

# Audit Report



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

**FINANCIAL STATEMENTS  
(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)**

**FOR THE YEAR ENDED  
DECEMBER 31, 2015**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS  
ADOPTED BY THE EUROPEAN UNION,  
IN ACCORDANCE WITH MINISTRY OF PUBLIC FINANCE ORDER NO. 1286/2012,  
WITH SUBSEQUENT AMENDMENTS**

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To the Shareholders of,  
Turbomecanica S.A.  
Bucharest, Romania

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

1. We have audited the accompanying financial statements of Turbomecanica S.A. (the "Company"), which comprise the statement of financial position as at December 31, 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("EU"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

## *Bases of qualified opinion*

6. On October 8, 2012 the Company drew up a stock count minute of the assets from the Central Warehouse further to the fire of March 6, 2012, when the prejudice was estimated at RON 1,490,415 out of the total affected stocks in amount of RON 15,534,255. Further to the event, the stock count committee at RON 14,043,840 revaluated the stocks recovered. We could not obtain sufficient audit evidence regarding the revaluation of stocks recovered or the damages caused by such event at that date. During 2015 the Company has analysed the slow moving inventories which include stocks recovered from the fire and recorded allowances in amount of RON 11.031.287. Since we were unable to obtain sufficient audit evidence regarding the valuation of recovered stocks in the past, consequently, we were unable to determine the potential adjustments that would have been necessary as regards the remaining stocks' carrying value as at December 31, 2015, retained earnings and inventory stock valuation allowances in amount of RON 11.031.287 recorded in the profit and loss account for the year ended December 31, 2015.

## *Qualified opinion*

7. In our opinion, except for the possible effects of the matter described in paragraph 6, the financial statements present fairly the financial position of the Company as at December 31, 2014, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union ("EU").

## *Observations*

8. As mentioned in Note 3, the Company's management assessed the continuity of the Company's activity. The Company depends on its continuing cooperation with relatively reduced number of clients. The management has assessed its relationship with such clients and has identified no reason to believe that such cooperation will no longer continue in the foreseeable future. These financial statements do not include any adjustment with regard to such uncertainty. Our opinion is not qualified in this respect.

## **Reporting requirements concerning the administrators' report**

The administrators are responsible for the preparation and presentation of the administrators' report in accordance with the requirements of the Ministry of Public Finance Order no. 1286/2012, Chapter II, articles 10-14, which does not contain material misstatements and for such internal control as management determines is necessary to enable the preparation of the administrator's report that is free from material misstatement, whether due to fraud or error.

The administrators' report is presented from pages 1 to 20 and is not part of the financial statements.

Our opinion on the financial statements does not cover the administrators' report.



In connection with our audit of the financial statements, we have read the attached administrators' report and presented from page 1 to 20 and we report as follows:

- a) in the administrators' report, we have not identified information which is not consistent, in all material respects, with the information presented in the financial statements attached;
- b) the administrators' report identified above contains, in all material respects, the required information according to the provisions of Ministry of Public Finance Order no. 1286/2012, Chapter II, articles 10-14;
- c) based on our knowledge and understanding concerning the Company and its environment gained during the audit on the financial statements prepared as of December 31, 2015, we have not identified information included in the administrators' report that contains a material misstatement of fact.

Adriana Lobda, Audit Partner

*For signature, please refer to the original Romanian version.*

*Registered with the Romanian Chamber of Financial Auditors  
under no. 1550/30.01.2004*

*On behalf of:*

**DELOITTE AUDIT S.R.L.**

*Registered with the Romanian Chamber of Financial Auditors  
under no. 25/25.06.2001*

Bucharest, Romania  
March 30, 2016

**S.C. TURBOMECHANICA S.A.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
(all the amounts are expressed in „RON”, unless otherwise specified)

	Note	December 31, 2015 RON	December 31, 2014 RON
Revenues	4	69,141,032	53,675,358
Other gains and losses	9	(14,985,665)	(2,363,784)
Changes in inventories		2,529,251	(162,517)
Raw materials and consumables	5	(15,864,137)	(12,999,635)
Employee benefits	6	(22,301,787)	(17,977,039)
Asset impairment		(5,445,365)	(4,376,236)
Financial costs, net	7	(3,385,665)	(4,531,530)
Other operating expenses	8	(6,399,707)	(6,343,691)
Loss from sale of assets held for sale		115,948	(12,742,291)
<b>Profit / (Loss) before taxation</b>		<b>3,403,905</b>	<b>(7,821,365)</b>
Income tax	10	443,354	4,266,896
<b>Profit / (Loss) for the year</b>		<b>3,847,259</b>	<b>(3,554,469)</b>
<b>Other comprehensive income, net of taxation</b>			
Gains on revaluation		-	3,951,110
Deferred income tax			(1,058,756)
Actuarial (loss) / gain on defined benefits plan	21	238,668	
<b>Other comprehensive income for the year</b>		<b>238,668</b>	<b>2,892,354</b>
<b>Comprehensive income for the year</b>		<b>4,085,927</b>	<b>(662,115)</b>
<b>Result per share</b>	27		
Number of shares		369,442,475	369,442,475
(RON / share) basic and diluted		0.01	(0.01)

The financial statements were approved by the Board of Administration and authorized for issuance on March 30, 2016.

  
**CLAUDIA ANGHEL,**  
Economic - Commercial Manager

  
**RADU VIEHMANN,**  
President - General Manager



The accompanying notes form an integral part of these financial statements.  
This is a free translation from the original Romanian version.

**S.C. TURBOMECHANICA S.A.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2015**

(all the amounts are expressed in „RON”, unless otherwise specified)

	Nota	December 31, 2015 RON	December 31, 2014 RON
<b>ASSETS</b>			
<b>Long-term assets</b>			
Property, plant and equipment	11	55,047,738	54,924,522
Intangible assets	12	8,930,542	10,445,422
Other assets		1,000	
<b>Total long-term assets</b>		<b>63,979,280</b>	<b>65,369,944</b>
<b>Current assets</b>			
Inventories	13	23,951,055	29,736,898
Trade receivables	14	2,250,180	2,143,829
Other receivables	15	2,396,696	1,047,431
Cash and cash equivalents	16	7,118,858	11,903,023
Assets held for sale	17	10,638,705	11,120,396
<b>Total current assets</b>		<b>46,355,494</b>	<b>55,951,577</b>
<b>Total assets</b>		<b>110,334,774</b>	<b>121,321,521</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued capital	18	1,024,571,055	1,024,571,055
Reserves	19	80,140,683	80,544,931
Retained earnings		(1,068,502,598)	(1,072,992,773)
<b>Total equity</b>		<b>36,209,140</b>	<b>32,123,213</b>
<b>Long-term liabilities</b>			
Borrowings	20	4,905,781	7,997,601
Deferred tax liabilities	10	3,862,833	4,737,497
Provisions	21	968,649	1,494,810
Other long-term liabilities	24	3,474,291	5,933,564
<b>Total long-term liabilities</b>		<b>13,211,554</b>	<b>20,163,472</b>
<b>Current liabilities</b>			
Trade and other liabilities	22	4,145,741	6,770,404
Borrowings	20	44,518,895	47,643,105
Current income tax		431,310	-
Provisions	21	2,558,999	1,565,401
Deferred income	23	515,658	4,953,313
Other current liabilities	23	8,743,477	8,102,614
<b>Total current liabilities</b>		<b>60,914,080</b>	<b>69,034,837</b>
<b>Total liabilities</b>		<b>74,125,634</b>	<b>89,198,309</b>
<b>Total equity and liabilities</b>		<b>110,334,774</b>	<b>121,321,521</b>

The financial statements were approved by the Board of Administration and authorized for issuance on March 30, 2016.

  
**CLAUDIA ANGHEL,**  
Economic - Commercial Manager

  
**RADU VIEHMANN,**  
President - General Manager



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**S.C. TURBOMECHANICA S.A.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
(all the amounts are expressed in „RON”, unless otherwise specified)

	December 31, 2015	December 31, 2014
<b>Cash flow from operations</b>		
<b>Net profit / (loss) of the year</b>	<b>3,847,259</b>	<b>(3,554,469)</b>
<b>Adjustments for:</b>		
Income tax	(443,354)	(4,266,896)
Impairment expenses	5,445,365	4,308,184
Provision for receivables	125,559	-
Provision for inventories	11,031,287	(153,586)
Other provisions	774,895	(336,860)
Net gain on sale of fixed assets	(109,665)	12,742,258
Financial costs	3,174,978	4,446,205
Other financial gains	(485)	(134)
Net gains from exchange rate differences	3,122,713	2,984,655
Adjustments for impairment of assets revalued	-	(289,605)
<b>Changes in working capital</b>		
Increase / (Decrease) in trade and other receivables	(1,582,174)	(410,806)
Increase / (Decrease) of inventories	(5,245,445)	(4,646,257)
Increase in trade and other liabilities	(8,995,599)	766,938
<b>Net cash generated by / (used in) operating activities</b>	<b>11,145,334</b>	<b>11,589,627</b>
Income tax paid		
Interest paid	(4,500,195)	(1,013,946)
<b>Net cash generated by / (used in) operating activities</b>	<b>6,645,139</b>	<b>10,575,681</b>
<b>Cash flows from investment activities</b>		
Purchase of tangible assets	(3,905,839)	(1,212,264)
Purchase of intangible assets	(220,932)	(70,835)
Proceeds from sale of fixed assets	664,425	23,091,940
<b>Net cash generated by / (used in) investment activities</b>	<b>(3,462,346)</b>	<b>21,808,841</b>
<b>Net cash from financing activities</b>		
(Repayments) / collection of borrowings	(8,205,626)	(20,784,641)
Actuarial gain on defined benefits plan	238,668	-
<b>Net cash generated by / (used in) financing activities</b>	<b>(7,966,958)</b>	<b>(20,784,641)</b>
<b>Net increase / (decrease) of cash and cash equivalents</b>	<b>(4,784,165)</b>	<b>11,599,881</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>11,903,023</b>	<b>303,142</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>7,118,858</b>	<b>11,903,023</b>

The financial statements were approved by the Board of Administration and authorized for issuance on March 30, 2016.

  
**CLAUDIA ANGHEL,**  
Economic - Commercial Manager

  
**RADU VIEHMANN,**  
President - General Manager



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**S.C. TURBOMECHANICA S.A.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
(all the amounts are expressed in „RON”, unless otherwise specified)

	Share capital	Reserves	Revaluation reserve	Retained earnings	Total
<b>Balance as at January 1, 2014</b>	<b>1,024,571,055</b>	<b>45,903,557</b>	<b>55,475,344</b>	<b>(1,093,165,028)</b>	<b>32,785,328</b>
Profit / (Loss) for the year	-	-	-	(3,554,469)	(3,554,469)
Realization of revaluation reserves	-	-	(23,726,724)	23,726,724	-
Other comprehensive income for the year net of tax	-	-	2,892,354	-	2,892,354
<b>Balance as at December 31, 2014</b>	<b>1,024,571,055</b>	<b>45,903,957</b>	<b>34,640,974</b>	<b>(1,072,992,773)</b>	<b>32,123,213</b>
	Share capital	Reserves	Revaluation reserve	Retained earnings	Total
<b>Balance as at January 1, 2015</b>	<b>1,024,571,055</b>	<b>45,903,957</b>	<b>34,640,974</b>	<b>(1,072,992,773)</b>	<b>32,123,213</b>
Profit / (Loss) for the year	-	-	-	3,847,259	3,847,259
Realization of revaluation reserves	-	-	(574,443)	574,443	-
Increase in legal reserves	-	170,195	-	(170,195)	-
Other net comprehensive income net of tax	-	-	-	238,668	238,668
<b>Balance as at December 31, 2015</b>	<b>1,024,571,055</b>	<b>46,074,152</b>	<b>34,066,531</b>	<b>(1,068,502,598)</b>	<b>36,209,140</b>

The financial statements were approved by the Board of Administration and authorized for issuance on March 30, 2016.

  
**CLAUDIA ANGHIEL,**  
Economic - Commercial Manager

  
**RADU VIEHMANN,**  
President - General Manager



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**S.C. TURBOMECHANICA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(all the amounts are expressed in „RON”, unless otherwise specified)**

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**1. GENERAL INFORMATION**

S.C. TURBOMECHANICA S.A. ("Turbomechanica" 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 shareholder's structure is available on BSE web site.

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

The activity of the company is manufacturing of engines and mechanical assemblies for aircrafts and helicopters. The main products provided by the Company are: Turbo engines, Viper engines, modernization of Puma helicopters, spare parts for Viper, Spey and Turbo engines, spare parts and engines for Rolls-Royce. Turbomechanica is the only producer of gas turbine engines and mechanical assemblies for aircrafts on the Romanian market.

The Company's main clients on the national market are the Ministry of Defense and IAR Brasov, but the Company has also concluded transactions with clients from Europe (Rolls Royce) or the US (General Electric US).

The average number of employees changed from 2014 to 2015 as follows:

	<u>2015</u>	<u>2014</u>
Average number of employees	404	318

**2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**Standards and Interpretations effective in the current period**

The following amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union are effective for the current period:

- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),
- **IFRIC 21 "Levies"** adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014)

**Standards and Interpretations issued by IASB and adopted by the EU, but not yet effective**

At the date of authorization of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 February 2015),

**S.C. TURBOMECHANICA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(all the amounts are expressed in „RON”, unless otherwise specified)**

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

- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).
- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 25 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** - Clarification of Acceptable Methods of Depreciation and Amortization - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture”** - Agriculture: Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 27 “Separate Financial Statements”** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)”** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

**Standards and interpretations issued by the IASB, but not yet adopted by the EU**

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at the approval of these financial statements:

- **IFRS 9 “Financial Instruments”**, issued on July 24, 2014 replaces IAS 39 Financial Instruments, Recognition and Measurement, effective for annual periods beginning on or after 1 January 2018.

IFRS 9 includes requirements on financial instruments regarding recognition, classification and measurement, impairment losses, derecognition and hedge accounting:

**Recognition and Measurement:** IFRS 9 comes with a new approach regarding the classification of financial assets, determined by the characteristics of cash flows and the business model based on which an asset is held. Such unique principle-based approach replaces the rule-based requirements of IAS 39. The new model will also determine a single impairment model applicable to all financial instruments.

**Impairment losses:** IFRS 9 introduces a new model for impairment losses, based on expected loss, which will require the faster recognition of expected losses on the impairment of receivables. The standard provides that entities should register expected impairment losses on receivables upon the initial recognition of the financial instruments and also recognize much faster expected impairment losses throughout the entire useful life thereof.

**S.C. TURBOMECHANICA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(all the amounts are expressed in „RON”, unless otherwise specified)**

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

Hedge accounting: IFRS 9 introduces a model which is significantly improved regarding hedge accounting, which comprises additional disclosure requirements regarding risk management. The new model is a significant update of hedge accounting, which enables the accounting treatment to be aligned to risk management activities.

Own credit: IFRS 9 eliminates the volatility in the profit or loss arising from the change in credit risk related to liabilities measured at fair value. The change in the accounting requirements related to such liabilities implies that revenues from the mitigation of an entity's own credit risk will no longer be recognized through profit or loss.

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) – the European Commission decided not to initiate the adoption of this interim standard, and to wait the issue of the final standard;
- IFRS 15 "Revenue from Contracts with Customers" with subsequent amendments (effective for annual periods beginning on or after 1 January 2018);
- IFRS 16 „Leasing" (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture with subsequent amendments (the effective date has been postponed indefinitely until the research project regarding the equity method is complete).

**3. SIGNIFICANT ACCOUNTING POLICIES**

**The main accounting policies are presented below:**

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

***Statement of compliance***

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, according to the Ministry of Public Finance Order no.1286/2012, as subsequently amended.

***Basis of preparation***

The individual financial statements of Turbomecanica SA have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations, as adopted by the European Union. The individual financial statements have been prepared on the historical cost basis, as amended further to the revaluation of tangible assets and financial assets available for sale at fair value through equity.

The preparation of the individual financial statements in accordance with IFRS requires the use of critical accounting estimates. It also requires that the management use its professional judgment when applying the Company's accounting policies.

**S.C. TURBOMECANICA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(all the amounts are expressed in „RON”, unless otherwise specified)**

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

***Going concern***

As at December 31, 2015 the Company registered a cumulated loss of RON 1,068,502,598 which also includes the effects of the application of inflation ratios according to IAS 29. In 2015, the Company registered a profit of RON 3,847,259. Such matters indicate uncertainty regarding the Company's going concern. Therefore, the Company's ability to continue its activity depends on its capacity to generate sufficient future revenues, on the financial support of the crediting banks. The Company's management also deems that the decrease of the gearing ratio due to sale of assets and reimbursement of some loans will lead to an increased support from financing banks. These financial statements do not include adjustments arising from the outcome of such uncertainty related to the going concern.

The Company is currently dependent on the activity with two main internal customers. Turnover with these clients for 2015 represents 86% of total turnover of the Company.

***Comparatives***

For each item of balance sheet, profit and loss, and where applicable, changes in equity, the Company presented the value of the corresponding item for the previous financial year.

If the values related to the previous year are not comparable to the current period, then such have been amended to provide consistency with the accounting policies and disclosure requirements for the current year.

***Revenue recognition***

The revenue is measured at the fair value of the counter value received or receivable. Revenue from sales is reduced for returns, commercial rebates and other similar reductions.

***Revenue from sales of goods***

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenues from the sale of goods are recognised when the goods are delivered and the ownership right is transferred.

***Revenues from services***

Revenues generated by a services supply contract are recognised according to the degree of completion of the transaction. The degree of completion of the transaction is established as follows:

- Installation fees are recognised according to the degree of completion of the installation, determined as portion of the total estimated time for installation lapsing at the end of the reporting period;
- Maintenance fees included in the prices of the products sold are recognised by reference to the portion out of the total maintenance cost for the sold product; and
- Revenues generated by time and materials contracts are recognised at contractual rates as hours worked and direct costs.

**S.C. TURBOMECHANICA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(all the amounts are expressed in „RON”, unless otherwise specified)**

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

***Revenue recognition (continued)***

*Revenues from dividends and interest*

The revenue from financial investments is recognised when the shareholders' right to receive payment has been established (provided that the economic benefits are directed to the Company and the value of revenues is measured with accuracy).

The revenues from interest generated by a financial asset are recognised when it is probable that the Company obtains economic benefits and when such revenue can be reliably measured. The revenue from interest is accumulated in time, by reference to the principal and the actual interest rate applicable, meaning the rate that discounts with accuracy the estimated future cash collections throughout the estimated period of the financial asset at the net book value of the asset upon initial recognition.

*Revenues from rentals*

The Company's policy on the recognition of revenues from operating lease is described below.

*Leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*Company as lessor*

Amounts payable by a lessee under financing lease are recognised as receivables at the value of the net investment of the Company's in leases. The revenue from finance leases is attributed to accounting periods so as to reflect a constant periodic rate of return of the Company's net investments regarding leases.

Revenues from operating leases are recognised on a straight-line basis over the lease term. Direct initial costs involved in the negotiation and contracting of an operating lease are added to the book value of the leased asset and are recognised on a straight line basis over the lease term.

*Company as lessee*

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless directly attributable to eligible assets, in which case are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as an expense in the period in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals from operating lease are recognized as an expense in the period in which they are incurred.

If lease incentives are received to conclude operating leases, such incentives are recognised as liability. The aggregate benefit of the incentives is recognised as a straight line reduction of lease expenses, except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased asset are consumed.

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

***Foreign currency transactions***

In preparing these financial statements, transactions in other currencies than the functional currency are recorded at the exchange rate valid at the date of the transaction. At the end of each reporting period, non-monetary elements expressed in foreign currency are translated at the exchange rate valid on such date. Non-monetary elements accounted at fair value, expressed in a foreign currency are translated at the current rates valid on the date when the fair value was determined. Non-monetary elements measured at historical cost in a foreign currency are not translated again. The exchange rates used are EUR 1 = RON 4.5245 (December 31, 2015) and EUR 1 = RON 4.1477 (December 31, 2014), average rate EUR 2015 = RON 4.4450.

Foreign exchange differences for monetary elements are recognised in the profit and loss in the period they are incurred, except for:

- foreign exchange differences corresponding to borrowings in foreign currency for assets in progress for future production, which are included in the cost of such assets when considered an adjustment of the expense with the interest related to such borrowings in foreign currency;
- foreign exchange differences related to transactions concluded to cover certain foreign currency risks (see the hedge accounting policies below).

***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Revenues from investing temporarily the obtained borrowings to purchase or construct qualifying assets are deducted from the borrowing costs that may be capitalised.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

***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 labour 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 recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

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

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

This is a free translation from the original Romanian version.



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

**Employee benefits (continued)**

*Benefits for termination of employment contract*

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

***Taxation***

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

*Current tax*

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

*Deferred tax*

Deferred tax is recognised 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 recognised for all taxable temporary differences.

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

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

Deferred tax assets and liabilities are measured at the level of the taxes assumed to apply during the period set for the recovery of the debt or realisation 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 is recognised in profit and loss unless it refers to elements recognised in other comprehensive results or directly in equity, in which case current and deferred tax is also recognised in other global income, or equity.

The income tax for the year ended December 31, 2015 was 16% (December 31, 2014: 16%).

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

***Property, plant and equipment***

Tangible assets used in production or to supply goods or services, or for administrative purposes, are presented in the statement of financial position at re-measured value less depreciation and any cumulated depreciation.

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 capitalised in accordance with the Company's accounting policies. Such assets are classified under such categories of tangible assets when completed or ready for use for the purpose they were intended. The depreciation of such assets, on the same basis as other owned assets, commences when the assets are ready for use as intended by the management.

The depreciation periods for tangible assets are:

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

Land is not depreciated.

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

Assets held under finance 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 recognised 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 recognised 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 amortisation 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.

***Internally generated intangible assets – research and development expenses (continued)***

Expenses for research and development are recognised as expense in the period in which they are incurred.

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

***Intangible assets (continued)***

***Internally generated intangible assets – research and development expenses (continued)***

Expenses for research and development are recognised as expense in the period in which they are incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The initially recognised value of internally generated intangible assets means the sum of all costs incurred as of the date when the intangible asset fulfils for the first time the recognition criteria above. Where no internally generated intangible asset may be recognised, development expenses are recognised in profit and loss in the period in which they are incurred.

After initial recognition, internally generated intangible assets are reported at cost less any accumulated amortisation and any impairment losses, the same as intangible assets acquired separately.

***Intangible assets acquired as part of a business combination***

Intangible assets acquired as part of a business combination and recognised separately from goodwill are initially recognised at fair value on the acquisition date (deemed cost thereof).

After initial recognition, intangible assets acquired as part of a business combination are reported at cost minus any accumulated amortisation and any impairment losses, the same as intangible assets acquired separately.

***Derecognition of intangible assets***

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

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

At the end of each reporting period, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that such assets have impaired. Should such indication exist, the Company estimates the recoverable value of the asset to determine the extent of the impairment (if any). Where the recoverable value of a particular asset cannot be estimated, the Company estimates the recoverable value of the cash generating unit to which the asset belongs. Where there can be identified a reasonable and consistent basis of allocation, corporate assets will also be allocated to individual cash generating units or, if not, to the smallest group of cash generating units for which a reasonable and consistent basis of allocation can be identified.

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

***Impairment of tangible and intangible assets other than goodwill (continued)***

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 recognised 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.

