



TURBOMECHANICA

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ANNUAL REPORT OF THE BOARD OF ADMINISTRATION OF TMB FOR 2017 ACCORDING TO NSC REGULATION NO. 1/2006

TURBOMECHANICA SA ("TMB") 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, diversifications and developments, but also restructuring, falls, searches, new beginnings. However, what is important is that throughout all this time, it has never stopped operating in the defense and aviation 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 are in the third year in which they produce the estimated effects, strengthening the company's capacity to generate profit and re-balancing the company financially.

In 2017, there was no significant event or reorganization of the company.

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 Turbomecanica SA 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 2017 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. STATEMENT OF COMPREHENSIVE INCOME

NAME	2017	2016
Revenues	100,766,069	83,030,250
Other revenues and (losses)	3,732,181	(1,529,345)
Variation of stocks	5,847,409	652,921
Revenues from production of fixed assets	-	336,608
Raw materials	(38,753,621)	(31,302,180)
Expenses with employees' benefits	(31,184,420)	(26,083,371)
Expenses with depreciation of assets	(6,702,423)	(5,799,848)
Net financial expenses	(3,413,951)	(3,076,578)
Financial income	-	2,945,009
Other operating expenses	(5,638,683)	(5,743,465)
Gains / Loss on sales of assets available for sale	20,104	(93,188)
Favorable/Unfavorable differences from revaluation	(6,214,653)	-
Profit/ (Loss) before tax	18,458,013	13,336,813
Tax on profit	(4,846,456)	(2,627,672)
Deferred income tax	39,364	163,904
Profit/ (Loss) for the year	13,650,921	10,873,045
Other comprehensive income, net of tax		
Actuarial (loss) / gain on defined benefits plan		(221,439)
Total other comprehensive income		(221,439)
Comprehensive result of the year	13,650,921	10,651,606

B. STATEMENT OF FINANCIAL POSITION

NAME	2017	2016
Long-term assets		
Tangible assets	59,961,955	58,036,177
Intangible assets	6,784,610	8,777,087
Other assets	1,000	604,960
Total long-term assets	66,747,565	67,418,225
Current assets		
Stocks	36,947,781	25,039,278
Trade receivables	2,632,790	2,684,621
Other receivables	1,711,184	3,048,543
Cash and cash equivalents	9,636,856	11,501,493
Assets for sale	6,966,252	7,048,889
Total current assets	57,894,863	49,322,823
Total assets	124,642,427	116,741,048

NAME	2017	2016
Equity and liabilities		
Capital and reserves		
Capital issued	1,024,571,055	1,024,571,055
Reserves	88,372,743	80,520,812
Retained earnings	(1,052,231,734)	(1,058,231,122)
Own shares	(598,408)	(562,427)
Total equity	60,112,656	46,298,318
Long-term liabilities		
Loans	5,670,250	3,186,319
Deferred tax liabilities	3,659,565	3,698,929
Provisions	1,259,764	1,382,087
Other long-term liabilities	-	1,022,968
Total long-term liabilities	10,589,580	9,290,302
Current liabilities		
Trade payables and other payables	5,817,305	7,007,591
Borrowings	37,168,913	41,406,464
Current income tax	1,517,497	1,252,348
Provisions	3,597,787	2,856,881
Deferred income	868,861	160,063
Other current liabilities	4,969,829	8,469,080
Total current liabilities	53,940,192	61,152,428
Total liabilities	64,529,773	70,442,730
Total equity and liabilities	124,642,427	116,741,048

C. TURBOMECANICA SHARES

NAME	2017	2016
Number of shares	369,442,475	369,442,475
Nominal value per share	0,10	0,10
Book value per share	0,163	0,125
Average price per share	0,228	0,059
Net profit per share	0,04	0,03
Market value per share at the end of the period	0,294	0,097
Stock capitalization	108,616,087	35,762,032

D. MACRO-ECONOMIC INDICATORS

NAME	2017	2016
Inflation	1.3	1.5
EUR average exchange rate	4.57	4.49
USD average exchange rate	4.05	4.06
GBP average exchange rate	5.21	5.5

E. TURNOVER ON SEGMENTS

NAME	2017	2016
Turnover, of which:	100,766,069	83,030,250
Benchmarks and aircraft parts	3,958,822	5,492,880
Engine repairs	79,818,209	64,090,520
Others	16,989,038	13,446,850

The 2017 results prove once again the success of the measures taken given the technical restructuring and relocation of technological flows. The total revenues obtained in 2017 are RON 112,731 thousand. The net turnover represents 89% thereof, namely RON 100,766 thousand.

The investment expenses totaled RON 3,109.3 thousand in 2017, accounting for 3% of the turnover.

Exports reached 19.08% of the turnover and are continuing to grow.

The net profit obtained by the Company in relation to the turnover determines a rate of return of 13.55%, 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 18.46%.

The net result obtained in 2017 is substantially growing compared to 2016, namely 1.25 times higher and is real, being included in the cash available as at December 31, 2017. It will cover most of the resources the company needs in the upcoming period.

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 2017 based on Decision no. 488/06.10.2017 for the annual stock counting of fixed assets and items of inventory, raw materials, consumables, unfinished and finished products, scraps, packaging and merchandise and Decision no. 487/06.10.2017 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 TURBOMECANICA SA, registered under no. 42/31.01.2018.

The cash and cash equivalents at banks as at December 31, 2017 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 MoPFO no. 2861/2009.

