



TURBOMECANICA

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European Unique Identifier (EUID) [ROONRC.J40/533/1991](#)

Commerce Registry Code J40/533/1991

Tax Code RO3156315 Unique Registration Code 3156315

Subscribed share fully paid capital 36,944,247.50 RON

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

Our Reference: 15 Date: 13 August 2018

SEMESTRIAL REPORT **ACCORDING TO THE LAW 24/2017 ARTICLE 65 AND** **ASF REGULATION NO.5/2018**

REPORT NO: DATE : 30 JUNE 2018

COMPANY TURBOMECANICA SA

REGISTERED OFFICE: 244 Iuliu Maniu Blv., District 6, Bucharest ROMANIA.

TRADE REGISTRY NUMBER AND INCORPORATION DATE: J40 /533 /1991 ;

FORM OF OWNERSHIP: Majority private;

MAIN ACTIVITY: 3030 Manufacturing of Aircrafts and Spaceships;

SOLE REGISTRATION CODE: RO3156315;

REGULATED MARKET ON WHICH THE SECURITIES ISSUED ARE TRADED:

Bucharest Stock Exchange;

CALLED-UP AND PAID IN SHARE CAPITAL: 36.944.247,50 RON

1. ECONOMIC AND FINANCIAL SITUATION

A. Balance Sheet Statement: assets that represent at least 10 % of total assets; cash and other liquid cash; reinvested earnings; total current assets; company's debt situation; total current liabilities; they are shown in semestrial reporting forms, balance sheet at 30 June 2018, attached to this report.

B. Financial Results Report (profit and loss): net sales; gross sales; items of expenditure with a percentage of at least 20 % in net sales or gross income; risk provisions for various expenses; reference to any sale or closing for a field of activity within the past six months or which follows to be carried out in the next six months; they are found in the same document attached.

C. Cash flow: all changes in the level of cash within the core business, of investments and financial activity, the level of cash at the beginning and at the end of the period are presented in the attached financial statements.

The financial statements at 30 June 2018 above-mentioned are financially un-audited.

2. COMPANY'S ACTIVITY ANALYSIS

2.1 Tendencies, elements, events or uncertainty factors that affect or could affect liquidity:

There were no trends, items, events or significant uncertainty factors that could affect the liquidity. An important liquidity risk factor is the continuing recession of the aeronautics manufacturing market.

2.2 The effects on the financial statements of all capital expenditures, current or anticipated, over the financial situation;

In the first six months of 2018 Turbomecnica S.A. has achieved an operating income in the amount of 56.456.205 RON, and operating expenses in the amount of 40.965.546 RON.

The company recorded net profit of 11.873.922, at the end of the first half of 2018.

The own capital of the company is 63.046.070 RON

2.3 Events, transactions, economic changes that significantly affect the revenues generated by the main activity: Turbomecnica S.A. operates in terms of business continuity and does not intend to liquidate its activities.

This result was achieved given that the company realized an operating income in the amount of 56.456.205 RON, and operating expenses in the amount of 40.965.546 RON.

The highest percentage of this revenue has been achieved from manufacturing activities specific to company's activity profile.

3. CHANGES AFFECTING CAPITAL AND MANAGEMENT OF THE COMPANY

3.1 Cases in which Company TURBOMECHANICA S.A. was unable to respect its financial obligations: There were no such cases. The Company has complied with all its financial obligations regarding the payment terms to suppliers and significant creditors.

3.2 Amendments to the rights of the securities holders issued by Company TURBOMECHANICA S.A. : There were no changes in the reporting period.

3.3 Issues that were discussed, by the security holders : In the period under review the Company held the Ordinary General Meeting of Shareholders dated 26 April 2018 in which it adopted the decision no.1 /26 April 2018.

The issues debated as well as the decisions adopted have been recorded in this year's current reports.

4. SIGNIFICANT TRANSACTIONS

4.1 Major transactions concluded by the issuer with persons acting in concert with or involving these persons in the relevant time period: not applicable

5 ANNEXES:

- Management report as at 30 June 2018 ;
- Financial statement report as at 30 June 2018;
- Financial results report as at 30 June 2018;
- Economic and financial indicators as at 30 June 2018;
- Explanatory notes 30 June 2018;
- Management statement;

The H1 2018 Financial Results Report is available on Company's website www.turbomecanica.ro and at the following link:

PRESIDENT- GENERAL MANAGER
VIEHMANN RADU

FINANCIAL & COMMERCIAL DIRECTOR
ION DINCA

No.:264 Date:16/07/2018

Subject: REPORT OF THE BORD OF ADMINISTRATION OF TMB FOR JUNE 2018

TURBOMECANICA SA is a Romanian entity having the legal form of open a joint stock Company according to the Constitutive Act and applicable regulations, privately owned, whose shares are listed on the Bucharest Stock Exchange.