Were 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 recognised in previous years. A reversal of impairment is immediately recognised 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 are carried at the lower of cost and net realizable value. Cost is determined using the WAC (weighted average cost) method. Net realizable value represents the estimated selling price throughout the normal business course, less estimated costs of completion and costs necessary to make the sale.

Obsolete inventories were adjusted as follows: by 100% inactive inventories in the last 5 years (or more), by 40% inactive inventories in the last 4 years and by 30% inactive inventories in the last 3 years. Inactive inventories in the last 2 years have not been adjusted since most manufactured products have long cycle of use. To adjust slow moving inventories, only those materials that registered outflows in 2015 have been taken into account, and inventories as at 31.12.2014 and 31.12.2015 were different from zero. The rate was calculated as the ratio between the average inventories (as at 31.12.2014 and 31.12.2015) and 2015 outflows. The adjustments were calculated according to the size of 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).

Inventories of raw materials and consumables managed by DPPV – Finished parts VIPER; DPRP – Repaired parts; DPMP – hazardous materials, intended only for the manufacturing and repair or VIPER 632-41 engines, were 100% provisioned.

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

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Provisions (continued)***

***Onerous contracts***

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

***Restructurings***

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

***Guarantees***

Provisions for estimated costs of guarantee obligations according to local legislation concerning the sale of goods are recognised 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.

**Financial assets and liabilities**

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

**Financial assets**

Financial assets are classified in the following categories: financial assets "at fair value through profit and loss" and "loans and receivables". The classification depends on the nature and scope of the financial assets and is determined upon initial recognition. All standard purchases or sales of financial assets are recognised and derecognised on the transaction date. Standard purchases or sales are purchases or sales of financial assets that require the delivery of the assets within a short period of time through regulation or market convention.

**Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including the taxes paid or received forming an integral part of the effective interest rate, transaction costs, and other premiums or discounts) over the estimated period of the debt instrument, or (if applicable) over a shorter period, to the net carrying amount as at the initial recognition date.

The income is recognised based on the effective interest method for debt instruments other than the assets classified as financial assets at fair value through profit and loss.

**Financial assets at fair value through profit or loss**

Financial assets are classified as financial assets at fair value through profit or loss when they are either held for trading or when they are classified as financial assets at fair value through profit or loss.

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial assets and liabilities (continued)**

**Financial assets at fair value through profit or loss (continued)**

A financial asset is classified as held for trading:

- if it is acquired principally for the purpose of selling or repurchasing it in the near term; or
- upon initial recognition if it is part of a portfolio of identified financial instruments that the Company manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- if it is a derivative not designated and effective as hedging instrument.

A financial asset other than a financial asset held for trading may be designated as financial asset at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset is part of a group of financial assets, financial liabilities or both, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- the asset is part of a contract containing one or more embedded derivatives, and IAS 39 Financial instruments: recognition and measurement allows that the entire combined contract (asset or liability) be designated as financial asset at fair value through profit or loss.

Financial assets at fair value through profit or loss are declared at fair value, and any gain or loss arising from revaluation is recognised in profit or loss. Net gains or losses recognised in profit or loss comprise all the dividends or interest gained at financial assets and are included as "Net financial gains" in the statement of comprehensive income.

**Loans and receivables**

Borrowings and receivables are non-derivative financial instruments with fixed or determinable payments not quoted on an active market. Borrowings and receivables (including trade and other receivables, bank balances and cash, etc.) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest method, except for short-term receivables when the recognition of the interest is not material.

**Impairment of financial assets**

Financial assets other than at fair value through profit or loss are tested for impairment on each balance sheet date.

Financial assets are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) had an impact on the future cash flow corresponding to the investment.

Certain categories of financial assets such as clients, assets measured as not individually impairable are subsequently tested for impairment collectively. Objective evidence that a portfolio of receivables is impaired may include the Company's past experience regarding collective payments, an increase in the collection of delayed payments beyond the crediting period, and visible changes in the national and local economic conditions that correlate with payment incidents regarding receivables.

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of financial assets (continued)**

Other objective evidence of impairment include:

- significant financial difficulty of the issuer or obligor; or
- a breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter insolvency or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The carrying value of the financial asset is reduced by the impairment loss, directly for all financial assets, except for trade receivables, in which case the carrying value is reduced through an allowance account. If it is deemed that a receivable cannot be recovered, it shall be written off and deducted from the provision. Subsequent recoveries of the amounts previously written off are credited in the allowance account. Changes in the carrying value of the allowance account are recognised in profit or loss.

**Derecognition of financial assets**

The Company derecognises financial assets if and only if the contractual rights over the cash flows expire; or it transfers the financial asset and substantially all of the risks and rewards related to the asset to another entity.

When derecognising a financial asset other than entirely (e.g., when the Company does not retain an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the entity retains control), the Company allocates the previous carrying value of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying value allocated to the part that is no longer recognised and the sum of the consideration received together with any cumulative gain or loss that had been recognised in other elements of comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other elements of comprehensive income is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts.

**Financial liabilities and equity instruments**

**Classification as liability or equity**

Debt or equity instruments issued by the Company are classified either as financial liabilities or equity in accordance with contractual engagements and the definition of a financial liability and equity instrument.

**Equity instruments**

An equity instrument is any contract that proves a residual participation in the assets of an entity after deducting all liabilities.

**Financial liabilities**

Financial liabilities are classified either as financial liabilities “at fair value through profit or loss” or as “other financial liabilities”.

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

Financial liabilities are classified at fair value through profit or loss when the financial liability is either held for trading, or designated at fair value through profit or loss.

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial liabilities and equity instruments (continued)**

**Financial liabilities at fair value through profit or loss (continued)**

A financial liability is classified as held for trading:

- if it is acquired principally for the purpose of selling or repurchasing it in the near term; or
- if, upon initial recognition, is part of a portfolio of identified financial instruments that the Company manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- if it is an embedded derivative not designated and effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as financial liability at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability is part of a group of financial assets, financial liabilities or both, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- the asset is part of a contract containing one or more embedded derivatives, and IAS 39 Financial instruments: recognition and measurement allows that the entire combined contract (asset or liability) be designated as financial liability at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are declared at fair value, and any gain or loss arising from re-measurement is recognised in profit or loss. Net gains or losses recognised in profit or loss comprise any interest paid in relation to the financial liability and are included as "Net financial expenses" in the statement of comprehensive income.

**Other financial liabilities**

Other financial liabilities (including borrowings) are subsequently measured using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expenses over the relevant period. The effective interest rate is the rate that discounts exactly estimated future cash payments (including all fees and points paid or received forming an integral part of the effective interest rate, transaction costs, and other premiums or discounts) over the estimated period of the financial liability, or (if applicable) over a shorter period, to the net carrying value as at the initial recognition date.

**Derecognition of financial liabilities**

The Company derecognises financial liabilities if and only if the Company's liabilities are paid, cancelled or expire. The difference between the carrying value of the derecognised financial liability and the counter value paid and payable is recognised in profit or loss.

**Subsidiaries and associates**

Counterparties are deemed subsidiaries or associates when another party, either through ownership, contractual rights, family relations or other means, may control directly (subsidiaries) or influence significantly (associates) the other party.



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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Segment reporting***

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

Settlement prices among segments are set objectively.

The results, assets and liabilities related to a segment include elements that may be allocated directly to one segment, and elements that may be allocated on a reasonable basis. Elements not allocated principally consist of investments (other than property investment) and related revenues, credits and loans and related expenses, corporate assets (mainly the Company's main office) and administrative expenses related to the main office, and income tax assets and liabilities.

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

***Critical accounting judgements***

The following are the critical judgements that the management has used in applying the Company's accounting policies and which have a significant impact on the carrying values recognised in the financial statements.

**i) Allowances for impairment of tangible and intangible assets**

At the end of each reporting period, the Company revises the carrying values of its tangible and intangible assets to determine whether there is any indication that such assets are 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. The recoverable value means the highest value of fair value minus sale costs and its value in use. When assessing the value in use, the management estimates future cash flows discounted at their current value by using an un-discounting rate which reflects the current market value of the time value of money and the risks specific to the asset for which the estimated cash flows have not been adjusted. The carrying amount of tangible and intangible assets as at December 31, 2015 is of RON 63,979,280. As at December 31, 2015 the Company did not find any indication of impairment of the recoverable value of such non-current assets.

**ii) Useful life of tangible and intangible assets**

The Company revises the estimated useful life of tangible and intangible assets at the end of each annual reporting period. The useful lives have been reassessed at the end of December 31, 2015 and no changes have been identified. The useful lives are presented in Note 3 tangible and intangible accounting policies.

**iii) Pension obligations**

The present value of pension obligations depends on a number of factors determined on an actuarial basis, using various hypotheses. Any change in such hypotheses will influence the carrying value of the pension obligations. The pension obligations are in amount of RON 968,649 RON as at December 31, 2015.

**iv) Deferred tax. The carrying amount as at December 31, 2015 and December 31, 2014 is presented in Note 10.**

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

v) Provisions and contingent liabilities. Provisions are reassessed annually – presented in Note 21 and contingent liabilities are also determined on annual basis - presented in Note 30.

vi) The fair value of financial instruments

The fair value of financial instruments that are not traded on an active market is determined by using measurement techniques. The Company uses its judgement to choose from various methods and advance hypotheses that rely mainly on the existing market conditions at the end of each reporting period. Financial instruments analysis is presented in Note 26.

The management considers that the measurement techniques and the hypotheses used are correct for setting the fair value of financial instruments.

**4. INCOME**

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

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
	<b>RON</b>	<b>RON</b>
Income from the sale of finished products	68,346,055	52,807,918
Income from the sale of merchandise	7,811	7,017
Income from services provided	651,330	694,785
Income from other activities	75,692	87,246
Income from the sale of residual products	60,144	78,392
<b>Total</b>	<b>69,141,032</b>	<b>53,675,358</b>

**5. RAW MATERIALS AND CONSUMABLES USED**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Expenses with raw materials	10,979,550	10,037,557
Expenses with utilities	1,748,219	1,615,881
Expenses with auxiliary materials	2,006,642	953,024
Other similar expenses	960,390	385,928
Packaging expenses	163,295	6,727
Cost of goods sold	6,041	518
<b>Total</b>	<b>15,864,137</b>	<b>12,999,635</b>

**6. EMPLOYEE BENEFITS**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Salaries	17,195,382	13,439,285
Social security contributions	4,135,713	3,894,988
Other expenses with contributors	970,692	642,766
<b>Total</b>	<b>22,301,787</b>	<b>17,977,039</b>

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**7. NET FINANCIAL LOSSES**

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Interest expense	3,174,978	4,446,205
Bank commissions	158,251	75,861
Other financial expenses	52,921	9,606
Other financial income	-	(8)
Interest income	(485)	(134)
<b>Total</b>	<u><b>3,385,665</b></u>	<u><b>4,531,530</b></u>

**8. OTHER OPERATING EXPENSES**

	<u>December 31, 2015 RON</u>	<u>December 31, 2014 RON</u>
Services provided by third parties	2,735,338	2,388,263
Other operating expenses	1,103,507	2,316,114
Duties and taxes	666,826	357,454
Repairs	357,055	236,515
Advertising, publicity and protocol	723,972	118,501
Insurance premiums	92,554	793,736
Secondments	627,041	104,188
Rental expenses	15,553	28,636
Employee training	77,585	-
Transport expenses	276	284
<b>Total</b>	<u><b>6,399,707</b></u>	<u><b>6,343,691</b></u>

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

	<u>December 31, 2015 RON</u>	<u>December 31, 2014 RON</u>
Net gain on foreign exchange	(3,122,713)	(2,984,655)
Movement of provisions	(11,862,952)	620,871
<b>Total</b>	<u><b>(14,985,665)</b></u>	<u><b>(2,363,784)</b></u>
<b>Losses from sale of assets held for sale</b>	<u><b>115,948</b></u>	<u><b>(12,742,291)</b></u>

Details regarding the sale of assets held for sale in the year 2015 are presented in Note 17.

**10. INCOME TAX**

In 2015 and 2014, the income tax rate was 16%.

The differences between the regulations issued by the Ministry of Finance in Romania and the accounting rules used to prepare the financial statements give rise to a temporary difference between the carrying value of certain assets and liabilities and their fiscal value. The deferred income tax is computed for all temporary differences to which tax is applied using the balance sheet liability method and using the tax rate of 16%.

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**10. INCOME TAX (continued)**

The income tax recognised in profit or loss:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Current income tax	(431,310)	-
Deferred income tax	874,664	4,266,896
<b>Total</b>	<b>443,354</b>	<b>4,266,896</b>

Reconciliation of current income tax:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Profit/Loss before taxation	4,278,569	(7,821,365)
Legal reserve	(170,195)	
Elements similar to revenues	562,856	26,616,908
Elements similar to expenses	-	(4,022,743)
Non-taxable income	(3,674,921)	(5,748,326)
Non-deductible expenses	22,384,742	20,613,177
Tax deductions	(2,484,514)	(2,782,158)
<b>Taxable result</b>	<b>20,896,537</b>	<b>26,855,493</b>
Fiscal losses used	(18,178,977)	(26,855,493)
<b>Income tax expense</b>	<b>(431,310)</b>	<b>-</b>

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**10. INCOME TAX (continued)**

The deferred income tax in 2015 and 2014 is as follows:

	Balance as at January 1, 2014	Recognized through profit or loss	Recognized through other comprehensive income	Balance as at December 31, 2014	Recognized through profit or loss	Recognized through other comprehensive income	Balance as at December 31, 2015
Tangible assets – revaluation reserves	(7,945,637)	4,266,896	1,058,756	(4,737,497)	874,664	-	(3,862,833)
Employee benefits liabilities	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-
<b>Net tax (asset)/liability</b>	<b>(7,945,637)</b>	<b>4,266,896</b>	<b>1,058,756</b>	<b>(4,737,497)</b>	<b>874,664</b>	<b>-</b>	<b>(3,862,833)</b>

In 2015, the Company registered income from deferred tax in amount of RON 874.664 due to the decrease of the deferred tax liability as at December 31, 2015.

Deferred tax consists of:

	Assets		Liabilities		Net	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
Tangible assets – revaluation reserves	-	-	(4,427,257)	(4,737,497)	(4,427,257)	(4,737,497)
Employee benefits liabilities	154,984	-	-	-	154,984	-
Provisions	409,440	-	-	-	409,440	-
<b>Net tax (asset)/liability</b>	<b>564,424</b>	<b>-</b>	<b>(4,427,257)</b>	<b>(4,737,497)</b>	<b>(3,862,833)</b>	<b>(4,737,497)</b>

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**10. INCOME TAX (continued)**

As at December 31, 2015, the Company registered a fiscal loss totaling RON (18,178,977), consisting of:

<b>Year of loss</b>	<b>Loss value</b>	<b>Valid until</b>
2015	-	-
2014	26,855,493	-
2013	(5,441,227)	2020
2012	(8,538,725)	2019
2011	(15,750,660)	2018
October – December 2010	(3,130,682)	used in 2014
January – September 2010	(5,751,866)	used in 2014
2009	(6,421,310)	used in 2014
<b>Total</b>	<b>(18,178,977)</b>	

The unrecognised deferred income tax is RON 2,535,439 corresponding to value adjustment of inventories. It was not registered in the financial statements, since the recognition criteria in accordance with IFRS are not fulfilled.

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**11. PROPERTY, PLANT AND EQUIPMENT**

	<u>Land</u>	<u>Buildings and other constructions</u>	<u>Technical installations and machinery</u>	<u>Equipment and vehicles</u>	<u>Tangible assets in progress</u>	<u>Total</u>
<b>COST</b>						
<b>January 1, 2014</b>	<u>20,400,910</u>	<u>9,979,629</u>	<u>25,525,896</u>	<u>49,302</u>	<u>667,054</u>	<u>56,622,791</u>
Inflows	-	583,192	188,392	-	276,635	1,048,219
Transfers	-	-	-	-	-	-
Outflows	-	-	33	-	(757,174)	(757,141)
Inflows / (outflows) from revaluation	<u>(515,865)</u>	<u>(97,736)</u>	<u>(1,321,878)</u>	<u>-</u>	<u>-</u>	<u>(1,935,479)</u>
<b>December 31, 2014/January 1, 2015</b>	<u>19,885,045</u>	<u>10,465,085</u>	<u>24,392,443</u>	<u>49,302</u>	<u>186,515</u>	<u>54,978,390</u>
Inflows	-	1,099,944	1,945,718	-	4,394,930	7,440,592
Transfers	-	-	-	-	-	-
Outflows	-	(45,096)	(23,230)	-	(3,550,106)	(3,618,432)
Inflows / (outflows) from revaluation	-	-	-	-	-	-
<b>December 31, 2015</b>	<u>19,885,045</u>	<u>11,519,933</u>	<u>26,314,931</u>	<u>49,302</u>	<u>1,031,339</u>	<u>58,800,550</u>
<b>Accumulated depreciation</b>						
<b>January 1, 2014</b>	<u>-</u>	<u>332,940</u>	<u>3,275,316</u>	<u>20,424</u>	<u>-</u>	<u>3,628,680</u>
Depreciation for the year	-	283,051	2,314,625	3,710	-	2,601,386
Accumulated depreciation related to outflows	-	-	-	-	-	-
Disposals due to revaluation	-	(615,991)	(5,560,205)	-	-	(6,176,196)
<b>December 31, 2014</b>	<u>-</u>	<u>-</u>	<u>29,736</u>	<u>24,134</u>	<u>-</u>	<u>53,870</u>
Depreciation for the year	-	377,272	3,329,303	3,710	-	3,710,285
Accumulated depreciation related to outflows	-	(5,154)	(6,188)	-	-	(11,342)
Disposals due to revaluation	-	-	-	-	-	-
<b>December 31, 2015</b>	<u>-</u>	<u>(372,118)</u>	<u>(3,352,851)</u>	<u>27,844</u>	<u>-</u>	<u>(3,752,813)</u>
<b>NET BOOK VALUE</b>						
<b>January 1, 2014</b>	<u>20,400,910</u>	<u>9,646,689</u>	<u>22,250,580</u>	<u>28,878</u>	<u>667,054</u>	<u>52,994,111</u>
<b>December 31, 2014</b>	<u>19,885,045</u>	<u>10,465,085</u>	<u>24,362,707</u>	<u>25,168</u>	<u>186,515</u>	<u>54,924,522</u>
<b>December 31, 2015</b>	<u>19,885,045</u>	<u>11,147,815</u>	<u>22,962,080</u>	<u>21,458</u>	<u>1,031,339</u>	<u>55,047,738</u>

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

**Fixed assets pledged or mortgaged**

As at December 31, 2015 the Company pledged or mortgaged property, plant and equipment of RON 30,802,551 in net book value.

**12. INTANGIBLE ASSETS**

	<b>Other intangible assets</b>	<b>Intangible assets in progress</b>	<b>Total</b>
<b>COST</b>			
<b>As at January 1, 2014</b>	<b>16,529,330</b>	<b>155,639</b>	<b>16,684,969</b>
Inflows	148,343	85,245	233,588
Outflows	-	(162,753)	(162,753)
<b>As at December 31, 2014</b>	<b>16,677,673</b>	<b>78,131</b>	<b>16,755,804</b>
Inflows	47,196	304,216	351,412
Outflows	(7,114)	(126,470)	(133,585)
<b>As at December 31, 2015</b>	<b>16,717,755</b>	<b>255,877</b>	<b>16,973,631</b>
<b>ACCUMULATED AMORTISATION</b>			
<b>As at January 1, 2014</b>	<b>4,603,582</b>	<b>-</b>	<b>4,603,582</b>
Amortisation for the year	1,706,799	-	1,706,799
Accumulated amortisation related to outflows	-	-	-
<b>As at December 31, 2014</b>	<b>6,310,381</b>	<b>-</b>	<b>6,310,381</b>
Amortisation for the year	1,735,080	-	1,735,080
Accumulated amortisation related to outflows	(2,371)	-	(2,371)
<b>As at December 31, 2015</b>	<b>8,043,090</b>	<b>-</b>	<b>8,043,090</b>
<b>NET BOOK VALUE</b>			
<b>As at January 1, 2014</b>	<b>11,925,748</b>	<b>155,639</b>	<b>12,081,387</b>
<b>As at December 31, 2014</b>	<b>10,367,292</b>	<b>78,131</b>	<b>10,445,422</b>
<b>As at December 31, 2015</b>	<b>8,674,665</b>	<b>255,877</b>	<b>8,930,542</b>

Intangible assets consist of ERP IT software. Such software amortizes over 9 years. The net book value of the ERP as at December 31, 2015 is of RON 8,634,470 with a remaining useful live of 6 years.



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**13. INVENTORIES**

	December 31, 2015 <i>RON</i>	December 31, 2014 <i>RON</i>
Raw materials	31,110,010	26,547,445
Consumables	1,197,195	680,440
Items of inventory	-	-
Packaging	14,997	99,493
Finished goods	997,050	1,002,100
Work in progress	6,282,325	5,978,556
Semi-finished goods	-	-
Residual products	18,484	66,583
Merchandise	51,925	51,925
Inventory allowances	(15,720,931)	(4,689,644)
<b>Total</b>	<b>23,951,055</b>	<b>29,736,898</b>

Finished goods and work in progress are expected to be realized in the next twelve months while the remaining are expected to be realized in a period of five years depending on the orders received from customers.

Obsolete inventories were adjusted as follows: by 100% inactive inventories in the last 5 years (or more), by 40% inactive inventories in the last 4 years and by 30% inactive inventories in the last 3 years. Inactive inventories in the last 2 years have not been adjusted since most manufactured products have long cycle of use. To adjust slow moving inventories, only those materials that registered outflows in 2015 have been taken into account, and inventories as at 31.12.2014 and 31.12.2015 were different from zero. The rate was calculated as the ratio between the average inventories (as at 31.12.2014 and 31.12.2015) and 2015 outflows. The adjustments were calculated according to the size of 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).

Inventories of raw materials and consumables managed by DPPV – Finished parts VIPER; DPRP – Repaired parts; DPMP – hazardous materials, intended only for the manufacturing and repair of VIPER 632-41 engines, were 100% provisioned.