H. QUALITY

In 2017, 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**

In 2017, 161 regulations were prepared/revised as follows:

- ♦ 39 General Procedures including Independent Annexes
- ♦ 32 Company Standards including Independent Annexes
- ♦ 71 Working Instructions including Independent Annexes
- ♦ 7 Regulations including Independent Annexes (detailed below)
- ♦ 6 Quality Plans (detailed below)
- ♦ 2 Policies (detailed below)
- ♦ 2 Manuals (detailed below)
- ♦ 1 Memorandum (detailed below)
- ♦ 1 Strategy (detailed below)
- ♦ The following regulations were revised: RI-TMB Internal Regulations, R SO-01 the Internal Program and Compliance Regulation – Policies and Procedures on Exports, Imports and other Operations involving Military Products and double-use products, R RU-01 the Regulation on the Personnel's Access to and Monitoring in TMB, R EC-01 Regulation on the annual stock-count of assets, R-CA-TMB Regulation of the Board of Directors, R-AU-TMB Regulation of the Audit Committee; ROF-TMB Regulation for the Organization and Operation of TMB;
- ♦ prepared 4 System Quality Plans including Product Quality Plans to comply with the contractual provisions of client Ministry of National Defense, regarding the manufacturing/repair of aerospace products produced by TMB, in accordance with the specific provisions of standards NATO, AQAP 2120 and AQAP 2105 in accordance with the requirements of the commercial relationship with such client (PQ S-0025, PQ S-0026, PQ S-0027, PQ S-0028);
- ♦ revised 2 Quality Plans given the changes occurred in the business relationship with customers LEONARDO HELICOPTERS (PQ S-0002) and PZL SWIDNIK (PQ S-0020);
- ♦ 2 policies were revised: TMB Salary Policy and the Security Policy on Personal Data Processing;
- ♦ The Quality Manual TMB (MQ-TMB) was revised and a new manual was drawn up, the Manual of the Operational Radioprotection System in Laboratory CND-RX (MSRO-RX);
- ♦ Revised the TMB Memorandum of Presentation of Production Organization, required for TMB to obtain the authorization of the Romanian Civil Aeronautical Authority for the manufacturing of products for program Leonardo Helicopters, given the changes occurred in the contractual relationship with this customer;
- ♦ Designed the S-RU-01 Human Resources Strategy.

In 2017, 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 April 2017, **Honda Aero Inc. (USA)** conducted an audit to evaluate the quality management system of TMB and the product manufacturing system in accordance with the provisions of client specification **SRM "Supplier Requirements Manual"**. Further to the audit, Honda Aero Inc. maintained TMB as supplier previously approved by **General Electric Aviation**.

In September 2017, **IAR SA Brasov** conducted an audit at **TMB** to evaluate the quality management system of **TMB** according to **ISO 9001:2008** and **EN 9100:2009** standards. Further to the audit, **IAR SA Brasov** prepared **Audit Report no. 350 of 25.09.2017** and did not find any inconsistencies. **IAR SA Brasov** maintains **TMB** as previously approved supplier.

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 October 2017, the Romanian Civil Aeronautical Authority (AACR) conducted a scheduled audit at TMB to supervise on an ongoing basis 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-2017-MSG-NP/1&MMG-NP/2&SCG-P/1&P/2 of 31.10.2017** and found 5 inconsistencies of level 2 (minor) and 5 inconsistencies of level 3 (recommendation), through Non-compliance/recommendation reports **TMB-043, TMB-044, TMB-045 TMB-046, TMB-047, TMB-048, TMB-049, TMB-050, TMB-051 and TMB-052** 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 level 2 inconsistencies found, 11 corrections and correction measure were set (all completed). AACR maintains TMB as authorized production organization.

In October 2017, **AEROQ** conducted a scheduled audit at TMB to supervise TMB's quality and environmental management systems, while recertifying TMB's quality and environmental management systems according to **ISO 9001:2015** and **ISO 14001:2015** standards.

Further to the audit, AEROQ prepared **Audit Report no. 3362 of 31.10.2017** and did not find any inconsistencies. **AEROQ** granted the new certifications for TMB's quality and environmental management systems valid until **09.11.2020**.

In December 2017, **TUV Nord Cert** conducted a scheduled audit at TMB to supervise TMB's quality management system, while recertifying TMB's quality management system according to **ISO 9001:2015** and **AS/EN 9100:2016**. Further to the audit, **TUV Nord Cert** prepared **Audit Report no. 35210567 of 14.12.2017** and did not find any inconsistencies. **TUV Nord Cert** will issue the new certifications for TMB's quality management system.

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 2017, the Department of Quality and Organization conducted internal/external audits as follows:

The Company has implemented procedures for each business activity. The Company periodically checks the compliance with such procedures. Each employee has well-established duties and responsibilities, and is periodically evaluated. The Company is aware of the risk of depending on the IT data, for which reason it has implemented procedures to periodically check the system data against paper documents. Each employee has access rights to the IT system specific to their position, rights that are revised periodically by the IT department and the management.

4.1 Internal system audits

The internal audits on the quality management system were conducted in accordance with Audit Plan PA-TMB 2017, 1st and then 2nd Edition, approved by the CEO.

In 2017, 51 SMQ audits were conducted that found 8 inconsistencies for which the company established 10 correction measures, which were 90% completed (one of which is pending for 2018).

The internal audits on the environmental management system were conducted in accordance with Audit Plan PA-TMB 2017 1st and then 2nd edition, approved by the CEO.