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

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

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

The financial results will be included in the financial statements of the year 2018, prepared in accordance with International Financial Reporting Standards (IFRS). Some of the elements are listed below:

1. Statement of profit and loss:

	<u>30 JUNE 2018</u>		<u>30 JUNE 2017</u>
Revenues	46.929.792	-	40.859.734
Other gains and loss	1.606.334	-	4.295.990
Change in inventories of finished goods and work in progress	2.670.313	-	5.666.888
Raw materials and consumables used	(12.662.130)	-	(20.296.600)
Employee benefits expense	(15.261.619)	-	(15.142.308)
Depreciation and amortisation expense	(4.492.394)	-	(3.276.120)
Finance cost, net	(1.495.468)	-	(1.723.690)
Othe operating expenses	(3.144.207)	-	(2.428.028)
Gross profit/Profit before tax	<u>14.150.623</u>		<u>7.955.866</u>

Income tax expense/ benefit	2.276.701	1.130.791
<u>Net profit</u>	<u>11.873.922</u>	<u>6.825.076</u>

The Company recorded operating revenues in amount of Lei 56.456.205 and operating expenses in amount of Lei 40.965.546.

The largest share of this revenue was made through specific activities related to the production profile of the Company.

The Company recorded net profit in amount of Lei 11.873.922, at the semester I.

2. Statement of financial position:

	30 2018	JUNE	31 DECEMBER 2017
Assets			
Fixed assets			
Property, plant and equipment, net	57.343.870		59.961.955
Intangible assets, net	5.679.700		6.784.610
Other assets	1.000		1.000
Total fixed assets	<u>63.024.570</u>		<u>66.747.565</u>
Current assets			
Inventory	43.831.311		36.947.781
Trade receivables	2.130.549		2.632.790
Other receivables and prepayments	1.642.949		1.711.184
Cash and bank balances	1.757.545		9.636.856
Non current assets classified as held for sale	0		6.966.252
Total current assets	<u>49.362.353</u>		<u>57.894.863</u>
Total assets	<u>112.386.923</u>		<u>124.642.427</u>
Shareholder equity and liabilities			
Shareholder equity			
Share Capital	1.024.571.055		1.024.571.055
Reserves	88.342.121		88.372.743
Retained earnings	(1.049.867.106)		(1.052.231.734)
Own shares		-	(599.408)
Total shareholder equity	<u>63.046.070</u>		<u>60.112.656</u>
Long term liabilities			
Borrowings LT	4.312.628		5.670.250
Deferred tax liabilities	3.659.565		3.659.565

Provisions LT	1.031.187	1.259.764
Other liabilities LT	<u>0</u>	<u>0</u>
Total liabilities TL	<u>9.003.380</u>	<u>10.589.580</u>
Current liabilities		
Short term loans	2.914.787	5.817.305
Borrowings ST	29.026.083	37.168.913
Income tax expense/benefit	1.683.633	1.517.497
Provisions ST	2.474.663	3.597.787
Defferend income	178.520	868.861
Other liabilities ST	4.059.787	4.969.829
Total current liabilities	<u>40.337.472</u>	<u>53.940.192</u>
Total liabilities	<u>49.340.853</u>	<u>64.529.773</u>
Total shareholder equity and liabilities	<u>112.386.923</u>	<u>124.642.427</u>

The share capital of the Company is in amount of Lei 63.046.070.

The accounting activity was conducted in accordance with the OMFP no. 2844/2016 for the approval of accounting regulations, in accordance with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market and in accordance with the Accounting Law no. 82/1991 with all its subsequent amendments.

All documents regarding economic and financial operations have been recorded correctly every day. Economic and financial operations have been recorded based on financial documents. All accounting information has been posted in the correct accounting statement (assets, liabilities and equity) and corresponds to the real situation of the Companies patrimony.

The debt towards the State Budget has been correctly registered, paid and reflected in the balance sheet.

We state that the Financial Statements at 30 June 2018 are unaudited financial.

PRESIDENT OF THE BOARD OF DIRECTORS

RADU VIEHMANN

**Subject: STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018**

	30 JUNE 2018	31 DECEMBER 2017
Assets		
Fixed assets		
Property, plant and equipment, net	57.343.870	59.961.955
Intangible assets, net	5.679.700	6.784.610
Other assets	1.000	1.000
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Other liabilities LT	0	0
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Total liabilities	<u>49.340.853</u>	<u>64.529.773</u>
Total shareholder equity and liabilities	<u>112.386.923</u>	<u>124.642.427</u>

GENERAL MANAGER,
RADU VIEHMANN

ECONOMIC-COMMERCIAL MANAGER,
ION DINCA

No.:260 Date:16/07/2018

**Subject: STATEMENT OF PROFIT AND LOSS
AT 30 JUNE 2018**

	30 JUNE 2018	30 JUNE 2017
Revenues	46.929.792	40.859.734
Other gains and loss	1.606.334	4.295.990
Change in inventories of finished goods and work in progress	2.670.313	5.666.888
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Finance cost, net	(1.495.468)	(1.723.690)
Othe operating expenses	(3.144.207)	(2.428.028)
Gross profit/Profit before tax	14.150.623	7.955.867
Income tax expense/ benefit	2.276.701	1.130.791
Net profit	11.873.922	6.825.076

