilted waterproof coats, for personnel working outside the shop floors or whose activity requires frequent shifting among them;
- for personnel whose activity is carried out in a toxic environment, it purchased an antidote consisting of powder milk and sparkling water;
- it performed maintenance and repair works on sanitary groups, locker rooms, washing areas, showers, etc., on all shop floors;
- it extended the permits for the hoisting machines and pressurized installations held by **TMB** (in accordance with the CNCIR instructions);
- it performed the mandatory annual occupational medicine investigations for employees; the Medical Supervisory Report concluded that the employees examined did not suffer from any professional illness, and none of them had to change their working locations.

In 2014, no labour accidents or professional illnesses were found at **TMB**, only two incidents were identified that occurred on the employees' way home.

## **H. SALES - MARKETING**

By virtue of its business, the company acts and interacts with the domestic and foreign market economic agents.

On the domestic market, for aeronautical products, **TMB** is the only manufacturer and repairer in Romania of gas turbine engines for aircraft and mechanical assemblies for helicopters, its main clients being the **Ministry of National Defence (S.M.F.A., S.M.F.N.)**, **S.C. IAR S.A. Braşov** and **S.R.I.**

Although the budget constraints significantly influenced the domestic aircraft market in 2014, the current political situation close to Romania determined by the crisis in Ukraine forced the Government to considerably increase the number of firm orders/contracts awarded to **TMB** to repair the aircraft owned by the **Ministry of National Defence** and **S.R.I.**

Given the circumstances, where the crisis in the area prevails and where the international political situation is not at harm's way from conflict, in 2015 the domestic market still represents an opportunity to consolidate the company's turnover, by continuing the equipment programs of the **Ministry of National Defence** both in terms of maintaining the existing fighting technique at optimum parameters and by continuing the upgrading of helicopters with **SOCAT** systems.

As regards the foreign market, after significant efforts, the company managed, on the one hand, to consolidate its current position on a vast, but also pretentious market of components and sub-assemblies for aircraft engines, and on the other hand, to win the confidence of renowned foreign clients (former business partners prior to the financial crisis), such as **GE Power & Water - Hungary**, with which **TMB** started at the end of 2014 a collaboration program estimated at EUR 2,737,500.00/year, with possibility of extension over the following three 3 years.

In this regard, it is important to note the extraordinary achievement of **TMB** when in December 2014 received from the **Romanian Civil Aeronautical Authority**, for the first time in the company's history, the permit to manufacture products/components/equipment to equip **AW109** and **AW119 – AGUSTA WESTLAND ITALIA** helicopters (according to Certificate no. **RO.21G.0008/02.12.2014**). Based on such permit, **TMB-AGUSTA WESTLAND** signed a new collaboration contract "MANUFACTURING AGREEMENT No. AWIT-ALL-004/15".

In addition, the company continues to focus on efficiently loading the production capacity in the field of mechanical processing along with maintaining flexibility in meeting the specific needs of each customer (such as *just in time* deliveries, accepting the reasonable variation of customers' needs, the existence of a reasonable back-up stock of finished products, etc.). Corroborated with the policy of expanding its production of parts across the global market, a policy applied by the big companies, this strategy of the company must lead to an increase in sales in the following years.

Another strategy of the company is to regain its business relationship with **General Electric Aircraft Engines US** and its customers, as well as with **Rolls-Royce**, while developing the business relationship initiated with **GE Power & Water – Hungary**.

In 2014, the company continued to deliver full sub-assemblies of rear transmission boxes for helicopters (production, installation, trial) for **AGUSTA (Italy)**, which is interested in increasing deliveries by assimilating new products.

In addition, the company has presented its foreign capabilities and responded to all requests with competitive offers for companies such as **SAFRAN Techspace Aero (Belgium)**, **AGUSTA (Poland)**, **Unison (Poland)**, **Honda (US)**, **Aviall (US)**, **GE (Czech Republic)**, **Fridenson (Israel)**, **Veplas (Slovenia)**, **UTC Aerospace Systems (US)** and others.

## **I. CORPORATE GOVERNANCE**

Corporate governance means responsible management and control over a commercial company. Two elements are extremely important for **TMB** when it comes to corporate governance: increasing the confidence of investors, business partners, clients and employees in the management and control bodies of the company, as well as balancing the economic situation and then increasing the company's value. The adoption of good practices and corporate governance policies must represent for **TMB** strong grounds for a solid development, after a difficult and costly restructuring process.