In 2017, 1 SMM audit was conducted that found 1 inconsistency for which the company established 1 correction measure, which was 100% completed.

4.2. Internal product audits

The internal product audits were conducted in accordance with Audit Plan PA-TMB 2017, 1st and then 2nd Edition, approved by the CEO.

In 2017, 8 product audits were conducted that found 3 inconsistencies for which the company established 7 correction measures, which were 100% completed.

4.3. Internal process audits

The internal process audits were conducted in accordance with Audit Plan PA-TMB 2017 1st and then 2nd edition, approved by the CEO.

In 2017, 19 process audits were conducted that found 2 inconsistencies for which the company established 3 correction measures, which were 100% completed.

4.4. External audits at suppliers

The external audits at supplies were conducted in accordance with Audit Plan PA-TMB 2017 1st and then 2nd edition, approved by the CEO as follows:

In November 2017, TMB representatives (within DCO and CCU) conducted an audit at IAR SA Brasov to evaluate the quality management system installed at such supplier according to **ISO 9001:2008 and EN 9100:2009** standards. Further to the audit, the TMB audit team prepared Audit Report no. A4F of 07.12.2017, which found no inconsistencies, but made 4 comments (improvements recommendations) for the activities that fall under the scope of the collaboration with **IAR SA Brasov**.

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 2017:

5.1 Under the general procedure PG SMQ-05 "Management analysis", the key process indicators are set, which are required to reach the strategic and quality objectives and which influence the customer satisfaction level. Such indicators in 2017 are:

- Indicator I1 (compliance of delivery terms) is increasing, is consistent with the planned of minimum 97%, having an aggregate value of 99.26%. This means that TMB observes the production program and the failures are very low;
- Indicator I2 (compliance of quantities requested by TMB customers for delivery) is increasing, is slightly below the planned objective of minimum 97%, having an aggregate value of 96.65%. This means that TMB takes efforts to observe the sales program and failures are dropping;
- Indicator I3 (non-compliance of the requirements of the technical execution documentation – non-compliance and scraps) is decreasing, falls under the objective set (maximum 0.75%), having an aggregate value way below such objective, namely 0.18%. This means that TMB complies with the requirements of the documentation and deviations are few;
- Indicator I4 (non-compliance of products/services delivered – customer complaints) is decreasing, meets the objective set (maximum 1.0% and has an aggregate value of 0.53%). This means that TMB ensures the conformity of products/services delivered and complaints are few;
- Indicator I5 (non-quality costs), as internal percentage loss, is increasing, meets the objective set (maximum 5%, having an aggregate value of 4.80% of the value of the prior computation of internal orders affected production).

5.2 As regards special processes and the activity of quality laboratories, in 2017 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

The most significant events as regards the growth of the level of attractiveness of TMB in the aeronautical industry remain the accreditations from the NADCAP for the special processes in effect.

In 2017, the following special processes were re-accredited:

In February 2017, **NADCAP** conducted a re-accreditation audit of the non-destructive control processes at TMB according to the AC7114 requirements. Further to the audit, 4 minor inconsistencies were found, (corrected during the audit) **and 1 major inconsistency** for which the proper corrections/correction actions were set and completed. Therefore, **TMB's non-destructive control processes were re-accredited for 18 months (Merit Program)** (certificate expiry: **31 October 2018**).

In April 2017, **NADCAP** conducted a re-accreditation audit at **TMB** of the heat treatment processes installed at **TMB** according to the requirements of **AC7102**. Further to the audit, **3 minor inconsistencies** were found which the proper corrections/correction actions were set and completed. Therefore, **the heat treatment processes of TMB were re-accredited for 24 months (Merit Program)** (certificate expiry: **31 July 2019**).

In May 2017, **NADCAP** conducted a re-accreditation audit at **TMB** of the **cold-hardening processes** installed at **TMB** according to the requirements of **AC7117**. Further to the audit, **2 minor inconsistencies and 2 major inconsistencies** were found, for which the proper corrections/correction actions were set and completed. Therefore, **the cold-hardening processes of TMB were re-accredited for 12 months (Merit Program)** (certificate expiry: **31 October 2018**).

In July 2017, **NADCAP** conducted a re-accreditation audit at **TMB** of the **chemical processing processes** installed at **TMB** according to the requirements of **AC7108**. Further to the audit, **1 minor inconsistency** was found, for which the proper corrections/correction actions were set and completed. Therefore, **the chemical processing processes of TMB were re-accredited for 24 months (Merit Program)** (certificate expiry: **31 October 2019**).

In August 2017, **NADCAP** conducted a re-accreditation audit at **TMB** of the **composite production processes** installed at **TMB** according to the requirements of **AC7118 and AC7122**. Further to the audit, **1 minor inconsistency** was found, for which the proper corrections/correction actions were set and completed. Therefore, **the composite production processes of TMB were re-accredited for 24 months (Merit Program)** (certificate expiry: **31 October 2019**).

5.2.2. Second-party process certifications

5.2.2.1. Leonardo S.p.A. – Helicopters certifications

In January 2017, the Company received the certificates for the special heat treatment processes on benchmarks LH (IT12/194/01 and IT12/196/01).

As of January 2017, **the certification files for the special surface coating processes, which expired in December 2017, were prepared and submitted. Compared to previous years, LH no longer accepted any deviation from its documentation, which generated an extended internal activity of amending and adjusting TMB's documentation as requested by the customer, which delayed the certification of the special surface coating processes.**

During July - December 2017, the Company obtained the certifications for the special chemical processing processes on benchmarks LH (IT13/0146/02, IT13/0156/02, IT13/0158/02 and IT13/161/02).