The movement of allowances for inventory impairment is as follows:

	December 31, 2015 <i>RON</i>	December 31, 2014 <i>RON</i>
Balance at the beginning of the year	4,689,644	4,615,928
(Decrease) / Increase of provision in profit or loss	11,031,287	73,716
<b>Balance at the end of the year</b>	<b>15,720,931</b>	<b>4,689,644</b>

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**14. TRADE RECEIVABLES**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
	<b>RON</b>	<b>RON</b>
Trade receivables	2,264,306	2,012,396
Clients - invoices to be issued	111,433	131,433
Allowance for doubtful debts	(125,559)	-
<b>Total</b>	<b>2,250,180</b>	<b>2,143,829</b>

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

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Balance at the beginning of the year	-	-
(Decrease) / Increase of provision in profit or loss	125,559	-
<b>Balance at the end of the year</b>	<b>125,559</b>	<b>-</b>

The following table analyses trade receivables:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Not due and without impairment	1,331,030	1,825,906
Maturity expired, without impairment	807,717	186,490
Impairment allowances	125,559	-
<b>Total</b>	<b>2,264,306</b>	<b>2,012,396</b>

Age of trade receivables whose maturity has expired, but which bear no impairment allowances:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Due and without impairment		
Within 3 months	355,476	14,264
Between 3 months and 6 months	432,175	102,216
Between 6 months and 9 months	5,805	70,010
Between 9 months and 1 year	13,376	-
Within more than 1 year	885	-
<b>Total</b>	<b>807,717</b>	<b>186,490</b>

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**15. OTHER RECEIVABLES**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Sundry debtors	56,184	192,565
Prepaid expenses	65,622	33,077
Advances to suppliers	1,132,123	685,917
Other receivables	1,142,767	135,872
Impairment allowances	-	-
<b>Total</b>	<b>2,396,696</b>	<b>1,047,431</b>

**16. CASH AND CASH EQUIVALENTS**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Cash in banks	7,114,649	11,892,451
Petty cash	4,005	3,963
Other cash equivalents	-	-
Cash equivalents	204	6,609
<b>Total</b>	<b>7,118,858</b>	<b>11,903,023</b>

**17. ASSETS HELD FOR SALE**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Land held for sale	10,540,300	11,021,991
Buildings held for sale	-	-
Vehicles and machinery held for sale	98,405	98,405
<b>Total</b>	<b>10,638,705</b>	<b>11,120,396</b>

In the General Meeting of Shareholders no. 70/14.05.2012 the Company decided to sell such fixed assets. The Company is seeking potential buyers.

During 2015, the breakdown of assets held for sales has changed. In October 2015, the Company sold land in amount of RON 917 sq m in amount of RON 481,691.46 according to sale purchase contract no. 2547/22.10.2015.

The sale price was in amount of RON 664,425 and the gain recorded from the sale of this asset is RON 115,948.

Net book value of pledged assets held for sale is in amount of RON 10,540,300.

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**18. SHARE CAPITAL**

The share capital is fully paid in:

	<u>No. of shares</u>	<u>Share capital</u> <u>RON</u>
<b>Share capital as at</b>		
December 31, 2015 and December 31, 2014	369,442,475	36,944,248
Effect of inflation on the share capital		987,626,807
<b>Share capital as at</b>		
December 31, 2015 and December 31, 2014		1,024,571,055

The Company's share capital was indexed to inflation as at December 31, 2003, from which date the Romanian economy was no longer considered inflationary.

**19. RESERVES**

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Legal reserves	14,783,404	14,613,210
Revaluation reserves	34,066,531	34,640,974
Other reserves	31,290,748	31,290,748
<b>Total</b>	<b>80,140,683</b>	<b>80,544,931</b>

The revaluation reserve is related to revaluations performed on property, plant and equipment and cannot be distributed to shareholders until it is realized.

In 2015, the Company created a legal reserve in amount of RON 170,195 out of the profit of the year.

Other reserves include the fiscal facilities for exports received in the period 2000-2003 in amount of RON 6,100,419 (their value prior to inflation adjustment was RON 4,957,578). If the management decides to change their destination, they will be taxed. The management has decided not to use such reserves, thus no deferred tax has been established in relation thereto. The remaining reserves are distributions from the previous years' profit.

**20. BORROWINGS**

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
<b>a) Short-term debts to shareholders</b>	<b>4,880,000</b>	<b>6,774,086</b>
Secured loans	4,880,000	5,230,000
Interest payable to shareholders	-	1,544,086
<b>b) Loans from banking institutions</b>	<b>44,544,676</b>	<b>48,666,620</b>
Secured loans		
Short-term loans	39,638,895	40,869,019
Long-term secured loans		
Long-term loans	4,905,781	7,997,601
<b>Total short and long-term loans</b>	<b>49,424,676</b>	<b>55,640,706</b>

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**20. BORROWINGS (continued)**

<b>Contract</b>	<b>Balance as at December 31, 2015</b>	<b>Interest payable as at December 31, 2015</b>	<b>Commissions as at December 31, 2015</b>
(A) BRD – Credit facility no. 103 BIS/28.04.2006 -USD	25,964,278	1,319,905	245,690
-RON	-	364,547	15,466
(B) BRD – Loan contract no. 567/10.12.2007 in RON		484,205	18,508
in EUR		31,716	1,350
(C) BRD – Loan contract no. 103/16.05.2008	-	502,067	21,155
(D) Banca Transilvania – Loan contract no. 186/24.06.2009	8,947,170	1,981	169
(E) Banca Transilvania – Loan contract no. 187/24.06.2009	-	-	-
(F) Banca Transilvania - Loan contract no. 40/04.02.2011	3,354,275	566	54
(G) Banca Transilvania – Loan contract no. 664/21.11.2011	1,674,495	282	27
(H) Banca Transilvania – Loan contract no. 665/21.11.2011	-	-	-
(I) Banca Transilvania - Loan contract no. 385/02.07.2012	1,596,475	269	26
(J) Banca Transilvania - Loan contract no. 386/02.07.2012	-	-	-
	<b>41,536,693</b>	<b>2,705,538</b>	<b>302,445</b>

<b>Contract</b>	<b>Balance as at December 31, 2014</b>	<b>Interest payable as at December 31, 2014</b>	<b>Commissions as at December 31, 2014</b>
(A) BRD – Credit facility no. 103 BIS/28.04.2006	26,248,604	1,433,494	228,826
(B) BRD – Loan contract no. 103/16.05.2008	-	497,362	20,956
(C) BRD – Loan contract no. 567/10.12.2007	4,787,851	503,190	18,886
(D) Banca Transilvania – Loan contract no. 186/24.06.2009	7,291,272	64,341	7,757
(E) Banca Transilvania – Loan contract no. 187/24.06.2009	713,079	33,908	3,974
(F) Banca Transilvania - Loan contract no. 40/04.02.2011	3,354,275	213,812	19,580
(G) Banca Transilvania – Loan contract no. 664/21.11.2011	1,674,495	106,761	9,777
(H) Banca Transilvania – Loan contract no. 665/21.11.2011	-	-	-
(I) Banca Transilvania - Loan contract no. 385/02.07.2012	1,596,475	28,843	9,321
(J) Banca Transilvania - Loan contract no. 386/02.07.2012	-	-	-
	<b>45,666,051</b>	<b>2,881,711</b>	<b>319,077</b>

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**20. BORROWINGS (continued)**

**a) Amounts owed to shareholders**

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

- (I) with Mr. Radu Viehmann, for RON 3,000,000;
- (II) with Mr. Paul Radulescu, for RON 250,000;
- (III) with Mr. Ion Dinca, for RON 350,000;
- (IV) with Mr. Danut Spirea, for RON 200,000.

The interest rate in 2011 was 10.5% per year.

On March 12, 2010, the Company executed loan contract no. 490 with Mr. Florescu Grigore Virgil, for RON 1,500,000, due on 15.03.2011, with a net interest of 12%.

In 2011, all loan contracts were extended, and the interest rate was 8.82%. According to contract no. 538/18.08.2011 Mr. Viehmann credited the Company with RON 80,000. It is a short-term non-interest bearing contract.

In 2012, the loan contracts with Messrs. Viehmann Radu and Florescu Grigore Virgil were extended in May and the contract with Dinca Ion in August.

In August 2012, by contract no. 867/30.08.2012, Ms. Ciorapciu Dana Maria lent S.C. Turbomecanica S.A. RON 300,000.

The loans are due on 31.12.2013 and bear a gross interest of 9.5%.

In 2012, the loans granted by Mr. Radulescu Paul Nicolae, in amount of RON 250,000 and Mr. Spirea Danut in amount of RON 200,000 were repaid. The balance of the loans is RON 5,230,000 as at 31.12.2012.

In February 2013, the loan contracts of Messrs. Viehmann Radu, Florescu Grigore Virgil and Dinca Ion were extended.

The loans are due on 31.12.2013 and the interest is fixed. As at 31.12.2013, the balance of the loans is RON 5,230,000.

In January 2014, the loan contracts of Messr. Viehmann Radu and Dinca Ion and Ms. Ciorapciu Dana Maria were extended.

The loans are due on December 31, 2014 and the interest rate is unchanged.

The outstanding loans as at December 31, 2014 amount to RON 5,230,000.

As at December 31, 2014, the interest due to shareholders' loans is RON 1,544,086, as follows:

Viehmann Radu	RON 1,390,239
Dinca Ion	RON 101,966
Ciorapciu Dana Maria	RON 51,881

In 2015, the loan contracts of Mr. Viehmann Radu were extended by Additional Act no. 6 authenticated under no. 143/05.02.2015 and Ms. Ciorapciu Dana Maria by Additional Act no. 2 authenticated under no. 142/05.02.2015.

The loans are due on December 31, 2015 and the interest rate is 6.6%, gross amount which includes income tax which, according to the Tax Code, is 16%.

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**20. BORROWINGS (continued)**

**a) Amounts owed to shareholders (continued)**

On January 8, 2015, by Payment Order no. 16, the loan granted to Mr. Dinca Ion in amount of RON 350,000 was repaid, as well as the interest payable in amount of RON 101,966.

In 2015, the Company paid in tranches the interest due as at December 31, 2014 to Mr. Viehmann Radu (RON 1,390,239) and Ms. Ciorapciu Dana Maria (51,881) and the interest payable in 2015 in amount of RON 249,295, namely RON 16,623.

In addition, the Company paid to the State budget the tax related to the interest paid for each of them as follows:

- Dinca Ion: RON 19,422;
- Viehmann Radu: RON 312,262 in 2015, and the RON 31 difference was constituted in December 2015 and paid within the legal term (January 21, 2016);
- Ciorapciu Dana Maria RON 13,048.

**b) Amounts owed to credit institutions**

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

On April 13, 2005, the Company concluded a loan contract in amount of USD 7 million with BRD – Groupe Société Générale. The loan was extended under loan contract no. 103bis dated April 28, 2006, which also granted a reserve ceiling in amount of USD 1 million.

By Additional Act no. 1/27.04.2007 the ceiling increased to USD 9,000,000 and extended until 29.04.2008. By Additional Act no. 2/25.04.2008 both ceilings extended until 31.05.2008. By Additional Act no. 3/30.05.2008 the loan ceiling changed to USD 10,000,000, valid until 29.04.2009 and a new reserve facility of maximum USD 1,000,000 was introduced, available at the borrower's express request, in compliance with certain performance criteria. Additional Act no. 4/15.04.2009 changed the interest rate.

Additional Act no. 5/29.04.2009 extended the validity of the loan contract until 31.05.2009. Additional Act no. 6/11.05.2009 amended ANNEX 4 - GUARANTEES. Additional Act no. 7/29.05.009 extended the contract validity until 30.06.2009. Additional Act no. 8/30.06.2009 extended the contract validity until 31.07.2009. Additional Act no. 9/31.07.2009 extended the contract validity until 31.12.2009 and the following changes were made:

- Credit Facility A consisting of a multi-option, multi-currency global ceiling in amount of USD 9,330,000 was granted until 31.12.2009, which can be used in the form of one or more of the following:
  - credit line
  - line for issuing bank letters of guarantee
  - line for opening letters of credit
  - line for discounting bills (bills of exchange, promissory notes)

Additional Act no. 10 of 24.12.2009 extended the contract validity until 31.01.2010. Additional Act no. 11 of 29.01.2010 extended the contract validity until 28.02.2010. Additional Act no. 12 of 26.02.2010 extended the contract validity until 31.03.2010. Additional Act no. 13 of 29.03.2010 extended the contract validity until 30.04.2010. Additional Act no. 14 of 30.04.2010 extended the contract validity until 31.05.2010. Additional Act no. 15 of 20.05.2010 extended the contract validity until 31.07.2010. Additional Act no. 16 of 18.06.2010 revised the guarantees. Additional Act no. 17 of 31.07.2010 reduced the crediting facility by USD 75,000 (up to USD 9,225,000, namely the sub-ceiling in the form of credit line was reduced to USD 9,035,000) and extended the contract validity until 31.08.2010.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

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

By Additional Act no. 18 of 2010 the crediting facility was reduced by USD 75,000 (to USD 9,180,000, namely the sub-ceiling in the form of credit line was reduced to USD 8,960,000) and the contract validity was extended until 30.09.2010.

By Additional Act no. 19 of 30.09.2010 the crediting facility was reduced by USD 75,000 (to USD 9,105,000 namely the sub-ceiling in the form of credit line was reduced to USD 8,885,000) and the contract validity was extended until 31.10.2010.

By Additional Act no. 20 of 29.10.2010, the following was agreed:

1. to reduce the value of the credit facility;
2. to extend the contract validity until 31.07.2011;
3. to reimburse on a monthly basis USD 75,000 so that the maximum amount of the credit facility as at 31.07.2011 reaches USD 8,355,000, of which sub-ceiling in amount of USD 8,135,000 to be used as credit line.
4. to insert additional conditions under “borrower’s undertakings”:
  - (not to establish, without the Bank’s consent, any guarantee or other lien over any present or future asset in its patrimony whose value exceeds EUR 500,000/year except the Guarantees in Annex 4 to the Contract and not to enter into agreements in which the assets in the balance sheet are set off against other liabilities).
  - (to deposit in accounts opened with BRD all amounts resulting from the sale of fixed assets and to apply 50% of the value to repay the loan in advance).

The credit facility consisting of a multi-option, multi-currency global ceiling can be used on 31.12.2010 in the form of one or more of the following:

- a) Unconfirmed credit line in maximum amount of USD 8,735,000;
- b) Ceiling for issuing bank letters of guarantee (with a maximum validity of not more than 12 months from issuance) of USD 8,955,000;
- c) Ceiling for opening letters of credit (with a maximum validity of not more than 12 months from issuance) of USD 8,955,000;
- d) Ceiling for discounting bills (bills of exchange, promissory notes) in maximum amount of USD 8,955,000 USD.
5. Additional Act no. 21 of 19.05.2011 established the value of the crediting limit at USD 8,655,000 and granted such limit as of the date of the Additional Act until 31.03.2012, inserted additional conditions under “borrower’s undertakings”.

The value of all withdrawals will not exceed the maximum value of the Credit Facility, namely USD 8,655,000 until 31.07.2012.

The credit facility obtained from BRD is secured by the assignment of certain trade receivables held by the Company against the debtors accepted by BRD (namely: UM01835, Wytwornia Sprzetu Kominikacyynego PZL Rzeszow and Pratt & Whitney Klisz SP. ZO.O.), by security interest in personal property over the future collections from: Rolls Royce plc UK and Rolls-Royce Deutschland; Unison Engine Components Bucharest SA; Agusta S.P.A. Italy, by first rank mortgage over the sites “2-Hala prelucrari mecanice si montaj” (Cadastral no. 317/3), “2-a- Anexa tehnica” (cadastral no. 317/4), “2-b- Anexa tehnico-sociala” (Cadastral no. 317/5) and “3 - Hala tratamente termice, galvanizare, presaj sudura, amenajari” (Cadastral no. 317/6) and first rank guarantee on all rights, titles, interests and benefits over bank accounts.



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**20. BORROWING (continued)**

**b) Amounts owed to credit institutions (continued)**

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

In 2011, the interest rate according to the contract and the Additional Acts was ROBOR 1M + 3%, EURIBOR 1M + 4.5%, LIBOR 1M + 4.5%.

The amounts used from the credit facility as at 31 December 2011 are: USD 6,020,664 (the equivalent of RON 20,104,805) and RON 7,508,651. The credit facility is due on 31.03.2012.

Additional Act no. 22/30.03.2012 extended the validity of the contract until 17.04.2012 and amended the interest rate as follows:

- for withdrawals in RON: ROBOR/3 M +3.00 % p.a.
- for withdrawals in EUR: EURIBOR/1 M + 4.5% p.a.
- for withdrawals in USD: LIBOR/1 M + 4.50% p.a.

Additional Act no. 23/17.04.2012 extended the contract validity until 17.05.2012. Additional Act no. 24/17.05.2012 extended the contract validity until 31.05.2012. Additional Act no. 25/31.05.2012 extended the contract validity until 30.06.2012. Additional Act no. 26/29.06.2012 extended the contract validity until 31.07.2012. Additional Act no. 27/31.07.2012 amended Annex 4 "GUARANTEES" and extended the validity until 31.08.2012 and each of Additional Acts nos. 28/31.08.2012, 29/30.09.2012, 30/31.10.2012, 31/29.11.2012 and 31/31.12.2012 extended the contract validity by one month.

The amounts used from the credit facility as at 31.12.2012 are USD 6,178,241 (the equivalent of RON 20,743,444.16) and RON 7,586,998.

In 2013, each month, the contract validity was extended until 31.12.2013 by Additional Acts nos. 33-44. Additional Act no. 44/31.12.2013 amended Annex 4 "Guarantees" and extended the contract validity until 31.01.2014.

The amounts used as at 31.12.2013 are USD 6,237,974.59 (the equivalent of RON 20,305,231.09) and RON 7,151,075.98.

In 2014, by **Additional Acts nos. 45-47** the validity of the contract was extended by April 30, 2014 and the interest and commissions due as at January 31, 2014 together with the interest and commissions due for February, March and April 2014 accrued and are due on April 30, 2014.

**Additional Act no. 48**/April 30, 2014 extended the contract validity by July 31, 2014, supplemented the borrower's commitments and postponed to July 31, 2014 the payment of interest and commissions due on April 30, 2014.

In addition, the interest and commissions accrued between April 30, 2014 and July 31, 2014 are due on July 31, 2014.

**Additional Act no. 49**/July 31, 2014 extended the contract validity by October 30, 2014, modified the borrower's commitments and postponed the payment of interest and commissions to October 30, 2014.

**Additional Act no. 50**/October 30, 2014 extended the contract validity until January 25, 2015, modified the terms and conditions applicable to the credit facility and postponed to January 25, 2015 the payment of interest and commissions due on October 30, 2014.

In addition, the interest and commissions accrued between April 30, 2014 and January 25, 2015 are due on January 25, 2015.

By additional act 51/January 23, 2015 the contract was extended until **April 25, 2015**, the terms and conditions were changed and the maximum limit set for the credit is of USD 7,784,611.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

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

In November, the credit limit for RON crediting was reduced by RON 3,301,908.27.

As at December 31, 2014 the credit limits approved are RON 3,962,091.73 and USD 6,189,975, of which the Company used USD 6,187,523.78 (equivalent of RON 22,812,162.67) and RON 3,436,441.40.

The interest accrued as at December 31, 2014 are:

- RON 350,908.64
- USD 293,638.23, equivalent of RON 1,082,585.43

The commissions accrued as at December 31, 2014 are:

- RON 14,779.11
- USD 57,997.72, equivalent of RON 213,825.99

By Additional Act no. 52/24.04.2015 the contract validity was extended until 25.05.2015, chapters "Payments" and "Commission" were amended.

The payment of accrued interest and commissions was postponed until 25.01.2015, due on 25.04.2015 until 25.05.2016.

By Additional Act no. 53/25.05.2015 the contract validity was extended until 25.05.2016.

The payment of interest and commissions accrued as at 25.01.2015 due on 25.04.2015, was postponed to 25.05.2016.

Current interest and commissions are paid monthly.

Chapters "Interest rate" and "Commission" were amended" and chapter "Borrower's undertakings" was supplemented.

As at December 31, 2015 the approved credit limits are RON 3,977,712.73 and USD 6,259,922.00 and the amounts used are USD 6,259,922.00 (the equivalent of RON 25,964,278.48) and RON 0.

Interest accrued as at December 31, 2015 are:

- RON 364,547.45 of which RON 364,994.17 represents the accrued interest payable until 25.01.2015 and 240.57 represents the interest related to December 2015 due on 25.01.2016;
- USD 318,225.78 (equivalent of RON 1,319,905.07) of which USD 313,411.04 represents the accrued interest payable until 25.01.2015 and USD 4,814.73 represents the interest related to December 2015 due on 25.01.2016).

Commissions accumulated as at December 31, 2015 are:

- RON: 15,466.40
- USD: 59,235.22, the equivalent of RON 245,689.92.

Through the letter issued by BRD to on March 9, 2016, the Company was informed that the credit facilities were extended until 25.05.2016 for the purpose of negotiating in April 2016 a modality of long-term restructuring of such facilities, consistently with the Company's actual repayment possibilities.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(B) BRD - Factoring contract 539/04.05.2006**

On 04.05.2006, the Company concluded the factoring contract with BRD-Groupe Societe Generale, which comprises the General and Special Terms.

The contract was amended by Additional Act no. 1/30.01.2009, Additional Act no. 1/28.02.2014 and Additional Act no. 3/25.09.2015.

On 05.05.2006, Special Terms no. 1 to Factoring Contract no. 539/04.05.2006 were concluded, applicable to the commercial relationship between S.C. Turbomecanica S.A. and debtor General Electric USA, which stipulate the object of the commercial contract, the services supplied by the Factor to the Company, the supporting documents, the financing limit of USD 1,500,000, the validity term of the financing limit (30.03.2007), the financing percentage of 100%, the 1% reserve from approved receivables, the financing limit of USD 1,500,000, the validity term of the financing limit (30.03.2007), the factoring commission of 1.10 flat and USD 15/document and the annual rate of the financing commission at LIBOR 1 M + 2.25 % p.a.

Subsequently, the following additional acts were concluded:

Additional Act no.1/16.06.2006 whereby the object of the deliveries was amended.

Additional Act no. 2/27.03.2007, whereby the validity terms of the financing limits and lending limit were changed to 29.04.2007;

Additional Act no. 3/27.04.2007, whereby the financing limits and lending limit were changed to USD 1,200,000 and the validity terms of the financing limits and lending limit were extended to 31.03.2008;

By Additional Acts nos. 4/21.03.2008, 5/30.04.2008 and 6/31.05.2008, the financing limits and the lending limits were extended successively to 29.04.2008, 31.05.2008 and 29.04.2009.

By Additional Act no. 7/09.04.2009, the factoring commissions were changed, and by Additional Acts nos. 8/29.04.2009, 9/01.06.2009 and 10/25.06.2009, the validity and financing terms were extended to 31.05.2009, 30.06.2009, and 31.07.2009.

By Additional Act no. 11/31.07.2009, the financing ceiling was reduced to USD 1,200,000, the financing percentage of approved receivables was set at 90%, the reserve is 0%, and the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk was extended to 30.09.2009.

By Additional Act no. 12/07.09.2009, the 100% financing percentage of approved receivables was reinstated, by Additional Acts nos. 13/30.09.2009 and 14/22.10.2009, the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 30.10.2009 and 31.12.2009.

By Additional Acts nos. 15/30.12.2009, 16/29.01.2010, 17/26.02.2010, 18/26.02.2010, 19/05.05.2010, 20/25.05.2010, 21/29.07.2010, 22/31.08.2010 and 23/30.09.2010 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.10.2010, and the commissions were changed.

By Additional Act no. 24/29.10.2010 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk was changed to 28.02.2011, and the financing percentage of approved receivables was set at 100%.

By Additional Acts nos. 25/31.01.2011, the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.07.2011, and by Additional Act no. 26/11.07.2011, the terms were extended to 30.11.2011, and the financing percentage of approved receivables was set at 99%.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(B) BRD - Factoring contract 539/04.05.2006 (continued)**

By Additional Acts nos. 27/10.11.2011, 28/30.03.2012, 29/17.04.2012 and 29/17.04.2012 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.05.2012, and the commissions were changed.

By Additional Act no. 30/17.05.2012, the financing ceiling was reduced to USD 900,000 and the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.05.2012.

