



TURBOMECHANICA

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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

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CURRENT REPORT

No. 19 of 06.09.2021

The current report in conformity with art 143 of ASF Regulation no. 5/2018

Reporting date: 06.09.2021

Name issuing entity: TURBOMECHANICA SA

Headquarters: Bucharest, 244 Iuliu Maniu Blvd., district 6

Phone no.: 021 434 32 06 021 434 07 41 facsimile: 021 434 07 94

Unique Registration Code with the Trade Registry Office: RO 3156315

Registration number with the Trade Registry: J40/533/1991

LEI Code 52990005AIXHHACIZH85

Subscribed and integrally paid in capital: 36.944.247,50 lei

Regulated market where the issued receivables are traded: Bucharest Stock Exchange
Capital Titles Tier Standard Shares

Clarifications sought during the teleconference call with the investors on 31.08.2021

1. What are the arguments supporting the current forecasts related to reaching the economic parameters provided in the Revenue and Expenditure Budget approved by the OGMS, considering that in May 2021 it was also forecasted that such parameters would be reached at the end of H1 2021 but the situation at S1 2021 was not as forecasted.

It should be borne in mind that the effects of COVID, which could not be predicted even at the level of May 2021, had a negative influence on the activity in Q2 2021. Some directly productive employees in the technical maintenance activity were on long-term sick leave, which largely affected the directly productive activity in H1 2021. Unlike previous experiences, when in TBM there were delays caused by events difficult to anticipate (sick leave, resignation, etc.), this time the recovery of delays is more difficult due to the large number of people unavailable by COVID. In order to limit the effects over time, measures have been taken to prevent the escalation of delays, so as not to affect other delivery times, but these measures cannot ensure an immediate recovery of the lack of human capacity of 1.5 months recorded at the beginning of the year. 2021. This impact can be found in the level of Turnover and in the company's results reported at the end of the 2 quarters of 2021.

For this year, the objective of TBM is still that at the level of the year 2021 the production and repair volume will be within the budgeted level. This objective is mainly based on the contractual terms that could be postponed in the year, but cannot be postponed to the following year.

2. The situation of non-deductible expenses and especially of non-deductible expenses with depreciation, taking into account that their amount is quite large.

Depreciation expenses increased following the revaluation of fixed assets in December 2021, which had an impact on all property, plant and equipment (buildings + equipment). Following this revaluation, the value of fixed assets increased, which translates into an increase in the value of assets. This increase in value entails an increase in the value of depreciation.

On 31.12.2020, following the revaluation, the following significant increases were registered with an impact on the situation of non-deductible expenses with depreciation:

- a) Buildings + 2,526,858 RON
- b) Machinery + equipment + 11,647,787 RON
- c) Measuring, control and adjustment devices + RON 3,087,946, all these increases led to the increase of the value subject to depreciation.

We specify that they represent aspects that impact the depreciation expenses and certain fixed assets inputs / outputs.

Regarding the depreciation deductibility, the difference between the accounting depreciation and the fiscal depreciation is considered non-deductible. Following the revaluation, for some equipment the value of the monthly depreciation is higher than the depreciation corresponding to the initial cost. (there are many buildings / equipment that were purchased many years ago and after the revaluation they had an added value, according to those mentioned above).

TBM uses as the depreciation method the linear depreciation method and in the table below, it is the evolution of the depreciation expenses S1 2020 vs S2 2021

| Depreciation S I 2021 vs S I 2020 (RON) | | | Evolution |
|--|------------------|------------------|------------------|
| Year/Month | 2020 | 2021 | Increase |
| January | 736.523 | 982.162 | 27,6% |
| February | 691.341 | 919.392 | |
| March | 713.841 | 920.506 | |
| April | 728.573 | 906.844 | |
| May | 753.144 | 911.887 | |
| June | 741.782 | 929.227 | |
| Total RON | 4.365.204 | 5.570.017 | |

3. The non-deductible expenses related to sponsorships, advertising, etc. were at a fairly high level, which is their situation in the context of the financial results related to H1 2021.

The expenses with sponsorships were in the amount of RON 19,175, which are considered non-deductible expenses when calculating the profit tax, but are deducted from the profit tax due.

Advertising and publicity expenses in the amount of RON 110,571, increasing by RON 33,519 compared to June 2020 (mainly EUROMEDIA provider - ex: TBM advertising at METROU Bucharest), expenses that are made on the basis of contracts, are considered deductible when calculating the tax on profit.

