ANNUAL REPORT TURBOMECANICA 2021

SUMMARY

THE MESSAGE OF THE PRESIDENT – GENERAL DIRECTOR

Dear shareholders,

I am proud of the achievements of our company and our employees in 2021. We have achieved great financial results, in one of the most uncertain period that the domestic and international aviation market has ever experienced. Our results reflect the dedication and hard work of over 500 talented and experienced people, who are focused on creating added value that matters to customers, shareholders and all other partners, despite all the current challenges. The information in this report is about our activity for last year and we present it to you with transparency and determination.

In 2021, we recorded total revenues of 135.3 million RON (4.9% increase compared to 2020), a turnover of 131.3 million RON (5.7% increase compared to 2020) and a net profit of 11.7 million RON (11.9% vs 2020), as well as a net profit margin of 9%.

43% of the turnover for the whole year was generated in Q4, thus emphasizing the cyclicality that we experience every year and whose understanding we consider fundamental for investors to understand in order to properly assess the evolution of our business during the year.

After 2 years of pandemic issues, the forecasts for the year 2022 - 2024 indicate a trend of return of aviation. But on February 24, following the invasion of Ukraine by Russia, uncertainty in civil aviation is high again.

Looking ahead, TURBOMECANICA is confident that it will continue to offer quality products for both civilian and military aviation at a competitive price, thus supporting Romania's aviation.

ANNUAL REPORT OF THE MANAGING BOARD

INTRODUCTION

This Annual Report of TURBOMECANICA S.A. as at 31.12.2021 is written in accordance with Law 24/2017 and Regulation no. 5/2018 of the Financial Supervisory Authority (FSA) on issuers of financial instruments and market operations.

The Administrators' Report as at 31.12.2021 is accompanied by the Individual Financial Statements of TURBOMECANICA SA, in order to inform investors and stakeholders about the changes in the company's position and performance for 2021, as well as about the situation on the aviation and defense industry market.

The report also includes the Statement on non-financial reporting issues, the "Apply or Explain" statement, compliant with the Corporate Governance Code of the Bucharest Stock Exchange and are attached as an annex to the Administrators' Report.

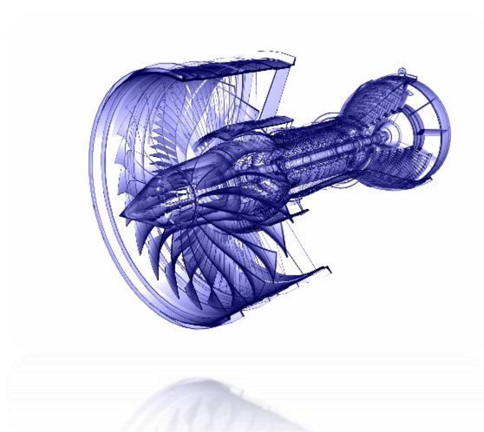
TURBOMECANICA prepares the individual financial statements in accordance with international IFRS international financial reporting standards.

ABOUT TURBOMECANICA

TURBOMECANICA

Turbomecanica is a Romanian company, with a tradition of more than 45 years in the Romanian aviation industry, being part of the national defense industry in accordance with law 232/2016.

Our mission began with the foundation of TURBOMECANICA Plant in 1975 as the only manufacturer of turbine engines and mechanical assemblies for helicopters (IAR PUMA 330L), as well as engines for Romanian-made aircraft (IAR 99) which equip the fleet of the Ministry of National Defense and Romanian Intelligence Service.



The current main activities are:

- Maintenance of licensed equipment;

- Manufacture of components for civil aviation;

- Manufacture of components for the energy field.

Nowdays, Turbomecanica continues to responsibly support the national PUMA IAR-330 helicopters fleet and MApN IAR 99 / SOIM training aircraft (SMFA, SMFN) and SRI performing product maintenance activities.

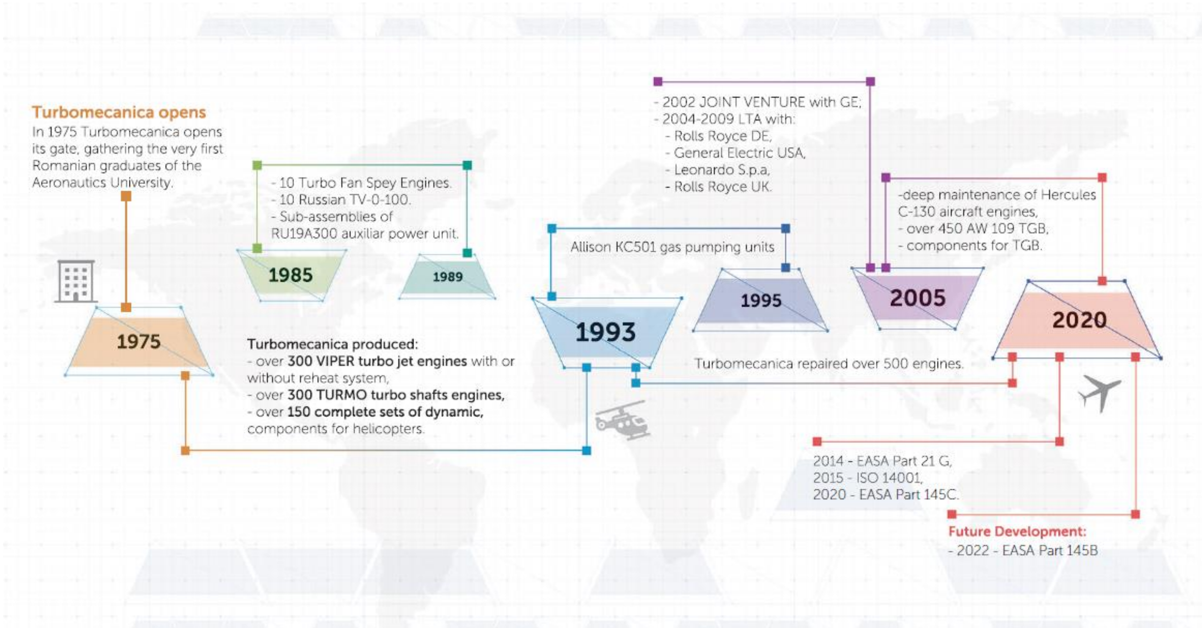
On the international market, the Company continued in 2021 to deliver components and subassemblies for civil aircraft engines. These programs have continued to run despite difficulties on the world market. In parallel, the activity of components for gas turbines continued.

Thus, Turbomecanica continues the tradition of collaboration with important names in the international aviation market, such as Rolls-Royce, Witzenmann and Leonardo, or GE Hungary in the field of energy, as well as other customers with lower shares in the Company's turnover.

According to the classification of activities in the national economy, the main object of activity of TURBOMECANICA is the manufacture of aircraft and spacecraft - CAEN code 3030.

The company’s unique European identification code (EUID) is ROONRC.J40 / 533/1991, and the identification code as a legal entity (LEI) is 529900O5AIXHHACIZH85.

The company website is www.turbomecanica.ro



YEAR 2021 – EVENTS, INVESTMENTS AND KPI

In 2021, the Company negotiated with one of the financing banks (Banca Transilvania) and started activities regarding the reduction of securities. In this sense, for the land of approximately 12.000 sqm, free of buildings and located behind the engine test benches, the mortgage was raised.

As a result of the GMS decisions of 2019 and 2020, by which it was decided not to distribute the profit to the shareholders, Turbomecanica set up bank deposits amounting to 15,000,000 Lei. At the date of this report, the total deposits made amount to 22,000,000 Lei. The objective of the Company is to ensure cash in the total amount of 30,000,000 Lei, equivalent to 6,000,000 Eur during the year 2022.

Given the objective approved by the GMS in 2020 to diversify the Company's activity by ensuring the maintenance of civil aviation engines, the use of this amount will be decided by the GMS at the time of establishing the package of solutions to start the project.

IMPLEMENTATION OF THE INVESTMENT PLAN

The company continues to make efforts to develop capacities and capabilities. In 2021 the investments in production capacity ensured the acquisition of a 5-axis work center for state-of-the-art vertical grinding / milling, which is necessary to ensure the development of programs for manufacturing aviation components. Its value represents approximately 40% of the total investments approved for the increase of production capacities.
Also in this sense, the modernization activites related to the capacities of execution of the chemical treatments, mandatory in the aviation filed, were continued. A number of 5 baths were modernized during 2021.

Regarding the plasma spary installation having a weight of approximately 45% of the investment plan approved for 2021, necessary for the development of the civil engine maintenance process, this investment was not made. The plasma spary equipment owned is sufficient to carry out the current activity.

In the Laboratories area, the acquisitions of glassware washing and polishing metallographic samples were completed, and in order to purchase the MPI magnetization equipment, the Company paid the advance of 25% of the value of the equipment, the rest to be paid after its commissioning.
Investments in IT have been made 100%, being of strategic importance to ensure data storage, security and back-up. This aspect has also been detailed in the chapter of risk identification.

Improvements in the line of emergency situations, routes, traffic between sections and waste storage platforms have been postponed due to the reorganization of the disassmenby/assembly shopfloor with the purpose of alignment of this activity with the European requirements of Military Airworthiness. (EMAR / RMAR).

The reorganization is expected to be completed in 2022.

Regarding the green spaces, the Company plants approximately 6 trees per year on the property.

ECONOMIC-FINANCIAL INDICATORS

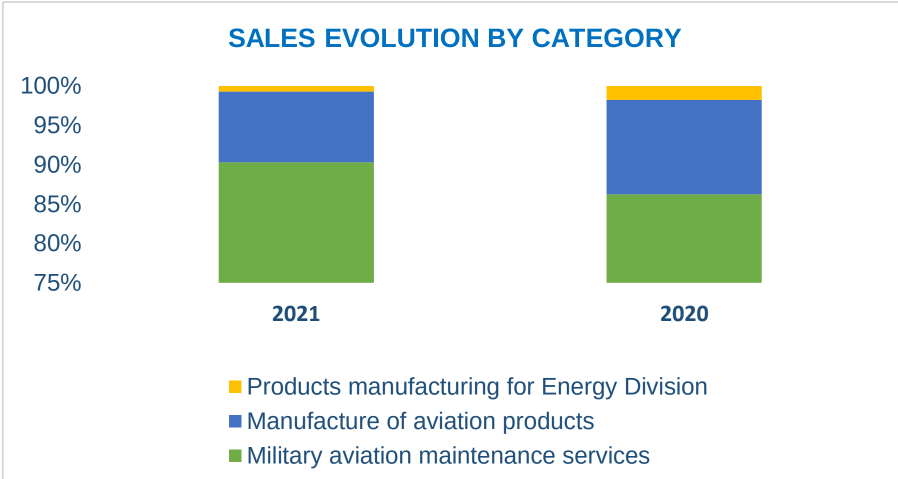
	2021	2020
Current liquidity	**2,29**	**1,98**
Degree of indebtedness	2,94	6,72
Flow speed - cl	45,36	24,70
Rotation rate of real estate assets	2,04	1,71
Overall solvency ratio	3,12	3,26
Financial rate of return	9,74	12,32
NET profit rate	8,95%	10,67%
Net treasury	30,914 K RON	24,750 K RON

MACROECONOMIC INDICATORS

	2021	2020
Inflation	5.1	2.6
Average exchange rate €	4.92	4.83
Average exchange rate $	4.16	4.24
Average exchange rate £	5.72	5.44

EVOLUTION OF SALES BY CATEGORY

CATEGORY	2021	2020
Military aviation maintenance services	120,108,276	107,767,343
Manufacture of aviation products	10,317,084	15,030,321
Products manufacturing for Energy Division	905,804	2,191.373



CONTEXT OF THE ORGANIZATION AND STAKEHOLDERS

The analysis of the context in which Turbomechanica operates revealed significant **external and internal aspects** for its purpose and strategic direction that influence its capability.

These are:

- legal aspects - commercial, fiscal legislation, labor legislation, environmental legislation, regulatory requirements of the authorities, included in the applicable regulations;
- customers and their specific regulations;
- the market and the competitors operating in this market;
- the emergence of new technologies;
- personnel values, culture and knowledge;
- average age of staff and availability of human resources in the labor market.

Information on these external and internal issues and how they are monitored and analyzed is documented in specific internal regulations.

Stakeholders were also identified in the analysis of the compliance of the quality and environmental management system with the requirements of the reference standards as follows: Customers, Regulators, Suppliers, Shareholders, Community and Company staff.

BUSINESS MODEL

Turbomecanica adds value through 3 categories of basic activities, namely:

- Maintenance of TURMO IVCA / C engines and mechanical assemblies (main gearbox, intermediate and tail gearboxes, main rotor head) for PUMA helicopters and maintenance of VIPER 632-41R / M engines for IAR 99 SOIM training aircraft ("traditional products");

- Manufacture of high-tech and high-quality equipment (aviation and energy), TGB (tail gearbox) and MGB (main gearbox) components or final TGB & MGB assemblies which eqiup AW109 and A119 - AW119MKII LEONARDO HELICOPTER - Italy, high complexity engine components for General Electric, Rolls-Royce, HONDA Aero, AVIO customers;

- A wide range of independent services: heat treatment, chemical processes, welding and Non-Destructive testing - NDT for different types of parts and materials, unique component manufacturing, control services.

The model is based on the Company's responsibilities as part of the national defense industry and was expanded in the early 1990's by developing the manufacture of aviation components for international OEM's.

Subsequently, the wide range of chemical and thermal equipment and processes used in Turbomecanica began to create value by attracting customers satisfied with the specific capabilities and quality of services delivered to them.

**The notes to the financial statements describe how the financial reporting reflects the business model adopted by the company, according to IFRS standards.*

THE IMPACT OF THE GLOBAL ECONOMIC SITUATION

At the beginning of 2021, the influence of the health crisis caused by Coronavirus was predicted to push the world economy into one of the worst economic crises since the Great Depression (1929-1933). In this context, we have witnessed financial measures taken at European level for the period 2021-2027 that allow for medium and long-term economic recovery / recovery forecasts.

Subsequently, the Romanian economy was affected in 2021 as a result of its dependence on global economic mechanisms and its integration into European and world value chains and therefore the Company faced several challenges during 2021 such as:

- health crisis. The Company's management has taken prompt and effective decisions against the threat of COVID-19 in order to properly honor customer orders and achieve the scheduled turnover;
- continuing the activity with increased precautionary measures to reduce the risks on human resources;
- temporary interruptions or changes in the way of carrying out the professional activity (see work from home programs in certain work areas);
- financing the inventory of raw materials and critical materials, which should ensure a certain independence in the short-medium term;
- judicious programming of all financial, material and human resources;
- the application of a policy that permanently aimed at ensuring the continuity of the company's business, including in the potential and especially unpredictable situation of the continuation of the health crisis;
- increase in the costs of raw materials/castings/forgings, those related to transport, energy and gas. Their effect was felt in the second half of the year and will continue to put pressure on Companies' costs in 2022;
- The unstable legislative framework has affected the business environment and created a lack of predictability in areas extremely important for the business environment, such as social protection, banning activities or continuing them in a significantly modified form, ordering measures with impact on business partners.

Therefore, 2021 was a difficult year, in which Turbomecanica managed to fully achieve its strategic objectives regarding the company's sales and even exceeding the amount of turnover forecast at the beginning of the year.

COMMERCIAL ACTIVITY

BUSINESS ENVIRONMENT

The Company operates in a highly competitive environment according to the widely recognized principles of Corporate Governance, in accordance with Romanian law, European Union law and International practices providing to the internal and external markets products and services in both defense and civil aviation. .

The business model is strongly influenced by the privileges and obligations of the Company arising from its membership in the category of national strategic defense industry, being recognized by the Minister of Economy as the sole Romanian supplier for manufacturing and maintenance services of engines and assemblies equipping the IAR PUMA 330 L helicopter and VIPER engines equipping the IAR 99 aircraft.

In order to balance the risk generated by the concentration of the activity on the maintenance line specific to the equipments endowing the national fleet, Turbomecanica is constantly preoccupied with the diversification of the service portfolio, concentrating its efforts on creating new partnerships with international partners.

The latest decision in this regard was taken by the GMS and involves the development of maintenance to serve civil aviation components.

At the date of approval, Turbomecanica is already certified to perform maintenance work on civil engine components, namely CFM 56-7B, an engine that equips the national and international fleets of BOEING 737 NG aircraft.

SALES

MAINTENANCE ACTIVITY

Collaborations in aviation programs were materialized in 2021 through the following repair / maintenance / manufacturing programs for:

- Up-grade of PUMA – SOCAT helicopters;
- Up-grade of PUMA – NATO helicopters;
- Major and current repairs of aviation equipment – TURMO IV C/CA engines and PUMA IAR 330 mechanical helicopter assemblies for SRI and NAVAL Programs;
- Maintenance works for the VIPER 632/41 R/M engines that equip the IAR 99 STANDARD / SOIM aircraft
- Maintenance works for the VIPER 632-41R/M engines that equip the IAR 99 STANDARD / SOIM, contractated directly with MApN, Avioane Craiova S.A., respectively Centrul de Încercări în Zbor Craiova;
- Manufacturing programs for engines and mechanical assemblies for SMFA (through IAR Brasov);
- Other collaborations.

In the current conditions, taking into account Romania's position as a NATO member and the current geopolitical context, the Company will maintain its strategic importance as the only provider of maintenance services for the PUMA helicopter fleet and IAR 99 STANDARD / SOIM aircraft of MapN. Thus, the internal market will be in 2022 the main pillar of consolidating the company's turnover due to the following aspects:

- Continuation of SMFA endowment programs on the maintenance of existing combat equipment;
- Continuation of helicopter modernization programs from the NATO Programs. It is important to keep in mind that a total of 15 NATO helicopters have been contracted with IAR Brasov until 2023;
- Continuation of capital and current aviation repair programs for the NAVAL and SRI Programs;
- Contracting capital repairs of mechanical assemblies for the maintenance of IAR 330 SM helicopters belonging to the Pakistan Fleet, through IAR Brasov;
- Continuation of the maintenance programs related to the IAR 99 Soim aircraft fleet through the Company's participation in the modernization program of 20 aircraft, through the revitalization and capital repair of the VIPER 632-41 M engines.

MANUFACTURE OF HIGH TECHNOLOGY AND HIGH QUALITY EQUIPMENT

The commercial activity of TURBOMECANICA continued to be represented in 2021 mainly by **components and subassemblies for aviation engines**, programs that, despite the difficulties on the world market, managed to maintain an acceptable trend, existing in parallel and a continuation sales of **gas turbine components**.

The negative impact coming from the foreign market was concretely reflected this year by the measures that some of TBM's customers had to take from a financial point of view, not only by the impossibility of accepting price increases requested by TBM for 2021 , but even through firm price reduction requirements (which are difficult for

TBM to bear), as was the case with LEONARDO HELICOPTERS, Italy and WITZENMANN, Germany - where CLT requested price reductions (for LH no discounts were accepted in 2021, and only a 1.5% discount was accepted for WTZ).