By Additional Acts nos. 31/31.05.2012, 32/29.06.2012, 33/31.07.2012 and 34/30.09.2012 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 30.09.2012 and the commissions were changed.

By Additional Act no. 35/2012, the article regarding supporting documents was amended.

By Additional Acts nos. 36/28.09.2012, 37/30.10.2012, 37/30.10.2012, 38/28.11.2012 and 39/27.12.2012 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.01.2013 and the commissions were changed.

By Additional Acts nos. 40/31.01.2013, 41/28.02.2013, 42/29.03.2013, 43/29.04.2013, 44/30.05.2013, 45/02.07.2013, 46/30.07.2013, 47/28.08.2013, 48/27.09.2013, 49/29.10.2013, 50/28.11.2013, 51/30.12.2013 and 52 /31.01.2014 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.01.2014 and the commissions were changed.

By Additional Act no. 53/28.02.2014, the financing ceiling was set at USD 100,000, the financing percentage of approved receivables was set at 99%, and the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.03.2014.

By Additional Act no. 54/2014 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were amended, i.e., 31.04.2014.

By Additional Act no. 55/2014 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were amended, i.e., 31.05.2014, and the financing percentage of approved receivables was set at 90%.

By Additional Acts nos. 56/15.05.2014, 57/31.07.2014, 58/30.10.2014 and 59/23.01.2015 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.03.2015 and the commissions were changed.

By Additional Act no. 60/08.04.2015, the financing ceiling was set at USD 50,000 and the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 25.04.2015, and by Additional Acts nos. 61/27.04.2015 and 62/25.05.2015 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.03.2016.

On 05.05.2006, the Company concluded Special Terms no. 2 applicable to the commercial relationship between S.C. Turbomecanica S.A. and debtor General Electric France, which stipulate the object of the commercial contract, the services supplied by the Factor to the Company, the supporting documents, the financing limit of EUR 500,000, the validity term of the financing limit (29.04.2007), the financing percentage of 100%, the 1% reserve from approved receivables, the financing limit of EUR 500,000, the validity term of the financing limit (29.04.2007), the factoring commission of 1.10 flat and EUR 12/document and the annual rate of the financing commission at EURIBOR 1 M + 2.00% p.a.

Subsequently, the lending limit and the financing limit were reduced to EUR 400,000 and the validity term of the financing limits and the lending limit were changed successively to 29.04.2009.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(B) BRD - Factoring contract 539/04.05.2006 (continued)**

On 25.09.2015, the Company concluded with BRD - Groupe Societe Generale Special Terms no. 2 to Factoring Contract no. 539/04.05.2006 applicable to the commercial relationship between TURBOMECHANICA SA and the debtor of the assigned receivable, IAR SA.

The financing ceiling is RON 20,000,000, the validity term of the financing ceiling is 25.05.2016 and the financing percentage of approved receivables is set at 75%.

In addition, the Company concluded Mortgage Contract on Bank Accounts no. 175992/24.09.2015 and Mortgage Contract on Movable Assets no. 175995/24.09.2015.

On 06.10.2015, the Company concluded with BRD - Groupe Societe Generale Special Terms no. 3 to Factoring Contract no. 539/04.05.2006 applicable to the commercial relationship between TURBOMECHANICA SA and the debtor of the assigned receivable GE Hungary Kft Hungary.

The financing ceiling is EUR 300,000, the validity term of the financing ceiling is 25.05.2016, and the financing percentage of approved receivables was set at 75%.

In addition, the Company concluded Mortgage Contract on Bank Accounts no. 6158/06.10.2015 and Mortgage Contract on Movable Assets no. 6159/06.10.2015.

**(C) BRD – Loan contract no. 103/16.05.2008**

As at May 16, 2008, the Company concluded long-term contract no. 103 with BRD – Groupe Société Générale amounting to EUR 3,400,000 for the acquisition of equipment for the pinion cell, including customs duties related to such equipment, for a period of 7 years.

Additional Act no. 1 of 15.04.2009 amended the interest rate and Additional Act no. 2 of 11.05.2009 amended the guarantee according to G26/11.05.2009.

In 2010, by Additional Act no. 3 of 18.06.2010 the parties revised the guarantees, and Additional Act no. 4 of 29.10.2010 supplemented the “borrower’s undertakings”.

In 2011, the annual interest rate under the contract and the Additional Acts was EURIBOR 3M + 5%.

Additional Act no. 5 of 19.05.2011 amended the repayment schedule of the balance, amended the final repayment date of the loan, to 15.11.2016, changed and inserted additional conditions under “Borrower’s undertakings”.

The loan is secured by second rank mortgage over the sites under point (A) above, first rank guarantee over the equipment intended to create the pinion cell, guarantee over the claims presented in point (A) above and over all the future movable assets, and first rank guarantee over all the rights, titles, interests and benefits over the bank accounts.

The final balance as at 31.12.2011 is EUR 2,413,262 (the equivalent of RON 10,424,658). The last instalment of the loan contract is due on 15.11.2016.

In 2012, Additional Act no. 6/31.07.2012 amended the Annex entitled “Guarantees”.

As at 31.12.2012, the balance of the loan was EUR 2,413,261.92 (the equivalent of RON 10,424,567.52).

In 2013, between May and September, Additional Acts nos. 7 - 11 were concluded, which amended Annex 2 “Repayment Schedule”.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(C) BRD – Loan contract no. 103/16.05.2008 (continued)**

On 31.12.2013 Additional Act no. 12 was concluded, which amended Annex 3 “Guarantees”.

The loan is due on 15.11.2016.

In 2013, the Company repaid EUR 75,414.44, the equivalent of RON 335,549.00.

As at 31.12.2013, the outstanding balance is EUR 2,337,847.48 (the equivalent of RON 10,484,544.59).

In 2014, **Additional Act no. 13**/January 31, 2014 was concluded, which postponed to April 30, 2014 the instalment due on January 31, 2014 and the instalment due on February 15, 2014; amended chapters “Interest” and “Commissions”, i.e., the interest and the commissions due on January 31, 2014 and the interest and commissions due between January 31, 2014 and April 30, 2014 are accrued and paid on April 30, 2014; it amended Annex 2 (Repayment Schedule).

On April 30, 2014, **Additional Act no. 14** was concluded, which postponed to July 31, 2014 the instalment due on April 30, 2014 and the instalment due on May 15, 2014; amended chapters “Interest” and “Commissions”, i.e., the interest and the commissions due on April 30, 2014 and the interest and commissions due between April 30, 2014 and July 31, 2014 are accrued and paid on July 31, 2014; amended Annex 2, and supplemented the Borrower’s Commitments.

On July 31, 2014, **Additional Act no. 15** was concluded, which postponed to October 30, 2014 the instalment due on July 31, 2014 and the instalment due on August 31, 2014; amended chapters “Interest” and “Commissions”, i.e., the interest and the commissions due on July 31, 2014 and the interest and commissions due between July 31, 2014 and October 30, 2014 are accrued and paid on October 30, 2014; amended Annex 2.

On October 30, 2014, **Additional Act no. 16** was concluded, which postponed to January 25, 2015 the instalment due on October 30, 2014 and the instalment due on November 30, 2014; amended chapters “Interest” and “Commissions”, i.e., the interest and the commissions due on October 30, 2014 and the interest and commissions due between October 30, 2014 and January 25, 2015 are accrued and paid on January 25, 2015; amended Annex 2 and chapter “Definitions”.

On November 24, 2014, the loan was fully paid and the interest and commissions accrued are due on January 25, 2015.

Through additional act 17 from January 23, 2015 the due date for accumulated interest in amount of EUR 115,642 EUR is of January 25, 2015.

The outstanding interest accrued as at December 31, 2014 amounts to 110,966.37, the equivalent of RON 497,362.37 and the commissions payable as at December 31, 2014 amount to 4,675.69 the equivalent of RON 20,956.91.

On 24.04.2015, the Company concluded Additional Act no. 18, which extended the payment date of accrued interest and commissions as at 25.05.2015.

By Additional Act no. 19/25.05.2015, the payment of interest and commissions was changed to 25.05.2016 and the borrower’s undertakings were supplemented.

The interest accrued as at 31.12.2015 amount to 110,966.37, the equivalent of RON 502,067.34 and the commissions payable as at 31.12.2015 amount to 4,675.69 the equivalent of RON 21,155.16.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(D) BRD – Loan contract no. 567/10.12.2007**

On December 10, 2007, the Company concluded with BRD – Group Société Générale loan contract no. 567, with an initial value of EUR 3,250,000, for land acquisition in order to relocate the headquarters and the production facilities of the Company. Additional Act no. 1/10.12.2008 extended the withdrawing period to 28.02.2009, reduced the total loan value by EUR 102,050 and the amount available for new withdrawals was set at EUR 182,000. Additional Act no. 2/27.02.2009 extended the withdrawing period to 31.03.2009. Additional Act no. 3/15.04.2009 changed the interest rate. The contract is concluded for a period of 7 years.

Additional Act no. 4/11.05.2009 amended the guarantee according to G26/11.05.2009.

In 2010, Additional Act no. 5/05.03.2010 rescheduled the rate from March 2010 to December 2010. Additional Act no. 6/18.06.2010 revised the guarantees. Additional Act no. 7/06.09.2010 rescheduled the instalment from 06.09.2010 to 30.09.2010. Additional Act no. 8/30.09.2010 rescheduled the instalment from 30.09.2010 to 31.10.2010.

By Additional Act no. 9/21.10.2010 the following was agreed:

- to change the repayment schedule;
- to extend the final repayment date of the loan to 10.03.2016;
- to supplement the "borrower's undertakings";
- to supplement the default events.

The loan granted by BRD is secured by a security interest in personal property over the claim arising from the performance of commercial contracts with UM 01835, Wytownia Sprzetu Kominikacyynego PZL Rzeszow and Pratt & Whitney Klisz SP. ZO.O, based on the long-term purchase contract for engine components of February 2006, by a security interest in personal property over the future collections from Rolls – Royce plc UK and Rolls-Royce Deutschland; Unison Engine Components Bucharest SA; Agusta S.P.A. Italy and by a first rank mortgage over the land and first rank guarantee over all rights, titles, interest and benefits over the bank accounts.

Under Additional Act no. 10/19.05.2011, the repayment schedule was amended and the final repayment date changed to 10.12.2016, the conditions were changed and additional ones were inserted under "Borrower's undertakings".

In 2011, the interest rate according to the contract and the Additional Acts was EURIBOR 3M + 5% for EUR; ROBOR 3M + 3.5% for RON.

The final balance as at 31.12.2011 is formed of RON 9,477,175 and EUR 164,657 (the equivalent of RON 711,268). The last instalment is due on 10.03.2016.

In 2012, RON 557,480.92 was paid (RON 139,370.23 in March, June, September and December 2012) and RON 83,134.16 (representing the counter value of RON 18,295.20, EUR 4,573.80 in each of April, June, September and December 2012).

The final balance as at 31.12.2012 is formed of RON 8,919,694.44 and EUR 146,361.63 (RON 648,191.75).

In 2013, payments were made in amount of RON 557,480.90 and EUR 9,147.60, representing the counter value of RON 40,390.31.

Between June and September 2013, Additional Acts nos. 11 - 14 were concluded, which amended Annex 2 "Repayment Schedule" and Additional Act no. 15/31.12.2013 amended Annex 3 "Guarantees".

The final balance as at 31.12.2013 consists of RON 8,362,213.54 and EUR 137,214.03 (RON 615,363.76).

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(D) BRD – Loan contract no. 567/10.12.2007 (continued)**

In 2014, **Additional Act 16**/January 31, 2014 was concluded, which postponed to April 30, 2014 the instalment due on January 31, 2014 and the instalment due on March 10, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on January 31, 2014 and the interest and commissions due between January 31, 2014 and April 30, 2014 are accrued and paid on April 30, 2014; amended Annex 2 (Repayment Schedule).

On April 30, 2014 **Additional Act 17** was concluded, which postponed to July 31, 2014 the instalment due on April 30, 2014 and the instalment due on June 10, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on April 30, 2014 and the interest and commissions due between April 30, 2014 and July 31, 2014 are accrued and paid on July 31, 2014; amended Annex 2, and supplemented the Borrower's Commitments.

On July 31, 2014, **Additional Act 18** was concluded, which postponed to October 30, 2014 the instalment due on July 31, 2014 and the instalment due on September 30, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on July 31, 2014 and the interest and commissions due between July 31, 2014 and October 30, 2014 are accrued and paid on October 30, 2014; amended Annex 2.

On October 30, 2014, **Additional Act 19** was concluded, which postponed to January 25, 2015 the instalment due on October 30, 2014 and the instalment due on December 31, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on October 30, 2014 and the interest and commissions due between October 30, 2014 and January 25, 2015 are accrued and paid on January 25, 2015; amended Annex 2 and chapter "Definitions".

On November 24, 2014, RON 3,902,366.30 and EUR 56,819.17 were repaid representing the instalment due on January 25, 2015.

The outstanding loan as at December 31, 2014 is RON 4,459,847.24 and EUR 73,180.83, the equivalent of RON 328,003.80.

The final due date is 10.12.2016.

The accrued interest as at December 31, 2014 amounts to RON 472,588.70 and EUR 6,827.47 the equivalent of RON 30,601.40 and the commissions payable as at December 31, 2014 amount to RON 17,616.40 and EUR 283.29 the equivalent of RON 1,269.73.

On 23.01.2015, the Company concluded Additional Act no. 20/23.01.2015, whereby the repayment schedule was amended by postponing the payment of the instalments outstanding on 31.03.2015 in amount of RON 557,480.90 and EUR 9,147.60 by April 25, 2015, the full payment of interest and commissions will be made on 25.04.2015, the interest and commissions owed between 25.01.2015 and 25.04.2015 will be paid monthly, additional conditions to "Borrower's undertakings" were added and amended.

On 24.04.2015, the Company concluded Additional Act no. 21, whereby the payment date of accrued interest and commissions was postponed to 25.05.2015 and the payment of instalments outstanding on 25.04.2015 was postponed to 25.05.2015.

By Additional Act no. 22/25.05.2015 the payment date of interest and commissions was amended to 25.05.2016 and the borrower's undertakings were supplemented.

The interest accrued as at 31.12.2015 are in amount of RON 484,204.70 and EUR 7,009.87, the equivalent of RON 31,716.16, and the commissions payable on 31.12.2015 are in amount of RON 18,508.37 and EUR 297.93 the equivalent of RON 1,349.79.



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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(D) BRD – Loan contract no. 567/10.12.2007 (continued)**

In 2015, the Company repaid the loan for the land, i.e. RON 4,459,847.24 and EUR 73,180.83.

As at December 31, 2015, the balance of the loan for the land (contract 567/10.12.2007) in RON and EUR is “0”.

**(E) BRD – Loan contract no. 8158/22.05.2015**

On 22.05.2015, SC Turbomecanica SA concluded a contract for a temporary overdraft in amount of RON 2,000,000, for a term of 30 days (21.06.2015).

The loan was granted for the exclusive purpose of settling the debts to the State Budget.

The interest is ROBOR 3M + 7 percentage points per annum.

The loan is fully repaid until the due date from the amounts received from the invoices issued under commercial contract no. 100BC/18.05.2015 concluded by Turbomecanica SA with the Ministry of National Defense by UM 01836 Otopeni or from other amounts received.

The Company also concluded Mortgage Contract on bank accounts no. 8159/22.05.2015 whereby a mortgage was instituted over all amounts, securities, interests and benefits related to the identified bank accounts. Mortgage contract over receivables no. 8160/2.05.2015 whereby a mortgage was instituted over present and future receivables and Mortgage contract on movable assets no. 8161/22.05.2015, included in Annex 1 to the contract.

The amount of RON 2,000,000 was received on 25.05.2015.

The amount used was RON 1,982,238 and it was repaid on 29.05.2015.

Upon repayment, the interest in amount of RON 2,834.67 was also repaid.

**(F) BRD – Loan contract no. 7177/20.11.2015**

On 20.11.2015, SC Turbomecanica SA concluded a contract for issuance of a letter of guarantee in amount of RON 1,164,453.69, which would expire on 15.01.2016.

The beneficiary of the BLG is UM 01836 Otopeni, and the letter was requested in relation to contract 253BC/15.10.2015.

The letter stipulates commissions to analyze the documentation (EUR 25), issuance commissions (0.50 flat), risk commission (0.75%), payment commission in case of an application for enforcement (0.15%), other commissions.

The Company also concluded a Mortgage Contract on bank accounts no. 7202/20.11.2015 whereby a mortgage was instituted over all amounts, securities, interests and benefits related to the identified bank accounts and Mortgage contract over receivables no. 7202/20.11.2015 whereby a mortgage was instituted over present and future receivables.

Following the expiry of the Guarantee Letter, the beneficiary (UM 01836 Otopeni) returned the original to BRD.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

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

On 24.06.2009, the Company concluded loan contract no.186 with Banca Transilvania Militari Branch, to be used as global ceiling as follows:

- credit line of RON 5,600,000 – from Credit Europe Bank, due on 23.06.2010;
- short-term loan of RON 3,800,000 due on 10.06.2010.

The initial interest rate was 18.5%, decreased successively, reaching 11.5% as at 31.12.2010.

The loan was concluded for a period of 1 year.

On 10.03.2010 Additional Act no. 1/186 was concluded, increasing the credit line by RON 2,040,000 and changing the short-term loan in amount of RON 1,760,000 to a credit line with maturity on 10 June 2010.

By Additional Act no. 2/186/10.06.2010 the global ceiling was changed to credit line, it was extended by 12 months, and the interest rate decreased (from 13.5% to 11.5%).

In 2010, Additional Act no. 1/186/CES/01/10.03.2010 was concluded to the contract of security interest in personal property (no. 186/CES/01/24.06.2009) over the collections and balance of the current account in order to guarantee the fulfilment of the obligations.

The obligation to pay the loan contract with Banca Transilvania Militari Branch is guaranteed by a first rank mortgage over the sites "6 - Magazii Generale" (cadastral no. 317/8), "7 - Centrala termica" (cadastral no. 317/9), "8 - Depozit de combustibil si carburant" (cadastral no. 317/10), "10, 10-1, 10-2 - Constructii Standuri" (cadastral no. 317/12/2/2), "11 - Gospodaria Laminata" (cadastral no. 317/3) and "12 - Drum acces" (cadastral no. 317/15) and by a security interest in personal property over collections and balance of the current account in RON.

The amount used as at 31.12.2011 is RON 9,189,902. The loan contract is due on 08.06.2012.

Additional Act no. 04/186 /06.06.2012 extended the contract validity for 12 months, and provided an interest rate of 9.75 %.

As at 31.12.2012, the amount withdrawn is RON 8,682,64.54.

The loan contract is due on 07.06.2013.

Additional Act no. 05/186 /06.06.2013 extended the contract validity until June 20, 2013, with due date on 21.06.2013 and Additional Act no. 06/186/21.06.2013 extended the contract validity from 20.06.2013 to 05.06.2014.

As at 31.12.2013 the amount withdrawn is RON 8,580,945.13.

The contract is due on 06.06.2014.

On February 27, 2014, **Additional Act no. 07** was concluded, which postponed the interest and commissions due between February 27, 2014 and April 30, 2014 bearing an interest rate of 8%.

The guarantees were supplemented by 19 pieces of equipment of "0" guarantee value representing a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(G) Banca Transilvania – Loan contract no. 186/24.06.2009 (continued)**

On February 27, 2014, Chattel mortgage over determined existing goods no. 186/GAJ/01 was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under Contract 186/2009.

On May 30, 2014 **Additional Act no. 08** was concluded, which postponed the interest and commissions due between May and October 2014 and scheduled the payment thereof over 8 months starting from November 2014 at an interest rate of 6%.

The interest and commissions due between February and April 2014 are rescheduled for payment over an 8-month period starting from November 2014.

On May 30, 2014, **Additional Act 01/186/GAJ/01** was concluded, which established a first rank chattel mortgage over 8 pieces of equipment valued according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valued, established as comfort guarantee.

On November 11, 2014, **Additional Act no. 09** was concluded, which postponed the interest and commissions due between November and December 2014 and scheduled the payment thereof over 5 months starting from January 2014 at an interest rate of 6%.

The interest and commissions due between February and October 2014 are rescheduled for payment over a 5-month period starting from January 2015.

On November 11, 2014, **Additional Act 02/186/GAJ/01** was concluded, which established a first rank chattel mortgage over 8 pieces of equipment valued according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valued, established as comfort guarantee.

On November 20, 2014, the accumulated interest and commissions totalling RON 575,830.99 were paid.

The outstanding loan as at December 31, 2014 amounts to RON 7,291,271.82.

The accrued interest as at December 31, 2014 amounts to RON 64,340.50 and the commissions payable as at December 31, 2014 amount to RON 7,756.89.

The guarantees in favor of the bank consist of land at a value of RON 23, 572,508 RON (having a fair value determined by the bank in amount of RON 26,817,625).

The loan contract is due on May 29, 2015.

In 2015, the Company concluded Additional Act no. 10/186/28.05.2015 whereby the credit line was technically extended from 29.05.2015 to 26.06.2015.

On 25.06.2015, the Company concluded Additional Act no. 11/186, whereby the validity of the credit line was extended to 27.05.2016, the interest rate was set at 7.97% (variable), the guarantees were maintained, special granting clauses were introduced.

In 2015, the Company repaid the accrued interest (RON 64,340.50) and accrued commissions (RON 7,756.89).

The balance of the loan as at December 31, 2015 is RON 8,947,170.12.

The interest payable for 2015, outstanding on 31.01.2016 is RON 1,980.50, and the payment commissions for 2015 outstanding on 31.01.2016 are RON 169.47.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(H) Banca Transilvania – Loan contract no. 187/24.06.2009**

On June 24, 2009, the Company concluded loan contract no. 187 with Banca Transilvania Militari Branch, in the form of an investment loan taken over from Credit Europe Bank, amounting to EUR 744,000, due on 10 June 2014.

The interest rate was initially 10% and then decreased to 9.5%, 9%, and starting from January 4, 2010 it became 8.5%. The current interest rate is 7%.

The loan is contracted for a period of 5 years.

The obligation to repay the loan contracted from Banca Transilvania Militari Branch is guaranteed by:

- first rank mortgage over the site "1 - Anexa Tehnica Cabina Poarta";
- second rank mortgage over the site "12 - Drum Acces";
- security interest in personal property over the collections and balance of the current account in RON.

Additional Act no. 3/186/09.06.2011 extended the credit line for the current activity for a period of 12 months, from 09.06.2011 to 08.06.2012.

The annual interest rate is 9.5%.

The withdrawn amount, repayable as at 31.12.2011 is EUR 367,142 (the equivalent of RON 1,585,942). The last instalment is due on 10.06.2014.

In 2012, according to the repayment schedule, the Company made monthly repayments of EUR 12,238.05 totaling EUR 146,856.60 (RON 662,090.43).

The withdrawn amount, repayable as at 31.12.2012 is EUR 220,285.14 (the equivalent of RON 975,576.80).

In 2013, the parties concluded Additional Act no. 01/187/10.06.2013, which rescheduled the instalment date from 11.06.2013 to 28.06.2013, Additional Act no. 02/187/27.06.2013 which provided the replacement (restructuring) of the investment loan (taken over from Credit Europe Bank), which consists in the postponement of all the instalments between June 2013 and January 2014 and the modification of the repayment schedule, namely equal monthly instalments until the final due date of the loan, i.e., 10.06.2014.