GENERAL MANAGER,
RADU VIEHMANN

ECONOMIC-COMMERCIAL MANAGER,
ION DINCA

**Subject: STATEMENT ON CHANGES IN OWN CAPITAL
30 JUNE 2018**

Elements of equity capital	Balance on 1st of January 2018	Growth		Decrease		Balance on 30th of June 2018
		Total, of which	through transfer	total, of which	through transfer	
A	1	2	3	4	5	6
Subscribed capital	36.944.248					36.944.248
Adjustments of registered capital	987.626.807					987.626.807
Patrimonial assets						
Share premiums						
Revaluation reserve	37.657.605			30.622		37.626.982
Legal reserves	15.691.483					15.691.483
Statutory or contractual capital reserves						
Reserves representing revaluation reserves surplus	28.910.181	30.622				28.940.803
Other reserves	35.023.655					35.023.655
Own shares						0
Income related to own capital instruments						0
Loss related to own capital instruments	599.408					599.408
Profit/loss carried forward	Balance C	875.919				875.919
	Balance D					
Retained earnings due to the adoption of IAS 29 for the first time	Balance C					
	Balance D	1.008.346.916				1.008.346.916
Elements of equity capital	Balance on 1st of January 2018	Growth		Decrease		Balance on 30th of June 2018
		Total, of which	through transfer	Total, of which	through transfer	
Retained earnings due to the adoption of IAS for the first time, except for IAS 29	Balance C					
	Balance D					
Retained earnings due to the correction of accounting errors	Balance C					0
	Balance D	1.086.601				1.086.601
Retained earnings resulting from the adoption of	Balance C	258.730				258.730

Accounting Regulations according to the Fourth Directive of European Economic Community	Balance D						0
Profit or loss for the period	Balance C	13.650.921			1.776.999		11.873.922
	Balance D	85.377.344			3.593.791		81.783.553
Profit appropriation		1.116.624			1.116.624		0
TOTAL OWN CAPITAL		60.112.655	30.622	0	2.964.039	0	63.046.070

The legal reserves are established according to the Law 31/1991 with subsequent amendments and completions and registered in accountancy according to the OG No. 64/2001 and OMFP No. 128/2005. These reserves have not been used.

Within "Other reserves" there are recorded the sums appropriated from the net profit as own finance sources. These reserves have not been used

On 30th of June 2018 the legal reserve was 15.691.483 lei. The legal reserve is established according to Romanian Law as a transfer from the net income. The transfer can represent a maximum of 5% from gross profit to 20% of the registered capital.

GENERAL MANAGER
RADU VIEHMANN

ECONOMIC - COMMERCIAL MANAGER
ION DINCA

**Subject: CASH FLOW STATEMENT
30 JUNE 2018**

EXPLANATIONS	NO.	Executed ln. 30/06/2017	Executed 30/06/2018
+ Rate of turnover	01	40.859.734	46.929.792
+ Stocked manufacture (+;-)	02	5.666.888	2.670.313
+ Fixed manufacture	03	0	0
+ Operating grant	04	0	0
+ Other activity revenues from exploitation and provisions	05	9.426	6.856.100
= Total from activity revenue	06	46.536.048	56.456.205
+ Expenses related to raw materials, supplies and goods.	07	19.342.270	11.666.713
+ Energy, fuels, etc.	08	954.329	995.416
+ Personnel expenses	09	15.142.308	15.261.619
+ Expenses related to external labour conscriptions	10	2.020.800	2.390.578
+ Expenses with other taxes, fees and similar payments	11	181.605	442.154
+ Damping and provisions for the depreciation of fixed assets	12	1.184.644	3.140.693
+ Other exploitation expenses (reimbursements, transferred assets, etc.)	13	274.169	6.068.373
EXPLANATIONS	NO.	Executed	Executed
= Total exploitation expenses	ln.	30/06/2017	30/06/2018
	14	39.100.125	40.965.546
Exploitation results (+/-)	15	7.435.923	15.490.659
+ Financial revenues	16	2.870.950	125.275
- Financial expenses	17	2.351.006	1.465.311
= Financial result (+/-)	18	519.945	-1.340.036

+	Extraordinary income	19		
-	Extraordinary expenses	20		
=	Exceptional result (+/-)	21		
	Gross result (+/-)	22	7.955.867	14.150.623
	Deferred tax	23		
	Net result (+/-)	24	7.955.867	14.150.623
	CASH FLOW	25		
+	Profit or loss (+/-)\	26	7.955.867	14.150.623
+	Damping included in cost	27	3.287.530	4.492.394
-	Stock variation (+/-)	28	10.512.065	-82.723
-	Receivables variation (+/-)	29	-134.981	-598.446
+	Variation of providers and creditors (+/-)	30	-457.735	-3.236.715
=	Cash flow from exploitation (A)	33	-13.605.015	12.978.665
+	Income from selling assets and fixed assets	34	4.554	19.751.055
-	Purchase of tangible assets	35	1.611.007	0
-	Expenses for tangible and intangible assets	36	0	0
=	Cash Flow from investments activity (B)	37	-1.606.453	-12.901.329
+	Loans variation (+/-), of wich :	38	255.311	-9.086.560
	EXPLANATIONS	NO.	Executed	Executed
+	recievable short-term credits	39	30/06/2017	30/06/2018
-	refunds of short-term credits	40		
+	receivable medium and long-term credits	41		

-	refunds of medium and long-term credits	42		
+	Investment grants	43		
+	Payable dividends	44		
=	Cash flow from financial activity (C)	45	255.311	-9.086.560
	Cash reserves at the beginning of the period	46	147.071	424.482
	Net cash flow (A+B+C)	47	277.411	1.336.432
	Cash reserves by the end of period	48	424.482	1.760.914