It is worth mentioning that during 2021 **the collaboration relations with the partners with a significant business potential on the international market** were maintained (mainly the business relationship with **Rolls-Royce Germany, Witzenmann Germany, Astrofein Germany, Seko Aerospace Czech Republic, GE Hungary** in the field of Energy, other customers with lower shares in the company's turnover).

The share of export programs in 2021 is mainly detailed as follows:

- Leonardo Helicopters, Italy: 4,00 %
- RR Programs (RR + Witzenmann + Astrofein): 3,88%
- GE_ENERGY Programs (GE Power & Water Ungaria): 0,71%
- Honda Aero: 0,11%

INTEGRATED QUALITY AND ENVIRONMENTAL ASSURANCE SYSTEM

Quality and environmental management systems are designed and organized using the process model. **SMQ & M** processes are designed to provide the regulatory framework necessary for the controlled implementation of Turbomecanica products / services and to ensure the assessment and avoidance of risks of failure to meet quality and environmental objectives.

The objectives of quality and environmental management in **TBM** are:

Quality and environmental management systems are designed and organized using the procedural model. **SMQ & M** processes are designed to provide the regulatory framework necessary for the controlled implementation of Turbomecanica products / services and to ensure the assessment and avoidance of risks of failure to meet quality and environmental objectives.

The objectives of quality and environmental management in **TBM** are:

- ensuring the Company's ability to provide its customers, in a consistent manner, with products and services that comply with their requirements and expectations and with the legal and regulatory requirements and in compliance with the provisions of the environmental standard **SR EN ISO 14001**;
- fulfillment of compliance obligations;
- increase environmental performance;
- facilitating the identification of opportunities to increase **the satisfaction of its customers** by continuously improving its processes;
- identifying and managing risks and implementing opportunities associated with the context and objectives of the company.

The Quality and Environment Manual is structured in sections in accordance with the provisions of the reference standards **SR EN 9100**, **SR EN ISO 9001** and is correlated with **SR EN ISO 14001** through the procedures specific to this field.

During 2021, the following actions were taken in the field of quality assurance:

In order to **align with the requirements of the reference standards, regulators and its customers** and to implement the organizational changes applied in TBM this year, TBM structural entities have intervened on the following documents of quality management and environmental management systems:

In 2021, 197 regulations were elaborated / revised as follows:

REGULATION CATEGORY	2021	2020
General Procedures including Independent Annexes	80	37
Company Standards including Independent Annexes	50	31
Specific Working Instructions including Independent Annexes	49	64
Regulations including Independent Annexes	9	6
Human resources insurance strategy with 1 Independent Annex	1	-
Quality Plans	3	5
Wage Policy	1	1
Quality and Environment Manual	1	2
Presentation Expositions	3	4

** Note: In 2020 the Quality Manual and the Environment Manual were separate regulations, after the integration it was transformed into an integrated document*

The Quality and Organization Department acted in 2021 to implement a continuous improvement in the organization and design of the quality management system.

In order to demonstrate compliance with its customers' requirements, Turbomecanica performed second-party audits performed by them, as follows:

In August 2021, **Rolls-Royce** conducted a qualifying audit of the **corrugated hard pipe bending process** according to the requirements of customer specification **RRP59011**. In the online audit, **Rolls-Royce** found 2 minor non-compliances for which 3 corrective actions were established (2 completed, 1 in progress), being qualified for this process.

In order to demonstrate compliance with its customers' requirements, TBM has supported third party audits performed by certification / supervisory authorities / bodies, as set out below:

In January 2021, **RO-NANDTB** conducted an authorization audit of the **TBM training and examination center for NDT aeronautical personnel** in accordance with the requirements of RO-NANDTB 04 and EN 4179. In the audit, RO-NANDTB found 1 non-compliance for which established 1 corrective action (completed), and the TBM training and examination center for NDT personnel in the aeronautical field was authorized in February 2021 and expires on 01.02.2024.

In March 2021, the **Romanian Civil Aviation Authority (AACR)** conducted a scheduled audit in TBM for the initial assessment and approval of the maintenance organization Turbomecanica S.A. according to the provisions of EU Regulation no. 1321/2014, Annex II (Part-145), Subpart A. Following the audit, AACR did not find any non-conformities, granting TBM authorization as a maintenance organization **RO.145.051** of 15.03.2021.

In April 2021, **AEROQ** conducted a rescheduled audit of TBM (since November 2021) to recertify the TBM quality and environment management system in accordance with ISO 9001: 2015 and ISO 14001: 2015. Following the audit, AEROQ did not find any non-conformities (Minutes of 19.04.2021), granting the certifications for the TBM quality and environment management system, the AEROQ certificates being issued in April 2021 and expiring on 09.11.2023.

In November 2021, **AEROQ** conducted an audit of TBM's quality and environmental management system in TBM in accordance with ISO 9001: 2015 and ISO 14001: 2015. Following the audit, AEROQ did not find any non-conformities (Minutes of 03.11.2021), maintaining the certifications for the TBM quality and environment management system (issued in April 2021 and valid until 09.11.2023).

In November 2021, **the Romanian Civil Aviation Authority (AACR)** conducted an audit in TBM for the continuous supervision of the production organization Turbomecanica S.A. according to the provisions of EU Regulation no. 748/2012 (Part 21), Subpart G. Following the audit, AACR did not find any non-conformities, maintaining the authorization of TBM as a production organization (issued in December 2014 and reached rev. 2 in August 2020).

In November 2021, **TUV Nord** conducted an audit in TBM for the supervision of the TBM quality management system according to the provisions of the ISO 9001: 2015 and EN 9100: 2018 standards. Following the audit, TUV Nord did not find any non-conformities, maintaining the certifications for the TBM quality management system (issued in February 2020 and valid until 22.02.2023).

In order to guarantee the management of TBM, customers and certification bodies the correct implementation of the requirements of the quality management / environmental management system and the maintenance of their efficiency and effectiveness, the Quality and Organization Department conducted internal / external audits in 2021 as follows:

Internal audits quality management system and environment management system

The internal audits for the quality management system were carried out in accordance with the Audit Plan PA-TBM 2021 ed. 1, later developed in ed. 2 and ed. 3, approved by the General Manager.

In 2021, 25 SMQ audits were carried out, in which 48 non-compliances were found, for which 103 corrective actions were established, which were 88.3% completed (91 completed and 12 in progress or scheduled for 2022).).

The internal audits for the environmental management system were carried out in accordance with the Audit Plan PA-TBM 2021 ed. 1, later developed in ed. 2 and ed. 3, approved by the General Manager.
In 2021, 3 SMM audits were performed, in which 3 non-conformities were found, for which 4 corrective actions were established, which were 100% completed.

Internal product audits

The internal audits for the products were carried out in accordance with the Audit Plan PA-TBM 2021 ed. 1, later developed in ed. 2 and ed. 3, approved by the General Manager.

In 2021, 10 product audits were performed in which 20 non-compliances were found, for which 29 corrective actions were established, which were 100% completed.

Internal process audits

The internal process audits were performed in accordance with the Audit Plan PA-TBM 2021 ed. 1, later developed in ed. 2 and ed. 3, approved by the General Director.

In 2021, 18 process audits were performed in which 5 non-compliances were found, for which 12 corrective actions were established, which were 100% completed.

External audits of suppliers

In 2021, no external audits were planned and performed on TBM providers.

In order to monitor the performance of TBM processes in order to increase customer satisfaction with the quality of products / services delivered and increase the attractiveness of these products / processes in the aeronautical sector market, in 2021 the following actions were carried out:

The general procedure PG SMQ-05 “Management analysis” establishes the indicators necessary to achieve the strategic and quality objectives and which influence the level of customer satisfaction. The evolution of these indicators in 2021 is presented below:

-**The strategic indicator I1** (degree of compliance with the production program) has an increasing trend and falls within the proposed target of at least 97%, with an overall value of 99.61%. This fact shows that the production schedule is respected and the shortcomings are very small.

- **The strategic indicator I2** (degree of compliance with the sales plan) has an increasing trend and falls within the proposed target of at least 97%, with an overall value of 97.22%. This shows that the sales plan is being complied with, with TBM delays in deliveries for external customers Leonardo Helicopters and Witzenmann, but also for internal customer IAR.

-**The strategic indicator I211g + I212g** (global quantitative percentage) has an increasing trend and falls within the proposed target of a maximum of 3%, with an overall value of 2.78% (of which TBM has 2.56% and customers have 0.21%).

- **The strategic indicator I3** (the degree of non-compliance with the requirements of the technical execution documentation - non-conformities and scrap) has a decreasing trend and falls within the proposed target of maximum 0.75%, with an overall value of 0.09%. This fact reveals that the requirements of the documentation are observed in TBM, and the deviations (transposed in non-conformities and rejects) have a small weight.

-**The strategic indicator I4** (the degree of non-conformity of the delivered products / services - complaints) has a decreasing trend and does not fall within the proposed target of maximum 1.0%, but is very close to having an overall value of 1.03%; if unconfirmed / rejected complaints are excluded, the indicator reaches the overall value of 0.85%, falling within the proposed target (maximum 1.0%). This reveals that TBM ensures the conformity of the delivered products / services and the complaints have a low weight.

- **The strategic indicator I5** (non-quality costs) has an increasing trend and falls within the proposed target of a maximum of 600,000 RON / year, with an overall value of RON 368,201 in 2021. This reveals that TBM controls the costs of non-quality and losses are within the allowable limits.

- **The strategic indicator I6** (achievement of turnover related to the reporting period) will be calculated on 28.02.2022 and will be reported in the next management analysis session.

- **The strategic indicator I7** (degree of achievement of net profit margin) will be calculated on 28.02.2022 and will be reported in the next management analysis meeting.

In the field of **special processes and quality laboratories** the **policy of satisfying customer requirements** was continued, as well as increasing the level of attractiveness presented by the company for potential customers active in the aeronautical industry through the following actions:

Accreditation of special processes

The events with the strongest significance for increasing the attractiveness of **TBM** in the aeronautical industry market remain the **NADCAP** accreditations of the special processes installed.

In 2021, the following special processes were re-accredited:

In March 2021, **Nadcap** conducted an audit of **TBM chemical processes** in accordance with AC7108 requirements. In the audit, Nadcap found 7 non-compliances (1 major and 6 minor) for which 22 corrective actions were established (all completed) and the TBM chemical processes were included in the **Merit Program** for 18 months, with re-accreditation being granted until 30.11.2022.

In March 2021, **Nadcap** conducted an audit of **CND TBM processes** in accordance with AC7108 requirements. In the audit, Nadcap found 2 non-compliances (1 major and 1 minor) for which 4 corrective actions were established (all completed), and the CND TBM processes were included in the Merit Program for 18 months, the re-accreditation being granted until 31.05.2022.

In May 2021, **Nadcap** conducted an audit of **TBM heat treatment processes** in accordance with AC7102 requirements. In the audit, Nadcap found 4 minor non-compliances for which 14 corrective actions were established (all completed), and the TBM heat treatment processes were included in the Merit Program for 24 months, the re-accreditation being granted until 31.08.2023.

In November 2021, **Nadcap** conducted an audit to oversee the **TBM hardening process** in accordance with AC7117 requirements. In the audit, Nadcap found 4 minor non-compliances for which 26 corrective actions were established (11 completed, 15 in progress), and the TBM hardening process was recertified until 30.11.2022.

Second party process certifications

Leonardo Helicopters Certifications

In 2021, the qualifications of the special **TBM** processes previously obtained applicable to **Leonardo Helicopters** articles were maintained and the qualifications of the following special processes were extended:

- Chromate Conversion Treatment of Aluminium Alloys (IT12/0476/01: valid until 23.03.2024);
- Magnetic Flaw Detection (IT12/01996/04: valid until 03.08.2024);
- External Rolled Thread (IT12/0256/05: valid until 20.09.2024);
- Assembling Thermal Fits (IT12/0458/02: valid until 28.09.2024).

PZL Swidnik Certifications

In 2021, the qualifications of the special **TBM** processes obtained previously applicable to **PZL Swidnik** articles were maintained and no requalifications were initiated.

General Electric Certifications

In 2021, the special and laboratory process certifications previously obtained by **TBM** from **General Electric Aviation** were maintained and the NADCAP accredited process certifications were extended (for NADCAP evaluated processes, GT193 certificates are issued for the period in which the accreditation is maintained NADCAP - Chemical Processes, Non-Destructive Testing, Heat Treatment, Brazing).

Rolls-Royce Certifications

In August 2021, **Rolls-Royce** conducted a qualification audit of **the process for bending corrugated rigid pipes** according to the requirements of customer specification **RRP59011**. In the online audit, **Rolls-Royce** found 2 minor non-compliances for which 3 corrective actions were established (2 completed, 1 in progress), being awarded the qualification for this process.

In October 2021, **the approvals** previously obtained by **TBM** from **Rolls-Royce UK (2017)** and **Rolls-Royce Deutschland (2019)** were unified, and **Rolls-Royce Civil & Defense Aerospace** awarded the **Certificate of Approval for Quality Management System & Processes** (without expiration date).

Avio Aero Certifications

In 2021, the qualifications of the **TBM** special processes previously obtained applicable to **Avio Aero** products were maintained and the qualifications of the following special processes were extended:

- Gas Nitriding of Steel Parts and Relevant Heat Treatments (valid until la 31.08.2023);
- Etch Inspection on Steel Parts to Detect Surface Abnormalities (valid until 30.11.2022).

Introduction of new parts in production

13 FAI files (**3 TGB marks and 10 MGB marks**) were prepared for the client **Leonardo Helicopters (Italy)** and approved by Customer. By integrating them into **TBM**, the assimilation of parts for the Rear Transmission Box and for the Main Transmission Box of **Leonardo** helicopters continues.

For the client **Witzenmann (Germany)** **3 FAI files** were prepared and approved by customer. By integrating them into **TBM**, the assimilation of the parts requested by the **Witzenmann** customer continues.

CLIMATE CHANGE MITIGATION BY IMPROVING ENVIRONMENTAL PERFORMANCE AND POLLUTION PREVENTION

Turbomecanica has obtained the Integrated Environmental Authorization No. 05/2016 revised on 21.02.2020 valid until 2026.

In order to fully comply with the provisions of the integrated environmental permit, a series of objectives and actions were established, most of them were achieved, and the unresolved ones were included in the TBM Environmental Management System Program and in the Investment Plan.

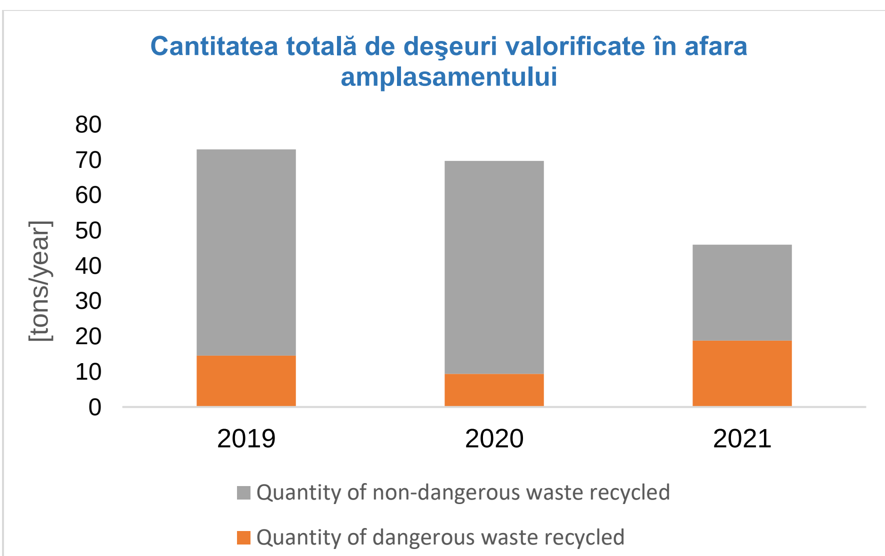
The Integrated Environmental Authorization and the Water Management Authorization allow the operation in conditions of full legality of the existing installations, equipment and processes in the Company.

In 2021, there were no environmental incidents.

Following the controls of the National Environmental Guard carried out in 2021, the Company carried out compliance actions by implementing the specific measures imposed by the report.

Turbomechanica is constantly concerned with protecting the environment and is committed to reducing the generation of hazardous and non-hazardous waste as far as activity allows.

In 2021, Turbomecanica demonstrated that actions to **reduce the amount of hazardous waste** were effective. At the same time, the share of reusable waste has increased compared to previous years.

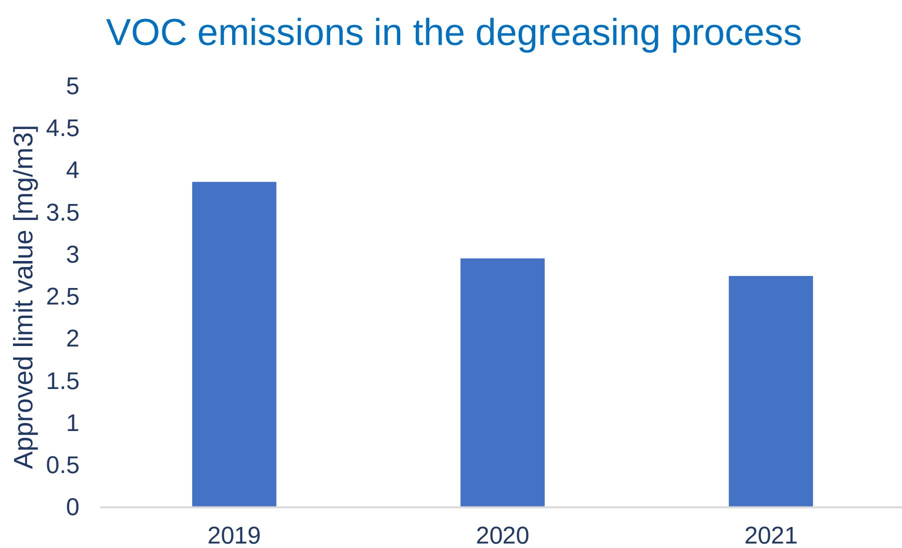


During 2021, Turbomecanica implemented two measures with a **major impact on improving environmental performance and preventing pollution**, namely:

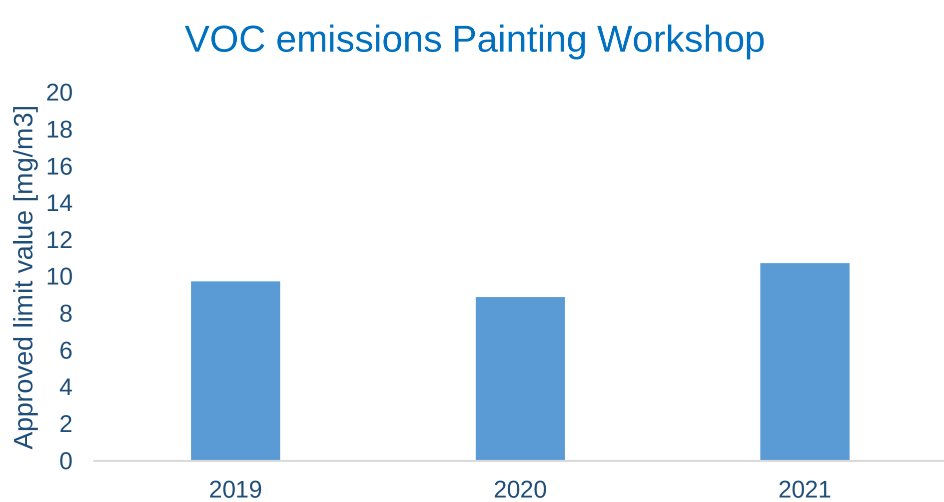
It was agreed in the contracts with the suppliers of hazardous waste to return the empty containers back to the supplier in order to reuse them for later deliveries.