**Compliance with the provisions of the Corporate Governance Code of the Bucharest Stock Exchange**

The company's board of administration has adopted the Corporate Governance Regulation (CGR) of **TMB**, in compliance with Recommendation 3 of the Corporate Governance Code of the Bucharest Stock Exchange (CGC). The CGR includes the structures, responsibilities and practices provided in the CGC, which arise from the constitutive acts of **TMB** supplemented by the legislative provisions in force and the recommendations in the CGC.

The Corporate Governance Regulation is available on the website of **TMB**: [www.turbomecanica.ro](http://www.turbomecanica.ro).

The implementation by **TMB** of the principles and recommendations of the CGC are reported in the "Apply or Clarify" declaration, according to Rec. 3 of the CGC, which will be communicated to the **BSE** along with the Annual Report and posted on the Company's website, [www.turbomecanica.ro](http://www.turbomecanica.ro).

### Corporate governance structures and Membership of the BoA

**TMB** is a commercial company operating in accordance with Company Law no. 31/1990, amended and supplemented. The company was included in the initial public offering initiated by the Government of Romania in 1995 as "Mass Privatization Program". Under this program, the Company has fulfilled the conditions to be listed on the regulated market **Bucharest Stock Exchange (BSE)**, where it was listed on 07.10.1998.

As issuer, the Company complies with the provisions of Law no. 297/2004 on the capital market, and of the specific regulations issued by the **National Securities Commission (NSC)** based on such law.

**TMB** is managed under a monistic system by a Board of Administration (BoA), formed of 5 members elected by the general meeting of shareholders of 14.05.2012 for a 4-year term, with possibility of re-election.

### Administrators in office as at December 31, 2014

Name	Position	Year of first election	Expiry of current mandate
<b>Radu Viehmann</b>	President, General Director	2000	2016
<b>Dana Maria Ciorapciu</b>	Non-executive Administrator	2006	2016
<b>Emilia Manta</b>	Non-executive Administrator	2006	2016
<b>Grigore Florescu</b>	Non-executive Administrator	2006	2016
<b>Henriette Spinka</b>	Independent Non-executive Administrator	2008	2016

The BoA members have adopted the CGC of the **BSE** voluntarily, have approved the CGR, which is available in the Romanian language on the company's website [www.turbomecanica.ro](http://www.turbomecanica.ro) and report to the **BSE** the level of compliance with the 19 principles and 41 recommendations by the Declaration on compliance or non-compliance with the provisions of the Corporate Governance Code ("Apply or Clarify" Declaration). **TMB** has taken and will take all professional, legal and administrative measures required to align to the Code and present such results in a transparent manner.

The powers and responsibilities of the BoA are provided in the CGR. The president of the BoA is also the Company's general director.

The BoA formed three working committees as follows: audit committee, nomination committee and remuneration committee. Most of such committees include the BoA's non-executive members.

The administrators' professional training and experience is presented in the CVs which are available on the Company's website [www.turbomecanica.ro](http://www.turbomecanica.ro).

The administrators who also hold similar positions in other issuing companies in the country or abroad are:

- Henriette Spinka – administrator at SC Anteco SA Ploiești since 2008;

**The administrators' participation in the share capital of TMB as at December 31, 2014**

Name	Position	No. of shares	% of share capital
<b>Radu Viehmann</b>	President, General Director	95,758,800	25.9198
<b>Dana Maria Ciorapciu</b>	Non-executive Administrator	56,003,876	15.1590
<b>Emilia Manta</b>	Non-executive Administrator	0	0
<b>Grigore Florescu</b>	Non-executive Administrator	0	0
<b>Henriette Spinka</b>	Independent Non-executive Administrator	225,000	0.0609

In 2014, the BoA convened in 15 meetings, at least two meetings per quarter, which were attended by 4 to 5 of its members – and adopted decisions which enable it to fulfil its duties efficiently and effectively. Therefore, in its meetings, the BoA has analysed the financial results obtained during the reporting period and cumulated from the beginning of the year, as well as its economic performance by reference to the budget and the similar period of the previous year.