**GENERAL MANAGER
RADU VIEHMANN**

**ECONOMIC - COMMERCIAL MANAGER
ION DINCA**

No.:271 Date:17/07/2018

Subject:

**EXPLANATORY NOTES
30 JUNE 2018**

1. FIXED ASSETS STATEMENT

Gross values						
Asset elements	No.	Initial balance	Accrual	Degression		Final balance (col 5=1+2-3)
				total	of which: dismantling and rescission	
A	B	1	2	3	4	5
Intangible assets						
Development expenses	01				X	
Other non-current assets	02	19.041.091	114.611	9.005	X	19.146.697
Intangible assets in progress	03	44.511	164.730	114.611	X	94.630
TOTAL (ln. 01 to 03)	04	19.085.602	279.341	123.616	X	19.241.327
Tangible assets						
Lands	05	21.381.525	0	0		21.381.525
Buildings	06	9.400.854	112.526	0		9.513.380
Technical equipment and machinery	07	27.244.971	2.070.947	9.451	6.977	29.306.467
Other equipment, installations and furniture	08	132633	0	0		132.633
Investment securities	09					
Intangible assets in progress	10	1.801.972	612.893	2.183.473		231.392
Investitii imobiliare in curs de executie	11					0
TOTAL (ln. 05 to 09)	12	59.961.955	2.796.366	2.192.924	6.977	60.565.397
Biological assets	13				X	
Financial assets	14	1.000			X	1.000
FIXED ASSETS-TOTAL	15	79.048.557	3.075.707	2.316.540	6.977	79.807.724

1.1 FIXED ASSETS AMORTIZATION STATEMENT

Asset elements	No.	Initial balance	Amortization during the year	Ammortization of derecognized assets		Ammortization by the end of the year (col.9=6+7-8)
A	B	6	7	8		9
Intangible assets						
Development expenses	16					
Other non-current assets	17	12.300.992	1.269.641	9.005	13.561.628	13.561.628

TOTAL (rd. 16 la 17)	18	12.300.992	1.269.641	9.005	13.561.628	13.561.628
Tangible assets						
Lands	19					
Buildings	20	0	195.908		195.908	195.908
Technical equipment and machinery	21	0	3.011.293	1.226	3.010.067	3.010.067
Other equipment, installations and furniture	22	0	15.553		15.553	15.553
Investment securities	23					
TOTAL (rd. 19 la 23)	24	0	3.222.754	1.226	3.221.528	3.221.528
Biological assets	25					
AMORTIZATIONS - TOTAL	26	12.300.992	4.492.395	10.231	16.783.156	16.783.156

1.2 ADJUSTMENT FOR DEPRECIATION STATEMENT

Asset elements	No.	Initial balance	Provisions set during the year	Provisions	Final balance (col.13 = 10+11-12)
A	B	10	11	12	13
Intangible assets		0	0	0	-
Building and development expenses	22	0	0	0	-
Other non-current assets	23	0	0	0	-
Advancements and intangible assets in progress	24	0	0	0	-
TOTAL	25				
Tangible assets			0	0	0
Lands	26		0	0	0
Buildings	27		0	0	0
Technical equipment and machinery	28		0	0	0
Other equipment, installations and furniture	29		0	0	0
TOTAL	30		0	0	0
Financial assets	31	0	0	0	0
PROVISIONS FOR DEPRECIATION-TOTAL (ln.25+31+32)	33	0	0	0	0

The assets record is kept considering their net value.

All purchased fixed assets are recorded within the debit account 231 "TANGIBLE ASSETS IN PROGRESS". They are amortized during the month after their purchase.

2. PROVISIONS FOR RISKS AND EXPENSES

Title of the provision	Balance on 1 st ianuarie 2017	Growth	Decrease	Balance on 30th of June 2017
0	1	2	3	4=1+2-3
Adjustment for customer receivables impairment	286.426		263.850	22.576
Adjustment for debtors receivables impairment	0			0
Adjustment for raw materials stocks impairment	12.198.780			12.198.780
Adjustment for supplies stocks impairment	38.907			38.907
Impairment of stocks in progress	759.655			759.655
Adjustment of materials and stocks at other partners	0			0
Adjustment for packaging material impairment	32.037			32.037
Adjustment for manufactured items impairment	952.605			952.605
Impairment of residual products	66.051			66.051
Provisions for restructuring costs	439.908		7.844	432.064
Provisions for retirement and similar obligations	1.259.764		228.577	1.031.187
Provisions for employees' obligations	3.157.879		1.115.280	2.042.599
TOTAL	19.192.012	0	1.615.551	17.576.460

The company has established provisions for debts towards employees as a result of retirements and annual leave provided by Collective Labor Agreement(CCM).

The fair value of the debts regarding with the retirement of the personnel where calculated from an independent valuer. To the value a coefficient of 30% was applied, represented expenses with social security

3. TAX PROFIT

The calculation of fiscal loss is according with methodological Norms of application of Law 227/2015 (with all subsequent amendments).

The gross profit or loss is defined according to the form "Profit and loss account" and we apply the stipulations of Law No. 227/2015 (with all subsequent amendments). All sums are expressed in LEI.