It was decided to reduce the amount of waste from the absorption of hazardous waste (eg cloths) by hiring an authorized supplier to clean it for reuse.

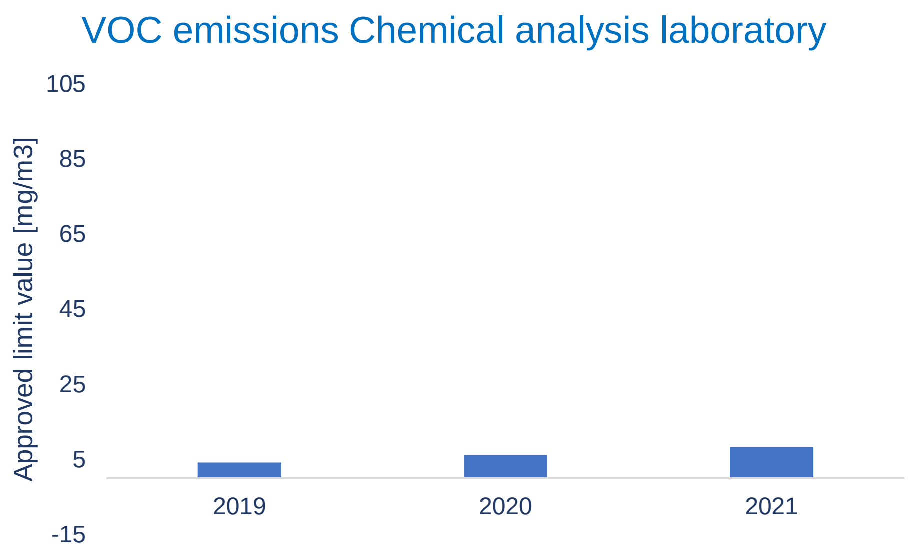
Emissions records for Volatile Organic Compounds ("VOCs") show that the Company's business generates VOC emissions at low values compared to the required limit values as follows:



Improvements to the ventilation system and the modernization of the bathrooms, activities included in the investment plans for the last years, have generated reduced VOC emissions.



However, it should be borne in mind that emissions records and waste quantities depend on the specific level of activity.



Turbomecanica, through the measures adopted, aims to limit the impact on the environment and eliminate the proportionality between the increase in activity and the impact on the environment.

NUCLEAR PROTECTION

Turbomechanica has been engaged in a 10-year MSRR8014 **nuclear material transfer plan** to reduce existing radioactive material. The transfer is made to RATEN - Institute of Nuclear Research - Pitesti.

In 2021, from the point of view of nuclear protection, the following actions were carried out:

- the program was continued for 10 years, carried out together with the Institute of Nuclear Research (ICN) v-Pitesti for the transfer of a quantity of 3751 kg of nuclear material MSRR 8014, consisting of 2.5 ÷ 4% Thorium, being transferred in the first part of 2021, the second tranche of nuclear material representing 10% of the total amount;
- the file is being processed for the approval by CNCAN of the Authorization for the Transfer to ICN Piteşti of the third tranche of 10% of the quantity of radioactive materials held, and the transfer will be carried out by May 2022.

COMPLIANCE WITH THE REACH REGULATION

According to Regulation 1907/2006 on the **Registration, Evaluation, Authorization and Restriction of Chemicals (REACH)**, Turbomecanica is classified as a downstream user of pure substances and mixtures of substances.

The substances are used in the process of metallic surface coatings of parts made by TBM, in safe conditions for workers' health and environmental protection.

All suppliers of chemicals and chemical mixtures from which TBM supplies substances and mixtures are authorized by the European Chemicals Agency (ECHA).
Suppliers provide TBM with all information on the chemical / mixture through the Material Safety Data Sheet.

TBM keeps a strict record of chemicals and mixtures of chemicals identifying REACH and continuously instructs people involved in the surface coating process on how to use and handle substances and / or mixtures of substances, as per the safety data sheet. of the substance / mixture to prevent accidents of any kind.

The company provides suppliers of substances with information on the occurrence of certain risk factors of the substance / mixture at the time of their use, which may affect human health, as well as the occurrence of adverse environmental conditions.

This information will help the supplier to develop new chemical exposure scenarios to prevent any unwanted situations or to place the chemical in a higher risk class than originally intended.

At the request of its customers, TBM provides all the information regarding the amount of REACH identified chemical with which the parts are enriched, as well as the degree of risk that may affect the health of people who come into contact with the part.

HUMAN RESOURCE

CODE OF CONDUCT AND ETHICS – PRINCIPLES AND VALUES

The management of Turbomecanica has assumed as a fundamental principle in carrying out the activity the principles and values that determine the creation of a strategic partnership between management and employees by:

- ✓ Management based on clear strategic and operational objectives;
- ✓ Development of a professional and personal profile of employees corresponding to the highest standards of professional ethics and technical training;
- ✓ Ongoing training and long-term motivation of employees, ensuring job satisfaction and loyalty to the company;
- ✓ Career management and performance management;
- ✓ Creating a modern internal climate and adequate to affirm the team spirit;
- ✓ Business and team ethics, honesty;
- ✓ Lack of tolerance for human rights violations;
- ✓ Lack of tolerance for discrimination and harassment;
- ✓ Lack of tolerance for corruption, bribery and money laundering;

These **principles and values are integrated into the quality and environmental management system**, through the Internal Regulations which are trained to Turbomecanica employees annually.

The rules of procedure provide for separate and specific chapters on the Company's position in relation to the principles listed.
The Collective Labour Agreement 2020-2021 provides guidelines on the Company's standards regarding the code of conduct and ethics.
The Company discourages conflicts of interest and requires employees to avoid any situation that may affect their ability to act in the best interests of the company.

Due to its international exposure, Turbomecanica takes into account **existing anti-corruption policies at the international level and also imposed or recommended by business partners**. In 2021, Turbomecanica did not record any cases of corruption, money laundering, and bribery and was not a party to any lawsuits for unethical or corrupt behavior.

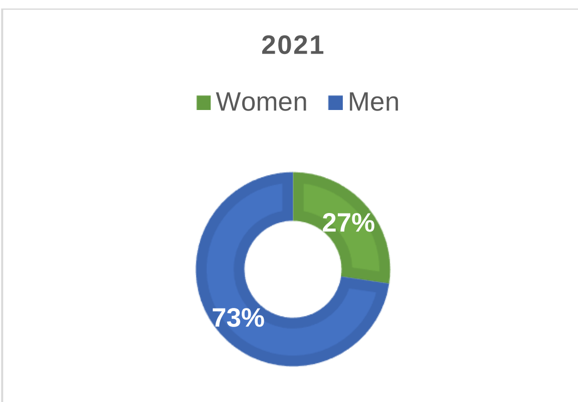
OUR STAFF

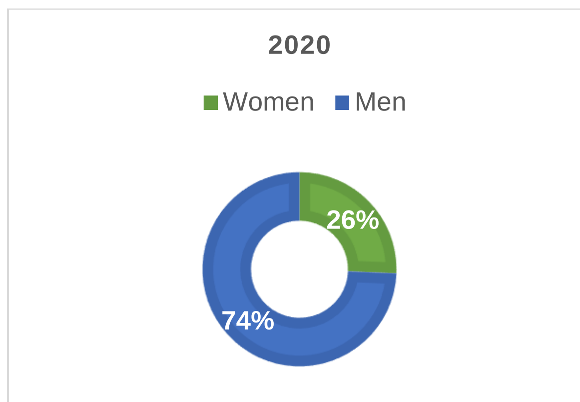
The management of the company ensured the development of the activities of Production, Technical and Compliance, Quality and Organization, Human Resources, Financial - Accounting, Legal, Marketing and Sales.

The total number of TBM staff on 31.12.2021 was 501 employees, decreasing compared to last year by 27 people.

The average age of the staff on 31.12.2021 was 48.12 years.

We ensure diversity through a gender balance and taking into account the specifics of the activity so the staff structure is as follows:





Between January and December 2021, a number of 83 employees left the company (of which 8 retired) and 58 people were employed.

Total expenses with salaries and employee benefits, made in 2021, amounted to 53,408,568 lei, of which:

COSTS
salary expenses:
spending on vouchers granted to employees
expenses regarding the labor insurance contribution
other expenditure on insurance and social protection (aid)
expenses with the company's contribution to health insurance other expenses (CCM)

The share of personnel expenses in turnover achieved for 2021 was 40.67%, registering an increase of 0.84% compared to 2020.

The costs involved in the recruitment process were approximately RON 52,061, representing the costs of purchasing recruitment services and subscriptions to specialized sites.

Regarding the degree of unionization of the company, 53.69% of the company's employees are union members.

Regarding the level of training and specialization of the staff, the situation is as follows:

EMPLOYEE TRAINING	2021	2020
Higher education	31.34 %	31.38%
Employees with high school and post-high school education	40.32 %	41.40%
Employees graduating from vocational school	23.35 %	22.49%
General school graduate employees	4.99 %	4.73%

The relation between the manangment and the employees is regulated based on the Collective Labor Agreement for the years 2020-2021. The socio-professional climate is constantly monitored, there is a system of communication between the social partners that does not allow the emergence of conflict situations, which in fact were non-existent in 2021.

PERSONAL TRAINING

The company's personnel policy on staff training has been well supported in terms of internal training. The trainings took place in accordance with the Periodic Staff Training Plan approved for 2021.

Turbomechanics has certified staff to carry out the courses.

The specific certifications were ensured accordingly, the necessary competencies were maintained for operators, inspectors and laboratory workers for special processes and laboratories, effectively by specific trainings.

The specific training was carried our in accordance to the Anual Proffesional Training Plan. In this respect, the courses for Certification/Autorization, Professional Qulification assured both inside and putside the Company, a number of 522 employees were trained, amounting a total of 16.809 hours. Some of the specific trainings, due to the duration will be continued in 2022 and 2023.

For the external training and certification courses, the Company has invested the amount of 88,002 lei.

TRAINING TYPE	No. Hours	Nr. Attendence
Certification/Autorization	1,283	405
Professional Qualification	12,470	27
External Qualification/Instruction	3,056	88
External Qualification	n/a	2
TOTAL	**16,809**	**522**

ASSESSMENT OF SAFETY AND HEALTH ISSUES

Occupational safety and health at Turbomecanica is a priority in company policy.

The entire activity of the Company is based on the principle of continuous improvement of production conditions, with direct effects in increasing safety and health at work.

Permanently, both through the activities carried out by the workers within the FSSM, and through the operative managements at the level of each compartment, the conditions for carrying out the production activity are monitored, so that the security conditions of the activity of the entire staff are respected.

In 2021, the investments started in the previous period in the direction of improving working conditions and refurbishment were continued, as follows:

The technological modernization works continued, namely:

- Within the special processes section of SPSP (with production spaces: TT, AS and Painting), works were carried out to improve the working microclimate, by modernizing the ventilation and evacuation / noxious treatment installations;

Also, in the Air Conditioning Zone of the C2 ground floor building, an additional circuit of the ventilation / cooling installation was made.

- Modernization of spaces for storage of raw materials, materials and finished products by improving the microclimate. Air conditioners have been installed and / or replaced as appropriate and have been fitted with thermometers to maintain the specific storage climate.
- The works for the extension of the production and storage spaces within the Test Assembly Section (SMI) were completed - storage compartmentalization was carried out, as well as at the Oil Pump Maintenance Center in the C2 building with all related utilities, including SSM equipment.

Workspaces / offices have been redesigned for the coordinating staff in the departments: Head of department, coordinating engineers, foremen, etc. in compliance with the rules imposed by the COVID 19 pandemic (respectively ensuring physical distance while working on the computer).

Prior to the start of periods of extreme temperatures, appropriate measures have been taken to ensure a proper working environment, by controlling and maintaining water-drainage and air conditioning systems, ensuring normal operation.

In all the spaces of the Company - production spaces, administrative spaces, warehouses, etc., periodic verifications were performed regarding the operation in optimal conditions of the fire detection and alarm systems.

Through the occupational safety and health program for the year 2021, all the activities necessary for the observance of the requirements provided by the Occupational Safety and Health Law no. 319/2006 and the methodological norms of application, as well as of the other legislative acts in the field, in force, by taking the following measures:

- occupational safety and health risk assessment at all workplaces;
- on the basis of a risk assessment, preventive measures have been taken to ensure that the level of safety and health protection of workers is improved;
- the OSH materials have been permanently supplemented, according to the current legislation, which is used to carry out regular OSH training for TBM employees as well as to establish the necessary measures for the safe conduct of technological processes;

- the purchase of work equipment was continued for all TBM staff, both for the existing one and for the new employee;
- the supply of hygienic-sanitary materials (protection creams, hand cleaning paste, etc.) was ensured in accordance with the provisions of the Internal Regulations;
- new medical kits were purchased for the replacement of the damaged ones from the existing work areas / workspaces as well as for the endowment of the workspaces from the extension made to the C3 building - Mechanical Assemblies section. Materials for completing first aid kits were also purchased and general-purpose medicines were provided for first aid (including anti-burn spray for high-temperature workstations: plasma jet welding and cutting, etc.). ;

- Urgent eye wash solutions were periodically purchased for SPSP staff: Galvanizing, Storage-Packing and Painting and respiratory protection masks for SPSP staff, Non-Destructive Testing Laboratory, Plasma Cutting team, as well as for staff carrying out sanding and grinding activities;

- continued the purchase of new masks, in accordance with the latest requirements in the field, for welders;

- for personnel whose activities are carried out in a toxic environment, an antidote / protective diet consisting of milk powder and mineral water was periodically purchased in accordance with the regulations in force;

- the authorizations for lifting and pressure installations owned by TBM were extended (in accordance with CNCIR regulations);

Upgrades have been made to fire protection, namely:
- In all TBM buildings - production spaces, administrative spaces, warehouses, etc., fire alarm systems were installed and fire extinguishers were purchased, in addition to the existing ones.

Special occupational safety and health measures during the COVID pandemic 19.

The measures applied to ensure protection against SARS-CoV2 contamination continued in 2021, namely:

- medical laser thermometers for checking the temperature of each employee, as well as the installation of thermoscanners at the two access gates in TBM;
- the provision of personal protective equipment (disposable gloves, respiratory protection masks, work equipment), the wearing of protective masks being mandatory on the entire perimeter of the company, for all employees as well as for visitors / collaborators;
- rapid antigen tests to detect SARS-CoV2 virus contamination;
- sanitation of spaces and work surfaces, equipping each area / section / work space with spray disinfectant for both hands and surfaces;
- carpets at all entrances to buildings, moistened every 3 hours with chlorine-based disinfectant solution;
- dispensers with hand sanitizer dispensers, equipped with sensor, at all entrances to buildings / work spaces;
- disinfection at regular intervals of 2 hours of all areas of common use: toilets, dining rooms, access halls;
- rearrangement of work spaces / offices in the production sections and administrative spaces, in order to comply with the regulations established during the state of alert and / or urgency regarding the provision of physical distance during the performance of activities;
- organizing the activity of the shift work schedule within the administrative spaces / offices and production sections so as not to create crowds of staff;
- SSM pictograms / signals, management provisions regarding the measures applied in TBM to prevent SARS-CoV2 contamination.

MONITORING HEALTH CONDITION AND WORK SKILLS OF EMPLOYEES

The mandatory annual occupational medicine / regular medical check-ups for TBM staff took place in two stages: in March for some employees and in September-October 2021 for most employees, respectively.

From the Medical Evaluation Report prepared by the occupational physician, it was concluded that no occupational diseases were reported in the examined employees.

Also, during September-October, the medical control was performed for the practitioners who perform the internship in Turbomechanics.

Newly hired staff were assessed by performing on-the-job medical checks and staff infected with SARS-VOC 2 were regularly monitored and evaluated, according to medical reports.

During 2021, no work accident was registered in TBM.

Occupational Safety and Health (OSH) and Emergency Training (SU):

1. General introductory training in the fields of OSH and SU of new employees
2. Regular training of staff in the fields of OSH and SU;
3. Collective training (SSM + SU) for collaborators and visitors;
4. Training of students doing the internship in TBM, starting with February 2021, from the following educational institutions:
    - Carol I Technical College, specialization: Lathes;
    - I.C. Technological High School Bratianu, specializations: Milling and Mechanic of Fine Mechanics;
    - Dinicu Golescu Technological High School, specialization: Numerical control machine operator;
    - Henri Coandă Aeronautical Technical College, specialization: Aircraft mechanic.

Development of new working instructions and revisions of existing documents on occupational safety and health (OSH) and emergencies (SU).

INTERNAL ORGANIZATION & ORGANIZATIONAL STRUCTURE
TURBOMECANICA MANAGEMENT

The management of the company is in a unitary system.
The Chairman of the Managing Board is also the General Director of the company and ensures the executive management.

The organization of the Turomecanica management system is defined by the operative management that ensures the achievement of responsibilities and objectives based on a divisional type organization,

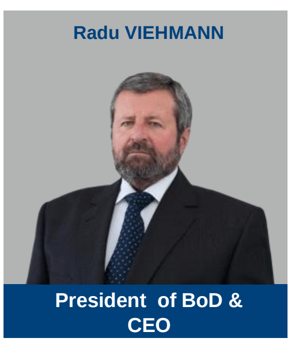
The management at operational level is ensured by the Directors of the 4 departments, which form the Managing Board.

Each operational department has specific structures under it.