On 27.06.2013 the parties concluded Additional Act no. 01/187/CES/01 to Contract no. 187/CES/01/24.06.2009 of security interest in personal property over collections and the balance of current account, which guaranteed the fulfilment of the obligations arising from contract no. 187/24.06.2009 and Additional Acts thereto.

In 2013, according to the repayment schedule, the Company repaid on a monthly basis between January and May 2013 EUR 12,238.05, totaling EUR 61,190.25 (RON 285,025.42).

As at 31.12.2013, the withdrawn amount, repayable is EUR 159,094.89 (the equivalent of RON 713,492.85).

On January 31, 2014 **Additional Act no. 03** was concluded, which approved the postponement of the instalment due on February 10 to February 28, 2014 without changing the loan due date.

On February 27, 2014, **Additional Act no. 04** was concluded, which postponed the payment of capital instalments throughout February – May 2014 without changing the lending period. Instalments will accrue and be paid along with the last instalment in June 2014.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(H) Banca Transilvania – Loan contract no. 187/24.06.2009 (continued)**

Interest and commissions due between February and April 2014 are postponed, will accrue and be paid along with the last interest.

The interest rate is 6%.

The guarantees were supplemented by 19 pieces of equipment of "0" value, being a comfort guarantee.

It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

On February 27, 2014 Chattel mortgage over determined existing goods no. 187/GAJ/01 was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under Contract 187/2009.

On May 30, 2014, **Additional Act no. 05** was concluded, which rescheduled the loan for a period of 24 months from the due date by equal instalments starting from November 2014, it postponed the payment of interest and commissions due between May and October 2014 and payment in tranches over 20 months starting from November 2014 and it rescheduled the interest and commissions due between February and April 2014 by payment in tranches over 20 months starting from November 2014.

The interest rate was set at 4.5%.

On May 30, 2014, **Additional Act 01/187/GAJ/01** was concluded, which established a first rank chattel mortgage over 8 pieces of equipment valued according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valued, established as comfort guarantee.

On November 13, 2014, **Additional Act no. 06** was concluded, which approved the reactivation of the capital instalment related to November 2014 and inclusion thereof in the loan's balance, the full postponement of capital instalments throughout November 2014 - January 2015 without changing the lending period. They will be distributed equally throughout the remaining lending period, starting from February 2015 until the settlement of the loan.

It provided the postponement of the interest and commissions due between November and December 2014 and rescheduling thereof in equal instalments as of January 2015 until the settlement of the loan.

It provided the postponement of the interest and commissions due between February and October 2014 and rescheduling thereof in equal instalments as of January 2015 until the settlement of the loan.

On November 13, 2014, **Additional Act 02/187/GAJ/01** was concluded, which established a first rank chattel mortgage over 8 pieces of equipment valued according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valued, established as comfort guarantee.

The outstanding loan as at December 31, 2014 is EUR 159,094.89, equivalent of RON 713,079.21.

The accrued interest as at December 31, 2014 is EUR 7,565.29 the equivalent of RON 33,908.39 and the commissions payable as at December 31, 2014 amount to EUR 886.7 the equivalent of RON 3,974.28.

Guarantees have a net value of 482,875 EUR (RON 2,164,294) and a guarantee value of 424,833 EUR (1,904,144 RON) – pledge on property and equipment.

The loan contract is due on June 9, 2016.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(H) Banca Transilvania – Loan contract no. 187/24.06.2009 (continued)**

In 2015, the Company concluded Additional Act no. 07/187/29.01.2015, whereby the due date was changed from 09.02.2015 to 27.02.2015.

On 26.02.2015, the Company concluded Additional Act no. 08/187, whereby the replacement operation was implemented (investment loan restructuring), the interest was set at 4.527% (variable), the guarantees were maintained, special granting clauses were introduced.

In 2015, the loan in amount of EUR 159,094.89 was repaid and the accrued interest and commission payable (EUR 7,565.29 and EUR 886.7).

The loan was repaid monthly, in equal instalments of EUR 4,000 from February 2015 until September 2015, and in October 2015, the entire outstanding amount of EUR 127,094.89 was repaid.

As at December 31, 2015 the loan balance is 0.

**(I) Banca Transilvania - Loan contract no. 40/04.02.2011**

On 04.02.2011, the Company concluded with Banca Transilvania - Militari Branch loan contract no. 40 to finance its current activity, amounting to RON 3,400,000, due on 03.02.2012. The annual interest rate is 10%.

The guarantee consists of:

1. Contract of security interest in personal property over determined existing goods no. 40/GAJ/01/04.02.2011;
2. Contract of security interest in personal property over collections and current account balance no. 40/CES/02/04.02.2011;
3. Receivables assignment contract no. 40/CES/02/04.02.2011.

As at 31.12.2011, the amount withdrawn is RON 3,398,274.74. The last instalment of the contract is due on 04.02.2012.

Additional Act no.1/40/03.02.2012 extended the due date to 02.10.2012.

On 03.02.2012, the Company concluded contract no. 40/CES/03/03.02.2012 of security interest in personal property over collections and the current account balance and sub-accounts opened with Banca Transilvania and contract no. 40/GAJ/02/03.02.2012 of security interest in personal property on determined existing goods.

Additional Act no. 02/40/02.10.2012 provided the restructuring of the loan. Additional Act no. 03/40/20.12.2012 increased the guarantees.

As at 31.12.2012, the withdrawn amount, repayable is RON 3,398,274.76.

In 2013, the Company concluded Additional Act no. 04/40/27.06.2013 to loan contract no. 40/04.02.2011, which provided the full rescheduling of the capital instalments due between July 2013 and January 2014 (inclusively), without changing the crediting period, and the instalments postponed for payment would be distributed equally throughout the entire crediting period remaining after the expiry of the replacement facility until the due date of the loan.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(i) Banca Transilvania - Loan contract no. 40/04.02.2011 (continued)**

On 27.06.2013, the parties concluded Additional Act no. 02/40/GAJ/02/27.06.2013 to contract no. 40/GAJ/02/03.02.2013 of chattel mortgage over determined goods which amends and supplements contract no. 40/GAJ/02/03.02.2012 of chattel mortgage over existing determined goods and the related Additional Acts (a mortgage over goods and assets is established in favor of the bank at the fair value of RON 4,683,900 and a guarantee value of RON 3,278,730).

In May and June 2013, the Company repaid two (2) instalments in amount of RON 22,000 each, totaling RON 44,000.

The withdrawn amount, repayable as at 31.12.2013, is RON 3,354,274.6.

The loan is due on 01.10.2019.

On January 31, 2014, **Additional Act no. 05** was concluded, which approved the postponement of the instalment due on February 10 to February 28, 2014 without changing the loan due date.

On February 27, 2014, **Additional Act no. 06** was concluded, which postponed the payment of capital instalments throughout February – July 2014 without changing the lending period. Instalments will accrue and be paid in equal instalments starting from August 2014 until the final due date of the loan.

Interest and commissions due between February – April 2014 are postponed, will accrue and be payable in equal instalments over 24 months as of August 2014. The interest rate was set at 8%.

The guarantees were supplemented by 19 pieces of equipment of "0" value, being a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

On February 27, 2014, **Additional Act no. 01/40/CES/03** was concluded, having as its object 10 pieces of equipment valued by the representative of Banca Transilvania.

On February 27, 2014, **Chattel mortgage no. 40/GAJ/03** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract and Additional Act 03/40/GAJ/02 having as its object 10 pieces of equipment valued by the representative of Banca Transilvania.

On May 30, 2014, **Additional Act no. 07** was concluded, which rescheduled the loan for a period of 24 months from the due date by payment in equal instalments starting from November 2014, it postponed the payment of interest and commissions due between May and October 2014 and payment in instalments over 24 months starting from November 2014 and it rescheduled the interest and commissions due between February and April 2014 by payment in instalments over a 24-month period starting from November 2014. The interest rate was set at 6%.

On May 30, 2014, **Additional Act 04/GAJ/02** was concluded, having as its object 10 pieces of equipment valued by the representative of Banca Transilvania.

On November 11, 2014, **Additional Act no. 08** was concluded, which approved the reactivation of the capital instalment related to November 2014 and inclusion thereof in the loan's balance, the full postponement of capital instalments throughout December 2014 - January 2015 without changing the lending period. They will be divided equally throughout the remaining lending period, starting from February 2015 until the settlement of the loan.

It provided the postponement of the interest and commissions due between November and December 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(I) Banca Transilvania - Loan contract no. 40/04.02.2011 (continued)**

It provided the postponement of the interest and commissions due between February and October 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

On November 11, 2014, **Additional Act 02/40/GAJ/03** was concluded, which established a first rank chattel mortgage over 8 pieces of equipment valued according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valued, established as comfort guarantee.

On November 11, 2014, **Additional Act 05/40/GAJ/02** was concluded, having as its object 10 pieces of equipment valued by the representative of Banca Transilvania.

The outstanding loan as at December 31, 2014 is RON 3,354,274.76.

The accrued interest as at December 31, 2014 is RON 213,811.87 and the commissions payable as at December 31, 2014 amount to RON 19,580.14.

The fair value determined by the bank of the pledged tangible assets (land and equipment) is RON 24,987,026, which have a guarantee value of RON 19,926,030.

In 2015, the Company concluded Additional Act no. 09/40/29.01.2015, whereby the interest date was modified from 01.02.2015 to 27.02.2015, without changing the final due date of the loan.

On 26.02.2015, the Company concluded Additional Act no. 10/40, whereby the replacement operation was implemented (investment loan restructuring), the interest was set at 6,04% (variable), the guarantees were maintained, special granting clauses were introduced.

The accrued interest and commission payable in amount of RON 213,811.87 and RON 19,580.14 were fully paid.

The final due date of the loan is October 1, 2019.

As at December 31, 2015 the balance of the loan is RON 3,354,274.76.

**(J) Banca Transilvania – Loan contract no. 664/21.11.2011**

On 21.11.2011, the Company concluded contract no. 664 in the form of an investment loan from Banca Transilvania Militari Branch amounting to RON 1,700,000 for improvement of buildings, utility reconfiguration and recertification of technological processes, in order to relocate the production facilities, due on May 18, 2012. The annual interest rate is 10%, subject to indexation.

The security consists of:

1. Contract no. 664/GAJ/01/21.11.2011 of security interest in personal property over existing determined goods;
2. Contract no. 664/CES/01/21.11.2011 of chattel mortgage over collections and current account balance.

The amount withdrawn as at 31.12.2011 is RON 1,570,921.

The loan is due on 18.05.2012.



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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(I) Banca Transilvania - Loan contract no. 40/04.02.2011 (continued)**

Additional Act no. 01/664/17.05.2012 rescheduled the loan, extending the maturity to 17.10.2012 with an interest rate of 9.75%. On 17.05.2012 Additional Acts nos. 01/664/CES/01 and 01/664/GAJ/01 were concluded. Additional Act no. 02/664/16.10.2012 rescheduled the loan. The loan is due on 16.10.2019.

As at 31.12.2012, the withdrawn amount to be repaid is RON 1,696,242.

In 2013, the Company concluded Additional Act no. 03/664/10.06.2013, which rescheduled the June instalment from 17.06.2013 to 28.06.2013, maintaining the final due date of the loan.

On 27.06.2013, Additional Act no. 04/664 was concluded to loan contract no. 664/21.11.2011, which postponed the payment of all the instalments between June 2013 and January 2014, having as its object the replacement (restructuring) of the investment loan granted for improvement and upgrading of buildings, utility reconfiguration and recertification of technological processes, in order to relocate the production facilities, with a balance of RON 1,674,495.31 out of the initial amount of RON 1,700,000.

On 27.06.2014 Additional Act no. 02/664/GAJ/01 to contract no. 664/GAJ/01/21.11.2011 of chattel mortgage over existing determined goods was concluded, which secured all the obligations deriving from loan contract no. 664/21.11.2011 and the Additional Acts.

In 2013, the Company repaid RON 21,746.69, according to the repayment schedule.

The final due date is 16.10.2019.

As at 31.12.2013, the withdrawn amount to be repaid is RON 1,674,495.31.

On January 31, 2014, **Additional Act no. 05** was concluded, which approved the postponement of the instalment due on February 16 to February 28, 2014 without changing the loan due date.

On February 27, 2014, **Additional Act no. 06** was concluded, which postponed the payment of capital instalments throughout February – July 2014 without changing the lending period. Instalments will accrue and be paid in equal instalments in August 2014 until the final due date of the loan.

Interest and commissions due between February and April 2014 are postponed, will accrue and be payable in 24-month equal instalments starting from August 2014. The interest rate was set at 8%.

The guarantees were supplemented by 19 pieces of equipment of "0" value, being a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

On February 27, 2014, **Additional Act no. 03/664/GAJ/01** was concluded, having as its object 17 pieces of equipment valued by the representative of Banca Transilvania.

On February 27, 2014, **Chattel mortgage no. 664//GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On May 30, 2014, **Additional Act no. 07** was concluded, which rescheduled the loan for a period of 24 months from the due date, by payment in equal instalments over a 24-month period starting from November 2014, it postponed the payment of interest and commissions due between May and November 2014 and payment in instalments over a 24-month period starting from November 2014 and rescheduled the interest and commissions due between February and April 2014 by payment in instalments over a 24-month period starting from November 2014.

On May 30, 2014, **Additional Act 04/664/GAJ/01** was concluded, having as its object 17 pieces of equipment valued by the representative of Banca Transilvania. The interest rate was set at 6%.

This is a free translation from the original Romanian version.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(J) Banca Transilvania – Loan contract no. 664/21.11.2011 (continued)**

On May 30, 2014, **Additional Act 01/664/GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On November 11, 2014, **Additional Act no. 08** was concluded, which approved the full postponement of capital instalments throughout November 2014 - January 2015 without changing the lending period. They will be divided equally throughout the remaining lending period, starting from February 2015 until the settlement of the loan.

It provided the postponement of the interest and commissions due between November and December 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

It provided the postponement of the interest and commissions due between February and October 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

On November 11, 2014, **Additional Act 02/664/GAJ/02** was concluded, which established a first rank chattel mortgage over 8 pieces of equipment valued according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valued, established as comfort guarantee.

On November 11, 2014, **Additional Act 05/664/GAJ/01** was concluded, having as its object 17 pieces of equipment valued by the representative of Banca Transilvania.

The outstanding loan as at December 31, 2014 is RON 1,674,495.31.

According to the additional act 10 /25 February 2015, the Company will not pay the installments for the year 2015, they will be paid starting with 2016. Interest and commissions accumulated have been split equally for the remaining period and shall be paid together with the current ones.

The outstanding accrued interest as at December 31, 2014 is RON 106,760.70 and the commissions payable as at December 31, 2014 amount to RON 9,776.89.

In 2015, the Company concluded **Additional Act no. 09/664/29.01.2015**, whereby the interest rate was modified from 16.02.2015 to 27.02.2015, without changing the final due date of the loan.

On 26.02.2015, the Company concluded **Additional Act no. 10/664**, whereby the replacement operation was implemented (investment loan restructuring), the interest was set at 6,04% (variable), the guarantees were maintained, special granting clauses were introduced.

The final due date of the loan is October 16, 2019.

As at December 31, 2015 the balance of the loan is RON 1,674,495.31.

**(K) Banca Transilvania – Loan contract no. 665/21.11.2011**

On 21.11.2011, the Company concluded a non-revolving short-term loan contract amounting to RON 408,000 for VAT financing to develop and upgrade buildings, reconfigure utilities and recertify technological processes in order to relocate production capacities, due on May 18, 2012. The annual interest rate is 10%, subject to indexation.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(K) Banca Transilvania – Loan contract no. 665/21.11.2011 (continued)**

The security consists of:

1. Contract no. 665/GAJ/01/21.11.2011 of security interest in personal property over existing determined goods;
2. Contract no. 665/CES/01/21.11.2011 of chattel mortgage over collections and current account balance.

As at 31.12.2011, the amount withdrawn is RON 377,041.

The loan is due on 18.05.2012.

Additional Act no. 01/665/17.05.2012 rescheduled the loan, extending the maturity to 17.10.2012.

On 17.05.2012, Additional Acts nos. 01/665/CES/01 and 01/665/GAJ/01 were also concluded.

Additional Act no. 02/665/16.11.2012 rescheduled the loan.

In 2012, according to the repayment scheduled, two (2) instalments were repaid, namely in November and December, in amount of RON 10,000 each.

As at 31.12.2012, the withdrawn amount to be repaid is RON 387,215.

The final due date is on 16.10.2014.

In 2013, Additional Act no. 03/665/10.06.2013 was concluded, which rescheduled the June instalment from 17.06.2013 to 28.06.2013, maintaining the final due date of the loan.

On 27.06.2013, the Company concluded Additional Act no. 04/665 to loan contract no. 665/21.11.2011 which postponed the payment of all the instalments between June 2013 and January 2014, having as its object the replacement (restructuring) of the medium-term loan granted for VAT funding related to the investment, with a balance of RON 327,925.28 out of the initial loan of RON 408,000.

On 27.06.2014, the Company concluded Additional Act no. 02/665/GAJ/01 to contract no. 664/GAJ/01/21.11.2011 of chattel mortgage over existing determined goods, which secured all the obligations deriving from loan contract no. 665/21.11.2011 and the Additional Acts.

In 2013, the Company repaid four (4) instalments according to the repayment schedule, totalling RON 59,289.72.

The final due date is on 16.10.2014.

As at 31.12.2013, the withdrawn amount to be repaid is RON 327,925.28.

On January 31, 2014, **Additional Act no. 05** was concluded, which approved the postponement of the instalment due on February 16 to February 28, 2014 without changing the loan due date.

On February 27, 2014, **Additional Act no. 06** was concluded, which postponed the payment of capital instalments throughout February – July 2014 without changing the lending period. Instalments will accrue and be paid in equal instalments starting from August 2014 until the final due date of the loan.

Interest and commissions due between February and April 2014 are postponed, will accrue and be payable in equal instalments over a 3-month period starting from August 2014. The interest rate was set at 8%.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(K) Banca Transilvania – Loan contract no. 665/21.11.2011 (continued)**

The guarantees were supplemented by 19 pieces of equipment of “0” value, being a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

On February 27, 2014, **Additional Act no. 03/665/GAJ/01** was concluded, having as its object 17 pieces of equipment valued by the representative of Banca Transilvania.

On February 27, 2014, **Chattel mortgage no. 665//GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On May 30, 2014, **Additional Act no. 07** was concluded, which approved the postponement of capital instalments due between August and September 2014 without changing the lending period, it provided that the postponed instalments are paid upon the loan due date, the interest and commissions postponed during May – September 2014 are postponed entirely until the loan final due date. The interest and commissions related to February – April 2015 are rescheduled and postponed until the loan due date.

On May 30, 2014, **Additional Act 04/665/GAJ/01** was concluded, having as its object 17 pieces of equipment valued by the representative of Banca Transilvania. The interest rate was set at 6%.

On May 30, 2014, **Additional Act 01/665/GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On November 11, 2014, **Additional Act no. 08** was concluded, which approved the reactivation of the overdue principal in amount of RON 319,927.26 and rescheduling thereof until January 30, 2015 by repayment in a single instalment upon the loan due date, the postponement of the interest and commissions due between November and December 2014 and repayment thereof in a single instalment on the loan due date.

On November 11, 2014, **Additional Act 02/665/GAJ/02** was concluded, which established a first rank chattel mortgage over 8 pieces of equipment valued according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valued, established as comfort guarantee.

On November 11, 2014, **Additional Act 05/665/GAJ/01** was concluded, having as its object 17 pieces of equipment valued by the representative of Banca Transilvania.

The loan was repaid in November 2014 in three instalments:

- 06.11. 2014	RON 7,349.79
- 07.11.2014	RON 648,23
- 20.11.2014	RON 319,927.26.

The accrued interest and commissions were paid in three instalments:

- 06.11. 2014	RON 5,336.49
- 07.11.2014	RON 648.23
- 20.11.2014	RON 526.33.

As at December 31, 2014 the loan balance was RON 0.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(L) Banca Transilvania - Loan contract no. 385/02.07.2012**

On 02.07.2012, the Company concluded loan contract no. 385 for an investment loan amounting to RON 1,600,000 for improvement of buildings, utility reconfiguration and recertification of technological processes, in order to relocate the production facilities, due on 16.11.2012, between 02.07.2012 and 01.11.2012. The interest rate is 9.75%.

On 02.07.2012, contract no. 385/GAJ/01/02.07.2012 of chattel mortgage over existing determined goods and contract no. 385/ces/01/02.07.2012 of chattel mortgage over collections and current account balance were concluded.

The loan was rescheduled by Additional Act no. 01/385/15.11.2012.

As at 31.12.2013, the withdrawn amount to be repaid is RON 1,596,475.

The loan is due on 15.11.2019.

On January 31, 2014, **Additional Act no. 04** was concluded, which approved the postponement of the instalment due on February 15 to February 28, 2014 without changing the loan due date.

On February 27, 2014, **Additional Act no. 05** was concluded, which postponed the payment of capital instalments throughout February – July 2014 without changing the lending period. Instalments will accrue and be paid in equal instalments starting from August 2014 until the final due date of the loan.

Interest and commissions due between February and April 2014 are postponed, will accrue and be payable in equal instalments over a 24-month period starting from August 2014. The interest rate was set at 8%.

The guarantees were supplemented by 19 pieces of equipment of "0" value, being a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

On February 27, 2014, **Additional Act no. 02/385/GAJ/01** was concluded, having as its object 23 pieces of equipment valued by the representative of Banca Transilvania.

On February 27, 2014, **Chattel mortgage no. 665//GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On May 30, 2014, **Additional Act no. 06** was concluded, which rescheduled the loan for a period of 24 months from the maturity date by repayment in equal instalments over a 24-month period starting from November 2014, it postponed the payment of interest and commissions due between May and October 2014 and payment in instalments over a 24-month period starting from November 2014 and it rescheduled the interest and commissions due between February and April 2014 by payment in instalments over a 24-month period starting from November 2014.

On May 30, 2014, **Additional Act 03/385/GAJ/01** was concluded, having as its object 23 pieces of equipment valued by the representative of Banca Transilvania. The interest rate was set at 6%.

On May 30, 2014, **Additional Act 01/385/GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On November 11, 2014, **Additional Act no. 07** was concluded, which approved the full postponement of capital instalments throughout November 2014 - January 2015 without changing the lending period. They will be distributed equally throughout the remaining lending period, starting from February 2015 until the settlement of the loan.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(L) Banca Transilvania - Loan contract no. 385/02.07.2012 (continued)**

It provided the postponement of the interest and commissions due between November and December 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

It provided the postponement of the interest and commissions due between February and October 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

On November 11, 2014, **Additional Act 02/385/GAJ/02** was concluded, which established a first rank chattel mortgage over 8 pieces of equipment valued according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valued, established as comfort guarantee.

On November 11, 2014, **Additional Act 04385/GAJ/01** was concluded, having as its object 23 pieces of equipment valued by the representative of Banca Transilvania.

On November 20, 2014, the accrued interest in amount of RON 72,942.95 was partly paid.

As at December 31, 2014, the loan balance was RON 1,596,475.

The accrued interest as at December 31, 2014 is RON 28,843.42 and the commissions payable as at December 31, 2014 amount to RON 9,321.31.