Gross profit 13.557.555

To establish the tax profit, the expenses that have overpassed the admitted deductibility limit are added to the non-deductible expenses, according from the Law 227/2015

Non taxable income 1.616.001

Non-deductible expenses 6.142.367

Deductions (tax amortization)	1.844.604
Elements similar to income (revaluation account 105 surplus)	32.364

The non taxable income results from the reverse provisions for restructuring.

The non deductible expences are mostly represented by amortization the fixed assets revaluate.

The similar elements income are constituted from the revaluation surplus reserve, taxed by the exit of the asset.

TAX PROFIT: 16.271.780

4. REVIEW OF EXPLOITATION RESULTS

No.	Indicator	Period	Period
		30.06.2017	30.06.2018
1.	Net turnover	40.859.734	46.929.792
2.	The costs of goods and services provided	24.734.345	21.224.048
3.	Expenses of the basic activities	15.696.608	12.857.362
4.	Expenses of auxiliary activity	1.846.974	2.024.498
5.	Indirect manufacture expenses	7.190.763	6.342.188
6.	Gross result related to net turnover (1-2)	16.125.389	25.705.744
7.	Retail expenses	582.422	561.037
8.	General administration expenses	8.116.470	16.510.148
9.	Other exploitation expenses	9.426	6.856.100
10.	Exploitation results (6-7-8+9)	7.435.923	15.490.659

5. STATEMENT OF RECEIVABLES AND DEBTS

Receivables	Balance on	Liquidity term	
	30th of June (col.2+3)	under 1 year	over 1 year
0	1	2	3
Total, of which:	3.702.523	3.702.523	
Suppliers debtorss-debtors	1.090.244	1.090.244	
Customers	2.153.124	2.153.124	
Personnel and social security receivables	359.686	359.686	
VAT under settlement	7.985	7.985	
Other receivables regarding state and public institutions receivables	194	194	

Debtors	113.866	113.866	
Provision for customer receivables impairment	22.576	22.576	

Debts	Balance on 30th of June	Chargeability term		
	(col.2+3+4)	under 1 year	1-5 years	over 5 years
0	1	2	3	4
Total, of which:	45.665.053	38.187.944	7.477.110	0
Short term bank loans	23.058.242	23.058.242		
Long term loans	4.312.627	1.444.130	2.868.497	
Suppliers	2.820.463	2.820.463		
Creditors	15.181	15.181		
Expenses regarding with personnel and social security	2.325.953	2.325.953		
Tax for non-residents	445.842	445.842		
VAT to pay	128.802	128.802		
Other debts regarding state and public institutions	1.702.931	1.702.931		
Deferred tax	3.659.565		3.659.565	
Other debts	1.227.606	1.227.606		
Other creditors	5.967.840	5.018.793	949.047	

Bank loans	Balance on 30th of June
	2018
BRD – GSG	15.355.101
Bank Transilvania	7.703.142
Short term loans from Shareholders	4.880.000
Short term loans from Shareholders	27.938.243
Loans from Shareholders	0
BRD – GSG	2.845.773
Bank Transilvania	1.466.854
Long term loans	4.312.627
Total	32.250.870

6. PRINCIPLES, POLICIES AND ACCOUNTING METHODS

General provisions

The financial statements are set up according to the O.M.F.P. 2844/2016 (IFRS), to the Law on Accountancy No. 82/1991, amended and completed through the Law No. 259/2007.

The financial statements have been set according to the historic cost and presented in lei.

The costs of indebtedness and the expenses related to maintenance of a state of functioning at projected parameters of fixed assets, do not capitalize.

The grounds for setting up financial statements

These are individual financial statements of TURBOMECANICA S.A.. These financial statements are the responsibility of the Company's management and are set up according to the accountancy norms of Romania, that is the Accountancy Law No. 82/1991, republished, the Order of the Ministry of Public Finances 2844/2016 (IFRS)

The use of estimations

The setting up of financial statements according to accountancy norms of Romania require the management to make some estimations and presumption that affect the value of assets and debts, and the description of assets and potential debts on the date of setting up the financial statements, as well as the value of income and expenses related to the accounting period. The actual results may be different from these estimations. These estimations are periodically reviewed and, if the need arises for adjustments, the latter are recorded in the profit and loss account within the period they become known. Even if these estimations are somehow imprecise, the cumulated effect of the imprecision on financial statements is considered to be insignificant.

The operating continuity

These unconsolidated financial statements have been set up based on the principal of operating continuity, which states that the Company would continue its normal functioning in a predictable future, without confronting the impossibility to continue its operation or to significantly reduce its activity

Tangible assets

The tangible and intangible assets are recorded in accountancy according to the Accountancy Law No. 82/1991, with subsequent amendments and completions.

Following the revaluation applied in compliance with HG 1553/18.12.2003, O.M.F.P. 2844/2016 the tangible and intangible assets are registered at their net value.

The last revaluation unfolded according to the International Standards for Evaluation and Regulations of International Standards of Financial Reporting, by an independent evaluator, authorized S.C. NEOCONSULT VALUATION S.A., based on the agreement No. 5483 from 17.10.2017

As intangible assets, the accountancy only registers licenses and IT programs purchased from the providers.

Within the profit and loss account, the amortization of intangible assets is included at "Amortizations and provisions for tangible and intangible assets impairment" and "Expenses" respectively.