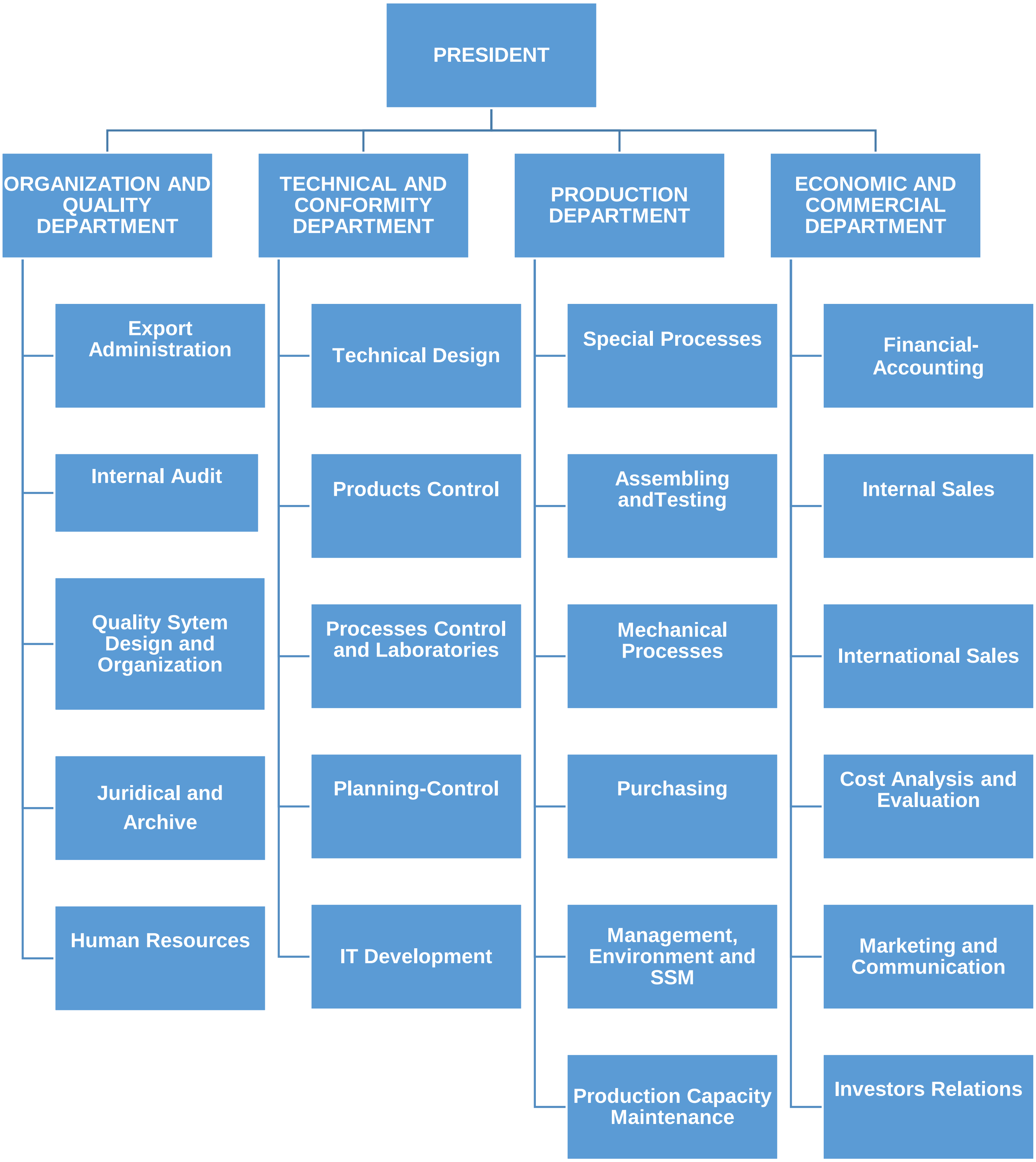
There were no changes in this structure in 2020.

As at 31.12.2021, the non-executive management structure that ensures the current development of the activities has the following composition:

NAME	POSITION
VIEHMANN Radu	President of BoD & CEO
ANGHEL Claudia	Financial & Commercial Director
VIEHMANN Timura Wendy	Quality & Organization Director
TICĂ Sorin Daniel	Production Director
VASILESCU Șerban-Ion	Technical & Conformity Director



ORGANIZATIONAL CHART



TURBOMECANICA SHAREHOLDERS

Turbomecanica operates in accordance with the Companies Law no. 31/1990, amended and supplemented. The company was part of the public offer initiated by the Romanian Government in 1995, under the name of "Mass Privatization Program". Following this program, the Company fulfilled the listing conditions on the regulated market of the Bucharest Stock Exchange (BVB), where it was listed on 07.10.1998.

As an issuer, the Company complies with the provisions of Law 24/2017, on the capital market, and the specific regulations issued by the National Securities Commission (CNVM) based on the said law.

The nominal value of a share is 0.1 Lei.

MAIN SHAREHOLDERS

The shareholding structure includes at the end of 2021 a total number of 6,048 shareholders, individuals and legal entities.

The synthetic structure of the Turbomecanica shareholding published on 31.12.2021 on the website of the Bucharest Stock Exchange in accordance with the data received from the Central Depository presents the main shareholders as follows:

	Number of shares held	% Equity
Viehmann Radu	95,758,800	25.9198 %
Ciorapciu Dana Maria	56,003,876	15.1590 %
Other Shareholders	217,679,649	58.9211 %

In 2020, TBM did not pay dividends.

CORPORATE GOVERNANCE

Turbomecanica is a company that operates in accordance with the Companies Law no. 31/1990, amended and supplemented. The company was part of the public offer initiated by the Romanian Government in 1995, under the name of "Mass Privatization Program". Following this program, the Company fulfilled the listing conditions on the regulated market of the **Bucharest Stock Exchange (BVB)**, where it was listed on 07.10.1998.

As an issuer, the Company complies with the provisions of Law 24/2017, on the capital market, and the specific regulations issued by the National Securities Commission (CNVM) based on the said law.

The company is managed by a Board of Directors, consisting of 5 (five) directors, appointed by the Ordinary General Meeting of Shareholders on 25.04.2020 for a period of 4 years, with the possibility of being re-elected. From among these members appointed by the Ordinary General Meeting of Shareholders, the members of the board shall elect a Chairman and a Vice-Chairman. The Chairman is also the General Manager of the Company.

The Board of Directors is chaired by the Chairperson, or, failing that, by the Vice-Chairperson, having the same rights as the incumbent Chairperson.

Of the 5 members of the Board of Directors, one is also the executive director - the chairman of the General Manager - and the rest are non-executive. Mr. Radu Ovidiu Sârbu declared himself an independent administrator fulfilling the criteria specified by the CGC of BVB at points A41-A49.

The administrators in office on 31.12.2021:

Name	Position	The year of first election	The year of expiry of this term
Radu Viehmann	President, General Manager	2000	2024
Dana Maria Ciorapciu	Non-executive administrator	2006	2024
Radu Ovidiu Sârbu	Independent, non-executiv administrator	2016	2024
Niculae Havrilet	Non-executive administrator	2021	2024
Henriette Spinka	Non-executive administrator	2008	2024

The obligations and responsibilities of the directors shall be governed by the terms of reference of the terms of reference and those specifically laid down in respect of companies. In addition, the Company adopts the Rules of Procedure of the Board of Directors detailing the main tasks, the organization, the committees as well as the policies to be implemented and supervised by the Board of Directors.

The Board of Directors Regulation provides the rules applicable by the Board of Directors in order to manage conflicts of interest in Chapter F of the Board of Directors Regulation.

The members of the Board of Directors, including the Chairman, may delegate the powers of representation and / or decision to the Directors of the company, appointed from among the directors or from outside the Board.

The members of the Board of Directors **voluntarily adopted and self-imposed CGB** of BVB, approved the Corporate Governance Regulation, which can be found on the company's website www.turbomecanica.ro and report to BVB the status of compliance with the Corporate Governance Code of the Bucharest Stock Exchange.

TBM has made and will make the necessary professional, legal and administrative efforts to ensure alignment with the provisions of the new Corporate Governance Code of the Bucharest Stock Exchange and the transparent presentation of these results.

The competencies and responsibilities of the Board of Directors are those provided in the RGC and in the Rules of Procedure of the Board of Directors. The Chairman of the Board of Directors also holds the position of General Manager of the Company.

Three working committees were formed by the Board, as follows: audit committee, nomination committee and remuneration committee. Most of these committees are made up of non-executive board members.

The qualification and professional experience of the administrators is presented in the CVs that can be accessed on the Company's website www.turbomecanica.ro.

The Corporate Governance Regulation is available to all interested parties on the official website of the Company www.turbomecanica.ro., section *Investor Relations - Corporate Governance*

ADMINISTRATORS' PARTICIPATION IN TBM SHARE CAPITAL ON 31.12.2021

Name	Position	No. Shares	% Equity
Radu Viehmann	President, General Director	95,758,800	25.9198 %
Dana Maria Ciorapciu	Non-executiv administrator	65,003,876	15.1590 %

Radu Ovidiu Sârbu	Independent non-executive administrator	-	-
Niculae Havrilet	Non-executive administrator	-	-
Henriette Spinka	Non-executive administrator	610,000	0.1626 %

During 2021, the Managing Board met in 5 meetings, at least 1 meeting per quarter, in the presence of 4-5 of its members - and adopted decisions that allow it to carry out its duties in an effective and efficient manner.
Thus, at its meetings, the Managing Board analyzed the financial results obtained during the reporting period and cumulated from the beginning of the year, as well as the economic performance in relation to the budget and the similar period last year.

The remuneration policy of the administrators applied so far is based on the national legislation in force. The administrators have concluded mandate contracts, in which a fixed indemnity is established.
The contract model can be accessed on the company's website www.turbomecanica.ro. There is no variable remuneration component or other form of remuneration for directors. In order to remunerate the members of the executive management on the principles of efficiency and performance, a Remuneration Committee has been created within the Board.

MANAGEMENT SYSTEM AND INTERNAL CONTROL

In accordance with the legal provisions, the financial-accounting statements and those regarding TBM's operations are audited by ERNST & YOUNG ASSURANCE SERVICES S.R.L., independent financial auditor, appointed by the general meeting of shareholders from 27.04.2021 for a period of 3 years.

Risk management and internal control have so far been carried out directly by the specialized department of the Company and by the Managing Board.

The Audit Committee has been set up and operates in accordance with the adopted regulations.

The Company has performed all activites related to the management of conflicts of interest, publicity of transactions, audit, equal treatment of shareholders in the current activity of the Company, approval of transactions with shareholders by BoD under the supervision of BoD and in strict accordance with legal provisions applicable to companies which are traded on a regulated market.

Also, regarding the internal audit, the Company has implemented the policies and conditions provided by law.

FAIR MOTIVATION AND REWARDS

Given the corporate size of the Company to date, the remuneration policy has not been adopted given that the remuneration of the members of the Managing Board has been set by the General Meeting at a level similar to those existing on the market.

ADDING VALUE TO INVESTOR RELATIONS

The company has a website with a section dedicated to investor relations, the content of which is to be updated in accordance with the provisions of the Managing Board Regulation and the Corporate Governance Code.
The company publishes on its website all information regarding general meetings, conditions of participation, documents, etc., current reports, corporate events, including the payment of dividends.

The company has so far not adopted a policy for the payment of dividends, but has demonstrated consistency and predictability in their payment.
The dedicated section contains information on the management of the company, the members of the Managing Board, the contact details of the person responsible for investor relations.

Upon request, the company shall invite specialists, consultants or experts as accredited journalists to the meetings of the GMS, as the Chairman of the Board deems appropriate, and shall hold two meetings with analysts and investors each year.

NON-FINANCIAL STATEMENT

In accordance with the accounting regulations regarding the individual annual financial statements and the consolidated annual financial statements, approved by ORDER no. 1802 of December 29, 2014 for the approval of the annual financial statements, the entities that, at the balance sheet date, exceed the criterion of having an average number of 500 employees during the financial year have the responsibility to include in the directors' report a **non-financial statement.**

Turbomecanica, registered during 2021 an average number of 501 employees, consequently, the Managing Board of the Company **decided to present the non-financial information** in the form of a financial statement, annexed to the Report of the Managing Board.

COMPLIANCE WITH NON-FINANCIAL REPORTING REQUIREMENTS

COMPLIANCE REQUIREMENTS	CHAPTER FROM THE ANNUAL REPORT 2021	PAGE
Business model, Organizational context and stakeholders	Contextul organizației şi părțile interesate	9
Quality policy and environment	Integrated quality and environmental assurance system	13
Improving environmental performance	Climate change mitigation by improving environmental performance and preventing pollution	18
Improving performance in the field of pollution prevention	Climate change mitigation by improving environmental performance and preventing pollution	18
Climate change mitigation	Climate change mitigation by improving environmental performance and preventing pollution	18
Sustainable use of resources	Sustainable development and sustainable use of resources	35
Principles and values of Turbomecanica Code of conduct and ethics	Code of conduct and ethics - principles and values	22
Sustainable Development	Non-financial statement Sustainable development and sustainable use of resources	34
Social responsability	Non-financial statement	34
Social and personnel issues	Human resource	24
Promoting diversity	Human resource	23
Human rights and the fight against corruption and money laundering	Human resource Corporate governance	22 32
Corporate governance	Corporate governance	30
Risk management and opportunities	Risk and opportunity management	36

COMPLIANCE WITH REGULATION REQUIREMENTS

The Company's business is conducted in accordance with the following regulatory framework:

- ✓ SMQ & M - Quality and Environmental Management System. In 2021 the company adopted the integrated quality-environment management system in accordance with ISO 9001, ISO 14001, AS EN 9100, AQAP 2110
- ✓ Airworthiness requirements issued by EASA (European Aviation Safety Authority) through AACR (Romanian Civil Aviation Authority)
- ✓ Specific requirements of Turbomecanica customers
- ✓ Accounting Policy Manual prepared in accordance with the National Accounting Regulatory Framework and International Financial Reporting Standards ("IFRS")
- ✓ Corporate governance regulations
- ✓ European Commission Guidance on non-financial reporting (2017 / C215 / 01)
- ✓ ISO 26000 principles and recommendations
- ✓ CNVM Regulation no. 1 on issuers and securities transactions

Turbomecanica complies with all regulatory and reporting requirements, always adopting best practices in the field, in order to ensure the correct, complete and transparent information of all stakeholders.
The company has been reporting for at least 5 years a significant part of the recommendations on the information reported in the Non-Financial Statement, as an integral part of the Annual Report of the Board of Directors.

Regarding social responsibility, Turbomecanica follows as a guideline the 7 principles of the ISO 26000 standard correlated with the dedicated national and international standards and regulations, regarding: environmental requirements, ethics, trade union activity, good commercial practices. , the fight against corruption and bribery, stakeholders and concern for the community.

SUSTAINABLE DEVELOPMENT & SUSTAINABLE USE OF RESOURCES

Our continuous and sustained efforts regarding the sustainable development of the Company have not lost sight of the efficiency of waste management and investments in our own production capacities to ensure compliance with the standards imposed in the field of aviation.

According to the Corporate Governance Regulation, the executive management is ensured by the Executive Director who carefully monitors the activity of the 4 departments (Financial and Commercial, Production, Technical and Compliance, Quality and Organization) which are responsible for ensuring the sustainable development strategy of social, economic and environmental. The Director-General shall accordingly inform the Management Board whenever necessary in respect of such matters.

The proposal of the **sustainable development** strategy and the assurance of the performance management together with the planning of the resources and the deadlines are established by the Managing Board by assuming the strategic objectives for the current year, approved by the General Director.

Responsibilities are divided according to the organizational structure as follows:

- Activities dedicated to the business relationship, ensuring fair business practices, ensuring financial resources and analysis of development opportunities, **ensuring transparent communication with stakeholders, avoiding money laundering, compliance with corporate governance** regulations are the responsibility of the Economic and Commercial Department.
- Activities dedicated to the analysis of customer requirements, the development of technologies, production planning, the development of ERP software for the planning of production resources, the management of the technical archive are the responsibility of the Technical and Compliance Department.
- Activities dedicated to the **environment, health and safety at work, sustainable use of resources** by reducing the consumption of utilities, maintenance of equipment, ensuring supply are the responsibility of the Production Department.

- Dedicated activities to comply with the **quality and environment management system with specific standards and customer requirements, social responsibility, personnel activities, anti-discrimination, risk management**, process and product audit activities, **legal compliance aspects of human rights**, **the fight against corruption and bribery**, archiving activities in accordance with the law on national archives are the responsibility of the Quality and Organization Department.

Each responsibility is assigned an activity manager. In certain circumstances, some actions may be directly the responsibility of the board of directors.

With objectives that depend on the interdepartmental activities, they are allocated as a percentage to each department involved in their fulfillment according to the proportion of involvement.

All corrective actions, established following the identification of deviations from the process, are based on causal analyzes to identify the root cause.

The reporting of the procedural performance, of the degree of achievement of the objectives, of the stage of accomplishment of the corrective actions is made by the responsible ones, monthly / quarterly / half-yearly depending on the definition of the process indicator. Half-yearly results are reported in the management analysis every six months.

The directors of all departments together with the heads of the reporting structural entities participate in the reporting meetings.

The Turbomecanica team pursues a common goal, namely the development of the company by penetrating the maintenance services market for civil and military aircraft as well as to increase the portfolio with existing customers. In this sense, we constantly focus on optimizing the performance of resource allocation and consumption processes and we are constantly engaged in identifying solutions to reduce environmental impact, by replacing hazardous substances, increasing air quality and last but not least recycling.

Turbomecanica is committed to continuously developing and improving its management, quality and environmental systems implemented so as to operate at the highest level according to the applied standards.

In this sense, Turbomecanica undertakes through its quality and environment policy to contribute to sustainable development, by:

- ✓ ensuring the communication, understanding and application of the quality and environment policy;
- ✓ ensuring regular training and awareness of all employees of the organization on the importance of compliance with quality and environmental requirements;
- ✓ ensuring the increase of the efficiency of the quality and environmental management system, so as to guarantee the provision of compliant and safe products and services, while ensuring the improvement of environmental performance by promoting technical solutions and technologies as safe as possible for the environment;
- ✓ ensuring compliance with the legislation in force and with the regulations on quality and environmental protection;
- ✓ ensuring the identification and analysis of the risks related to the developed processes and their monitoring in order to maintain them within the accepted limits;
- ✓ managing environmental aspects in the processes carried out so as to minimize the impact generated on the environment;

Consequently, we are still involved in **protecting the environment and the sustainable use of resources** by:

- ➢ Communicating quality and environment policy to all stakeholders;

- Ensuring all legal and regulatory requirements;
- Ensuring the disposal of hazardous waste by certified means;
- Increasing the proportion of reusable waste;
- Reducing the amount of hazardous waste;
- Reducing greenhouse gas emissions;

We are convinced that by being aware of the importance of ethical behavior by every employee and by the constant concern for safety, we will be able to increase customer satisfaction and reduce our impact on the environment.