In 2015, the Company concluded Additional Act no. 08/385/29.01.2015, whereby the due date was changed from 15.02.2015 to 27.02.2015 without modifying the final due date of the loan.

According to additional act no. 9/February 25, 2015 the Company will not pay the installments for 2015, only starting with 2016. Interest and commissions – accumulated have been split equally for the remaining period and will be paid together with the current ones.

The guarantees for the bank have a fair value determined by the bank of RON 6,187,503 with a guarantee value of RON 4,792,478 (property and equipment).

The loan contract is due on November 15, 2019.

As at December 31, 2015, the balance of the loan is RON 1,596,475.

**(M) Banca Transilvania - Loan contract no. 386/02.07.2012**

On 02.07.2012, the Company concluded loan contract no. 386, granting a non-revolving short-term loan ceiling amounting to RON 360,000 for VAT financing to develop and upgrade buildings, reconfigure utilities and recertify technological processes in order to relocate production capacities, between 02.07.2012 and 01.11.2012, due on November 16, 2012. The interest rate is 9.75%.

The loan has been fully withdrawn.

On 02.07.2012, contract no. 386/GAJ/01/02.07.2012 of chattel mortgage over existing determined goods and contract no. 386/CES/01/02.207.2012 of chattel mortgage over collections and current account balance were concluded.

On 15.11.2012, Additional Act no. 01/386/15.11.2012 rescheduled the loan, providing that the final due date is 14.11.2014.

According to the repayment schedule, in 2012 the Company repaid RON 10,000 in December 2012.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(M) Banca Transilvania - Loan contract no. 386/02.07.2012 (continued)**

As at 31.12.2012, the withdrawn amount to be repaid is RON 350,000.

In 2013, Additional Act no. 02/386/10.06.2013 was concluded, which rescheduled the June instalment from 15.06.2013 to 28.06.2013, maintaining the final due date of the loan.

On 27.06.2013, the Company concluded Additional Act no. 03/386 to loan contract no. 386/02.07.2012, which postponed the payment of all the instalments between June 2013 and January 2014, to replace (restructure) the loan granted for VAT funding related to the investment, with a balance of RON 300,000.00 out of the initial loan of RON 360,000.

On 27.06.2014, the Company concluded Additional Act no. 01/386/GAJ/01 to contract no. 386/GAJ/01/02.07.2012 of chattel mortgage over existing determined goods, which secured all the obligations deriving from loan contract no. 386/02.07.2012 and the Additional Acts.

In 2013 (January - May), the Company repaid five (5) instalments according to the repayment schedule, totaling RON 50,000.

The final due date is 16.10.2014.

As at 31.12.2013, the withdrawn amount to be repaid is RON 300,000.

On June 27, 2014, **Additional Act no. 01/386/GAJ/01** to Chattel mortgage over determined existing goods no. 386/GAJ/01/02.07.2012 was concluded, having as its object the guarantee of all the obligations deriving from Loan Contract no. 386/02.07.2012 and additional acts.

On January 31, 2014, **Additional Act no. 04** was concluded, which approved the postponement of the instalment due on February 15 to February 28, 2014 without changing the loan due date.

On February 27, 2014, **Additional Act no. 05** was concluded, which postponed the payment of capital instalments throughout February – July 2014 without changing the lending period. Instalments will accrue and be paid in equal instalments starting from August 2014 until the final due date of the loan.

Interest and commissions due between February and April 2014 are postponed, will accrue and be payable in equal instalments over a 4-month period starting from August 2014. The interest rate was set at 8%.

The guarantees were supplemented by 19 pieces of equipment of “0” value, being a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

On February 27, 2014, **Additional Act no. 02/665/GAJ/01** was concluded, having as its object 23 pieces of equipment valued by the representative of Banca Transilvania.

On February 27, 2014, **Chattel mortgage no. 386//GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee.

On May 30, 2014, **Additional Act no. 06** was concluded, which approved the postponement of capital instalments due between August and September 2014 without changing the lending period, it provided that the postponed instalments are paid upon the loan due date, the interest and commissions postponed during May – September 2014 are postponed entirely until the loan final due date. The interest and commissions related to February – April 2014 are rescheduled and postponed until the loan due date.

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**20. BORROWINGS (continued)**

**b) Amounts owed to credit institutions (continued)**

**(M) Banca Transilvania - Loan contract no. 386/02.07.2012 (continued)**

On May 30, 2014, **Additional Act 03/386/GAJ/01** was concluded, having as its object 23 pieces of equipment valued by the representative of Banca Transilvania. The interest rate was set at 6%.

On May 30, 2014, **Additional Act 01/386/GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee.

On November 11, 2014, **Additional Act no. 07** was concluded, which approved the rescheduling of the loan until January 30, 2015 with repayment in a single instalment on the loan due date, the postponement of the interest and commissions due between November and December 2014 and repayment thereof in a single instalment on the loan due date.

On November 11, 2014, **Additional Act 02/386/GAJ/02** was concluded, which established a first rank chattel mortgage over 8 pieces of equipment valued according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valued, established as comfort guarantee.

On November 11, 2014, **Additional Act 04/386/GAJ/01** was concluded, having as its object 23 pieces of equipment valued by the representative of Banca Transilvania.

The loan was fully repaid on November 20, 2014.

As at March 7, 2015 Banca Transilvania has communicated to the Company the fact that it does not have overdue debts to Banca Transilvania, that up to that moment, the relationship between S.C. Turbomecanica S.A. and Banca Transilvania was good and that if, throughout the lending period, the Company's financial standing and the bank's predictions in relation to the Company's business will demonstrate that Turbomecanica has the capacity to sustain the financing received, Banca Transilvania would not withhold its support.

**(N) BRD – Subordinating agreements**

On 29.02.2012, BRD and Messrs. Viehmann Radu, as President and General Manager, and Dinca Ion, as Financial Manager, concluded subordinating agreements.

On 18.02.2013, BRD and Ms. Ciorapciu Dana-Maria concluded a subordinating agreement.

**Compliance with the bank contractual clauses**

According to the loan contracts concluded with BRD and Banca Transilvania, the Company must meet the following economic – financial indicators in order not to change the terms of loan contracts: the EBITDA/turnover ratio not less than 17% and the net profit compared to turnover not less than 5% as at December 31, 2015.

As at 31.12.2015, the Company did not meet one of such economic – financial indicators, namely EBITDA/Turnover was below 17%.

The management has received letters from BRD and Banca Transilvania according to which the banks are willing to sustain the financing in accordance with Company's real availability of resources to sustain repayment of the loans.



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**21. PROVISIONS**

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Provisions for post-employment benefits	968,649	1,494,810
Other personnel-related provisions	1,957,482	465,426
Provisions for compensatory salaries	<u>601,517</u>	<u>1,099,975</u>
<b>Total</b>	<u><b>3,527,648</b></u>	<u><b>3,060,211</b></u>

Compensatory salaries provisions mean provisions for compensatory salaries to be paid to the Company's employees who are dismissed, according to the collective employment contract.

"Other personnel-related provisions" includes as follows: provision for performance bonuses for 2015 which will be granted in 2016, provision for rest leaves not taken as at December 31, 2015, provisions for meal vouchers related to December 2015 which will be granted in 2016.

The most recent actuarial valuation of the present value of the defined benefit obligation were carried out at 31 December 2015. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Credit Unit Method (PCUM). Retirement benefits are expected to be paid in a period of 5-15 years.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

**1) Financial Assumptions**

**a) Discount rate**

According to IAS 19, determination of the discount rate should be based on current rates of return on high-quality corporate bonds/ fixed income investments with maturities consistent with duration of benefit obligations. In countries with no deep market in government bonds, the common practice under IAS 19 is to use the return on government bonds.

The discount rate used was at the level of 3.86% consistent with the Smith-Wilson interpolated discount rates method based on information published by EIOPA for 31.12.2015 and corresponding to zero-coupon bonds with a maturity of 10.01 years.

**b) CPI inflation**

Inflation rates forecast by Economist Intelligence Unit were used. The long-term increase salary increase was assumed to be 2.2%.

**c) Salary increases**

Salary assumptions are company specific and should be applied by the Company in accordance with the long-term human resources policy, taking into consideration current budget and labour market conditions. Estimates of future salary increases take account of price inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. (par. 84, IAS 19).

The Company does not plan any salary increases for the following years and for projection of the benefit base/ retirement benefits at the time of retirement the inflation rate was used.

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**21. PROVISIONS (continued)**

**2) Demographic Assumptions**

a) Mortality tables

The information used is as available for 2010. It is accustomed to use a certain mortality rebate in order to reflect future mortality improvements.

b) Rates of employee turnover

The turnover rate was established starting from 13% for the employees that have more than 35 years until retirement and decreasing at 0%.

Components of defined benefit costs recognised in profit or loss are as follows:

<b>Service cost:</b>	<b>December 31, 2015</b>
Current service cost	71.710
Interest cost	33.335
Past service cost	(312.045)
Benefits paid	(80.493)
<b>TOTAL</b>	<b>(287.493)</b>

Amounts recognised in the comprehensive income in respect of these defined benefit plans are as follows:

<b>Re-measurement of the net defined benefit liability:</b>	<b>December 31, 2015</b>
Actuarial gains and losses from changes in financial assumptions	(238.668)
<b>TOTAL</b>	<b>(238.668)</b>

The current service cost, the interest cost, the past service cost and the benefits paid are included in other gains and losses in profit or loss.

The re-measurement of the net defined benefit liability is included in other comprehensive income.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period.

<b>Scenario</b>	<b>Retirement benefits</b>	<b>Variation compared to basic scenario</b>	<b>Help in case of death of an employee</b>	<b>Variation compared to basic scenario</b>
Basic scenarios	874,786		93,863	
Discount rate +1pp	811,191	-7%	88,510	-6%
Discount rate -1pp	945,650	8%	99,737	6%
Salary increase +1%	951,396	9%	100,881	7%
Salary decrease -1%	822,140	-6%	89,348	-5%
Turnover rate +0.5pp	837,632	-4%	91,415	-3%
Mortality increase +10%	868,755	-1%	103,812	11%
Mortality decrease -10%	880,861	1%	83,849	-11%
Retirement age +1 an	815,916	-7%	106,304	13%
Retirement age -1 an	941,789	8%	81,393	-13%

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**22. TRADE AND OTHER LIABILITIES**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Trade liabilities	3,537,816	6,297,977
Liabilities on invoices to be received	607,925	472,427
<b>Total</b>	<b>4,145,741</b>	<b>6,770,404</b>

**23. OTHER CURRENT LIABILITIES AND DEFERRED INCOME**

**OTHER CURRENT LIABILITIES**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Salaries	1,133,205	800,599
Salary taxes	2,753,579	2,761,942
VAT payable	4,029,268	3,914,100
Other creditors	166,565	15,878
Other taxes	650,313	610,095
Advances from clients	10,546	-
<b>Total</b>	<b>8,743,477</b>	<b>8,102,614</b>

**DEFERRED INCOME**

Deferred income represent repairs invoiced and collected which are delivered at a later date (after balance sheet date) - which is determined based on client's request. The amount as at December 31, 2015 of RON 515,658.

**24. OTHER LONG-TERM LIABILITIES**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Salary taxes	2,401,560	4,103,584
VAT payable	226,824	386,929
Other taxes and penalties	845,907	1,443,051
<b>Total</b>	<b>3,474,291</b>	<b>5,933,564</b>

Long-term liabilities comprise the liabilities included in Rescheduling Decision no. 14947/15.05.2013; 18348/20.02.2014; 18772/10.03.2014 issued by the Ministry of Public Finance, the General Directorate for Large Taxpayers, regarding salary taxes, VAT payable.

The Company has been granted a payment postponement until the end date of the payment scheduling of accessory tax liabilities related to the main tax liabilities subject to a payment schedule in amount RON 1,022,406, according to Decision no. 14948/15.05.2013. Thus, the Company did not register such amount in its financial statements. If the Company complies with the payment schedule, then such amount will be exempted from payment at the end of the scheduling period, otherwise, the payment obligation above will be activated.

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**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.

**Segmenting income**

	<b>Segmenting income</b>	
	<b>December 31,</b>	<b>December 31,</b>
	<b>2015</b>	<b>2014</b>
	<b>RON</b>	<b>RON</b>
Aircraft benchmarks and parts	8,787,712	9,919,690
Current engine repairs	59,646,134	42,815,399
Other	707,186	940,269
<b>Total from operations</b>	<b>69,141,032</b>	<b>53,675,358</b>

In 2015, the depreciation and amortization is allocated to Aircraft makers and parts – 16%, Current engine repairs – 82%, others 2%. Material non-cash items not allocated consist of RON 874,664 reversal of deferred tax asset.

	<b>Asset Segment</b>		<b>Liability Segment</b>	
	<b>31-Dec-15</b>	<b>31-Dec-14</b>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Assets and liabilities segment</b>				
Aircraft benchmarks and parts	58,318,365	64,136,646	2,756,445	3,609,302
Current engine repairs	22,795,806	22,187,254	1,389,296	3,468,560
Not allocated	29,220,603	34,997,621	69,979,893	82,120,447
<b>Total Assets / Liabilities</b>	<b>110,334,774</b>	<b>121,321,521</b>	<b>74,125,634</b>	<b>89,198,309</b>

	<b>Profit/(loss)</b>	
	<b>December 31,</b>	<b>December 31,</b>
	<b>2015</b>	<b>2014</b>
	<b>RON</b>	<b>RON</b>
Aircraft benchmarks and parts	(231,471)	3,066,606
Current engine repairs	23,326,899	17,760,386
Other	(16,709,299)	(11,977,850)
Unallocated	(2,538,870)	(12,403,611)
<b>Total</b>	<b>3,847,259</b>	<b>(3,554,469)</b>

The reported profits above are presented based on internal managerial reports, direct costs are allocated by per segments while the overheads are included in Other. Unallocated refers to financing costs, sale of assets held for sale and related deferred tax.

	<b>Income by geographical areas</b>	
	<b>December 31,</b>	<b>December 31,</b>
	<b>2015</b>	<b>2014</b>
Europe	68,785,655	52,685,071
US	355,377	990,287
Asia	-	-
<b>Total</b>	<b>69,141,032</b>	<b>53,675,358</b>

The Company is currently dependent on the activity with two main internal customers. Turnover with these clients for year 2015 represents 86% of total turnover of the Company.

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**26. FINANCIAL INSTRUMENTS**

**a) Capital risk management**

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

The Company's capital consists of debts, which include the borrowings disclosed in Note 20, cash and cash equivalents and equity.

Equity comprises share capital, reserves and retained earnings, as disclosed in Notes 18 and 19.

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, 2015 and December 31, 2014 is as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Total borrowings	49,424,676	55,640,706
Cash and cash equivalents	7,118,858	11,903,023
<b>Net debt</b>	<b>42,305,818</b>	<b>43,737,683</b>
Total capital and reserves	36,209,140	32,123,212
Gearing ratio	117%	136%

Gearing ratio has been positively changed from last year as the Company managed to improve its financial position by selling assets held for sale and repayment of loans, in order to reduce the debt and the interest payable in the future.

**b) 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.

**c) Interest rate risk management**

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 foreign 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.

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**26. FINANCIAL INSTRUMENTS (continued)**

**d) Credit risk management**

The Company is exposed to credit risk due to its trade and other receivables. The Company has adopted a policy of only dealing with creditworthy clients. The due date of the liabilities is closely monitored and the amounts owed after expiry of the maturity date are promptly supervised. Trade receivables (clients) are disclosed net of allowances for doubtful debts. The Company has adopted policies limiting the value of the credit exposure towards any financial institution. Collaterals are not required however advance payments are in certain cases required. Cash is placed in financial institutions, which are considered to have minimal risk of default. The deposits are held at the BRD and Banca Transilvania.

The carrying amounts represent the Company's maximum exposure to credit risk for existing receivables.

**e) Liquidity 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. During 2015 the Company as presented in Note 20 and in subsequent events note has obtained the agreement from Banca Transilvania to postpone the repayment of the principal instalments until 2016.

**f) Fair value of financial instruments**

The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair value of financial derivatives is calculated using quoted prices. Where such prices are not available, the discounted cash flow analysis is used, using the yield curve applicable to the duration of derivatives that do not include options and the models to assess options for derivatives based on options.

Financial instruments in the balance sheet include trade and other receivables, cash and cash equivalents, short and long-term loans and trade and other payables. The estimated fair values of these instruments approximate their carrying amounts.

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**26. FINANCIAL INSTRUMENTS (continued)**

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

2015	EUR 1EUR = RON 4.5245	USD 1USD = RON 4.1477	GBP 1GBP = RON 6.1466	CHF 1 CHF = RON 4.1797	RON 1 RON=RON	TOTAL December 31, 2015
ASSETS	RON	RON	RON	RON	RON	RON
Cash and cash equivalents	5,097	43,931	15,011	156	7,054,664	7,118,858
Receivables and other current assets	3,143,976	63,735	-	-	167,823	3,375,534
<b>LIABILITIES</b>						
Trade and other liabilities	267,729	1,018,324	108	-	2,859,579	4,145,740
Short and long-term loans	556,287	27,529,874	-	-	21,338,516	49,424,677
<b>Net balance exposure (assets - liabilities)</b>	<b>2,325,057</b>	<b>(28,440,532)</b>	<b>14,903</b>	<b>156</b>	<b>(16,975,608)</b>	<b>(43,076,025)</b>
2014	EUR 1EUR = RON 4.4821	USD 1USD= RON 3.6868	GBP 1GBP=RON 5.7430	CHF 1 CHF = RON 4.1797	RON 1 RON = RON	TOTAL December 31, 2014
ASSETS	RON	RON	RON		RON	RON
Cash and cash equivalents	14,138	378	59,744		11,828,763	11,903,023
Receivables and other current assets	551,609	105,437	84,009		1,402,774	2,143,829
<b>LIABILITIES</b>						
Trade and other liabilities	81,206	1,096,901	6,426		5,585,871	6,770,405
Short and long-term loans	1,629,156	24,108,574	-		29,902,977	55,640,706
<b>Net balance exposure (assets - liabilities)</b>	<b>(1,144,615)</b>	<b>(25,099,660)</b>	<b>137,327</b>		<b>(22,275,311)</b>	<b>(48,364,259)</b>

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**26. FINANCIAL INSTRUMENTS (continued)**

**Sensitivity analysis**

The Company is mainly exposed in respect of the exchange rate of the EUR and USD vs. RON. The following table details the Company's sensitivity to a 10% increase and decrease in EUR/USD against RON. 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 against the EUR / USD. For a 10% strengthening of RON against the EUR / USD there would be an equal and opposite impact on the profit and equity and the balance would be positive.

	<b>10% strengthening of RON against EUR / USD - impact on the result as at:</b>	
	<b>December 31, 2015</b>	<b>December 31, 2014</b>
EUR	232,506	114,461
USD	(2,844,053)	2,509,966
GBP	1,490	(13,732)
CHF	16	-

**Tables regarding liquidity and interest rate risks**

The following tables detail the Company's remaining contractual maturity for financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.



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**26. FINANCIAL INSTRUMENTS (continued)**

2015	Interest rate	Less than 1 month	Less than 1 year	1 - 5 years	5+ years	Total
<i>Non-interest bearing</i>						
Trade and other current liabilities	-	(2,551,195)	(644,390)	(857,082)	(93,074)	(4,145,741)
Other liabilities	-	(6,910,268)	(2,250,666)	(3,488,145)	-	(12,649,079)
<i>Interest bearing instruments</i>						
Long and short-term loan (of which)						
Long-term real estate loan BTRL	ROBOR 6M+4.4%	(72,919)	(802,109)	(2,479,247)		(3,354,275)
Long-term loan for RELOCATION RON BT	ROBOR 6M+4.4%	(33,968)	(373,643)	(1,188,864)		(1,596,475)
Long-term loan BTRL RON	ROBOR 6M+4.4%	(36,402)	(400,423)	(1,237,670)		(1,674,495)
Short-term bank loan in RON BRD	ROBOR 3M + 2% pa	-	-	-	-	-
Loan ceiling in RON from Banca Transilvania M	ROBOR 6M+6.4%	-	(8,947,170)	-	-	(8,947,170)
Short-term bank loans in USD - BRD	LIBOR 1M + 3.0% pa	-	(25,964,278)	-	-	(25,964,278)
Loans from shareholders	6,6%	-	(4,880,000)	-	-	(4,880,000)
Interest payable		-	(2,470,980)	(537,002)	-	(3,007,982)
<b>Total debt</b>		<b>(9,604,752)</b>	<b>(46,733,659)</b>	<b>(9,788,010)</b>	<b>(93,074)</b>	<b>(66,219,497)</b>
Cash and cash equivalents		7,118,858	-	-	-	7,118,858
Receivables and other current assets	-	2,102,126	1,144,938	128,469	-	3,375,534
<b>Total assets</b>		<b>9,220,985</b>	<b>1,144,938</b>	<b>128,469</b>		<b>10,494,392</b>
<b>Total Net</b>		<b>(383,768)</b>	<b>(45,588,721)</b>	<b>(9,659,541)</b>	<b>(93,074)</b>	<b>(55,725,103)</b>

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**26. FINANCIAL INSTRUMENTS (continued)**

2014	Interest rate	Less than 1 month	Less than 1 year	1 - 5 years	5+ years	Total
<i>Non-interest bearing</i>						
Trade and other current liabilities	-	(6,770,405)	-	-	-	(6,770,405)
Other liabilities	-	(219,053)	(7,883,561)	(5,933,564)	-	(14,036,178)
<i>Interest bearing instruments</i>						
Long and short-term loan (of which)	-	-	-	-	-	-
Long-term real estate loan BTRL	6%	-	(647,317)	(2,706,958)	-	(3,354,275)
Long-term VAT investment loan BTRL RON	6%	-	-	-	-	-
Long-term bank loans (land) BRD RON	ROBOR 3M + 3.5% pa	-	(2,229,923)	(2,229,924)	-	(4,459,847)
Long-term loan for RELOCATION RON BT	6%	-	(302,780)	(1,293,695)	-	(1,596,475)
Long-term bank loan for land – EUR - BRD	EURIBOR 3M + 5% pa	-	(164,002)	(164,002)	-	(328,004)
Long-term bank loan BRD-EUR 2	EURIBOR 3M + 5% pa	-	-	-	-	-
Long-term loan BTRL RON	6%	-	(323,148)	(1,351,347)	-	(1,674,495)
Investment loan in EUR from BTL Militari	4.5%	-	(461,404)	(251,675)	-	(713,079)
Short-term bank loan in RON BRD	ROBOR 3M + 3% pa	-	(3,436,441)	-	-	(3,436,441)
Loan ceiling in RON from Banca Transilvania M	6%	-	(7,291,272)	-	-	(7,291,272)
Short-term bank loans in USD - BRD	LIBOR 1M + 4.5% pa	-	(22,812,163)	-	-	(22,812,163)
Loans from shareholders	9,5%	(350,000)	(4,880,000)	-	-	( 5,230,000)
Interest payable	-	(101,966)	(4,642,689)	-	-	(4,744,655)
<b>Total debt</b>		<b>(7,441,424)</b>	<b>(55.074.670)</b>	<b>(13.931.165)</b>	<b>-</b>	<b>(76,447,289)</b>
Cash and cash equivalents	-	11,903,023	-	-	-	11,903,023
Receivables and other current assets	-	2,143,829	-	-	-	2,143,829
<b>Total assets</b>		<b>14,046,852</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,046,852</b>
<b>Total Net</b>		<b>6,605,428</b>	<b>(55.074.670)</b>	<b>(13.931.165)</b>	<b>-</b>	<b>(62,400,437)</b>

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**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 (Note 14).