5.2.2.2. PZL Swidnik certifications

Further to the procedures to certify the processes of special heating treatment and chemical processes applicable to steel 12H2N4AZ and 18H2N4MAZ, for which PZL Swidnik requested separate qualifications in addition to the other Leonardo Helicopters processes, in February 2017, the cadmium plating process was qualified (PL10/0050/00).

In July – December 2017, the Company received no other certifications of the heat treatment and chemical processing processes applicable to PZL Swidnik benchmarks.

5.2.2.3 General Electric certifications

In 2017, all the **special process and laboratory certifications** previously obtained by TMB from **General Electric Aviation** were maintained/extended, because for the processes accredited by NADCAP, certificates GT193 are issued so long as the NADCAP accreditation is maintained.

5.2.2.4. Introducing new benchmarks in production

For client General Electric Power and Water (GE PW) Hungary, 2 FAI files were created, which were approved by CLT.

For client Leonardo Italy (former AgustaWestland), 6 FAI (internal or external) files were created, which were approved by CLT. Through the integration of such benchmarks at TMB, the Company continues the assimilation of the package of benchmarks for the Master Transmission Box for the Leonardo Italy helicopters.

6. Central Laboratory Accreditations

In 2017, **TMB** took part through the **SCPL** Laboratories, in two Round-Robin Inter-laboratory Cross-testing Programs organized by PTP Centeh Exova in France and Dirats Laboratories in the USA to check the performance of mechanical testing, metallography laboratories and physical and chemical testing laboratories (salt fog testing). These programs are undertaken under the patronage of GE, Airbus, Airbus Helicopters, GKN, MTU, Safran and Rolls-Royce and are mandatory for maintaining the NADCAP and GT193 certifications for special processes. All tests have proven that the results fall under performance Classes 1 and 2.

7. Complaints / Notifications

In 2017, **TMB** received **41 complaints** from clients, of which:

- 2 from foreign customers (1 from General Electric Power & Water - Hungary and 1 from Avio Aero); the status thereof is presented in table 7.1 herein below:
- 39 from domestic customers (31 complaints from military units of the Ministry of National Defense and 8 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 measures meant to correct, strengthen or improve process performances.

Status of **C/N** received from external and domestic customers is indicated below:

Total number of C/N :	41
Total number of rejected C/N :	5
Total number of closed C/N :	34
Total number of open C/N :	2

7.1. Complaints/notifications for parts filed by foreign customers

Total C/N :	2	Complaint
Client - benchmark C/N (no. of affected pieces):		
- GE PW (Hungary) - P/N 203D2114P001 (2 pieces)	1	Complaint closed
- Avio Aero - P/N L57354P01 (5 pieces)	1	Complaint closed

7.2 Complaints/notifications for products filed by domestic customers

Total C/N:	39	Complaints
Total C/N per category of products:		
- TURMO engine	4	Complaints
- VIPER engine	6	Complaints
- ventilating level	1	Complaint
- VIPER motor oil pump	1	Complaint
- TURMO engine control block	2	Complaints
- TURMO engine start-up block	7	Complaints
- BRP scavenger	1	Complaint
- BRP rotor	1	Complaint
- TURMO engine overcharge electromagnet	1	Complaint
- CTI intermediary transmission	1	Complaint
- CTS rear transmission	5	Complaints
- CTP main transmission	3	Complaints
- TURMO engine frost protection valve	2	Complaints
- VIPER engine frost protection valve	1	Complaint
- TURMO engine oil pressure transmission	1	Complaint
- TURMO engine starter	1	Complaint
- TURMO engine micro-pump	1	Complaint

As regards domestic customers, the status of C/N is as follows:

Domestic customer	Number of C/N	
Total C/N from domestic customers:	39	Complaints
UM 01836 - Otopeni	6	Complaints
UM 01838 - Bobocu	2	Complaints
UM 02015 - Bacau	9	Complaints
UM 01969 - Campia Turzii	9	Complaints
UM 01945E - Mihail Kogalniceanu	3	Complaints
UM 02040 - Tuzla	2	Complaints
IAR - Brasov	8	Complaints
Total closed C/N:	33	Complaints
Total open C/N:	2	Complaints
Total rejected C/N:	4	Complaints

I. HUMAN RESOURCES

The company management ensured the operation of Production, Technical and Compliance, Quality Assurance, Human Resources, Financial - Accounting, Marketing - Sales.

As at December 31, 2017, **TMB** had a total of **453** employees.

The personnel's average age as at such date was 49.01 years.

Between January and December 2017, 112 employees left the company and 116 were employed.

In 2017, the expenses with employees' benefits totaled:

- salaries:	RON 23,258,485
- meal vouchers:	RON 1,522,805
- gift vouchers:	RON 687,080
- social security:	RON 5,716,046

The recruitment costs incurred were approximately RON 6,503.

The company's personnel policy regarding the vocational training 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 2017.

According to it, the company invested approximately RON 66,504 in improving the competences and certifications outside the company.

Improvement and certification courses were delivered in the company, which totaled approximately 2,176 hours for 358 employees.

During the period under review, only 32 employees attended educational courses and various courses, qualifications/poly-qualifications totaling 12,746 hours.

Personnel expenses totaled 30.96% of the turnover obtained in 2017.

48% of the company employees are trade union members.