SOCIAL RESPONSABILITY

Turbomecanica cultivates, from the very beginning, the ideology of transmitting the profession from father to son, an ideology as a result of which the Company benefits from an internal society based on familiarity and respect.

From the point of view of communication with the local community, Turbomecanica is represented by the Director of Quality and Organization in the position of **President of Dual Education**, through which he dedicates time and effort in training the young generations of specialists in the aeronautical industry.

At the same time, we maintain a close connection with the Faculties of Aerospace Engineering and Materials Engineering within the Polytechnic University of Bucharest.

The financial aid distributed to the community in 2021 through the sponsorship strategy took into account 3 main objectives: Education & Social, Environment and Medical. Among the largest projects are the contribution to the renovation of rural schools to support education, the fight against school dropout followed by the afforestation project, where even if we did not contribute volunteers for planting activities due to the health crisis, we managed to ensure planting of 130 seedlings.

RISK AND OPPORTUNITY MANAGEMENT

The **risk management** implemented in **TBM** takes into account the relevant context for the Company's activity both in terms of internal and external aspects, stakeholders and their requirements, in accordance with the provisions of the **Quality Manual**.

In this organizational planning process, the risks and opportunities that may affect the following are determined:

- The capacity of the **quality and environmental management system** to guarantee the achievement of the intended results;
- Amplification of the expected effects;
- Prevention or reduction of unwanted effects;
- Making improvements;

In this context, the Company plans the actions related to the monitoring of these risks and opportunities and monitors both the implementation of these actions in its processes / sub-processes / activities, as well as the effectiveness of the established actions. The established actions are, as a rule, proportionate to the impact on the conformity of the products / services delivered by the Company.
The planning of the treatment of risks and opportunities is done based on the Business Continuity Plan. This Plan creates a complete picture of the estimated manifestation of the identified risk factors and sets out the actions needed to reduce / use them and the functions responsible.
The **Business Continuity Plan** identifies, analyzes, evaluates and establishes / updates / updates annually, action / intervention plans to reduce the effects of risk factors acting on **TBM** such as:

⇒ risk factors associated with customers / suppliers;
⇒ environmental risk factors;
⇒ social risk factors;
⇒ risk factors associated with human resources;
⇒ disaster / calamity risk factors that may affect business continuity in terms of:
⇒ stocks;
⇒ computer system;
⇒ the company's assets (production capacity, buildings, know-how, water supply systems, gas, electricity, heat, etc.);
⇒ communication systems (telephone, e-mail, fax, etc.).

The Managment Council analyzes and establishes by Decision, **the Key Processes of the quality and environmental management system** that have a great importance in creating added value and in achieving strategic objectives on quality and environment, with impact on customer satisfaction and implicitly on **TBM's** financial situation.

The strategic objectives on quality and the environment derive from the short and medium term **TBM** strategy aimed at maintaining or developing the business and increasing the turnover.

For these processes, strategic indicators are established, the variation of the target is identified, monitored and, if necessary, corrected/ reduced.

System certification of the Integrated Quality and Environmental Management System in accordance with the latest editions of SR EN ISO 9001, AS 9100, AQAP 2110, SR EN ISO 14001 provide assurance to stakeholders on the involvement of TBM management in risk analysis, implementation and monitoring.

The latest edition of the Business Continuity Plan analyzes the risks related to the following 9 activities: Human Resources, Supply, Production, Compliance Control, Special Process Control, Sales, IT / Data Control and last but not least, Emergency Situations, Environment.

Managing the identified risk in environmental management

The environmental management risk analysis is governed by the specific internal procedures “Environmental Management” and “Waste Management” and is monitored on a monthly basis based on key process indicators established in accordance with these internal procedures and in accordance with applicable law.

The results of the effectiveness of the actions established by the TBM Management in order to reduce the risk related to the environmental management activity were presented in the Chapter: ***"Climate Change Mitigation by Improving Environmental Performance and Pollution Prevention".***

TBM also demonstrates in the period 2020-2021 the compliance of the activity with the legal requirements by obtaining the Integrated Environmental Authorization No. 05/2016 revised on 21.02.2020 valid until 2026.

The Integrated Environmental Authorization and the Water Management Authorization allow the operation in conditions of full legality of the existing installations, equipment and processes in Turbomecanica.

However, TBM management is constantly concerned with improving measured indicators and increasing the collection of hazardous waste.

The main risks identified in the Business Continuity Plan and their management

EXTERNAL RISKS

These risks are related to external factors and affect he Company by changing the demand for services offered by it, the competitive environment or the cost of some products, which cannot be controlled by the Company such as, for example, prices for raw materials (steel, nickel, magnesium, aluminum, etc.)
Global macroeconomic problems (supply chain dysfunctions, changes in energy and commodity prices, etc.) and European (euro inflation, economic imbalances in the European Union, especially in the Eurozone, etc.), coupled with geopolitical issues in the area (the war in Ukraine, the Belarusian immigrant crisis, the problems in the Middle East, etc.) are putting additional pressure on the aviation and related industries.
The health crisis of the last 2 years has reduced the number of flight hours, which has affected first the airlines around the world - a sector that operates with a low profit margin (on average 2-3%), and then the entire aviation, including aircraft manufacturers, components and MRO's.

Economic risk

Earlier this year, the International Monetary Fund revised its forecast for the development of the world economy in the negative direction, estimating that the world economy will grow by 4.4% in 2022, compared to an expansion of 4.9% forecast in October , due to the weaker outlook for the US and China, and persistent inflation, according to the World Economic Outlook report on global economic projections, published in January. The IMF has also worsened its forecast for the eurozone, which is set to rise 3.9% this year from a previously forecast 4.3% level, and in 2023 growth will slow to 2.5%. In addition, the Fund anticipates that the Omicron variant will affect the economy only in the first quarter of 2022, and that the negative impact will be mitigated from the second quarter if the number of infections decreases globally and no severe restrictions are adopted.
Regarding Romania, in the winter forecast published on February 11, 2022, the National Commission for Strategy and Forecast estimates GDP growth at 4.3% in 2022 and 5.1% in 2023.
Following the recent outbreak of the war in Ukraine, no new macroeconomic forecasts have been published for Romania or globally. However, according to International Monetary Fund analysts, the macroeconomic consequences of this conflict will be felt as a global shock wave.

Market development risk

In 2021, the global civil air transport industry continued its slow recovery, with IATA estimates returning to pre-pandemic traffic values in 2024. In this context, the return of aviation as a whole is following approximately the same trend.
As for the military aviation MRO market, it has evolved from country to country in the context of the pandemic. This market was estimated at $ 22.9 billion in 2018 and is expected to grow at a CAGR of 2.60% by 2028 to $ 29.6 billion. The military MRO market consists of five segments: Multi-role Aircraft MRO, Transport Aircraft MRO, Multi-mission Helicopter MRO, UAV MRO and Transport Helicopter MRO, and estimates indicate an MRO market share of 10.4% for multi-helicopters -role.
TURBOMECANICA operates without competition on the domestic MRO market of military helicopter engines. At the same time, the gradual transition was started for the civilian MRO addressed to both the domestic and the

international market, on which several large players are active (Safran, MTU, Lufthansa Technik, etc.), but also medium-sized companies (Aero Norway, GA Telesis , etc.) where it will be able to attract market share due to the tradition of five decades of experience in the military segment.
In terms of the market for the manufacture of components for civil and military aviation, competition is strong, being influenced by the diversity of market players. TURBOMECANICA performs successfully on this market, perpetuating itself for decades as a supplier for large manufacturers of engines and mechanical assemblies such as Rolls Royce, Leonardo, GE, etc.

The development of the market has an impact on ensuring the continuity of business determined exclusively by the dependence of the state budget approval and the realization of budget allocations in order to conclude contracts with defense structures in the field of military aviation.

The risk related to the continuity of the activity determined the action of diversification of the activity and the penetration of the maintenance market of the civilian engines, action that was estimated with long term of completion and is followed by AANM / RMAR certification.

Legislative risk - refers to potential changes in legislation, which could have a negative impact on the Company. This risk is currently under control due to the effectiveness of established actions and the current analysis through monitoring systems of legislative changes.

IT risk / data control is managed through continuous analysis of the performance of data processing and storage systems. In this regard, according to the investment plan approved for 2021, the server cluster in the Data Center was upgraded to ensure compatibility with the latest software version.

The Checkpoint update was performed to secure the redundant Core Firewall so that in the event of a failure, the processing load can be taken from the defective device.

In 2020, the risk related to emergencies was reconsidered, which includes the actions established in case of extraordinary events such as fires in risk-specific areas, power outages, epidemic / pandemic.

Due to the rapid reaction of the evaluation and establishment of the actions related to the impact of the Covid 19 pandemic, the Company went through the pandemic period from 2020-2021 without major impact in the continuity of activity. Significant reallocations were made between the reporting quarters, but at the end of each reporting period the Company met to a significant extent its budget projections and contractual obligations.

From a financial point of view, 3 main risks are identified and monitored, namely: liquidity risk, credit risk and market risk.

Credit risk is manifested by the Company's significant exposure to its main partners, which concentrate a significant proportion of its turnover.

To this end, the Financial Accounting Service monitors its financial reports on a quarterly basis and determines the need to use specific instruments to reduce this risk (application of advances, letters of guarantee, etc.). For the reporting period 2020-2021, the need for their use has not been identified, however significant exposure remains under monitoring.

Price risk
In carrying out its current activity, TBM is exposed to a high risk related to the market price of raw materials. Significant fluctuations may have an impact on the Company's performance in terms of the products manufactured by the Company, but less on the products related to the main maintenance and repair activity.

The price of raw materials is the most difficult element to forecast among all the Company's costs. TBM has not been involved in hedging operations on the price of raw materials, the manufacture being based on customer orders, which can be for components produced from different raw materials (nickel, steel, aluminum, etc.), but the possibility of using this type of tool is analyzed. financially in the future, if this option becomes viable.
Until now, in TBM the method by which the effect of increasing the price of raw materials was mainly counteracted by the continuous analysis of the customer's requirements in order to quantify the price changes of the supplied materials and the improvements to the technological process, in order to revise the prices agreed.

The foreign exchange risk analyzed by the share of the currency in the turnover is not significant, approximately 90% of the turnover is related to the national currency, as well as the credit lines related to the working capital being also committed in Lei.

Inflation risk
In the context of the available data and the regulations in force, the NBR estimates a worsening of the inflation outlook, almost exclusively in the short term, anticipating that the annual inflation rate is expected to sharply increase in the second quarter of 2022, to 11.2% in June. The National Bank stressed that those responsible for the new considerable worsening of the inflation outlook continue to be exclusively supply-side adverse events, especially external ones. Given the direct relationship it has with inflation, market analysts expect ROBOR to rise until it reaches a threshold that will be maintained for a long time.

Interest rate risk
Interest rate risk is the risk of changes in interest costs over time. This risk corresponds to an increase in the costs of financing the company through credit lines, being determined by the evolution of ROBOR on the market.
ROBOR represents the average interest rate at which Romanian banks borrow from each other, in lei. The evolution of ROBOR is influenced by several factors, the most important of which are the NBR's monetary policy, market liquidity, inflation and fiscal policy.
ROBOR has seen a significant increase in the last year. Thus, at the beginning of March 2022 it reached 4.25% per year, a level that has not been reached since 2013. At the beginning of 2020, the 3-month ROBOR index was 3.19% per year, and at the beginning of 2021 it stands at 1.98%.

INTERNAL RISKS

The contractual risk related to the Company's employment in contractual obligations is monitored by applying the internal procedure for analyzing the contractual clauses.

The risk related to human resources is expressed by the mobility of the labor force for which the management has established the monitoring through a key process indicator. The evolution of the indicator is positive, but it is not in the target.
The aviation industry involves the management of a highly qualified human resource, and the level of experience plays an important role in maintenance and repair activities. With the disbandment of several institutions that trained qualified aviation staff after 1990, as well as the exodus of skilled labor, it is difficult to identify qualified personnel in the labor market. Hiring people with lower salaries but who are not qualified brings either higher non-quality costs or additional training costs. The measures taken by the company aim at refining the recruitment process, securing the job by investing in education, developing future specialists through the care and education of young people enrolled in the dual education program, collaborating with recruitment companies for key positions. Management considers the individual professional development plan and supports personal initiatives.
Social risks related to accidents at work or violence, ethical behavior, physical or moral harassment are also monitored. All these aspects are defined in the Internal Regulations and monitored through the integrated management system of quality, environment and occupational safety. Monitoring is carried out by the representatives appointed within each operational structure who report to the occupational safety and health department.

Operational risk is mainly addressed by ensuring the preventive maintenance plan. We estimate the completion in 2022 of the action of putting into operation the secondary power supply. We continue to monitor the recurrence of accidental defects and ensure the elimination of root causes, as well as the completion of the modernization of five bathrooms in the area of special processes, according to the investment plan approved for 2021.

FINANCIAL STATEMENT FOR 2021

	2021	2020
Equity	36,944,248	36,944,248
Turnover	131,331,165	124,989,037
Sales Export	11,222,755	13,096,170
% Export sales in turnover	8.7%	11.2%
Average staff	501	495
Gross profit	14,203,709	16,504,022
NET INCOME	11,749,227	13,342,726
Cash Flow	18,961,360	5,148,791
General liquidity	1.96	1.48
Investments	3,215,903	3,271.800
% Investments in turnover	2.4%	2.6%

DESCRIPTION OF THE FINANCIAL PROCESS

Internal accounting policies, standards and procedures are part of the quality and environmental management system and comply with specific national and international regulations.

The entire financial-accounting activity permanently considers the observance of the following principles:
- the principle of prudence;
- the principle of permanence of methods;
- the principle of business continuity;
- the principle of independence of the exercise;
- the principle of the intangibility of the opening balance sheet for the year;
- the principle of non-compensation;
- the principle of economic prevalence over legal.

The Company's accounting is the main tool for knowledge, management and control of assets, ensures the chronological and systematic recording of information, processing and storage, reflecting the real situation of assets and results obtained.

TBM conducts double-entry accounting, prepares monthly, quarterly reports, at the end of the year presenting the balance sheet.

The accounting records are made chronologically and systematically according to the chart of accounts and the rules in force, any patrimonial operation being recorded in a supporting document.

In addition, the Financial Accounting Service is organized in such a way as to enable a high quality financial reporting process. Roles and responsibilities are specifically defined and a control process is applied to ensure the correctness and accuracy of the financial reporting process.

The management of material values is organized according to their nature by categories and places of storage or use as follows:

- fixed assets are organized quantitatively - in value;

- raw materials, inventory items, consumables are organized in warehouses at the company level by the quantitative value method.

The accounting of material values is kept by using the permanent inventory, and the control is exercised in accordance with the O.M.F.P. no. 2861/2009.

SITUATION OF TANGIBLE ASSETS

Turbomecanica's facilities and production capacities are registered at the headquarters in Bucharest, where the company's headquarters are located, at Bd. Iuliu Maniu no. 244, Sector 6, 061126, Romania.
The company does not have secondary offices or other offices.

Turbomecanica has built all the types of spaces necessary for the good development of the production activity, the provision of maintenance services and the execution of chemical and thermal processes, according to the object of activity.

Production facilities include industrial halls, test benches, chemical and heat treatment halls, areas for warehouses depending on the specifics of the activity and spaces for administrative and social activities. All the facilities of the Company are maintained in good condition. The built-up area of the buildings is approximately 14.068 ha.

The company's facilities and production capacities comply with the provisions established in the health, safety and environmental management system, in compliance with the applicable legislation and regulations on occupational safety, as well as norms of protection and safety of property.

As of December 31, 2021, Turbomecanica owns tangible assets in gross value of RON 70.880.221, which include: land, buildings, special constructions, installations, technological equipment, means of transport:

TANGIBLE ASSETS	Gross Value (Lei)	Degree of wear (%)	Estimated useful life (years)
Land	16,642,911	0%	
Buildings	13,739,711	4.25%	3 - 50 ani
Technical equipment, of which:	39,969,476	22.98%	1 –15 ani
- Technological equipment	32,350,498	20.67%	1 - 15 ani
- Means of transport	2,033,510	32,09%	1 –10 ani
Other tangible assets	528,123	20.19%	1 - 8 ani
TOTAL	**70,880.221**		

ANNUAL INVENTORY OF PATRIMONY

Taking into account the provisions of the Accounting Law, of the International Financial Reporting Standards, of the Norms regarding the organization and performance of the inventory of the nature of assets, liabilities and equity, the inventory was carried out in 2021 based on Decisions no. 451/15.10.2021, for the annual inventory of fixed assets and inventory items, raw materials, materials, unfinished production, finished products, scrap, packaging, goods and Decision no. 452/15.10.2021, for the annual inventory of assets, suppliers and creditors.

The results of the annual inventory were recorded in the Annual Inventory Minutes of Turbomecanica, registered under no. 97/31.01.2022.

Cash in bank accounts as at 31.12.2021 was reconciled with the accounting documents, and cash in foreign currency was assessed at the NBR exchange rate at that date.

SUMMARY OF FINANCIAL POSITION

	2021	2020
Tangible assets	64,527,951	73,038,285
Current assets	112,957,572	71,013,498
TOTAL ASSETS	**177,485,524**	**156,179,840**
Equity	120,598,947	108,315,279
Impairments	6,284,800	6,740,542
Deferred income		2,178
Debts	56,886,574	47,864,560
TOTAL EQUITY AND DEBT	**177,485,524**	**156,179,840**

SUMMARY OF OVERALL RESULT

	2021	2020
Operating income, of which:	134,933,049	128,801,771
- *Sales income*	128,533,049	116,649,429
- *Income from the application of IFRS 15*	2,798,116	8,339,607
Operating Expenses	118,895,888	110,247,696
Operating profit	**16,042,131**	**18,554,075**
Financial Income	391,071	260,415
Financial Expenses	2,229,494	2,310,470
Financial Profit / (Loss)	**(1,838,423)**	**(2,050,055)**
Profit before tax	**14,203,708**	**16,504,022**
Corporate tax	2,454,481	3,161,296
NET PROFIT AT 31.12.2021	**11.749.227**	**13.342.726**

The results for 2021 are presented in detail in the audited financial statements for the year, prepared in accordance with International Financial Reporting Standards (IFRS).