	<u>2015</u>	<u>2014</u>
Company shareholders result	3,847,259	(3,554,469)
Weighted average number of ordinary shares issued	369,442,475	369,442,475
Basic earnings per share	0.01	(0.01)

*(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.

**28. RELATED PARTIES**

The loans from the shareholders are presented in Note 20.

**29. COMMITMENTS AND CONTINGENCIES**

**Potential liabilities:**

**Taxation**

The tax system in Romania is under development and is subject to various interpretations and to constant changes, even retroactively. Although the tax due for a transaction might be minimum, penalties might be significant, because they might be computed at transaction value and with a minimum percentage of 0.2% day as of July 1, 2013 (0.03% as of March 1, 2014), but may be significantly higher. In Romania, the fiscal year stays open for verifications during 5 years. 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, 2015 or December 31, 2014 for any estimated costs, including legal and consulting fees, site surveys, the design and implementation of recovery plans as regards the environment.

**Inventories held in custody**

As at December 31, 2015, the Company did not hold inventories in custody.

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**(all the amounts are expressed in „RON”, unless otherwise specified)**

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**30. SUBSEQUENT EVENTS**

On 28.01.2016, the loan contracts of Mr. Viehmann Radu (Additional Act no. 7 authenticated under no. 51) of Ms. Ciorapciu Dana Maria (Additional Act no. 3, authenticated under no. 52) were extended until 31.12.2016, the interest rate was maintained.

The Company paid the interest payable on a monthly basis, as well as the tax on interest, to the State Budget.

For January 2016, Mr. Viehmann Radu received the interest in amount of RON 21,116 and paid the tax in amount of RON 4.022 and Ms. Ciorapciu Dana Maria received interest in amount of RON 1,408 and paid the tax in amount of RON 268, and for February 2016, Mr. Viehmann Radu received the interest in amount of RON 19,753 and paid the tax in amount of RON 3,763 and Ms. Ciorapciu Dana Maria received the interest in amount of RON 1,317 and paid the tax in amount of RON 251.

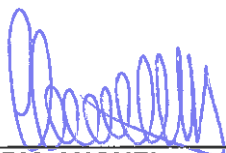
Given the current volume of orders from General Electric Company US, the Company considered that for the time being, the factoring contract for this commercial relationship needs not be extended.

Thus, on 16.03.2016, the Global Transaction Banking Department, Factoring Directorate within BRD - Groupe Societe Generale communicated the Company that it has excluded the relationship with GENERAL ELECTRIC COMPANY US from factoring contract no. 539/04.05.2006 concluded with BRD - Groupe Societe Generale S.A.

**As specified in the letters received from the two banks in March 2016, both BRD - Groupe Societe Generale and Banca Transilvania are still supporting the business of S.C. Turbomechanica S.A. and guarantee that they will not withdraw their financial support throughout the lending period.**

On January 18, 2016, the Extraordinary General Meeting of Shareholders approved the redemption by the Company of its own shares in compliance with the applicable legal provisions, under the following terms: maximum 36,944,241 shares (10% of the total shares constituting the share capital, at a nominal value of RON 0.1/share at a minimum price equal to the market price at the Bucharest Stock Exchange valid on the purchase date and a maximum of RON 0.12, for no more than 18 months from the publication of the EGMS in the Official Journal of Romania, Part IV, in order to implement a remuneration system that complies with the principle of long-term performance and a fidelity program for employees for at least 3 years, and grant a mandate to the Board of Administration in this respect, to enforce such resolution.

The financial statements were approved by the Board of Administration and authorized for issuance on March 30, 2016.



**CLAUDIA ANGHEL,**  
Economic - Commercial Manager



**RADU VIEHMANN,**  
President - General Manager





## **TURBOMECHANICA**

**Bd. Iuliu Maniu Nr. 244 Sector 6 Postal Code 061126 Bucharest -  
Romania**

**Tel.: (+4) 021 434 07 41 Fax: (+4) 021 434 09 21; (+4) 021 434 31 65**

**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**

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

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### **ANNUAL REPORT OF THE BOARD OF ADMINISTRATION OF TMB FOR 2015 ACCORDING TO NSC REGULATION NO.1/2006**

SC TURBOMECHANICA 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 recognized 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 defense 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 defense industry.

The program of technical restructuring and relocation of the technological flows, started a long time ago, and realization 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 entire financial and accounting activity was based on the following principles:

- principle of prudence;
- principle of permanence of methods;
- going concern principle;
- cut-off principle;
- principle of intangibility;
- non-offsetting principle;
- principle of substance over form.

The accounting of S.C. Turbomecanica S.A. is the main instrument to know, manage and control the assets, to ensure chronological and systematic registration of information, to process and store it, presenting the real status of the assets and the results obtained.

The Company manages its accounting using the double-entry method, prepares monthly, quarterly reports and at year end it presents the accounting balance sheet.

The accounting registrations are made chronologically and systematically according to the chart of accounts and the rules in force, and any asset-related operation is registered in a supporting document.

In addition, the Financial and Accounting Department is organized so as to enable a high quality financial reporting process. The roles and responsibilities are specifically defined and a control process is in place to ensure that the financial reporting is conducted accurately and correctly.

The 2015 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:

**A. SITUATIA REZULTATULUI GLOBAL**

DENUMIRE	2015	2014
Revenues	69,141,032	53,675,358
Other revenues and (losses)	(14,985,665)	(2,363,784)
Variation of stocks	2,529,251	(162,517)
Raw materials	(15,864,137)	(12,999,635)
Expenses with employees' benefits	(22,301,787)	(17,977,039)
Expenses with depreciation of assets	(5,445,365)	(4,376,236)
Net financial expenses	(3,385,665)	(4,531,530)
Other operating expenses	(6,399,707)	(6,343,691)
Gains / Loss on sales of assets available for sale	115,948	(12,742,291)
<b>Profit/ (Loss) before tax</b>	<b>3,403,905</b>	<b>(7,821,365)</b>
Tax on profit	(431,310)	
Deferred income tax	874,664	4,266,896
<b>Profit/ (Loss) for the year</b>	<b>3,874,259</b>	<b>(3,554,469)</b>
<b>Other comprehensive income, net of tax</b>	-	-
Gains on revaluation differences	-	3,951,110
Deferred income tax	-	(1,058,756)
Actuarial (loss) / gain on defined benefits plan	238,668	-
<b>Total other comprehensive income</b>	<b>238,668</b>	<b>2,892,354</b>
<b>Comprehensive result of the year</b>	<b>4,085,927</b>	<b>(662,115)</b>

**B. STATEMENT OF FINANCIAL POSITION**

NAME	2015	2014
<b>Long-term assets</b>		
Tangible assets	55,047,738	54,924,522
Intangible assets	8,930,542	10,445,422
Other assets	1,000	
<b>Total long-term assets</b>	<b>63,979,280</b>	<b>65,369,944</b>
<b>Current assets</b>		
Stocks	23,951,055	29,736,898
Trade receivables	2,250,180	2,143,829
Other receivables	2,396,696	1,047,431
Cash and cash equivalents	7,118,858	11,903,023
Assets for sale	10,638,705	11,120,396
<b>Total current assets</b>	<b>46,355,494</b>	<b>55,951,577</b>
<b>Total assets</b>	<b>110,334,774</b>	<b>121,321,521</b>

NAME	2015	2014
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Capital issued	1,024,571,055	1,024,571,055
Reserves	80,140,683	80,544,931
Retained earnings	(1,068,502,598)	(1,072,992,773)
<b>Total equity</b>	<b>36,209,140</b>	<b>32,123,213</b>
<b>Long-term liabilities</b>		
Loans	4,905,781	7,997,601
Deferred tax liabilities	3,862,833	4,737,497
Provisions	968,649	1,494,810
Other long-term liabilities	3,474,291	5,933,564
<b>Total long-term liabilities</b>	<b>13,211,554</b>	<b>20,163,472</b>
<b>Current liabilities</b>		
Trade payables and other payables	4,145,741	6,770,404
Borrowings	44,518,895	47,643,105
Current income tax	431,310	
Provisions	2,558,999	1,565,401
Deferred income	515,658	4,953,313
Other current liabilities	8,743,477	8,102,614
<b>Total current liabilities</b>	<b>60,914,080</b>	<b>69,034,837</b>
<b>Total liabilities</b>	<b>74,125,634</b>	<b>89,198,309</b>
<b>Total equity and liabilities</b>	<b>110,334,774</b>	<b>121,321,521</b>

#### C. TURBOMECANICA SHARES

NAME	2015	2014
Number of shares	369,442,475	369,442,475
Nominal value per share	0.10	0.10
Book value per share	0.098	0.08
Average price per share	0.031	0.03
Net profit per share	0.01	-0.009
Market value per share at the end of the period	0.034	0.03
Stock capitalization	12,561,044	10,713,832

#### D. MACRO-ECONOMIC INDICATORS

NAME	2015	2014
Inflation	-0,6	1,07
EUR average exchange rate	4,44	4,44
USD average exchange rate	4,01	3,35
GBP average exchange rate	6,13	5,51

## **E. TURNOVER ON SEGMENTS**

<b>NAME</b>	<b>2015</b>	<b>2014</b>
<b>Turnover, of which:</b>	<b>69,141,032</b>	<b>53,675,358</b>
Benchmarks and aircraft parts	8,787,712	9,919,690
Engine repairs	59,646,134	42,815,399
Others	707,186	940,269

The information presented above reveals that in 2015 S.C. TURBOMECANICA S.A. registered a gross profit of RON 9.75 million and a net profit of RON 3.84 million, obtained in the context in which the Company obtained total income of RON 76.7 million for which it spent RON 73.3 million.

The highest weight of such income, i.e., 90.1%, was obtained from productive activities specific to the Company's production profile.

The Company registered turnover of 69,141,032, 28.4% higher than the program approved by the GMS for 2015 and 28.9% higher than the numbers of 2014, due to the completion at the end of the year of additional orders for the Ministry of National Defense.

The gross profit obtained by the Company in relation to the turnover determines a rate of return of 4.92%, but the gross margin rate from operations, which measures the gross result from operations independently of the financial policies, investment, taxation levels and extraordinary elements, is 14.1%.

The fact that the gross margin from operations is positive proves that the Company has recovered its ability to generate profit and increase labor productivity, which constitutes a strong basis for continuously decreasing the Company's indebtedness, recovering the financial balance and distributing dividends.

The Company established the legal reserve in amount of RON 170,195 out of the net result of 2015 in amount of RON 3,847,259, and the difference will be cover the accounting loss registered in the previous year.

## **F. PATRIMONY STOCK COUNTING**

According to the provisions of the Accounting Law, the International Financial Reporting Standards, the Rules on the organization and conduct of assets, liabilities and equity counting, the stock counting was performed in 2015 based on Decision no. 296/22.10.2015 for the annual stock counting of fixed assets and items of inventory, on Decision no. 295/22.10.2015 for the annual stock counting of raw materials, consumables, unfinished and finished products, scraps, packaging and merchandise and Decision no. 303/26.10.2015 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. 1008/24.02.2016.

The cash and cash equivalents at banks as at December 31, 2015 were traced to the accounting documents and cash and cash equivalents in foreign currency were measured at the valid exchange rate of the NBR.

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

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

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

Cash equivalent is accounted using the permanent inventory and control is exercised in accordance with M.O.P.F.O no. 2861/09.10.2009.



**a. QUALITY**

I. In 2015, 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 organizational changes applied this year at TMB, the structural entities of TMB made changes to the following documents of the Quality/Environmental Management System:**

- ◆ they prepared/revised **42 General Procedures** including **Independent Annexes**
- ◆ they prepared/revised **20 Company Standards** including **Independent Annexes**
- ◆ they prepared/revised **61 Working Instructions** including **Independent Annexes**
- ◆ they revised the **TMB Production Organization Presentation Memoire** that TMB required in order to receive the civil authorization 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 **Quality Plan** code **PQ S-0002** related to the contractual relationship with **AgustaWestland (Finmeccanica S.p.A. - Helicopters Division)**
- ◆ they revised **Quality Plan** code **PQ S-0008** related to the contractual relationship with **Rolls-Royce**
- ◆ they prepared **3 System Quality Plans** including **Product Quality Plans** to comply with the contractual provisions of client **Ministry of National Defense**, 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, the Internal Regulation of TMB** and the **Regulation regarding Security and Safety at Work** at TMB
- ◆ they revised the **Accounting Policy Manual**
- ◆ they prepared/revised the **Salary Policy** at TMB
- ◆ they revised **TMB's Environmental Policy**

In 2015, the **Quality System and Organization Department** acted towards constantly improving the organization 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 2015, **General Electric Energy Product Europe** conducted an audit at TMB to supervise the manufactured products, using as reference the product technical execution documentation. Further to the audit, **General Electric Energy Product Europe** found **no inconsistencies**, continuing the collaboration with TMB - **General Electric Energy Product Europe**.

**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 January 2015, **European Aviation Safety Agency (EASA)** together with the **Romanian Civil Aeronautical Authority (AACR)** conducted an audit at TMB to supervise the production organization of **Turbomecanica S.A.** in accordance with the provisions of **EU Regulation no. 748/2012, Part 21, Section A, Subpart G**. Further to the audit, **AACR** found **not inconsistencies**, maintaining the authorization granted by it.

In February 2015, the **Romanian Civil Aeronautical Authority (AACR)** conducted a spontaneous audit at TMB to supervise the production organization of **Turbomecanica S.A.** in accordance with the provisions of **EU Regulation no. 748/2012, Part 21, Section A, Subpart G**. Further to the audit, **AACR** found **not inconsistencies**, maintaining the authorization granted by it.

In June 2015, the **Romanian Civil Aeronautical Authority (AACR)** conducted a scheduled audit at **TMB** to supervise the production organization of **Turbomecanica S.A.** 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-2015-SCG-P1\_06.2015/15.06.2015** and found **1 inconsistency of level 2 and 2 inconsistencies of level 3 (recommendations)**, through **Non-compliance/recommendation reports TMB-026÷TMB-028** attached to the **Investigation Report** mentioned above. For the inconsistencies found, **TMB** conducted an analysis to identify the causes of the inconsistencies, to determine the proper correction/prevention measures to remove such inconsistencies, which were accepted by **AACR**. For the inconsistencies found, 4 correction/preventive measures were set, which were finalized in September 2015.

In September 2015, **AEROQ** conducted an audit at **TMB** to supervise the quality management system, using as reference standard **ISO 9001:2008**. Further to the audit, **AEROQ** prepared the **audit report no. 3291/24.09.2015**, **AEROQ** found **no inconsistencies**, maintaining the certification granted.

In November 2015, the **Romanian Civil Aeronautical Authority (AACR)** conducted a scheduled audit at **TMB** to supervise the production organization of **Turbomecanica S.A.** 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-2015-SCG-P2/16.11.2015** and found **1 inconsistency of level 3 (recommendation)**, through **Non-compliance/recommendation report TMB-029** attached to the **Investigation Report** mentioned above. **TMB** conducted an analysis to identify the causes of the inconsistencies, to determine the proper correction/prevention measures to remove such inconsistencies, which were accepted by **AACR**. For the inconsistency found, 1 correction/preventive measure was set, which was finalized in December 2015.

In December 2015, **AEROQ** conducted an audit to certify the environmental management system at **TMB** in accordance with **standard ISO 14001:2005**. Further to the audit, **AEROQ** prepared the **Minutes of 15.12.2015** and found **not inconsistencies**, granting **certificate no. 811M/22.12.2015**, valid until 13.09.2018.

**4. To guarantee the TMB management, clients and certification bodies that the company properly implements the requirements of the quality management/environmental management system and keeps them efficient and effective, in 2015, the Department of Quality System and Organization conducted internal/external 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 2015**, approved by the **General Director**.

In 2015, **52 audits** were conducted that found **19 inconsistencies** for which the company established **46 correction measures**, which were 83% completed, some of which were scheduled in 2016.

The internal audits on the environmental management system were conducted in accordance with **Audit Plan PA-TMB 2015**, approved by the **General Director**.

In 2015, **2 audits** were conducted that found **5 inconsistencies** for which the company established **5 correction measures**, which were 100% completed.

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

The internal product audits were conducted in accordance with **Audit Plan PA-TMB 2015**, approved by the **General Director**.

In 2015, **0 audits** were conducted that found **14 inconsistencies** for which the company established **33 correction measures**, which were 100% completed.

#### 4.3. Internal process audits

The internal process audits were conducted in accordance with **Audit Plan PA-TMB 2015**, approved by the **General Director**.

In 2015, **15 audits** were conducted that found **20 inconsistencies** for which the company established **29 correction measures**, which were 83% completed, some of which were scheduled in 2016.

#### 4.4. External audits at suppliers

The external audits at supplies were conducted in accordance with **Audit Plan PA-TMB 2015**, approved by the **General Director as follows**:

In March 2015, TMB conducted a scheduled audit at **Molle Industriali Conte** to supervise supplies for the **AgustaWestland** program in accordance with the provisions of **EU Regulation no. 748/2012, Part 21, Section A, Subpart G**. Further to the audit, TMB prepared **Audit Report no. B1.1F/27.03.2015** whereby it made **2 comments** indicated **5 proposals for improvement**, accepted by the supplier's representative. As no inconsistencies were found, the TMB audit team proposed to maintain supplier **Molle Industriali Conte** (code IT-0331) in the **List of Approved Suppliers of TMB**, with the status "Unconditionally accepted".

**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 2015:**

**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 ( $100\% \pm 3\%$ ), having an aggregate value of 99.00%;
- **Indicator I2 (compliance of quantities requested by TMB customer)** is decreasing and meets the objective set ( $100\% \pm 3\%$ ), having an aggregate value of 97.46%;
- **Indicator I3 (non-compliance of the requirements of the technical execution documentation – non-compliance and scraps)** is increasing and meets the objective set ( $\leq 0.75\%$ ), having an aggregate value of 0.35%;
- **Indicator I4 (non-compliance of products delivered – customer complains)** is increasing and meets the objective set ( $\leq 0.5\%$ ), having an aggregate value of 0.47%;
- **Indicator I5 (quality costs)** is decreasing and meets the objective set ( $\leq 5\%$  of the value of the prior computation of internal orders affected production), having an aggregate value of 1.74%.

**5.2** As regards **special processes and the activity of quality laboratories**, in 2015 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 2015, the following special processes were re-accredited:

In April 2015, NADCAP conducted a re-accreditation audit at TMB on the non-destructive control processes at TMB according to the AC7114 requirements. Further to the audit, 1 minor inconsistency was found, which was corrected by the end of the audit. Therefore, the process received re-accreditation for 24 months (Merit Program) (certificate expiry: April 30, 2017).

In June 2015, NADCAP conducted a re-accreditation audit at TMB on the composite processes (adhesive gluing) installed at TMB according to the AC7118 requirements. The audit found no inconsistencies. Therefore, the process received re-accreditation for 24 months (Merit Program) (certificate expiry: October 31, 2017).

In June 2015, NADCAP conducted a re-accreditation audit at TMB on the surface improvement processes (cold-hammering) installed at TMB according to the AC7117 requirements. Further to the audit, 1 minor inconsistency was found, for which the required corrections and corrective/preventive actions were set, which were completed and accepted by NADCAP. Therefore, the process received re-accreditation for 24 months (Merit Program) (certificate expiry: October 31, 2017).

In June 2015, NADCAP conducted a re-accreditation audit at TMB on the chemical processing processes installed at TMB according to the AC7108 requirements. Further to the audit, 1 minor inconsistency was found, for which the required corrections and corrective/preventive actions were set, which were completed and accepted by NADCAP. Therefore, the process received re-accreditation for 24 months (Merit Program) (certificate expiry: October 31, 2017).

In October 2015, NADCAP conducted a re-accreditation audit at TMB on the heat treatment processes installed at TMB according to the AC7101 and AC7102 requirements. Further to the audit, 2 inconsistencies (1 major and 1 minor) were found, for which the required corrections and corrective/preventive actions were set, which were completed and accepted by NADCAP. Therefore, the process received re-accreditation for 18 months (Merit Program) (certificate expiry: July 31, 2017).

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

##### **5.2.2.1. AgustaWestland certifications (Finmeccanica S.p.A. - Helicopters Division)**

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:

- magnetic non-destructive examination according to IT12/ 0199/02 (validity: 03.08.2018);
- steel heat treatment (5025) according to IT 12/0271/02 (validity: 31.08.2018);
- steel heat treatment (CEMCALIR) according to IT 12/0194/02 (validity: 29.09.2018);
- steel alloys heat treatment according to IT 12/0200/02 (validity: 29.09.2018);
- steel heat treatment (5015) according to IT 12/0274/02 (validity: 29.09.2018);
- roll threading according to DQP IT12/0256/02 (validity: 20.09.2018);
- non-destructive examination by penetrating liquids according to DQP IT12/193/02 (validity: 11.01.2019);
- verification of contact surface (Green Run Test) according to DQP 1854 (validity: 22.01.2019).

In addition, the Company sent to the customer the qualification file and obtained qualification for the following new processes:

- binding assembly according to DQP IT12/0458/00 (validity: 29.09.2018).

##### **5.2.2.2. General Electric certifications**

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

### 5.2.2.3. Introducing new benchmarks in production

In 2015, 27 new benchmarks were introduced in production, part of **3 distinct assemblies** for client **General Electric Power and Water (GEPW) Hungary**. For such benchmarks, **27 external FAI** files were created, **25** of which are approved and **2** are pending approval. The files were sent to **CLT**. With the closing of such files, the production technological conditions and the criteria for acceptance of such benchmarks are homologated, which enables series production. (Attached the table of **FAI 2015 status**).

For customer **Finmeccanica Italy (Agusta-Westland)**, **4 new benchmarks** were introduced in production, for which **4 FAI external files** were created, **3** of which are approved, and **1** is pending approval. The file was sent to **CLT**. Through the integration of such benchmarks at **TMB**, the Company continues the assimilation of the new package of benchmarks for the Master Transmission Box for the **FNM Italy** helicopters. In addition, for this customer, for **26 benchmarks** included in the current production, **8 internal FAI files** were created (administrative changes) and **18 external FAI files** due to technological changes.

In this period, **2 IAR 330 Mechanical Assemblies** and **2 TURMO IV CA benchmarks** were introduced in production, for which internal **FAI files** were created. The continuous assimilation at **TMB** of the various repair solutions related to benchmarks in licensed products offers extended possibilities of maintenance thereof through the repairs performed at **TMB**.