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

- 27.05% employees with higher education – 122 employees, of which:
 - Post-university studies: 2 EMBA employees
- 43.90% of employees with secondary and post-secondary studies - 198 employees
- 23.50% of employees with vocational studies - 106 employees
- 5.54% of employees with primary studies - 25 employees

The relationship between the management and employees is regulated under the Collective Labor Agreement for 2016-2017. The social and professional environment is permanently monitored, through a communication system between social partners, which prevents conflicts, which were non-existent in 2017.

J. Assessment of occupational health and safety

Occupational health and safety at **TMB** represent a priority in the Company's policy.

The entire activity of the Company is based on the principle of improving on an ongoing basis the productions conditions, which directly affect the increase of occupational health and safety.

The Company monitors on a permanent basis, both through the occupational health and safety specialist and the operating management of each department, the conditions to conduct the production activity observing the safety conditions for all employees.

In 2017, the Company continued the investment started in 2016 for improving the working conditions.

The Installations and Trials Workshop was completely revamped.

The inside of the warehouse was re-organized, and the working conditions and production flows were streamlined.

The space for the dismantling, sorting and remounting Turmo and Viper engines was enlarged and a fully-modernized space intended for the dismantling, sorting and remounting of hydraulic, electric and oil aggregates was developed.

The sanitary facilities suffered major renovations and lockers for men and women and a lunch area equipped with refrigerators and appliances for heating food were installed.

Another workshop in which the Company invested in 2017 is the Special Processes Workshop.

The Company continued to revamp the special processes lines, and improve working conditions, by completing the program for the modernization of ventilation and exhaust installations that would ensure enhanced protection both for employees, and the environment. The room of the fans was insulated against water infiltration and the outer fan for exhaust and dispersion of emissions.

For this workshop also, the Company revamped the sanitary facilities, showers both for men and women and the lockers.

The investment program for 2017 also included the full modernization of the space intended for plasma jet delivery in the Mechanical Processing Workshop. In this workshop the Company fully revamped the sanitary facilities both in the gear workshop and the general work-out workshop. It also fully revamped the locker and sanitary facility in the pressing-welding area and a sanitary facility equipped with showers was built in the gear area also.

The Company also undertook the process of improving the conditions for locker rooms and eating areas, both by modernizing the existing ones and installing refrigerators and food heating equipment, and by building other areas to be used as locker rooms and eating areas for all the employees of the General Services Workshop and those of the Mechanical Processing Workshop and the Special Processes Workshop. A new locker was built, equipped with showers and lunch area for women in the production support departments (ATD, SCPL).

In order to improve the sanitary conditions of the staff of TMB, all sanitary facilities were equipped with hand-washing foam dispensers, and new equipment for toilet paper, disposable paper for toilet seat covers and paper towels.

All old access doors in the production workshops were replaced with thermally insulated doors to increase the energy efficiency of the buildings. Lighting was modernised in all of the Company's workshops.

Under the labor protection and security program for 2017, 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 at all times 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 continued to purchase working equipment for all TMB employees, both the existing ones and the newly-employed,
- it provided cleaning and sanitary materials (protection creams, etc.) in compliance with the provisions of the Internal Regulations;
- it purchased on a regular basis 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, the plasma cutting personnel, as well as the personnel in charge of polishing and adjustments
- it continued to purchase 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, on a regular basis, an antidote consisting of powder milk and sparkling water, according to the regulations in force;
- an eye examination was conducted for all of **TMB's** employees, in order to assess the need to purchase protective spectacles fitted with corrective lenses
- it performed 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.

In 2017, a single labor accident at **TMB** occurred, in October.

The labor accident is still under investigation at the Bucharest Territorial Labor Inspectorate.

K. NUCLEAR PROTECTION

In **2017**, as regards nuclear protection, applications and files were sent to the **CNCAN** to obtain the permits for

- **holding Viper parts out of MSRR 8014 material**, valid until 17.01.2018, for which the file was checked and accepted by CNCAN, and the new permit will be valid for another 2 years;
- **holding the radiation generator**, kept by the CND-RX laboratory, the validity of which was extended until October 2019
- **use / operation of CND RX laboratory**, which expired on 18.12.2017, and for which the Company obtained and submitted to CNCAN a Sanitary Permit issued by the Public Health Authority – Nuclear Radiation Laboratory. The files were checked and accepted by the CNCAN, and the permit will be valid for another 5 years.

L. ENVIRONMENTAL PROTECTION

1. Integrated Environmental Permit and Water Management Permit

TMB submitted the documentation to renew the Water Management permit within the legal term required by the regulatory authorities:

- **Standard Form – order for issuance of water management regulatory deed no. 12521/28.11.2017**

To fully comply with the provisions in the environmental integrated permit, the Company has laid down objectives and actions, included in the Environmental Management System Program of TMB and the 2017 Investment Plan, most of which have been met and those unsettled were included in the Environmental Management System Program of TMB and the 2018.

The Integrated Environmental Permit and the Water Management Permit allow the legal operation of facilities, equipment and processes existing at **TURBOMECHANICA SA**.

In 2017, no environmental incidents occurred, or cases of pollution of used water or air above the maximum values admitted by the legislation in force.