The amortization related to the fixed assets revaluated in December 2009, 2012, 2014, 2017, is mentioned within the "non-deductible expenses" according to the methodological Norms for application of the Law NO. 227/2015

Tangible and intangible assets are subject to amortization in compliance with Law 15/1994. The amortization method is the linear one.

The classification of fixed assets and their normal terms of functioning are established by the committee for reception and commissioning of fixed assets according to H.G. 2139/2004 for the approval of the Catalogue of classification and normal functioning terms of fixed assets.

The expenses that occur once the fixed asset is commissioned, such as repair and maintenance and administrative costs, are registered within the profit and loss account for the period of their occurrence. If it's possible to demonstrate that these expenses resulted in a future growth of economic benefits expected to be obtained through the use of an element of fixed asset over the performance standards initially evaluated, the expense is capitalized as additional cost.

The tangible and intangible assets are subject to amortization in conformity with the Law 15/1994. The amortization method is the linear one, based on the estimated useful lifespan, from the moment of their commissioning, so as the cost shall decrease to the residual value estimated during the considered functioning period.

Within the profit and loss account, the amortization of intangible assets is included at "Amortizations and provisions for tangible and intangible assets impairment" and "Expenses" respectively.

The main lifespans used with different categories of tangible assets are:

	Years
Buildings	10 - 50
Plants and machinery	3 - 15
Other equipment and furniture	3 - 15

The tangible assets that are scrapped or sold are cancelled from the balance together with corresponding cumulated amortization. Any profit or loss resulted from such an operation is included in the current profit and loss account.

According to the provisions of HG 2139/2004 related to the approval of the Catalogue for classification and normal durations of fixed assets' functioning, the Company has chosen to apply the minimal duration of fixed assets' functioning.

Any growth resulted from the revaluation of tangible assets is included in own capitals under reserves from revaluation, with the exception of those cases when such a growth compensates a decrease from the revaluation of the same asset, priory registered within the profit and loss account, in which case the growth is registered in profit and loss account at the level of the previous decrease. A decrease of accounting value of the lands and buildings is registered in the profit and loss account as long as it exceeds the value, if it is the case, of the revaluation reserve, related to the previous revaluation of the relative asset.

Amortization of tangible assets is registered in the profit and loss account. In case of subsequent selling or scrapping the revaluated tangible assets, the surplus from the revaluation left within the revaluation reserve is transferred directly to the retained result. There won't be made any transfer from the revaluation reserve to the retained result, except for the case of derecognized asset. However, a part of the surplus may be transferred as the asset is used by the entity. In this case, the value of transferred surplus shall represent the difference between the amortization calculated based on revaluated accounting value and the value of amortization calculated based on the initial cost of the asset.

Intangible assets

An intangible asset must be recognized if, and only if, it is estimated that the future economic benefits attributed to the asset shall be obtained by the Company and the cost of the asset may be precisely evaluated.

The costs related to the purchase of software are capitalized and amortized based on the linear method. If it is retained as necessary, the accounting value of each intangible asset is annually reviewed and adjusted for the decrease of its value.

Inventories

The record keeping of materials is organized based on quantities and values, grouped upon administrations, depending on the product for which they are designated within the manufacturing technologies.

By their entrance in the patrimony, the inventories (raw material, material, goods) are registered by their purchase prices. For imported materials, the acquisition price includes only expenses mentioned in Import Customs Declarations. For the materials purchased within the EU, the acquisition price includes the expenses recorded in the provider's invoice (or in an equivalent document) as well as expenses for transportation recorded in invoices issued by the transporter. The expenses related to the manipulation, deposit, etc. are registered in the account 308.1 "Differences in prices and materials" and is distributed upon materials consumed in the following period.

The record keeping of materials from own production is made by the planned cost. The cost does not include administrative and distribution expenses. The differences between actual and planned costs is registered in the account 308.2 "Price differences of unfinished goods" and 308.3 "Price difference of materials and inventories of own production" and are distributed upon materials of own production consumed in the following period.

The record keeping of manufacture in progress is made by the actual production costs. To distribute the expenses the orders method is being used. The indirect manufacture expenses are summarized monthly and distributed on the expenses related to direct workmanship, including related expenses registered within that month.

For inventories of finished goods, the cost does not include administration and distribution costs. The finished goods are registered by the ante calculation cost. The differences between the actual cost and the ante calculated one by the closure of the order is registered in account 348 "Price differences of finished goods" and are settled simultaneously with the finished goods.

By the exit of the inventories from administration, there has been used the method of "Weighted Average Cost" which supposes the calculation of costs of each element based on weighted average costs of similar elements from within inventory at the beginning of the period and costs of similar elements manufactured or purchased during the period. The average cost is calculated at the exit of inventories.

Receivables and debts

The record keeping of customers and providers, of other receivables and bonds is organized by categories, as well as by each legal entity or natural persons.

The commercial receivables are recorded by their nominal value.

The debts registered within the accountancy are current debts and are recorded by their nominal value.

The IT system

From the IT point of view, the accounting system is registered within the IT System SAP.

Availabilities and availability equivalents

To prepare the cash flow statements, the availabilities and availability equivalents include: cash at cash-desks, bank cash available any time, financial instruments in cash, without overdraft.