The status of the benchmarks mentioned above is presented in the table below:

<b>GEPW Hungary</b>				
<b>No.</b>	<b>Benchmark no.</b>	<b>FAI no.</b>	<b>Status</b>	<b>Approval no.</b>
1	117E4036G005 ASSY	CQ-0221	Approved	SQ-03244.1
2	117E4037G005	CQ-0220	Approved	SQ-03244.1
3	154D7501P001	CQ-0180	Approved	SQ-03244.1
4	188C9446P001	CQ-0208	Approved	SQ-03244.1
5	188C9447P001	CQ-0159	Approved	SQ-03244.1
6	188C9448P001	CQ-0207	Approved	SQ-03244.1
7	237C5401P001	CQ-0211	Approved	SQ-03244.1
8	314A5157P001	CQ-0209	Approved	SQ-03244.1
9	314A5157P002	CQ-0210	Approved	SQ-03244.1
10	355B6447P001	CQ-0160	Approved	SQ-03244.1
11	355B6447P002	CQ-0161	Approved	SQ-03244.1
12	40988	CQ-0206	Approved	SQ-03244.1
13	40989	CQ-0166	Approved	SQ-03244.1
14	129E9007G001 ASSY	CQ-0495	Approved	SQ-076023
15	129E9006G001	CQ-0496	Approved	SQ-076023
16	101E2244P001	CQ-0497	Approved	SQ-076023
17	166D1604P001	CQ-0499	Approved	SQ-076023
18	166D1604P002	CQ-0500	Approved	SQ-076023
19	166D1630G001	CQ-0498	Approved	SQ-076023
20	188C9446P002	CQ-0501	Approved	SQ-076023
21	314A5157P003	CQ-0502	Approved	SQ-076023
22	314A5157P004	CQ-0503	Approved	SQ-076023
23	201E3031G001 ASSY	CQ-0504	Approved	SQ-076025
24	201E3032G002	CQ-0505	Approved	SQ-076025
25	154D7500P001	CQ-0713	Approved	SQ-003231
26	203D2114P001	CQ-1037	Subject to approval	
27	117E8221E	CQ-1156	Subject to approval	

<b>FINMECANICCA (AGUSTA)</b>				
<b>No.</b>	<b>Benchmark no.</b>	<b>FAI no.</b>	<b>Status</b>	<b>Approval no.</b>
1	109-0435-31-1	0380	Approved	109-0435-31-1_IT1212
2	109-0435-31-1	0390	Approved	0390
3	109-0442-01-123	0160	Approved	109-0442-01-123_IT1211
4	109-0442-01-131	0780	Approved	109-0442-01-131_IT1211
5	109-0442-03-105	0620	Approved	0620
6	109-0442-03-105	CQ-1280	Approved	CQ-1280
7	109-0443-01-103	CQ-1282	Approved	CQ-1282
8	109-0445-02-103	0260	Approved	109-0445-02-103_IT1213
9	109-0445-03-1	0045	Approved	0045
10	109-0445-08-117		Approved	109-0445-08-117_IT1214
11	109-0445-09-1	0047	Approved	0047
12	109-0403-14-1	CQ-0289	Approved	109-0403-14-1_12_10/CQ-0289
13	109-0403-14-3	CQ-0668	Approved	109-0403-14-3_12_10/CQ-0668
14	109-0403-18-1	CQ-0425	Approved	109-0403-18-1_12_11/CQ-0425
15	109-0403-19-1	CQ-0426	Approved	109-0403-19-1_12_10/CQ-0426
16	109-0405-05-1	0060	Approved	109-0405-05-1_IT1214
17	109-0405-72-1	0050	Approved	109-0405-72-1_IT1211
18	109-0405-72-1	CQ-0232	Approved	CQ-0232
19	109-0406-51-103	CQ-0344	Approved	109-0406-51-103_12_11/CQ-0344
20	109-0406-53-1	0050	Approved	109-0406-53-1_12_11
21	109-0406-54-1	0040	Approved	109-0406-54-1_12_10
22	109-0406-55-1	0050	Approved	109-0406-55-1_12_11
23	109-0406-55-1	CQ-1286	Approved	CQ-1286
24	109-0406-57-1	CQ-0339	Approved	109-0406-57-1_12_11
25	109-0406-70-1	0050	Approved	109-0406-70-1_12_11
26	109-0406-72-105	0060	Approved	109-0406-72-105_12_13
27	109G6320A25-101	1049744	Approved	109G6320A25-101_IT1212
28	109G6320A44-101	0010	Approved	109G6320A44-101_IT1211
29	109G6320A45-101	0010	Approved	109G6320A45-101_IT1211
30	109-0403-04-3	CQ-1131	Subject to approval	
<b>SNIAS</b>				
1	330A31329921	CQ-1174	Approved	CQ-1174
2	330A34411321	CQ-1305	Approved	CQ-1305
<b>TURMO</b>				
1	0044130080	CQ-1264	Approved	CQ-1264
2	0044130120	CQ-1017	Approved	CQ-1017

## 6. Central Laboratory Accreditations

In 2015, TMB took part in **Round-Robin** Inter-laboratory Cross-testing Program organized at the **EXOVA Toulouse - France Institute**, supported by **Airbus, General Electric Aero, Safrane Grup, Eurocopter, MTU and GKN**. The laboratory procedures subject by TMB to cross-testing were as follows:

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

All the kits presented herein above and processed in TMB laboratories yielded results falling under **performance categories 1 and 2**. Thus, **TMB** further complies with the requirements of NADCAP and customers GEAE, Rolls Royce and Finmeccanica Spa, regarding the laboratory procedures mentioned.

## 7. Complaints / Notifications

In 2015, TMB received 34 complaints from clients, of which:

- 6 from external customers (2 complaints from **FINEMECCANICA (AGUSTA-WESTLAND)**, 3 complaints from **ROLLS-ROYCE** and 1 complaint from **GEAE**; the status thereof is presented in table 7.1 herein below:

- 28 from domestic customers (18 complaints from military units of the Ministry of National Defense and 10 complaints from **IAR Brasov**); the status thereof is presented in table 7.2 herein below.

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

### 7.1. Complaints/notifications for parts filed by external customers

Total C/N:	6	Complaints
Client - benchmark C/N (no. of affected pieces):		
- AW - 109-0403-14-3 (1 piece)	1	Complaint
- AW - 109-0403-14-1 (1 piece)	1	Complaint
- RR - FW73730 (80 pieces)	2	Complaints
- RR - V926368 (27 pieces)	1	Complaint
- GEAE - 5023T70P01 (1 pieces)	1	Complaint

The status of correction and preventive measures is indicated below:

Total ACP:	6
Total C/N rejected:	1
Total CPA closed:	5
Total CPA opened:	0

### 7.2 Complaints/notifications for products filed by domestic customers

Total C/N:	34	Complaints / Notifications
Total C/N per category of products:		
- TURMO engine	2	Complaints
- motor VIPER	3	Complaints
- ventilating level	2	1 Complaint / 1 Notification
- Allison thermocouple	2	Complaints
- steering knuckle - collar	2	Complaints
- control block	4	Complaints
- VIPER engine thermocouple platform	1	Complaint
- oil pressure transmitter	1	Complaint
- micro-pump	1	Complaint
- TGB AW	6	4 Complaints / 1 Notification
- start-up block	5	Complaints
- rear transmission	1	Complaint
- rear transmission tree	1	Complaint
- main transmission	2	Complaints
- other	1	Complaint

Total C/N from domestic clients:	<b>28</b>
UM 01836	<b>7</b>
UM 01838 Bobocu	<b>2</b>
UM 01945 E Timisoara	<b>4</b>
UM 01961 Otopeni	<b>5</b>
IAR Brasov	<b>10</b>
Total closed C/N:	<b>26</b>
Total open C/N:	<b>8</b>

## 8. Nuclear protection

In 2015, as far as nuclear protection is concerned, the Company sent to **CNCAN applications and files** to obtain the permits required to hold **Eresco MF42** X-ray generator and 19 benchmarks of **Viper** engine, made from **MSRR 8014** containing thorium. The following permits were obtained, valid as follows:

- **Permit VI 926/2015** for holding Eresco MF42 X-ray generator valid until 09.06.2017;
- **Permit VI 070/2016**, for holding Viper pieces made from MSRR 8014, valid until 17.01.2018.

The permits authorize CND activities with penetrating radiation and the legal safekeeping of radioactive materials made from magnesium alloy containing between 2.5 and 4% Thorium.

## 9. Environmental protection

### 9.1 Integrated environmental permit

Through the environmental program for 2015, TMB prepared and sent the evaluation and authorization applications and files for:

- the integrated environmental permit, according to **Law 273/2013 on industrial emissions and Minister Order 818/2003 on the approval of the procedure to issue the integrated environmental permit** (the current permit expires at the end of 2015);
- the **water management permit, according to Law 107/1996 on water and Order no. 662/2006 of the Ministry of Environment and Water Management on the procedure and competences to issue the water management permit** (the current permit expires at the end of 2015);
- **energy audit according to Law 121/2014 on energy efficiency.**

TMB has obtained from the republican regulatory authorities the following permits/evaluations:

- **Integrated Environmental Permit no. 5/11.02.2016** for the entire company and the sector of metallic covers valid for 10 years; issued by the **Bucharest Environmental Protection Agency**;
- **Water Management Permit no. 507/B of 28.12.2015**, valid for 2 years, issued by **National Administration "Apele Romane"**.
- The energy evaluation of December 2015 requested by SC TMB SA, according to order 6583/07.09.2015, conducted by SC QURTZ MATRIX SRL, whose results were favorable, and filed with **SC TMB SA** by delivery-receipt minutes no. **34507/28.01.2016**.

To fully comply with the provisions in the permits and the energy evaluation, the Company has laid down objectives and actions, included in the Environmental Management System Program of TMB and the 2016 Investment Plan, which are in progress.

The permits mentioned above and the energy evaluation allow the legal operation of facilities, equipment and processes existing at SC TMB SA.

In 2015, there were no environment related incidents or used water or air pollution above the maximum values admitted by the legislation in force.



Upon the control conducted by the National Environmental Guard concluded by Minutes no. 229/25.06.2015, delays in preparing certain documents for the authorization were found, as well as failure to initiate the energy evaluation already previously requested. Such deficiencies were solved, and their settlement was reported to the regulatory and control authorities.

## **9.2. Certification of Environment Management System**

Based on Application no. 009 of 13.07.2015 for the certification, re-certification and supervision of Management System, **SC TMB SA** was audited by **SC AEROQ SA**, in order to receive accreditation for the Environment Management System according to standard SR EN ISO 14001:2005 – Environment Management System. Further to such audit, **SC TMB SA** was issued certificate 811M/22.12.2015, valid for 3 years until 13.09.2018.

## **10. Personnel training**

In 2015, 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 116 operators, inspector and laboratory technicians for special processes and laboratories. 33 specific trainings were actually delivered.

### **H. HUMAN RESOURCES**

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

As at December 31, 2015, **TMB** had a total of **404** employees.

The personnel's average age as at such date was 48.64 years, as compared to 49.5 years in 2014.

Between January and December 2015, 50 employees left the company and 135 were employed.

In 2015, the expenses with employees' benefits totaled RON 22,301,787 of which:

• salaries:	RON 16,667,206;
• compensatory salaries:	RON 528,176;
• meal vouchers:	RON 759,452;
• gift vouchers:	RON 211,240;
• social security:	RON 4,135,713.

The company's personnel policy regarding the education, improvement and certification of its personnel was well implemented as regards internal trainings, and the budget allocated to external trainings was increased. Trainings were delivered in accordance with the plan approved for 2015.

According to it, the company invested RON 20,733 in improving the competences and skills of the TESA personnel and the management and approximately RON 56,852 for training and certification courses outside the company.

Improvement and certification courses were delivered in the company, which totaled approximately 3,033 hours for 154 employees.

During the period under review, only 38 employees attended educational courses and various courses, qualifications/poly-qualifications totaling 2,551 hours.

The recruitment cost were RON 445 in 2015.

Personnel expenses totaled 32.26% of the turnover obtained in 2015.

64.26% of the company employees are trade union members.

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

- 25.18% employees with higher education – 105 persons, of which:
  - PhD: 1 employee
  - Post-university studies: 4 EMBA employees
- 47.48% of employees with secondary and post-secondary studies - 198 persons
- 23.02% of employees with vocational studies - 96 persons
- 4.31% of employees with primary studies - 18 persons

The relationship between the management and employees is regulated under the Collective Labor Agreement for 2015-2016. The social and professional environment is permanently monitored, through a communication system between social partners, which prevents conflicts, which were non-existent in 2015.

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

Issues that are directly and indirectly related to labor protection and security at **TMB** represent a priority in the Company's policy and are treated in close correlation with the priorities regarding economic growth, health and training.

Therefore, the company management is preoccupied with monitoring, providing all its employees with the best conditions to conduct the production activity, observing the safety conditions for all employees.

Thus, in 2015, the revamping of Special Processes Workshop was a priority investment.

This purpose of this activity was both to revamp the equipment, and improve working conditions, by building a modern heating installation, cleaning the entire shop-floor, and replacing the entire old metal carpentry by double glazing and heatproof panels.

In addition, the Company revamped the working premises for all TESA employees working on this shop-floor.

The Company also started the revamping of ventilations and exhaust installations, so as to ensure enhanced protection both to employees, and the environment.

The investment program for 2015 also included the modernization of the space intended for welding, both automatic and manual.

The new modernized warehouse was equipped with dining room, sanitary facilities and locker rooms for the employees working here.

Under the labor 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 purchased working equipment for all TESA employees,
  - 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 outside the shop floors;
  - 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, as well as new masks according to the latest requirements in the field for welders;

for personnel whose activity is carried out in a toxic environment, it purchased an antidote consisting of powder milk and sparkling water, according to the regulations in force;

- 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 2015, no labor accidents or professional illnesses were found at **TMB**.

## **I. SALES - MARKETING**

In 2015, the foreign market represented mainly by components and subparts for aircraft engines, is making efforts to regain its stability, through the Company's re-branding and attendance in Paris Airshow and Dubai Airshow international fairs.

The re-branding process aimed at growing **TMB's** visibility at international level by creating a new image, based on the restructuring of the Company's website, change of logo and drawing up of promotion materials based on the Company's new image principles, which comprise the current capabilities, certifications and achievements.

Consequently, in 2015, **TMB** changed:

- The Company's brochure
- The Company's leaflet
- The Company's website
- The Company's logo
- The Company's .ppt presentation
- The Company's presentation video

The materials were successfully presented at the 2015 fairs where **TMB** was present with its own stand to regain the attention of large companies in the field.

The participation at Paris Airshow was supported by the presence of representatives of the Ministry of National Defense who aided **TMB** to resume the talks with AIRBUS Helicopters and Turbomeca in view of a potential collaboration in the field of production, but also as regards the supply of **TMB** with benchmarks specific for repairs of gas turbine engines for aircraft and helicopter mechanical parts.

The main purpose of the participation at Dubai Airshow was to increase visibility and resume the presentation of **TMB's** capacities at international level.

Using the new promotion materials, **TMB** managed to regain the trust of **GE Power & Water - Hungary**, with which **TMB** negotiated in mid-2015 a collaboration program that took the shape of firm orders totaling EUR 3,890,350.00 (of which EUR 2,938,800.00 relates to 2016, which will be further supplemented). It is certain that the program will extend in the following years, through the execution of an LTA by the end of 2016. The program's extension aims at supplementing the heat treatment capacities, objective included in the investment plan for 2016.

It is important to notice that the Company has successfully maintained its permit granted by the **Romanian Civil Aeronautical Authority** for the production of products/components/equipment to fit out **AW109** and **AW119** helicopters – **FINMECCANICA (AGUSTA WESTLAND) ITALY** (according to Certificate no. **RO.21G.0008/02.12.2014**).

Based on such permit, **TMB** continued in 2015 to deliver full subsets for rear transmission for helicopters (production, mounting, trial) and will continue to develop cooperation programs with **FINMECCANICA ITALIA** in 2016, too.

In addition, **TMB** managed to consolidate and develop the relationship with **AGUSTA WESTLAND – FINMECCANICA** by including the Demo lots in the production process for 13 benchmarks to be assimilated in 2016.

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 Defense (S.M.F.A., S.M.F.N.), S.C. IAR S.A. Braşov and S.R.I.

The budget expenditure for 2015 were significantly influenced by global politics and in particular the political situation close to Romania determined by the crisis in Ukraine, which 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 Defense** 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 2016 the domestic market still represents an opportunity to consolidate the company's turnover, by continuing the equipment programs of the **Ministry of National Defense** both in terms of maintaining the existing fighting technique at optimum parameters and in particular by continuing the upgrading of helicopters with **SOCAT** systems, as well as the maintenance programs for the IAR 99 SOIM aircraft fleet (by bringing a considerable number of VIPER 632-41M engines equipping such aircraft to the optimum operation parameters).

**TMB** continues to focus to a great extent in 2016 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.). Correlated 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 aims at increasing the turnover in 2016 by 16.6% compared to the numbers targeted in 2015, and achieve the RON 70,000,000 target corresponding to a 12% increase of the EBITDA share compared to 2015.

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 widely developing the programs with **GE Power & Water – Hungary**.

In addition to the matters presented, **TMB** envisages for 2016 an aggressive marketing policy, including in the marketing budget for 2016 the Company's participation in six domestic and international promotional events (fairs/exhibitions) such as:

Aerospace Meetings Romania (14-16 March 2016),  
Black Sea Defense and Aerospace – BSDA (18-20 May 2016),  
ASD DAYS UK (3-4 May 2016),  
ILA BERLIN AIRSHOW (1-3 June 2016),  
FARNBOROUGH AIRSHOW (11-17 July 2016),  
AIRTEC MUNICH AIRSHOW (25-27 October 2016).

The Company will take this opportunity to present on the domestic and foreign market its capabilities, the programs that we wish to develop in the future, hoping that these activities will be followed by requests for offer and will take the shape of businesses beneficial for the Company both in 2016 and in the future.

## **J. 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 Annex on the status of compliance with the Corporate Governance Code of the Bucharest Stock Exchange, 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).

In September 2015, the Bucharest Stock Exchange issued a new Corporate Governance Code. In accordance with the provisions of art. 87, paragraphs 1 and 2 of the Bucharest Stock Exchange Code, Book I – Title II issuers and Financial Instruments. **TMB** informed investors through the Current Report sent on 15.01.2016 on the status of the compliance with the Corporate Governance Code of the Bucharest Stock Exchange as at December 31, 2015.

In the Current Report sent on 16.01.2016, **TMB** complied with 23 provisions of which 4 were partly enforced.

The Company could not align entirely to 9 provisions, for which the management will decide upon and will implement the required measures in order to observe them. Please find below the provisions that were not complied with and the reason for non-compliance:

A. 1 All companies must have an internal regulation of the Board which includes reference terms and the Board's responsibilities and the Company's key management roles and which applies, among others, the General Principles in Section A.

Reason for non-compliance: **TMB** failed to comply with this provision since it does not have an Internal Regulation of the Board of Administration, but the Constitutive Act, the Organization and Operation Regulation and the Corporate Governance Regulation lay down the rules of organization, operation and structure of the Board of Administration.

A.2 The provisions regarding the management of conflict of interest must be included in the Board's Regulation, at any rate, the Board members must notify the Board of any conflict of interest that occurred or may occur.

Reason for non-compliance: **TMB** failed to comply with this provision since it does not have an Internal Regulation of the Board of Administration, but the Corporate Governance Regulation provides rules on the conflict of interest related to the members of the Board of Administration.

A. 5 Other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions in the Board of non-profit companies and institutions must be disclosed to shareholders and potential investors prior to appointment and during their mandate. This requirement will be implemented in 2016 by supplementing the Corporate Governance Regulation and by the Regulation of the Board of Administration.

A.6 Any Board member must submit to the Board information on any relationship with a shareholder holding directly or indirectly more than 5% of all voting rights. This obligation refers to any relationship that may affect the member's position regarding matters by the board. The requirement will be implemented in 2016 by supplementing the Corporate Governance Regulation and by the Regulation of the Board of Administration.

A.8 The Statement on Corporate Governance must contain information on the evaluation of the Board lead by the President or the Appointment Committee, will summarize the key measures and the resulting changes. The Company must have a policy/guideline regarding the evaluation of the Board, which includes the purpose, criteria and frequency of the evaluation process.

The requirement will be implemented in 2016.

A.9 The Statement on Corporate Governance must contain information on the number of meetings of the Board and committees during the last year, the administrators' participation (in person and in absentia) and a report of the Board and committees on their activities.

The requirement will be complied with when the statement for 2016 is prepared, i.e., January 2017.

A.10 The Statement on Corporate Governance must contain information on the exact number of independent members in the Board of Administration or the Supervisory Committee.

The requirement will be complied with when the statement for 2016 is prepared, i.e., January 2017.

B. 3 As part of its responsibilities, the Audit Committee must conduct an annual evaluation of the internal control system.

The requirement will be implemented in 2016, upon the annual evaluation of the internal control system.

B.4. The evaluation must consider the efficacy and extent of the internal control function, the adequacy of the management reports on the internal control risk submitted to the Board's audit committee, the executive management's diligence and efficacy in settling deficiencies or weaknesses identified during internal control and the submission of relevant reports to the Board.

The requirement will be implemented in 2016.

B.5 The audit committee must assess conflicts of interest in relation to the Company's and its subsidiaries' transactions with affiliates.

The requirement will be implemented in 2016.

B.6 The audit committee must assess the efficiency of the internal control system and risk management system.

The requirement will be implemented in 2016.

B.7 The audit committee must monitor the application of the generally accepted legal standards and internal audit standards. The audit committee must receive and assess the reports of the internal audit team.

The requirement will be implemented in 2016.

B.8 Anytime the Code makes reference to reports or analyses initiated by the Audit Committee, they must be followed by periodic reports (at least annually) or ad-hoc reports which must then be submitted to the Board.

The requirement will be implemented in 2016.

B.9 No shareholder may be given preferential treatment from any shareholder in relation to transactions and agreements concluded by the company with their shareholders and affiliates.

The requirement will be implemented in 2016 by supplementing the Regulation of Corporate Governance with provisions on their shareholders and affiliates.

B.10 The Board must have a policy that would make sure that any of the Company's transactions with any of the related companies whose value is equal to or higher than 5% of the Company's net assets (according to the last financial report) is approved by the Council based on a mandatory opinion of the Board's Audit Committee and disclosed properly to shareholders and potential investors, to the extent such transactions fall under the category of events subject to reporting requirements.

This item is not applicable to **TMB** because the Company does not have close relations with other companies holding 5% or more of **TMB's** net assets.

C.1 The Company must publish on its website the remuneration policy and must include in the Annual Report a statement on the remuneration policy during the annual period under review.

Reason for non-compliance: The remuneration policy of administrator and the CEO is included in the Administration Contract.

D.2 The Company will have a policy on the annual distribution of dividends or other benefits awarded to shareholders, proposed by the CEO or the Management Board and adopted by the Board, in the form a guidelines that the Company will follow as regards the distribution of net profit.

The requirement will be implemented in the upcoming period through a regulation in this respect.

D.3 The Company will adopt a policy on forecasts, regardless whether they are made public or not. The requirement will be implemented in the upcoming period through a policy prepared in relation to the forecasts.

### **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, 2015**

<b>Name</b>	<b>Position</b>	<b>Year of first election</b>	<b>Expiry of current mandate</b>
<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 Corporate Governance Code of the Bucharest Stock Exchange. **TMB** has taken and will take all professional, legal and administrative measures required to align to the Corporate Governance Code of the Bucharest Stock Exchange 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, 2015**

<b>Name</b>	<b>Position</b>	<b>No. of shares</b>	<b>% of share capital</b>
<b>Radu Viehmann</b>	President, General Director	95,758,800	25.9198
<b>Dana Marla Ciorapciu</b>	Non-executive Administrator	56,003,876	15.16
<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	285,000	0.0771

In 2015, the BoA convened in 11 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 analyzed 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.

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

  
**Eng. RADU VIEHMANN**





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