Expenditures with dual education, amounting to RON 548,255 which are considered deductible expenses when calculating the profit tax increasing by 414,155 compared to June 2020, an increase which is explained in a Management Report.

4. To what extent can the increase in expenditure on raw materials (15% according to the ratio at S1) be transferred to customers, in the price of goods and services? Are there price indexation clauses?

The increase in expenses should not necessarily be attributed to price increases. The same can be attributed to an advance supply. Advance supply occurs in certain circumstances, among which we list: minimum deliverable lot (eg: required 2 pcs - minimum deliverable quantity 10 pcs) perform 2 or more repairs of the same type of product at the same time; the disappearance from the market of a supplier / supplier stock and the decrease of the non-delivery risk due to the lack of an approved supplier.

Regarding the situation of TBM internal customers, we specify that the prices are established taking into account the value of materials involved in the manufacture / repair of products, according to the law on public procurement in the case of state structures and price offers to all other customers. triage and technical documents issued by TBM. The contracts provide for price indexation clauses according to the total CPI communicated by the National Institute of Statistics (in the case of the Ministry of National Defense) and by the economic conditions specific to each year with the other clients.

Regarding the situation of external TBM customers, the prices are established by negotiation based on the TBM price offers prepared taking into account the current prices for raw materials and materials used; the prices are reanalyzed and, as the case may be, they are renegotiated with the clients, depending on the results of the cost / price analyzes, but also taking into account the strategic objectives of the Company

5. What is the explanation for the increase in stocks and how these stocks of raw or semi-finished materials are formed?

The stocks increased by RON 5.1 million (without impact IFRS15) compared to December 2020, as follows:

- 31.12.2020 value of stocks = stocks +/- price differences (favorable / unfavorable) - provisions = 62,903,057 RON - 31,729,886 RON (reclassification of production in progress, to contractual assets) = 31,173,171 RON (reconciliation from financial statements as of June 2021)

- 30.06.2021 value of stocks = stocks +/- price differences (favorable / unfavorable) - provisions = RON 68,082,587.

In the table below is the variation of stocks (June 2021 vs December 2021) of RON 3.1 million, the rest up to RON 5.1 million represent price differences (see also the Management Report as of June 30, 2021).

In accordance with IFRS15 “Revenues from contracts with customers”, the production in progress on 31.12.2020, amounting to RON 31,729,886, was reclassified to contractual assets.

That is why in 2020 at Stocks the value is diminished with the value of the production in progress, it being also found in assets, but in contractual assets. More information on the impact of IFRS 15 can be found in the Audit Report as at 31.12.2020. Without the impact of IFRS15, the value of stocks on 31.12.2020 was RON 62,903,057 (as mentioned in the Management Report as of June 30, 2021)

The company has also complied with its supply policy by purchasing the necessary raw materials and materials for the products that will be completed by the end of Q3 2021. These measures have been taken to prevent possible problems in the supply chain, which could generates delays in the production process.

| | | | |
|--------------------|---------------|---------------|--|
| Inventories | Dec.20 | Jun.21 | Variation June 2021 vs Dec 2020 |
|--------------------|---------------|---------------|--|

| | | | |
|---|-------------------|-------------------|------------------|
| raw materials and materials | 28.636.653 | 27.655.170 | -981.483 |
| auxiliary materials | 1.838.795 | 1.958.939 | 120.144 |
| Consumables materials | 162.919 | 184.559 | 21.640 |
| Inventory materials | 222.149 | 206.161 | -15.988 |
| Work in progress | 33.796.040 | 37.389.426 | 3.593.385 |
| Finished goods | 1.910.645 | 2.114.234 | 203.588 |
| Residual products | 141.275 | 220.250 | 78.975 |
| Goods and packaging | 33.611 | 106.843 | 73.232 |
| Semi-finished goods | 9.467.657 | 9.523.621 | 55.964 |
| Materials in transit | 11.487 | 27.662 | 16.175 |
| Total Inventories | 76.221.232 | 79.386.864 | 3.165.632 |
| Price differences on raw materials, goods and provision on stocks | 13.318.175 | 11.304.277 | |
| IFRS15 Revenue from Contracts with Customers | 31.729.886 | 0 | |
| Total Inventories in financial statements | 31.173.171 | 68.082.587 | |

Without IFRS 15 implementation

62.903.057 RON

RADU VIEHMANN

President of the Board of Directors