The treasury and treasury equivalents include liquidity assets and other equivalent values that include cash at cash-desks, current bank accounts and visible short-term bank deposits, with a three months maturity.

Revenues and expenses

The revenues have been evaluated and registered at the just value of the received means of payment. The company has not performed transactions that might provide commercial decrease.

There have been registered as revenues only transactions that have generated benefits to the company. Because the delivered products have different manufacture cycles for more than a month, the related expenses have been registered for the whole period related to the manufacture cycle and recognized simultaneously with the delivery of the products, and the registration of the revenues respectively.

The revenues are registered based on the “issued invoices” subsequently to the delivery of the products according to the “delivery notes”. In special situations, if the client requires the deposit of the products within the plant and their delivery at a later reciprocally convenient date, a “minutes of custody” is being prepared, in which the customer recognizes that the property rights have been transferred to him.

The revenue registered in advance represent the consideration of transactions evaluated by the just value of the means of payment provided in the agreement, but for which the property rights have not been transferred through the transfer of goods in customer’s property.

The record keeping of revenues and expenses is organized by types and nature of revenues and expenses.

The record keeping of expenses by destination is organized in administration accountancy.

Exchange rate differences

The differences in exchange rate are registered in the profit and loss account and are considered revenues and expenses of the period. Exchange rate differences are calculated according to BNR rate for debts, receivables and liquidity, and by the rate recorded in Customs Declarations for goods.

In 2018 on 30th of June the following differences of exchange rates have been registered:

at revenues (account 765)	123.950
at expenses (account 665)	133.167

Profit tax

The tax is calculated according to the Romanian Law and is based on the results retained in financial statements by the Company, prepared in compliance with the Order of the Ministry Public Finances 2844/2016 (IFRS) and after the corresponding deductions.

The current profit tax is calculated as a percentage applied to the obtained profit, according to Romanian Law, adjusted for some positions in compliance with fiscal legislation, at a 16% rate for 2018. The loss registered in previous years may be covered in following periods.

Value Added Tax

The Value Added Tax (VAT) related to the sales must be paid to fiscal authorities to the 25th of the next month, based on a declaration on VAT, regardless the collection of receivables from the clients. When the VAT related to the purchase is larger than the VAT related to sales, the difference shall be retrieved, on a request basis, from fiscal authorities and is object to a prior verification executed by these authorities. The VAT related to sales and purchase transactions unfinished by the date of balance , must be recognized on gross basis and presented separately as current asset or current liability. In case of depreciation adjustments for irrecoverable receivables, they are registered as related expenses, including VAT. The VAT collected is maintained in accountancy until the elimination of receivable for fiscal reasons.

Foreign currency transactions

The transactions expressed in foreign currency are registered in accountancy at the exchange rate on the date of transaction. The cash assets and liabilities expressed in foreign currency shall be converted in lei by the exchange rate from the date of accounting balance. The exchange rate on 30th of June 2018 has been of 4,0033 for 1 USD and 4,6611 for 1 Euro.

All the resulted differences on the discount and conversion of the sums in foreign currency are recognized within the profit and loss account for the year in which they have been executed. The loss realized and non-realized are registered as expenses, including those related to loans, and the profits from currency exchange or cash deposits are included in the profit and loss account for that year

Subsequent events

There has not been registered any subsequent event.

7. SHARES AND BONDS

Nr. crt		U.M.	30.06.2017	30.06.2018
1.	Share capital subscribed	lei	36.944.248	36.944.248
	The effects of inflation on share capital	lei	987.626.807	987.626.807
2.	Issued shares (by types)			
	number		369.442.475	369.442.480
	total value	lei	1.024.571.055	1.024.571.055
3.	Redeemable shares	number	36.944.241	36.944.241

	the closest date or the deadline for ransom		18.06.2017	18.06.2018
	mandatory or non-mandatory nature of ransom		-	-
	the value of an eventual ransom premium	lei	-	-
4.	Shares issued during the period		-	-
	type of shares		-	-
	number of issued shares		-	-
	total nominal value and the value collected at appropriation	lei	-	-
	legal appropriation rights		-	-
	number, description and value of corresponding shares		-	-
	rights exercise period		-	-
	price paid for appropriated shares	lei	-	-
5.	Issued bonds		-	-
	type of issued bonds		-	-
	issued value and sum collected for each type of bond	lei	-	-
	bonds issued by the company, held by a nominated or authorized person		-	-
	nominal value	lei	-	-
	value recorded by the time of payment	lei	-	-

Turbomecanica is a joint-stock company with private capital, with shares traded within the Bucharest Stock Exchange, under the TBM sign.

The registered capital of the company has been inflated to the 31st of December 2003; until the economy of Romania has no longer been considered to be inflationist.

8. INFORMATION ON EMPLOYEES, ADMINISTRATORS AND MANAGERS

Nr. crt.		U.M.	30.06.2017	30.06.2018
1.	Employees			
	medium number related to the period-total, of which:	no	454	428
	operators	no	294	270
	TESA	no	156	154
	management	no	4	4
	paid or payable salaries related to the period	ron	12.371.302	14.673.689
	expenses on social security	ron	2.771.006	587.930

The company has not granted loans to managers and administrators in 2018.

According to the provisions of Law no. 142/1998, the employees receive the legal amount of meal tickets.