The administrators' remuneration applied by the company is based on the national legislation in force. Administrators concluded contracts of mandate, which set a fixed remuneration. The contract model is available on the company's website [www.turbomecanica.ro](http://www.turbomecanica.ro). The remuneration does not include a variable component or other forms of remuneration for administrators. To remunerate members of the executive management following principles of efficiency and performance, a Remuneration Committee was created in the BoA. Given the period of changes the Company is facing, further to the restructuring process, the administrators deem that it is not advisable to declare the revenues they obtained.

### **Shareholders' rights**

**TMB** offers fair treatment to all its shareholders, including minority and foreign shareholders, in accordance with the legal provisions and the Constitutive Act of the Company.

As at December 31, 2014 **TMB** had 5653 shareholders, according to the data reported by **Depozitarul Central S.A. Bucharest**, the company that keeps the shareholders' registry.

**TMB** respects its shareholders' rights, providing them with relevant and up-to-date information, so that they exercise their rights in a fair manner. The company uses its best efforts to achieve effective and active communication with its shareholders, to facilitate shareholders' participation in the general meetings of shareholders (GMS) and the full exercise of their rights. The company fully encourages the shareholders' participation in the GMS works, and shareholders that cannot attend may vote in absentia, based on a special mandate and by correspondence. The company encourages dialogue at GMSs between shareholders and members of the BoA and of the executive management.

**TMB** has adopted rules on the internal flow and dissemination to third parties of documents and information on the issuer, with special focus on the information that may influence the evolution of the market price of the securities issued by it, which form the object of current reports or notices sent on the market, and are made available for investors forthwith on the website of the **Bucharest Stock Exchange** and on its own website, [www.turbomecanica.ro](http://www.turbomecanica.ro).

The Company's website is once again a useful platform for communicating with shareholders. There is a section dedicated to investors called Shareholders' Corner. All information and notices of interest for shareholders are hosted and available in the Shareholders' Corner and News, both in Romanian and in English.

The structure that ensures the relationship with shareholders and other interested public is the **Shareholding Office**.

**Contact data: address:** SC TURBOMECANICA SA, b-dul Iuliu Maniu nr. 244 sector 6 cod 061126 Bucharest, Romania, telephone: (+40 21) 434.07.55; 434.07.41 prefix 245.

### **Transparency, financial reporting, internal control**

Transparent communication is highly important for **TMB**. Fulfilling its reporting obligations and communication transparency are ways of gaining shareholders' and stakeholders' trust. **TMB** seeks to ensure continuous and periodical reporting in an objective and fair manner, which encompasses all the important aspects of the company's business, financial situation, applicable accounting policies, recorded performances.

In 2014, the Company prepared reports and notices regarding the financial results, the call and resolutions of the GMSs, periodical reporting (monthly, quarterly, bi-annual, annual), transactions with persons concerned, etc. The information that formed the object of mandatory reporting – current and periodical reporting – was also posted on the company's website, [www.turbomecanica.ro](http://www.turbomecanica.ro), both in Romanian and English.

In the financial reporting system for 2014, **TMB** complied with accounting regulations, i.e., MoPFO 1286/2012 and Accounting Law no. 82/1991 (republished and amended), MoPFO no. 79/2014 on the main aspects related to the preparation and submission of the annual financial statements and annual accounting reporting of economic operators to the territorial units of the Ministry of Public Finance.

In accordance with the legal provisions, the financial and accounting statements and the statements on the operations of **TMB** are audited by **SC Deloitte Audit SRL**, independent financial auditor, appointed by the general meeting of shareholders of 14.05.2012 for a period of 4 years.

### **Conflict of interest and transactions with persons concerned**

The Board of Administration adopted and identified adequate solutions for the cases when an administrator or employee has a significant interest personally or on behalf of third parties in the relationship with **TMB**.

Each BoA member avoids any direct or indirect conflict of interest with **TMB**. If a conflict of interest arises, the administrator in question must inform the BoA and abstain from debates or voting on such matters.

In accordance with the provisions of Law no. 297/2004 and **NSC** Regulation no. 1/2006, initiate persons and persons with access to inside information on **TMB** must notify the **BSE** on any transaction with **TMB** shares. Notifications are published on the **BSE** website.

**PRESIDENT OF THE BOARD OF ADMINISTRATION  
GENERAL DIRECTOR**

Eng. RADU VIEHMANN