Further to the controls of the **National Environmental Guard** concluded in 2017 by Minutes:

- no. 100/03.05.2016, two aspects were notified: the hazardous waste found in the dedicated warehouse will be handed over for disposal to companies legally authorized to dispose the waste in safe conditions for the environment and the population and the company undertakes to notify the Bucharest Environmental Protection Agency regarding the maximum allowed values of used water discharged in the city sewage for indicator CCO-Cr. Such deficiencies were solved, and their settlement was reported to the regulatory and control authorities.
- no. 102/22.06.2017 the following was notified: compliance with the conditions and limitations of **REACH** Regulation no. 1907/2008 on an ongoing basis, the company must perform a set of night-time sound measurements at an accredited laboratory, of all sound sources from the two operational workshops and to present the result thereof to the National Environmental Guard – Bucharest CMB. The measure was solved within the term imposed by the authorities and notified to them.
- no. 104/07.09.2017 the following was notified: each transport of hazardous waste larger than 1 ton/year from the same category of hazardous waste must be accompanied by the Hazardous Waste Delivery Form and the Form for approval of transport of hazardous waste on an ongoing basis.

The control conducted the National Administration Romanian Waters concluded by Minutes no. 99/16.03.2017 ordered the following mandatory measures: revision of the Prevention and Fight against Accidental Pollution Plan. The measure was solved and notified to the authorities.

The control conducted by the **Local Police - General Directorate of Local Police and Supervision, Ecology and Environmental Protection Department** concluded by Minutes no. 6136/11.07.2017 ordered the insulation of the heating area of the exhaust towers, equipping the existing metal doors with insulating panels. Measure solved.

2. Certification of Environment Management System

Further to the audit for recertification of the management system of 26.10.2017, **TURBOMECANICA SA** was audited by **AEROQ SA**, for recertification of the Environmental Management System in accordance with the requirements of SR EN ISO 14001:2015 – Environmental Management System. Further to such audit, **TURBOMECANICA SA** no inconsistency was found, only 1 observation and 1 recommendation were made.

3. Personnel trainings

In 2017, in accordance with the provisions of **TMB Periodic Personnel Training Plan**, by specific trainings and certifications courses, the Company secured and maintained the necessary competences of the 116 operators, inspectors and lab assistants for special processes and laboratories, conducting 33 specific trainings.

M. MARKETING

For foreign market, the sales of TMB continued in 2017 to be represented mainly by components and subparts for aircraft engines, and gas turbines, programs which grew compared to the previous years due to the company's commercial policy and marketing strategy.

The company's sales activity focused on strategic objectives which aimed at:

- reaffirming the company's image domestically and internationally and, on the other hand
- regaining its market stability,
- making known to potential business partners the company's capabilities and getting in touch with large airline and industry corporations (especially in the field of "ENERGY – components for gas turbines").

In support of the above, in 2017, TMB participated with its own stand in a series of national and international events of the airspace industry, among which:

- the 52nd edition of **PARIS AIR SHOW-Le Bourget** took place during 19 - 25 June 2017, which was attended by 2,380 participants from 47 countries; TURBOMECANICA representatives had the opportunity to meet Secretary of State in the Ministry of National Defense and head of Arms Departments Mr. Florin Lazar Vladica and to receive in its stand the visit of the delegation of the Ministry of National Defense – Joint Chiefs of Staff and the delegation of the Joint Chiefs of Staff of the Romanian Air Forces.

The event, which was widely covered by *HOT NEWS* and *TVR 1 News*, was marked by the signing on 20.06.2017, in the presence of many honorable guests, of the Memorandum of Understanding with **SAFRAN HELICOPTER ENGINES** on the collaboration in program Maintenance, Repair & Overhaul (MRO) for the Makila 1A1 engine (which fits the *AIRBUS H215* helicopter that will be manufactured in Brasov).

TURBOMECANICA had a series of other business-to-business meetings with business partners and potential clients/suppliers, such as: GIFAS – FRENCH GROUP OF AIRSPACE INDUSTRY, ELBIT SYSTEMS Israel, in order to promote the company's values and capabilities, consolidate the grounds of the current international collaborations and identify the new business opportunities.

- Domestically, TURBOMECANICA attended during 04 – 06 April 2017 the **CNC Technologies** International Conference and Exhibition, 11th edition, organized by the Polytechnics University in Bucharest, on which occasion Engineer Florian Bunea with TMB presented the paper "Risk analysis, solution to mitigate production costs in the aeronautical industry". The event was attended by prestigious companies, users and suppliers of industrial machinery and robots, university professors, teachers from technically vocational high schools, researchers and specialists of research institutes, students passionate about such technologies and equipment. The speech was preceded by the presentation of DCO / HR: "Turbomecanica – top employer", where the company built concrete opportunities to hire and train young higher education graduates in the field.
- 24 – 26 October 2017 the 12th edition of the international aerospace supply fair **AIRTEC 2017** took place in **München, Germany**.

Over the 3 days of the exhibition, the TURBOMECANICA team held a series of B2B meetings both with its current business partners, and potential clients/suppliers, such as: **ROLLS ROYCE Deutschland Ltd.&Co KG**, **SIEMENS AG Deutschland**, **MITSUBISHI HEAVY INDUSTRIES EUROPE Ltd.**, **MECAPOLE Franta**, **XRIS X-RAY IMAGING SOLUTIONS Belgium**, **HEMPEL SPECIAL METALS Ltd. UK**, **DUTCH THERMOPLASTIC COMPONENTS BV The Netherlands**, **SIGMA PRECISION COMPONENTS UK**, **OGMA – The Aerospace Industry of Portugal**, other companies.