ANNEX - DECLARATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
Section A - Responsibilities of the Managing Board			
A.1 Does the company have internal regulations of the Managing Board that include the terms of reference regarding the Managing Board and the company's management functions?	✓		The company has adopted operating regulations for Managing Board. The responsibilities of the Managing Board, the key functions and the mode of operation are those provided by the articles of association and the legal provisions.
A.2 Provisions for the management of conflicts of interest are included in the CA regulations ?	✓		The company has adopted operating regulations for the Managing Board, which contain provisions on the management of conflicts of interest. The Managing Board will oversee the implementation and compliance with the applicable legal provisions as well as the policies approved at the level of the Board regarding non-competition and conflicts of interest.
A.3 The Managing Board or the Supervisory Board shall be composed of at least five members.	✓		The Managing Board consists of 5 members.
A.4 The majority of the members of the Managing Board must not hold executive office. At least one member of the Managing Board or the Supervisory Board must be independent in the case of Standard Class companies. Each independent member of the Managing Board or the Supervisory Board, as the case may be, shall submit a statement at the time of his nomination for election or re-election, as well as when any change in his status occurs, indicating the elements on the basis of which he is independent in his character and judgment.	✓		The composition of the Managing Board is as follows: Radu Viehmann - President, General Manager Dana Maria Ciorapciu - Non-executive director Radu Ovidiu Sârbu - Independent non-executive director Niculae Havrilet - Non-Executive Director Henriette Spinka - Non-Executive Director Of the 5 members of the Managing Board, one is also the executive director - the chairman of the General Manager - and the rest are non-executive. Mr. Radu Ovidiu Sârbu declared himself an independent administrator fulfilling the criteria specified by the CGC of BVB at points A41-A49.
A.5 Other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions on the Board of non-profit corporations and institutions, must be disclosed to potential shareholders and investors prior to appointment and during his term of office.	✓		The members of the Managing Board have submitted the declarations related to their relatively permanent professional commitments and obligations.

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
A.6 Any member of the Managing Board must submit to the Managing Board information on any relationship with a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights. This obligation refers to any report that may affect the member's position on matters decided by the Board.	✓		The members of the Managing Board have submitted the statements related to the relations with the shareholders who directly or indirectly hold more than 5% of all voting rights in addition to the provisions of the articles of association and the applicable legal provisions. refrain from any attitude which might affect the member's position on matters decided by the Council.
A.7 The company must appoint a secretary of the Board responsible for supporting the work of the Board.	✓		The Managing Board confirmed Ms. Claudia Anghel as Secretary of the Board of Directors.
A.8 The annual report shall indicate whether an evaluation of the Board has been carried out under management.		✓	Annually, the Managing Board presents the activity report in the first Ordinary General Meeting of Shareholders. The company is in the process of implementing the evaluation policies of the Managing Board, the activity of the Managing Board being analyzed mainly by the GMS.
A.9 The corporate governance statement must contain information on the number of meetings of the Board and the committees during the last year, the participation of the directors (in person and in absentia) and a report by the Board and the committees on their activities.	✓		During 2021, the Council met 5 times, with all its members present in person. The Audit Committee operates in accordance with the adopted operating regulations.
A.10 The annual report must include information on the exact number of independent members of the Board.	✓		Among the appointed members of the Managing Board, Mr. Radu Ovidiu Sârbu stated that he meets the conditions provided by the applicable regulations to be an independent member of the Board.
A.11 The company has a nomination committee of non-executive officers, which will lead the procedure for nominating new members to the Board and make recommendations to the Board.	✓		According to the provisions of the operating regulations of the Managing Board, in case of appointment of a new member of the Managing Board / renewal of the mandates, the Managing Board will set up a nomination committee.
Section B - Risk Management and Internal Control System			
B.1 The Managing Board must set up an audit committee in which at least one member must be an independent non-executive director. A majority of the members, including the chairperson, must have demonstrated that they have the appropriate qualifications relevant to the functions and responsibilities of the committee. At least one member of the audit committee must have proven and appropriate auditing or accounting experience.	✓		The Audit Committee is composed of directors with appropriate audit or accounting experience.

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
B.2 The chairman of the audit committee must be an independent non-executive member.	✓		Mr. Radu Ovidiu Sârbu is an independent director and was appointed chairman of the Audit Committee of the Board.
B.3 Within its responsibilities, the audit committee must carry out an annual evaluation of the internal control system.	✓		The Audit Committee shall carry out its activities in accordance with the rules adopted, including the evaluation of the internal control system.
B.4 The evaluation should consider the effectiveness and comprehensiveness of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Board's audit committee, the promptness and effectiveness with which the management addresses the deficiencies or weaknesses identified as a result of the audit. internal and the presentation of relevant reports to the attention of the Board.	✓		The Audit Committee has been set up and operates in accordance with the rules adopted, including the evaluation of the internal control system and internal control mechanisms.
B.5 The audit committee must assess the conflicts of interest in relation to the transactions of the company and its subsidiaries with related parties.	✓		The Audit Committee has been set up and operates in accordance with the rules adopted, including the assessment of conflicts of interest in relation to the transactions of the company and its subsidiaries with related parties.
B.6 The audit committee must evaluate the effectiveness of the internal control system and the risk management system.	✓		The Audit Committee has been set up and operates in accordance with the rules adopted, including the analysis of the effectiveness of the internal control system and the risk management system.
B.7 The Audit Committee should monitor the application of generally accepted legal and internal auditing standards. The audit committee must receive and evaluate the reports of the internal audit team.	✓		The Audit Committee has been set up and operates in accordance with the adopted regulations, including the evaluation of the application and compliance with the generally accepted standards, a function characteristic of the audit committee.
B.8 Whenever the Code mentions reports or analyzes initiated by the Audit Committee, they should be followed by periodic (at least annually) or ad hoc reports to be subsequently submitted to the Board.	✓		The Audit Committee has been set up and operates in accordance with the adopted regulations, including the reporting to the Board of Directors in accordance with the provisions of the Corporate Governance Code of the BVB.

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
B.9 No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements entered into by the company with shareholders and their affiliates.	✓		The company applies the regulations in force established both by the Articles of Incorporation and by other derived corporate regulations.
B.10 The Board must adopt a policy to ensure that any transaction of the company with any of the closely related companies whose value is equal to or greater than 5% of the company's net assets (according to the latest financial report) is approved. following a binding opinion of the Board's audit committee and correctly disclosed to shareholders and potential investors, insofar as these transactions fall into the category of events subject to reporting requirements.	✓		The Audit Committee has been set up and operates in accordance with the adopted regulations, including the issuance of opinions on the company's transactions with closely related companies, transactions with a value of more than 5% of the company's net assets. The legal provisions for reporting transactions of over 50,000 Euros concluded with persons in close relations with the company are considered sufficient, being covering the criterion of 5% of the company's net assets.
B.11. The internal audit must be performed by a structurally separate division (internal audit department) within the company or by hiring an independent third party entity.	✓		The company has an internal audit structure.
B.12 In order to ensure the performance of the main functions of the internal audit department, it must report functionally to the Board of Directors through the audit committee. For administrative purposes and as part of the management's obligations to monitor and reduce risks, he must report directly to the general manager.	✓		The Internal Audit Division is required to report to the Audit Committee and the Board.
Section C - Fair Reward and Motivation			
C.1 The company must publish the remuneration policy on its website and include in the annual report a statement on the implementation of the remuneration policy during the annual period under review.	✓		The remuneration of the members of the Managing Board is established at the appointment of the members by the GMS, and the related decisions are published both on the Company's website, on the BVB and in the Official Gazette.
Section D - Adding value through investor relations			
D.1 The company must organize an Investor Relations service - made known to the general public through the responsible person or as an organizational unit. In addition to the information required by law, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all relevant information of interest to investors, including:	✓		The company has organized the investor relations service coordinated by the Specialized Advisor who manages the investor relations. There is a dedicated section on the company's website: www.turbomecanica.ro which includes various information about investors, structured according to the nature of that information.

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
D.1.1 The main corporate regulations: the articles of incorporation, the procedures regarding the general meetings of shareholders;	✓		
D.1.2 Professional CVs of members of the company's governing bodies, other professional commitments of members of the Board, including executive and non-executive positions on boards of directors of companies or non-profit institutions;	✓		Currently, there is an updated CV for each member of the Managing Board and the executive management on the company's website.
D.1.3 Current and periodic reports (quarterly, half-yearly and annual) - at least those provided for in point D.8 - including current reports with detailed information on non-compliance with this Code;	✓		
D.1.4 Information on general meetings of shareholders: agenda and information materials; the procedure for electing the members of the Council, including the decisions adopted;	✓		The information required by law is published on the Company's website. The necessary steps are to be implemented according to the Board Regulations regarding the issues related to: the procedure for electing the members of the Board; the arguments in support of the candidates' proposals for election to the Council, together with their professional CVs.
D.1.5 Information about corporate events, such as the payment of dividends and other distributions to shareholders, or other events that lead to the acquisition or limitation of a shareholder's rights, including deadlines and principles applied to such transactions. That information will be published in a timeframe that allows investors to make investment decisions;	✓		All information regarding the payment of dividends is published on the company's website as well as in the current reports.
D.1.6 Name and contact details of a person who will be able to provide relevant information upon request;	✓		
D.1.7 Company presentations (eg, investor presentations, quarterly earnings presentations, etc.), financial statements (quarterly, half-yearly, annual), audit reports and annual reports.	✓		The Company publishes all the information required by law, including the reports in the dedicated section on the BVB website and on its own website.
D.2 The company will have a policy on the annual distribution of dividends or other benefits to shareholders, proposed by the General Director or the Management Board and adopted by the Board, in the form of a set of guidelines that the company intends to follow regarding the distribution of net profit. The principles of the annual distribution policy to shareholders will be published on the company's website.	✓		The Company has adopted a dividend distribution policy and procedures for each dividend distribution, but due to the fluctuating economic situation and especially the uncertainties related to the defense and / or aeronautical field, it is difficult to establish a long-term policy regarding the annual distribution of dividends. To the extent that net income distributable in the form of a dividend was

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
			recorded and to the extent that losses from previous financial years were covered, the company demonstrated consistency and predictability in the allocation of dividends when the company's profit so allowed.
D.3 The company will adopt a policy on forecasts, whether they are made public or not. The forecast policy will set the frequency, the period considered and the content of the forecast. If published, forecasts can only be included in annual, half-yearly or quarterly reports.		✓	The Company could not objectively adopt a policy on forecasts setting out their frequency, duration and content, whether public or not, due to the fluctuating economic situation and especially the uncertainties related to defense and / or aeronautics. The annual reports of the directors and published annually in the revenue and expenditure budget contain the forecasts and estimates of the company's governing bodies in this regard.
D.4 The rules of general meeting of shareholders must not limit the participation of shareholders in general meetings and the exercise of their rights. The changes to the rules will take effect at the earliest, starting with the next shareholders' meeting.	✓		
D.5 The external auditors will be present at the general meeting of shareholders when their reports are presented at these meetings.	✓		
D.6 The Board will present a brief assessment of the internal control and significant risk management systems to the annual general meeting of shareholders, as well as opinions on issues subject to the decision of the general meeting.	✓		According to the BoD regulation, the annual report contains a brief assessment of the internal control and significant risk management systems.
D.7 Any specialist, consultant, expert or financial analyst may attend the shareholders' meeting at the prior invitation of the Board. Accredited journalists may also attend the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	✓		
D.8 The quarterly and half-yearly financial reports will include information in both Romanian and English on key factors influencing changes in sales, operating profit, net profit and other relevant financial indicators, both quarterly and from one year to the next.	✓		All financial reports are published in both Romanian and English.
D.9 A company will hold at least two meetings / teleconferences with analysts and investors each year. The information presented on these occasions will be published in the investor relations section of the company's website at the date of the meetings / teleconferences.	✓		The financial calendar provides for the organization of meetings with analysts and investors, especially on the occasion of the publication of the annual financial statements (as material for the OGMS) and the half-yearly financial statements.

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
D.10 If a company supports various forms of artistic and cultural expression, sports activities, educational or scientific activities and considers that their impact on the innovative nature and competitiveness of the company are part of its development mission and strategy, it will publish the policy on the activity in this area.		✓	The Company could not adopt and publish a policy to support the forms of artistic and cultural expression, sports, educational and scientific activities, due to the fluctuating economic situation and especially the uncertainties related to the field of defense and / or aeronautics. However, the Company develops a constant program of involvement in educational activities by supporting a complete cycle (grades 9-12) of high school dual education within the Carol I Technical College, specialization: Lathes; I.C. High School of Technology Bratianu, specializations: Milling-Planer-Mortar and Fine Mechanics Mechanic; Dinicu Golescu Technological High School, specialization: Numerical control machine operator; Henri Coandă Aeronautical Technical College, specialization: Aircraft mechanic by collaborating in research and development activities, Faculty of Materials Science and Engineering within the Polytechnic University of Bucharest.

INDIVIDUAL FINANCIAL STATEMENTS FOR 2021

Individual statement of financial position

In 2021, the value of fixed assets decreased by the value of asset depreciation.

The significant difference between the reporting periods 2021 vs 2020 on the lines “Contractual assets” and “Stocks” comes from the adjustment related to the *IFRS 15 Revenue from Contracts with Customers*, recorded at 31.12.2020. At 2020 yearend, all work in progress was recognized as a long-term or short-term contracted asset.

In the comparative analysis of the 2 years, is important to take into account the fact that at 31.12.2020 the complete reclassification of the amount related to WIP was registered as long-term and short-term contractual assets, which explains the significant difference on the Inventory line.

In 2021, IFRS15 impacted WIP and the contractual assets to a smaller extent.

Regarding the trade receivables, they recorded an increase compared yearend 2020, mainly due to the situation of the contracts in execution and implicitly of the deliveries made in the second half of December 2021 and collected after the end of fiscal year 2021.

The long-term loans reflect the leasing contracts that the Company has concluded in order to secure the investment plan.

The significant change on the current debt line is mainly related to the implementation of the payment policy of the suppliers in compliance with the agreed contractual deadlines.

Short-term loans comprise the amounts related to the working capital in proportion of 78% of the value, and the difference represents the recognized long-term part of the leasing contracts.

In June 2021, TBM put into operation the OKK VP-9000 5-axis Milling Machining Center machine, purchased by leasing, its value being 2,294,494 Lei.

The evolution of short-term and long-term provisions remained approximately at the same values but changes made in their composition.

In 2021,the Company recorded 100% provision on the value resulting from the tax inspection report no. 7/2022 on the basis of which the tax inspection body issued the tax decision regarding amounts related to taxes and contributions related to gift vouchers distributed to employees initially treated on the basis of the definitions established in the CCM regarding social expenses.

The tax inspection report together with the tax decision were issued by the tax inspection body in January 2022 and the Company has already finished the legal formalities in order to benefit from the tax amnesty regarding the interest and accessories.

TBM has received the fiscal authority decision which approves the tax amnesty on interest and accessories.

At the same time, the Company is preparing to document the **contestation of the taxation decision.**

Individual profit and loss statement

Regarding the situation of the financial result, following the inventory of the patrimony, the Company analyzed the situation of the orders open in WIP and decided the transfer of some orders to the stocks of semi-finished products from own production based on the known information regarding the need to use them.

These transfers are to be reintroduced in the execution phases according to the needs communicated by the Production Department in order to use them on the future maintenance products.

As a result of the actions mentioned above, there was a decrease in the variation of the current production with an impact on the financial results of the Company.

At the same time, a significant impact was registered following the identification of the orders related to the maintenance activity of the engines owned by TBM, used both as test bench calibration engines and as homologation engines. In this sense, the Company reclassified in Tangible Assets their related value.

Although salary expenses increased by 7.28%, this percentage is decreasing compared to the reporting period 2019-2020, where the increase was about 20%. In this sense, in 2021 the internal decision no. 376 / 01.09.2021 for limiting the increase of staff costs by terminating employment for vacancies. However, the staff turnover on the occupied positions was addressed through employment.

Depreciation expenses increased as a result of the revaluation of property, plant and equipment from 31.12.2020.

Other elements of the overall result

The variation on this element being given by the actuarial gain afferent to the determined benefits plan, in the amount of RON 534,442.

Individual statement of changes in equity

With regards to the Company's equity, based on the EGMS Decision no. 3 / 26.08.2021, the adjustment related to the adoption for the first time of *IAS 29 - "Financial reporting in hyperinflationary economies"* was recorded, without influencing the total equity. This amendment clarifies the net value of the Company's subscribed and paid-in capital and ensures the transparency of information to investors and interested parties.

Equity on 31.12.2021 increased by 11.2%, compared to the same period last year.

Individual cash flow statement

In 2021, the Company deposited with BRD - Groupe Societe Generale, amounts in total value of RON 15,000,000.

The probable destination of this amount is the provision of own funds in order to start the development project in the maintenance of civil engines. In 2022 it is desired to continue insuring these funds up to the equivalent of 6,000,000 Eur. At the date of the report the deposit value incresed to RON 22,000,000

The economic environment and the market information are continuously monitored and analyzed in order to document the Company's decisions regarding the determination of the most favorable destination of the deposits, taking into account the evolution of the reference interest rates but also of the inflation forecasts.

STATEMENT OF COMPREHENSIVE INCOME FOR THE TEAR ENDED DECEMBER 31, 2021

	Note	December 31, 2021	December 31, 2020
		RON	***RON***
Revenues from contracts with clients	**4**	131,331,165	124,989,037
Changes in inventories of finished goods and work in progress		2,242,607	3,135,957
Raw materials, consumables and utilities	**5**	(41,843,823)	(40,424,698)
Employee benefits and salaries	**6**	(53,408,568)	(49,784,876)
Depreciation and amortization expenses	**11, 12**	(10,977,081)	(8,954,392)
Other operating expenses	**7**	(9,491,455)	(8,443,802)
Other operating income	**7**	1,349,869	-
Financial costs	**8**	(2,036,616)	(2,110,913)
Finance income	**8**	108,129	161
Other gains and losses	**9**	(3,070,518)	(1,902,451)
Profit before taxation		**14,203,709**	**16,504,022**
Income tax	**10**	(2,454,482)	(3,161,296)
Profit for the year		**11,749,227**	**13,342,726**
Other comprehensive income, net of taxation:			
Items which will be reclassified to profit and loss			-
Items which will not be reclassified to profit and loss:			
Actuarial gain/ (loss) on defined benefits plan, net of deferred tax	**21**	534,442	(464,404)
Gains from land, buildings and equipment reevaluation, net of tax		-	12,995,206
Other comprehensive income for the year		534,442	12,530,802
Comprehensive income for the year		**12,283,669**	**25,873,528**
Result per share:	***26***		
(RON / share)		0.032	0.037

The financial statements were approved by the Board of Administration and authorized for issuance on March 24, 2022.