9. INFORMATIVE DATA

a) Data presenting the company:

- legal form of the company: joint-stock company ;
- address of headquarters: Bd. IULIU MANIU no. 244, sector 6, BUCHAREST ;
- registered capital: 36.944.248 ron;
- the effects of inflation on registered capital 987.626.807 ron;
- amount of shares: 369.442.475 ron;
- shareholder structure:
 VIEHMANN RADU (25,92 %), CIORAPCIU DANA MARIA (15,16%),
 CIORAPCIU SORIN TUDOR (9,57%), ANGHEL CLAUDIA (6,98 %),
 OTHER SHAREHOLDERS (42,37%).

b) Main activity:

- manufacture of engines and mechanical assemblies for aircrafts and helicopters ;

c) The modality used to express in national currency the patrimonial elements, revenues and expenses that initially appear in a foreign currency:

- BNR rate (for receivables, debts and cash);
- the rate recorded within the customs declaration (for goods)

d) Net turnover, total	46.929.792 lei
- of which : export	3.571.216 lei

The structure of turnover on main manufactures is the following:

	lei	euro	usd
Engine Turmo IV C RK+ PSD + RPC	15.544.353	3.340.573	4.043.796
Main rotor hub RK+ PSD	8.721.200	1.874.237	2.268.782
Main transmission case RK+PSD	9.772.019	2.100.064	2.542.149
Repair Gearbox Assy, tail rotor RK+PSD	1.354.955	291.188	352.486
Repair Gearbox Assy Intermediate RK+ PSD	760.000	163.328	197.711
Current repair of engines, components, parts and spare parts for aircrafts	219.959	47.271	57.221
Repair transmission shafts	1.251.693	268.996	325.623
Repair Fan Bearings, RK	686.566	147.547	178.607
Repair silenced streaks	96.007	20.633	24.976
Repair VIPER	2.923.133	628.199	760.441
Aggregate repair	803.032	172.576	208.905
TOTAL IAR + MApN	42.132.917	9.054.612	10.960.697

Aeroteh parts repair	384.258	82.579	99.963
Unison components and parts	485.640	104.367	126.337
Export aviation	2.448.625	526.224	636.999
Industrial components	1.123.427	241.431	292.255
Other	354.925	76.275	92.332
TOTAL SALES	46.929.792	10.085.488	12.208.583

On geographical zones, the turnover is distributed as follows:

EUROPE	3.428.521	736.809	891.915
USA	142.695	30.666	37.122
ASIA			
TOTAL EXPORT	3.571.216	767.475	929.037
ROMANIA	43.358.575	9.318.012	11.279.546
NET TURNOVER	46.929.792	10.085.488	12.208.584

- e) The net result for the period: **11.873.922** lei;
there have not been recorded any extraordinary revenues or expenses;

**GENERAL MANAGER
RADU VIEHMANN**

**ECONOMIC - COMMERCIAL MANAGER
ION DINCA**

Subject: Statement

I, Radu Viehmann, Engineer, Chairman and General Manager, herewith undertakes the responsibility for the drafting of the accounting reports at 30 June 2018.

We hereby declare, that all accounting policies used by Turbomecanica S.A. in drafting the accounting reports at 30 June 2018 are in compliance with the Accounting Regulations, for companies whose securities are admitted for trading on a regulated market, with OMFP no. 2844/2016 for the approval of the International Standards for Financial Reporting, and with the Accounting Law no. 82/1991 with its subsequent amendments.

We hereby confirm that in half-year of 2018 the company did not record any cases of non-compliance with laws or regulations that could significantly influence the accounting reports.

We declare that the accounting reports as at 30 June 2018 of Turbomecanica S.A. provide an accurate image of the financial position, financial performance and other information related to the work carried out between 01.01.2018 - 30.06.2018.

We declare that Turbomecanica S.A. carries out its activity in terms of continuity and does not intend nor needs to liquidate or reduce its business volume as a result of:

- loss of important clients
- applying a reorganization plan
- outstanding payments
- failure to observe the rescheduling agreements
- liquidity problems, litigation as a defendant and plaintiff with shareholders, debtors, significant creditors, state bodies, claiming
- market risk sector
- other factors

We hereby declare that the Board Members are not aware of material uncertainties related to events or conditions that may cause significant doubts on the ability of the company to continue its operations.

We hereby mention the fact that the accounting reports drafted at 30 June 2018 have not been audited.

**GENERAL MANAGER
RADU VIEHMANN**

**ECONOMIC - COMMERCIAL MANAGER
ION DINCA**

o.:262 Date:16/07/2018

Subject:

**FINANCIAL-ECONOMIC INDICATORS
AT 30 JUNE 2018**

No.	Economic indicators	Formula	30 JUNE 2018	30 JUNE 2017
1	Current liquidity ratio	current assets / current liabilities	1,22	0,88
2	Total debt ratio	(Borrowed capital-Deferred tax liabilities /Share Capital)*100	6,84	8,55
3	Receivable turnover ratio	(Accounts Receivable / Turnover) * 180 days	9,13	14,76
4	Fixed assets turnover ratio	Turnover / Fixed assets	0,74	0,63

**GENERAL MANAGER,
RADU VIEHMANN**

**ECONOMIC- COMMERCIAL MANAGER,
ION DINCA**