We consider that the presence of TURBOMECANICA in AIRTEC_2017 was a real opportunity which was successfully capitalized, to **reaffirm, resume based on new principles and develop historical partnerships with globally renowned companies.**

The results were soon noticeable:

- TMB** further maintained, with responsibility and dedication, the national flying capabilities for **PUMA IAR-330** helicopters and **IAR 99/ SOIM** test planes owned by the Ministry of National Defence (**SMFA, SMFN**) and the **National Intelligence Office** (total turnover – domestic aviation: EUR 17,735,055.74).
- TMB managed to maintain in 2017 a high place in the supply chain of world-wide renowned producers of engines and mechanical aviation parts (**LEONARDO HELICOPTERS Italy – 2017** turnover: EUR 545,682.79), especially in the **ENERGY** field: **GE Power & Water-Hungary and China** (2017 turnover: EUR 3,453,391.40) along with other historical partners (**PZL SWIDNIK Poland**, **HONDA AERO SUA**, **AVIALL USA**, **AVIO ITALY**, **UNISON POLAND** and others).
- In addition to the partners mentioned, already historical, the Company developed programs by attracting new clients: **GE AVIATION CZECH REPUBLIC**, **KAWASACHI HEAVY INDUSTRIES JAPAN** (collaboration by **SHINTOA UK**), **MB AEROSPACE POLAND**, and laid the foundation for new business relations with companies such as **AIRBUS Helicopters France**, **SAFRAN FRANCE**, **SIEMENS UK**, **SIEMENS CANADA**, **AUBERT & DUVAL France** and others alike.

This is a free translation from the original Romanian version.

It is important to notice that the Company has successfully maintained its permit granted in 2014 by the Romanian Civil Aeronautical Authority for the production of products/components/equipment to fit out AW109 and AW119 helicopters – LEONARDO Helicopters (AGUSTA WESTLAND) ITALY (according to Certificate no. RO.21G.0008/02.12.2014).

Based on such permit, TMB continued in 2017 to deliver full subsets for rear transmission for helicopters (production, mounting, trial) and will continue to develop cooperation programs with FINMECCANICA ITALIA in 2018, too.

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.), the PUMA helicopter producers S.C. IAR S.A. Braşov with which we collaborated in various aviation programs (revamping of PUMA-SOCAT and PUMA-NAVAL, SRI, OMAN, INDONESIA helicopters, and other collaborations).

Given the circumstances, where conflict is still present on the international political scene, in 2018 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 throughout 2018 – 2019 (3 more helicopters) and the research-saving program which includes the revamping of 6 UN helicopters during 2018-2019, 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's major strategic objective continues to be in 2018 the identification of new clients for the processing processes which may secure in 2019 at least 25% of turnover. Therefore, we are focusing 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 efficiency of production.

In addition to the matters presented, TMB envisages for 2018 a marketing policy oriented towards TMB's strategic objectives mentioned above, including in the marketing budget for this year the Company's participation in many international promotional events (fairs/exhibitions), when the Company will 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 2017 and in the future.

Some of these events are:

- **AEROSPACE MEETINGS ROMANIA**, 13-15.02.2018;
- **ILA BERLIN**, 25-29.04.2018 – with the participation of 37 countries, more than 1,000 participants and more than 150,000 visitors;
- **Black Sea Defence and Aerospace**, 16 - 18 May 2018 in Bucharest, organized with the support of the Government of Romania by the Ministry of National Defense, Ministry of Internal Affairs, Ministry of Economy, Ministry of Foreign Affairs - ANCEX, Ministry of Justice - ANP and the National Intelligence Office, hosting more than 250 companies in the defense industries, security and aerospace. TURBOMECANICA will attend this event under the umbrella of the newly established association A.R.I.E., along with AIRBUS Helicopters Romania, IAR Brasov, AEROTEH, AEROFINA, INCDT COMOTI.

Some of the largest national and international companies in the field will attend this 7th edition: Lockheed Martin Company, Elbit Systems, Naval Group, Thyssenkrupp Marine Systems, Bell Helicopter, Rafael Advanced Systems, Airbus Helicopter, as well as Romanian companies in the field: Aerostar SA, Romaero SA, Romarm SA, etc.

- **FARNBOROUGH INTERNATIONAL AIRSHOW 2018**, 16 - 22.07.2018, UK;
- **AIRTEC 2018, Germany**, 13th edition, 23-25 October 2018.

These national and international events are the best opportunity to promote our company both in Romania and also for foreign delegations that will attend or visit the exhibitions, as well as an ideal platform to get into touch with large aerospace and industry companies in order to initiate business partnerships.

N. CORPORATE GOVERNANCE

In 2017, the Company took great care to implement the corporate governance principles in the Company's organisation and management of activity. In this sense, 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 maintaining the economic situation of the Company at a high level, which also implies increasing the Company's value. The adoption of good practices and corporate governance policies in accordance with the regulations and instructions issued by the Bucharest Stock Exchange is one of the strong grounds for a solid development of the Company in the upcoming period.

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. 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 2017 Annual Report and posted on the Company's website, www.turbomecanica.ro.

As at the date of the 2017 Annual Report (31 December 2017), TMB complies with the Corporate Governance Code, except for the aspects detailed below, which are close to implementation, for which the Company took measures in 2017 and the implementation of which will be complete in 2018.

The Corporate Governance Code of the Bucharest Stock Exchange, which are close to implementation, are as follows:

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 Board of Administration adopted in its internal regulations the principles to evaluate its activity, but the evaluation guide will be completed and implemented in 2018.

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. The remuneration policy of administrators and the CEO is provided in the Regulation of the Board of Administration and the Administration Contract.

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 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. 24/2017 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 25.04.2016 for a 4-year term, with possibility of re-election.

Administrators in office as at December 31, 2017

Name	Position	Year of first election	Expiry of current mandate
Radu Viehmann	Chairman, CEO	2000	2020
Dana Maria Ciorapciu	Non-executive Administrator	2006	2020
Radu Ovidiu Sarbu	Independent Non-executive Administrator	2016	2020
Grigore Florescu	Non-executive Administrator	2006	2020
Henriette Spinka	Non-executive Administrator	2008	2020

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 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 and the Regulation of the Board of Administration. The chairman of the BoA is also the Company's CEO.

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.

The administrators' participation in the share capital of TMB as at December 31, 2017

Name	Position	No. of shares	% of share capital
Radu Viehmann	Chairman, CEO	95,758,800	25.9198
Dana Maria Ciorapciu	Non-executive Administrator	56,003,876	15.1590
Radu Ovidiu Sarbu	Independent Non-executive Administrator	0	0
Grigore Florescu	Non-executive Administrator	0	0
Henriette Spinka	Independent Non-executive Administrator	600,000	0.16

In 2017, the BoA convened in 14 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. The administrators' remuneration policy applied until present is based on the national legislation in force. The administrators concluded mandate contracts, setting a fixed remuneration. The template contract may be accessed on the Company's webpage www.turbomecanica.ro.

There is no variable remuneration component or other forms of reward for administrators. In order to remunerate the executive management based on efficiency and performance, a Remuneration Committee was created within the Board of Administration.

Shareholders' rights

TMB offers a fair treatment to all shareholders, including minority and foreign shareholders, in accordance with the legal provisions and the Company's Constitutive Act.

As at December 31, 2017, TMB had 5,804 shareholders, according to the data reported by Depozitarul Central S.A. Bucharest, the company that keeps the shareholders' registry.

TMB respects its shareholders' rights, providing them with relevant and updated information so that they may exercise their rights in a fair manner. The Company uses its best efforts to achieve an effective and proactive communication with its shareholders and to facilitate the shareholders' participation in the works of the general meetings of shareholders (GMS), and to exercise their full rights. The shareholders' participation in the works of the GMS is fully encouraged, shareholders that cannot attend may exercise their vote *in absentia*, based on a special power of attorney and by correspondence voting. Dialogue is encouraged in the GMS between shareholders and BoA members and the executive management.

TMB has adopted rules regarding the internal circulation and dissemination to third parties of documents and information on the issuer, focusing on information that may influence the market evolution of securities issued by it, which forms the object of current reports or market releases, making them readily available to investors on the web page of the Bucharest Stock Exchange and on its own web page, www.turbomecanica.ro.

The Company's web page is a useful platform of communication with shareholders. It contains an investor-dedicated section called Investors, and all the information and releases of interest for shareholders are hosted and available in the *Investors* and *News* section, in Romanian and English languages.

The structure of the organization that refers to the relationship with shareholders and other categories of public interested is the Investor Relations Advisor.

Contact data: address: SC TURBOMECANICA SA, b-dul Iuliu Maniu nr. 244 sector 6 code 061126 Bucharest, Romania, telephone: (+40 21) 434.07.55; (+40)722 200 288.

Transparency, financial reporting, internal control

For TMB, transparency in communication is essential. The fulfillment of the reporting obligations and transparency in communication are modalities to gain the trust of shareholders and stakeholders. TMB seeks to ensure continuous and periodical reporting in an objective and honest manner, which comprises all the important aspects of the company's activity, its financial standing, applied accounting policies, the performance registered.

In 2017, the Company prepared reports and releases regarding the financial results, the GMS calls and resolutions, periodical reporting (monthly, quarterly, biannual, annual), transactions with the stakeholders, etc. The information that were subject to mandatory reporting- current reports and periodical reports - were also posted on the company's web page, www.turbomecanica.ro, in Romanian and English languages.

As regards the financial reporting system for 2017, TMB complied with the accounting regulations, i.e., MoPFO 2844/2016, Accounting Law no. 82/1991 (republished and amended), and MoPFO no. 470/2018 on the main aspects related to the preparation and submission of the annual financial statements and annual accounting reports of economic operators at the territorial units of the Ministry of Public Finance.

In accordance with the legal provisions, the financial and accounting statements and the statements regarding the TMB operations are audited by Deloitte Audit SRL, an independent financial auditor, appointed by the general meeting of shareholders of 14.11.2017 for a period of 4 years.

Conflict of interests and transactions with stakeholders

The Board of Administration has adopted and has identified proper solutions for the cases in which an administrator or an employee has a material interest in its own name or on behalf of third parties in the relationship with TMB.

Each BoA member avoids any direct or indirect conflict of interest with TMB. If a conflict of interest occurs, the administrator at issue must inform the BoA and must abstain from the debates and votes on the matters in question.

In accordance with the provisions of Law no. 24/2017 and NSC Regulation no. 1/2006, initiated persons and persons with access to privileged information on TMB must notify the BSE of any transactions with TMB shares. Notifications are published on the BSE webpage. The Company has also met its obligation to notify initiated persons and keeps record thereof according to the applicable provisions of Law 24/2017.

CEO

Eng. RADU VIEHMANN

Signature _____



Date _____

A handwritten signature in blue ink, consisting of stylized, overlapping loops.