CLAUDIA ANGHEL,

Economic & Commercial Director

RADU VIEHMANN,

CEO

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2021

	Note	December 31, 2021	December 31, 2020
ASSETS		*RON*	*RON*
Long-term assets			
Property, plant and equipment	**11**	63,583,402	71,703,273
Intangible assets	**12**	938,549	1,329,012
Contract Asset	**14**		12,128,057
Other assets		6,000	6,000
Total long-term assets		**64,527,951**	**85,166,342**
Current assets			
Inventories	**13**	59,341,924	31,173,171
Trade receivables	**15**	20,270,368	12,372,365
Contract assets	**14**	11,952,778	19,601,829
Other receivables	**16**	2,431,143	2,717,342
Cash and cash equivalents	**17**	18,961,360	5,148,791
Total current assets		**112,957,571**	**71,013,498**
Total assets		**177,485,522**	**156,179,840**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	**18**	36,944,248	1,024,571,055
Reserves	**19**	82,454,086	103,560,022
Retained earnings		1,800,021	(1,019,216,389)
Own shares		(599,408)	(599,408)
Total equity		**120,598,947**	**108,315,279**
Long-term liabilities			
Borrowings	**20**	2,055,578	4,242,854
Deferred tax liabilities	**10**	3,989,086	4,634,038
Provisions	**21**	1,485,978	3,032,342
Total long-term liabilities		**7,530,642**	**11,909,234**
Current liabilities			
Trade and other liabilities	**22**	5,551,518	1,861,529
Borrowings	**20**	27,895,049	20,424,538
Current income tax	**10**	1,927,794	1,631,433
Provisions	**21**	4,798,822	3,708,200
Deferred income	**23**	-	2,178
Other current liabilities	**23**	9,182,750	8,327,448
Total current liabilities		**49,355,933**	**35,955,326**
Total liabilities		**56,886,575**	**47,864,560**
Total equity and liabilities		**177,485,522**	**156,179,840**

The financial statements were approved by the Board of Administration and authorized for issuance on March 24, 2022.

CLAUDIA ANGHEL,

Financial & Commercial Director

RADU VIEHMANN,

CEO

STATEMENT OF CASH FLOWS AS AT DECEMBER 31, 2021	Note	December 31, 2021	December 31, 2020
Cash flow from operations:			
Net profit / (loss) of the year		**11,749,227**	**13,342,726**
Adjustments for:			
Income tax	10	2,454,482	3,161,296
Depreciation and amortization expenses	11, 12	10,977,081	8,810,688
Charge / (Reversal) of provision for receivables	15	101,480	(251,065)
Allowances for inventories and contractual assets	13	2,727,590	2,270,360
Other provisions	21	180,498	(358,010)
Net loss on sale of fixed assets	11, 12	102,305	54,396
Financial costs	8	2,036,616	2,168,475
Other financial gains	8	(108,129)	(141)
Net gains / loss from exchange rate differences		(26,976)	(9,557)
Changes in working capital		**30,194,174**	**29,189,167**
(Increase) in trade and other receivables		(7,686,309)	(8,278,984)
(Increase) in contract assets		21,843,262	(8,339,607)
(Increase) of inventories		(34,682,189)	(1,223,177)
Increase / (Decrease) in trade and other liabilities		5,014,270	(3,728,802)
Net cash generated by operating activities		**14,683,208**	**7,618,597**
Income tax paid		(2,904,870)	(2,418,963)
Interest received		108,129	-
Interest paid		(1,821,691)	(2,167,877)
Net cash (used in) operating activities		**10,064,776**	**3,031,757**
Cash flows from investment activities:			
Purchase of tangible assets*		(2,039,759)	(5,667,515)
Purchase of intangible assets		(666,174)	(680,130)
Proceeds from sale of fixed assets			20,437
Net cash (used in) investment activities		**(2,705,933)**	**(6,327,208)**
Net cash from financing activities:			
Proceeds from borrowings	25	8,069,666	5,887,987
Payments related to leasing obligations*	25	(929,858)	(1,210,234)
Dividends paid	25	(686,082)	(338,729)
Net cash generated from / (used in) financing activities		**6,453,726**	**4,339,024**
Net increase / (decrease) of cash and cash equivalents		**13,812,569**	**1,043,573**
Cash and cash equivalents at the beginning of the period		**5,148,791**	**4,105,218**
Cash and cash equivalents at the end of the period		**18,961,360**	**5,148,791**

** In 2020, the payments related to the leasing obligations in the amount of RO 1,210,234, respectively the tangible fixed assets entries acquired through leasing in the amount of RON 2,294,399 were presented net on the line of loan receipts.*

The financial statements were approved by the Board of Administration and authorized for issuance on March 24, 2022.

CLAUDIA ANGHEL, | **RADU VIEHMANN,**

Economic & Commercial Director | CEO

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUTY
FOR THE YEAR ENDED DECEMBER 31, 2021

	Share capital	Reserves	Revaluation reserve	Retained earnings	Total
Balance on January 1, 2021	**1,024,571,055**	**55,980,030**	**47,579,992**	**(1,019,815,798)**	**108,315,279**
Profit of the year	-	-		11,749,227	11,749,227
Other comprehensive income:					
Actuarial gains related to the determined benefits plan, net of deferred tax	-	-	-	534,442	534,442
Total other comprehensive income for the year	-	-	-	12,283,669	12,283,669
Realization of revaluation reserves	-	-	(389,107)	389,107	-
Closing the reported result from the adoption of IAS 29 (Note 18)	(987,626,807)	(20,716,829)	-	1,008,343,636	-
Balance of December 31, 2021	**36,944,248**	**35,263,201**	**47,190,885**	**1,200,613**	**120,598,947**

	Share capital	Reserves	Revaluation reserve	Retained earnings	Total
Balance on January 1, 2020	**1,024,571,055**	**54,799,281**	**35,182,370**	**(1,032,575,359)**	**81,977,346**
Profit of the year	**-**	**-**		**13,342,726**	**13,342,726**
Other comprehensive income					
Increase in revaluation reserves, net of the related deferred tax	**-**	**-**	12,995,206	-	12,995,206
Total comprehensive income for the year			**12,995,206**	**13,342,726**	**26,337,932**
Realization of revaluation reserves	-	-	(597,584)	597,584	-
Increases in other reserves	-	1,180,749	-	(1,180,749)	-
Balance of December 31, 2020	**1,024,571,055**	**55,980,030**	**47,579,992**	**(1,019,815,797)**	**108,315,279**

The financial statements were approved by the Board of Administration and authorized for issuance on March 24, 2022.

CLAUDIA ANGHEL,
Economic & Commercial Director

RADU VIEHMANN,
CEO

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

1. GENERAL INFORMATION

TURBOMECANICA SA ("Turbomecanica" or the "Company") is a joint-stock company, incorporated in 1975, with the main activity the manufacturing of engines, mechanical assemblies and equipment for aircraft. It is a privately owned company whose shares are listed on the Bucharest Stock Exchange.

The main shareholdings is as follows:
Viehmann Radu – shareholding of 25.91%
Ciorapciu Dana Maria – shareholding of 15.15%
Romanian State Authority through the authority regarding the administration of state assets - 150 shares, shareholding of 0.00004%
Other shareholders – shareholding of 58.94%.

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

The company has the following revenue streams:

a. **MRO services for engines and mechanical assemblies for aircrafts and helicopters**. The main products serviced by the Company are: Turbo engines, Viper engines, modernization of Puma helicopters, spare parts for Viper, and Turbo engines, spare parts and engines for Rolls-Royce. Turbomecanica is the only producer and approved MRO service provider of gas turbine engines and mechanical assemblies for aircrafts on the Romanian market.

b. **Revenues from production of customer build to print components and spare parts under de above mentioned lincenses** - the entity provides: components for aircraft and rotorcraft engines and/or mechanical assemblies by using client's tehnical documentation and spare parts for base maintenance activities to the Ministry of Defense

c. Income from the sale of materials - the sale of materials that the company has in stock.

For more details on revenue recognition policies, see Note 3.

The main clients of the Company are on the domestic market - the Ministry of Defense and IAR Barsov, but the company also has transactions with clients located in Europe.

The average number of employees is as follows:

	2021	**2020**
Average number of employees	501	495

THE IMPACT OF THE COVID PANDEMIC

In 2021, the Company's management analyzed the possible effects of COVID 19. The analysis revealed following conclusions :

- ✓ The Company concluded contracts and orders without significant delays;
- ✓ Deliveries and execution of contracts took place without significant delays;
- ✓ There were no delays in the supply chain;
- ✓ There were delays in collecting receivables from customers in Italy and Germany, but they were collected in December 2021 and in the first two months of 2022;
- ✓ There were no problems with supplier payments, salaries and other current debts;
- ✓ The company's profitability has been maintained.

The management of the Company was continuously engaged in the full and without exception implementation of the best practices and management policies, to ensure the continuity of economic activity in 2021, both in the interest of investors and in strict accordance with any measures provided by the competent authorities.

All the measures taken by the company to mitigate the effects related to COVID19, were mentioned in the Current Reports published at BVB, throughout 2021.

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

2.1 Changes in accounting policies and adoption of revised/amended IFRS

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2021:

- **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods. The amendments had no material impact on the financial statements of the Group.

- **IFRS 16 Leases- Covid 19 Related Rent Concessions (Amendment) -** The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:
  - ➢ The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
  - ➢ Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
  - ➢ There is no substantive change to other terms and conditions of the lease. The amendment had no impact on the Company's financial statements as of December 31, 2021.

2.2 New standards and amendments to the existing standards issued but not yet effective and not early adopted

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments were initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.

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

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect.

These Amendments, including ED proposals, have not yet been endorsed by the EU.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments have not yet been endorsed by the EU.

- **IFRS 16 Leases -Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.
The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies are presented below:

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

Statement of compliance

The individual financial statements have been prepared in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, with the subsequent modifications and clarifications.

Minister of Finance no. 2844/2016, as subsequently amended, is in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union, except for IAS 21 The Effects of Changes in Foreign Exchange Rates on Functional Currency on the recognition of revenues from green certificates, except for IFRS 15 Revenues from contracts with customers regarding revenues from connection fees to the distribution network.

Basis of preparation

The individual financial statements have been prepared on the historical cost basis, except for tangible assets, which are measured at revalued amount, as described in the accounting policies below. The historical cost is generally based on the fair value of the consideration given in exchange for the assets.
The financial statements are presented in Romanian lei ("RON") and all values are rounded to the nearest RON, unless otherwise indicated.

Going concern

The financial statements of the Company have been prepared on the basis of the principle of continuity of activity which takes into account that the Company will carry out its current activity in the future. In order to evaluate the applicability of this hypothesis, the Company's management analyzed cash flows forecasts resulting from the translation of the existing and future commercial relations. Based on this analysis, which also took into account the subsequent events mentioned in Note 29, the Management considers that the Company will continue to operate in the future and, therefore, the application of the principle of business continuity in preparing the financial statements is justified.

In 2021, the Company recorded a profit of RON 11,749,227. The company is currently dependent on working with two main local customers. The turnover with these customers for 2021 represents 90.4% of the total turnover of the company.
However, the management of the Company considers that this aspect does not constitute an impediment, having orders concluded with these partners for the following periods, which ensure sufficient income. The Company also intends to start developing its activity in the civil industry, and in this sense it is considering a series of significant investments.

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

The Company measures and recognizes at fair value certain non-financial assets such land, buildings, equipment's and furniture. Also, fair values of financial instruments measured at amortized cost are estimated for disclosure purposes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: market prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as land, buildings and for non-recurring measurement, such as assets held for sale from discontinued operations.

External evaluators are involved for valuation of significant assets, such as land, buildings, equipment. Involvement of external evaluators is decided upon annually by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's policies by verifying the major inputs applied in the latest valuation and assessing the changes from the previous valuation.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Revenue recognition

IFRS 15 "Revenue from contracts with customers" introduced a comprehensive model for the recognition and measurement of income. Revenue is recognized when the customer acquires control of the goods or services provided, at the amount that reflects the price that the company expects to receive in exchange for those goods or services.

Information regarding the reasoning, estimates and significant accounting assumptions regarding the revenues from the contracts with the clients is presented in the section *Rationale, estimates and significant accounting assumptions* at the end of this note.

The company has the following revenue streams:

a. Manufacturing of engines and mechanical assemblies for aircrafts and helicopters.

The main products provided by the Company are: Turbo engines, Viper engines, modernization of Puma helicopters, spare parts for Viper and Turbo engines, spare parts and engines for Rolls-Royce. Turbomecanica is the only producer of gas turbine engines and mechanical assemblies for aircrafts on the Romanian market.
The revenues are recorded based on approved contract between parties, parties being committed to perform their respective obligations. Each party's rights and payment terms can be easily identified. The payment terms range from 10 days after the goods are delivered. The contracts have commercial substance and it is probable that the entity will collect the consideration to which will be entitled in exchange for the goods or services transferred to the customer.

The performance obligations relate to distinct performance obligations represented by goods (turbines, materials).

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods to a customer, excluding those amounts collected on behalf of third parties (e.g. some sales taxes). They include fixed amounts, as agreed between the parties. Both the terms of the contract and the entity's customary business practices need to be considered in order to determine the transaction price. The Company has distinct transaction price for each turbine delivered. It is also assumed that the goods will be transferred to the customer as promised in accordance with exiting contract.
IFRS 15 requires the transaction price to be allocated to each performance obligation identified in the contract on a relative stand-alone selling price basis. There are no difficulties in allocating the price as they are clearly attributable and negotiated at the contract settlement.

For fixed price contracts, the Company recognizes the revenue as it provides production related services, evaluating the stage of completion of projects. The Company transfers control over a good or service over time and, therefore, fulfills an obligation to execute and recognizes revenue over time, as the Company's execution creates or improves an asset that the client controls as the asset is created or improved. . The completion stage is determined, using the input-based method, based on the contractual costs incurred up to the end of the reporting period, as a percentage of the total estimated cost for each contract.
If the outcome of a contract cannot be estimated reliably, the revenue of the contract is recognized only in line with the costs of the contract which are likely to be recoverable. When the result of a service contract can be estimated reliably and the contract is likely to be profitable, the expected profit is recorded in proportion to the degree of performance over the term of the contract. If the total costs of the contract are likely to exceed the total revenues of the contract, the estimated loss is recorded as an expense, in accordance with IAS 37 Provisions, contingent liabilities and contingent assets.

The company presents as contractual assets the gross amounts owed by customers, related to the ongoing contracts, for which the costs incurred and the recognized profits (minus the recognized losses) exceed the total invoiced value of the respective contract. If the invoices issued exceed the costs incurred plus the recognized profits (less the recognized losses), the gross amounts due to customers are presented as debts related to contracts.

b. Revenues from repair services of engines and mechanical assemblies for aircrafts and helicopters - the entity provides repair services for turbines sold to Ministry of Defense.

The revenues are recorded based on approved contract between parties, parties being committed to perform their respective obligations. Each party's rights and payment terms can be easily identified. The payment terms range from 10 days after the services will be provided. The contracts have commercial substance and it is probable that the entity will collect the consideration to which will be entitled in exchange for the goods or services transferred to the customer.

The performance obligations relate to distinct performance obligations represented by repairs services satisfied over time.

Revenue recognition (continued)

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised services to a customer, excluding those amounts collected on behalf of third parties (e.g. some sales taxes).

They include fixed amounts, as agreed between the parties. Both the terms of the contract and the entity's customary business practices need to be considered in order to determine the transaction price. The Company has distinct transaction price for each repair service provided. It is also assumed that the services will be transferred to the customer as promised in accordance with exiting contract.

IFRS 15 requires the transaction price to be allocated to each performance obligation identified in the contract on a relative stand-alone selling price basis. There are no difficulties in allocating the price as they are clearly attributable and negotiated at the contract settlement.

For fixed price contracts, the Company recognizes the revenues as the services are provided, evaluating the completion stage of the projects. The Company transfers control over a good or service over time and, therefore, fulfills an obligation to execute and recognizes revenue over time, as the Company's execution creates or improves an asset that the client controls as the asset is created or improved. The completion stage is determined using the input method, based on the contractual costs incurred up to the end of the reporting period, as a percentage of the total estimated cost for each contract.

If the outcome of a contract cannot be estimated reliably, the revenue of the contract is recognized only in line with the costs of the contract which are likely to be recoverable. When the result of a service contract can be estimated reliably and the contract is likely to be profitable, the expected profit is recorded in proportion to the degree of performance over the term of the contract. If the total costs of the contract are likely to exceed the total revenues of the contract, the estimated loss is recorded as an expense, in accordance with IAS 37 Provisions, contingent liabilities and contingent assets

The company presents as contractual assets the gross amounts owed by customers, related to the ongoing contracts, for which the costs incurred and the recognized profits (minus the recognized losses) exceed the total invoiced value of the respective contract. If the invoices issued exceed the costs incurred plus the recognized profits (less the recognized losses), the gross amounts due to customers are presented as debts related to contracts.

c) Revenues from the sale of materials, waste materials and other services provided.

The revenues are recorded based on approved contract between parties, parties being committed to perform their respective obligations. Each party's rights and payment terms can be easily identified. The payment terms range from 10 days after the services will be provided. The contracts have commercial substance and it is probable that the entity will collect the consideration to which will be entitled in exchange for the goods or services transferred to the customer.

The performance obligations relate to distinct performance obligations represented by sales of materials and are satisfied at point in time, when the delivery takes place.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised materials to a customer, excluding those amounts collected on behalf of third parties (e.g. some sales taxes).

They include fixed amounts, as agreed between the parties. Both the terms of the contract and the entity's customary business practices need to be considered in order to determine the transaction price. The Company has distinct transaction price for each material sold. It is also assumed that the materials will be transferred to the customer as promised in accordance with exiting contract.

IFRS 15 requires that the transaction price be allocated to each performance obligation identified in the contract on the basis of the relative independent selling price. There are no difficulties in allocating the price, as these are clearly attributable and negotiated at the conclusion of the contract. The entity recognizes revenue in accordance with the arrangements established at the time of delivery.

For the activities performed, mentioned above in points a and b, the Company grants to its clients guarantees of good execution for a period that varies between 12 and 18 months. These fall within the scope of IAS 37 as:

a. the guarantees according to the contract offer the customer the assurance that the product will work;
b. the guarantees do not provide additional services other than the assurance that the good will work according to the agreed specifications;
c. customers do not have the option to purchase the warranty separately.

Therefore, these guarantees do not constitute separate performance obligations, but should be recognized as provisions in accordance with IAS 37.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade Receivables

Trade receivables are recognized at the transaction price determined in accordance with IFRS 15. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. The Company assesses at each balance-sheet date the requirement for an allowance for impairment in trade receivables. When measuring expected credit loss (hereinafter “ECL”) the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are presented in the statement of financial position at fair value ar revaluation date, less any accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right of use of asset relates to rented cars which are depreciated over 3 years, as well as leased equipment amortised over a period between 3 to 20 years.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 3 Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company’s exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The financial statements are presented in RON, which is functional currency of Turbomecanica SA and also the presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other net foreign exchange losses/(gains).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

The exchange rates used are EUR 1 = RON 4,9481 (December 31, 2021) and USD 1 = RON 4,3707 (December 31, 2021), average rate 2021 EUR 1 = RON 4,9204.

Borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period

Employee benefits

In the normal course of business, the Company makes payments to the Romanian State on behalf of its employees, for pensions, health and unemployment fund. The cost of these payments is charged to the income statement in the same period as the related salary cost.

All employees of the Company are members of the Romanian State pension plan.

The Company rewards its employees with retirement benefits according to the collective labor contract. For such pension plan, the cost of benefits is determined using the projected unit credit method, and actuarial assessments are performed on each balance sheet date.

The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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

Benefits for termination of employment contract

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

Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognized based on temporary differences between the carrying value of assets and liabilities in the financial statements and the corresponding fiscal base used in calculating taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences.

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

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

Deferred tax assets and liabilities are measured at the level of the taxes assumed to apply during the period set for the recovery of the debt or realization of the asset, considering the level of taxes (and tax laws) that are or will be in force until the end of the reporting period. The measurement of deferred assets and liabilities reflect the tax consequences that would arise from the manner in which the Company estimates, at the end of the reporting period, to recover or settle the carrying value of its assets and liabilities.

Current and deferred annual tax

Current and deferred tax is recognized in profit and loss unless it refers to elements recognized in other comprehensive results or directly in equity, in which case current and deferred tax is also recognized in other global income, or equity.

The income tax for the year ended December 31, 2021 was 16% (December 31, 20209: 16%).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Property, plant and equipment

Tangible assets used in production or to supply goods or services, or for administrative purposes, are presented in the statement of financial position at fair value at the date of reevaluation less depreciation and any impairment, subsequently accumulated. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation surplus is recorded in other comprehensive income and is therefore credited to the reserve from the revaluation of equity assets, except to the extent that it includes a reduction in the revaluation of the same asset previously recognized in profit or loss and, in this case, the increase is recognized in the income statement. A revaluation deficit is recognized in the income statement, unless it offsets an existing surplus for the same asset, recognized in the asset revaluation reserve.
The revaluation surplus is transferred to retained earnings as the assets are written off / sold.

Tangible assets in progress that will be used in production or in administration are stated at cost less any impairment. Costs include professional fees and, in case of qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policies. Such assets are classified under such categories of tangible assets when completed or ready for use for the purpose they were intended. The depreciation of such assets, on the same basis as other owned assets, commences when the assets are ready for use as intended by the management.

The depreciation periods for tangible assets are:

	Years
Buildings	10-50
Installations and technological equipment	3-20
Furniture and other office equipment	3-15

Land is not depreciated.

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

Assets held under leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is no longer recognized further to its assignment or when no future economic benefits are expected from the continued use of the asset. Any gain or loss resulting from the assignment or disposal of an item of property, plant and equipment is determined as the difference between proceeds from sales and the carrying value of the asset and is recognized in the Company's profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with determined useful lives and which are acquired separately are reported at cost less any subsequent accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with undetermined useful lives and which are acquired separately, are reported at cost less accumulated impairment losses.

The depreciation periods for intangible assets are:

Other intangible assets	1-10 ani

De-recognition of intangible assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that that such assets have impaired. Should such indication exist, the Company estimates the recoverable value of the asset to determine the extent of the impairment (if any).

Where the recoverable value of a particular asset cannot be estimated, the Company estimates the recoverable value of the cash generating unit to which the asset belongs. Where there can be identified a reasonable and consistent basis of allocation, corporate assets will also be allocated to individual cash generating units or, if not, to the smallest company of cash generating units for which a reasonable and consistent basis of allocation can be identified.

Intangible assets with undetermined useful lives and intangible assets not yet available for use are tested at least annually for impairment or anytime there is an indication that the asset might be impaired.

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

The recoverable value means the highest of fair value minus sale costs and its value in use. When measuring the value in use, estimated future cash flows are discounted at their current value by using a discount rate determined prior to taxation, which reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates related to future cash flows have not been adjusted.

If the recoverable value of an asset (or cash-generating unit) is estimated to be lower than its carrying value, then the carrying value of the asset (or the cash-generating unit) is reduced to the level of the recoverable value. Impairment is recognized immediately in profit or loss, if the relevant asset is not registered at a re-measured value, in which case the impairment is treated as reduction of re-measurement.

Where the impairment is reversed, the carrying value of the asset (or the cash-generating unit) is increased at the level of its new estimated recoverable value, only that the increased carrying value must not exceed the carrying value that would have been established should the impairment for the asset (cash-generating unit) had not been recognized in previous years. A reversal of impairment is immediately recognized in profit or loss, except where the asset is accounted at revalued amount, in which case the reversal of the impairment is treated as increase of the revaluation.

Inventories

inventories, which include raw materials, finished products, semi-finished products, production in progress, are valued at the lower of cost and net realizable value.

The cost of inventories includes all costs related to the acquisition and processing, as well as other costs incurred to bring the inventories in shape and in the place where they are located. The cost of finished products and production in progress includes direct production costs, namely: direct materials, energy consumed, direct labor and other direct production costs, as well as the share of indirect production costs rationally is allocated as related to manufacturing. them.
The costs of raw material are determined by the weighted average cost method. The net realizable value represents the estimated selling price during the normal development of the activity, minus the estimated costs for completion and the estimated costs necessary to make the sale.

Provisions

Provisions are recognized when the Company has a present obligation (legal or implicit) as a result of a past event, and it is probable that an outflow of resources incorporating economic benefits will be required to settle that obligation and a reliable estimate of the value of the obligation may be made.

The value recognized as provision is the best estimate of the counter value required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties related to the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, the carrying value thereof is the present value of such cash flows (if the effect of the time value of money is material).

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

Onerous contracts

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (Continued)

Restructurings

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

Guarantees

Provisions for estimated costs of guarantee obligations according to local legislation concerning the sale of goods are recognized on the date when the relevant products are sold, at the best estimate made by the management as regards the expenses required to settle the Company's obligation.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. In this category are also included non-trade liabilities such as VAT and social securities recognized at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Financial assets and liabilities

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

<u>Financial assets</u>

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the entity's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or fair value through the OCI, it must give rise to cash flows that are "excluding principal and interest payments (SPPIs)" of the outstanding principal amount. This assessment is called the SPPI test and is performed at the instrument level. Non-SPPI cash-flow financial assets are classified and measured at fair value through profit or loss, regardless of business model.

The Company's business model for managing financial assets refers to how it manages deal with its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

1. Financial assets at amortised cost (debt instruments)
2. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
3. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
4. Financial assets at fair value through profit or loss

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period.

The Company's financial assets at amortised cost includes trade receivables.

The Company does not hold any financial assets at fair value through OCI or profit or loss.

De-recognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company performed an assessment at year end and no material difference arise in applying ELC model and current accounting policy by allowing receivables older than 270 days. The company clients operate in state owned companies from public sector, thus there is a remote risk of default and also the average collection is 22 days.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations,
as well as the consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Significant increase in credit risk

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk is remote as the greatest part of company balance of accounts receivables consists of four main clients which are state owned, the average collection period is 20 days, thus there is limited risk of material credit losses.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Financial assets and liabilities (continued)

A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of investment grade in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Company considers the changes in the risk that the specified debtor will default on the contract.

The company does not have financial guarantee contracts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that there is limited probability of default for the existing clients, as mentioned above there is a high concentration of three state owned clients, the average number of collection days is 22 days, no default occurred in the last years and few chances to occur as the clients are stated owned acting in defence industry.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a. significant financial difficulty of the issuer or the borrower;
b. a breach of contract, such as a default or past due event;
c. the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty,
d. having granted to the borrower a concession that the lender would not otherwise consider;
e. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
f. disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss within other gains or losses line.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

De-recognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on de-recognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on de-recognition of an investment in an equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings including short term bank loans and loans from shareholders.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)
Financial assets and liabilities (continued)

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9, Financial instruments. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit and loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9, Financial instruments are satisfied.

The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income. This category generally applies to interest-bearing loans and borrowings.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

Segment reporting

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

Settlement prices among segments are set objectively.

The results, assets and liabilities related to a segment include elements that may be allocated directly to one segment, and elements that may be allocated on a reasonable basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)
<u>*Financial assets (continued)*</u>

Contingent assets and liabilities
A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- a present obligation that arises from past events that is not recognized because:

  a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  b. the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the Company's financial statements, but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

A contingent asset is not recognized in the Company's financial statements, but disclosed when an inflow of economic benefits is probable.

Subsequent events

Events occurring after the reporting date 31 December 2021, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in the financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting date (non-adjusting events), when material, are disclosed in the notes to the financial statements.

Critical accounting judgements

Events occurring after the reporting date, respectively 31 December 2021, which provide additional information on the conditions prevailing at the reporting date (events requiring adjustments) are reflected in the financial statements. Events occurring after the reporting date that provide information about events that occurred after the reporting date (events that do not require adjustments), when significant, are presented in the notes to the financial statements.

Other information regarding the Company's exposure to risks and uncertainties is included in:
• Risk management policies (Note 25);
• Information on sensitivity analyzes (Note 25).

The following are the critical reasoning that management has made in the process of applying the Company's accounting policies and which have a significant effect on the carrying amounts recognized in the financial statements.

i) Recognition of contract revenues

As presented above, in the Revenue Recognition section, IFRS 15 has introduced a comprehensive model for revenue recognition and measurement, which requires critical reasoning as well as significant estimates. The critical reasonings made by the Company's management are

- on the one hand, related to the determination of the method of income recognition for the activities carried out.

Following a comprehensive analysis, the Company determined that the revenues related to the main activities consisting in the manufacture and repair services of engines and mechanical assemblies are recognized as the assumed obligations, is performed, fand for the other activities recognition at the time of delivery of the obligation. The reasoning applied is presented in the section Revenue recognition IFRS 15. Also, as part of this analysis, the Company's management determined that the use of the input-based method in determining the degree of satisfaction of the assumed obligations is adequate, taking into account the specific activities.

- on the other hand, related to the identification of contracts that meet the criteria for recognizing IFRS 15.

3. SGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements (Continued)

Thus, based on the analysis performed, it was established that collaboration protocols and framework contracts concluded with the main clients do not meet, individually, the criteria and definitions of a contract according to IFRS 15, but only together with other subsequent agreements. The company also analyzed the accounting treatment applied to the activities carried out in anticipation of future contracts and the costs incurred with the manufacture or repair of mechanical assemblies until the contractual agreements meet the criteria established by IFRS 15. Based on this analysis, it was determined that these costs falls within the scope of the IAS 2 Inventories standard, and therefore the eligible costs mentioned in the Inventories section are capitalized in the production in progress until the beginning of the contract. At the beginning of the contract, these costs are recognized in income on a cumulative basis, thus reflecting the work already performed.

The following describes significant estimates and assumptions about future events and other sources of uncertainty at the reporting date, which present a major risk of leading to significant adjustments to the carrying amount of assets or liabilities during the next financial year. The company bases its estimates and assumptions on the parameters available at the date of preparation of the financial statements. However, existing circumstances and assumptions regarding future periods may be subject to change in the context of changes in market conditions or other factors beyond the Company's control. Such changes are reflected in the assumptions as they occur. The basic estimates and assumptions are constantly reviewed. Revisions to accounting estimates are recognized prospectively.

In the process of applying the Company's accounting policies, the management used the following significant estimates and assumptions:

i) Revenue recognition - the degree of fulfillment of the obligations assumed in the contracts with the clients

The company recognizes the revenues from manufacturing and repair services depending on the degree of fulfillment of the obligations assumed by the individual contracts. The degree of fulfillment of the assumed obligations is determined by reporting the cost incurred until the end of the reporting period on each individual execution obligation to the estimated total cost of the project. Management's estimate of total budgeted costs is based primarily on pre-calculations performed by the technical department at the beginning of the project and subsequently revised, as appropriate, to the effect of significant changes indicated by the project managers. Given the nature of the activities carried out, the date on which the contractual activity begins and the date on which the activity is completed are usually within different accounting periods. Starting with 2021, the Company periodically analyzes and revises the estimation of contractual revenues and costs, both in the calculation prepared for each individual contract, as the contract progresses. In 2021, the Company recognized in revenue RON 3,644,565 in correspondence with the contractual assets, representing the net margin related to the contracts in progress on December 31, 2021, calculated based on the degree of fulfillment of the assumed obligations, as well as provisions for onerous contracts in the amount of 676,153 RON. In previous years, contractual assets were recognized only at the level of costs incurred.

ii) Lifetime of tangible and intangible fixed assets

The Company reviews the estimated useful lives of tangible and intangible assets at the end of each annual reporting period. Lifespans are shown below. In 2021, there were no changes in the useful lives of tangible and intangible assets.

iii) The fair value of property, plant and equipment

The company reflects the land, buildings and equipment held at fair value. It is reviewed with sufficient regularity to ensure that the net carrying amount does not differ materially from the fair value of those assets. The valuation of tangible assets is usually performed with the help of independent experts, the last valuation taking place on December 31, 2020.

The fair value is determined using the market value method for real estate and movable property for which there is a market on which they can be traded, and the net replacement cost method for specialized assets for which there is no market on which they can be capitalized. For specialized real estate, two methods were considered, the determination of the new cost, adjusted with the related wear and tear, as well as the income approach. When applying the income approach, the value of the asset in question is determined by discounting the cash flows that could reasonably be obtained from the operation. The main assumptions for performing the valuation, using the discounted value method, are represented by the estimated cash flows and their discount rate. In 2021, based on the evolution of the real estate and furniture market, it was not considered necessary to update the valuation for tangible fixed assets.

iv) Inventory provisions

At the end of each reporting period, the Company considers whether the provisions for slow-moving stocks are sufficient. The policy for the provision of slow-moving stocks is detailed in Note 13. The assumptions and depreciation rates applied were determined by the company's management based on analyzes performed by the Company's technicians and engineers. Note 13 shows the movements in the value of provisions for inventories during the year.

3. SGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements (Continued)

v) Obligations related to pensions

The present value of pension obligations depends on a number of factors established on an actuarial basis using a number of assumptions. Any modification of these assumptions, presented in detail in Note 21, will influence the book value of the pension obligations.

The obligations related to pensions as of December 31, 2021 are in the amount of RON 1,150,356. (December 31, 2020: RON 1,800,095). The value was determined by Gelid Actuarial Company S.R.L. based on the contract for consulting and provision of actuarial services concluded in 2021.

vi) Profit tax and deferred tax

The company is subject to corporate income tax in one jurisdiction (Romania). There are many transactions and calculations for which the final determination of the tax is uncertain. The company records provisions, if any, for possible future consequences of tax inspections. If the final fiscal result of these aspects is different from the amounts initially registered, the respective differences will have an impact on the receivables and debts regarding the current and deferred profit tax in the period in which the respective difference appears.

The company also calculates deferred tax, as set out in Note 10. The company has not recorded deferred tax in connection with value adjustments on inventories, considering, based on the analysis performed, that they do not generate a temporary difference, according to the standard.

The company has old stocks of components, specific for helicopters and airplanes. These include special materials, whose scrapping / sale requires the observance of very strict procedures; these are difficult to acquire from the market, and considering the specific activity of the Company, the management does not intend to capitalize on them by selling / scrapping and may need them in future works.

4. INCOME FROM CONTRACTS WITH CLIENTS

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

	December 31, 2021	December 31, 2020
	RON	***RON***
Recognised over the time		
Income from the sale of finished products	39,417,810	36,827,898
Incomes from rendering of repair services	90,120,845	85,931,742
Recognised at delivery moment		
Income from the sale of merchandise	124,718	780,468
Income from services provided	1,365,210	1,307,855
Income from other activities	1,513	1,513
Income from the sale of residual products	301,069	139,561
Total	**131,331,165**	**124,989,037**

During 2020, the revenues related to the partially fulfilled execution obligations were recognized at cost. Starting with 2021, the Company performed an analysis of the contracted obligations, which allowed it to recognize these revenues at cost plus the associated margin.

The price allocated to the unfinished execution obligations (unsatisfied or partially unsatisfied) related to the revenues from the manufacturing and repair contracts at the end of the reporting period is RON 47,250,144. The remaining performance obligation is expected to be recognized within one year of the end of the reporting period.

5. RAW MATERIALS, CONSUMABLES AND UTILITIES

	December 31, 2021	December 31, 2020
Expenses with raw materials	32,497,885	31,265,637
Expenses with utilities	3,361,973	2,795,452
Expenses with auxiliary materials	3,585,858	3,340,622
Other material expenses	2,235,245	2,337,043
Packaging expenses	59,112	57,466
Cost of goods sold	103,750	628,478
Total	**41,843,823**	**40,424,698**

6. EMPLOYEE BENEFITS

	December 31, 2021	December 31, 2020
Salaries	51,126,046	47,757,668
Social security contributions	2,282,522	2,027,208
Total	**53,408,568**	**49,784,876**

7. OTHER OPERATING EXPENSES AND INCOME, NET

	December 31, 2021	December 31, 2020
	RON	***RON***
Services provided by third parties	3,462,342	3,931,136
Other operating expenses	2,010,271	748,795
Other operating income	(1,349,869)	-
Duties and taxes	926,064	984,995
Repairs	1,401,585	1,042,411
Advertising, publicity and protocol	496,017	378,484
Insurance premiums	155,671	350,156
Secondment	91,180	66,920
Rental expenses	89,152	53,686
Employee training	85,189	672,070
Transport expenses	773,984	215,149
Total, net	**8,141,586**	**8,443,802**

8. NET FINANCIAL COSTS

	December 31, 2021	December 31, 2020
Interest expense	1,657,579	1,736,687
Bank commissions	63,089	70,255
Other financial expenses	315,948	294,614
Other financial income	-	9,357
Interest income	(108,129)	(161)
Total	**1,928,487**	**2,110,752**

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

	December 31, 2021	December 31, 2020
	RON	***RON***
Net gain on foreign exchange	26,975	(9,557)
Movement of provisions, for current assets, employee benefits, and other provisions	(3,009,568)	(1,661,284)
Other gains and losses, net	14,380	(197,628)
Other gains and losses from sale of assets	(102,305)	(33, 982)
Total	**(3,070,518)**	**(1,902,451)**

The change in provisions is mainly influenced by the change in the stock provision (RON 2.7 million).

10. INCOME TAX

In 2021 and 2020, the income tax rate was 16%.

The income tax recognized in profit or loss:

	December 31, 2021	December 31, 2020
Income tax	3,201,232	3,161,296
Deferred income tax	(746,750)	-
Total	**2,454,482**	**3,161,296**

Reconciliation of current income tax:

	December 31, 2021	December 31, 2020
Profit before taxation	**14,203,708**	**16,504,022**
Income tax (16%)	**2,272,593**	**2,640,644**
Non-deductible expenses/ Non-taxable income	657,167	973,704
Tax deductions	(475,278)	(453,052)
Income tax expense	**2,454,482**	**3,161,296**
Effective tax rate	**17.28%**	**19.15%**

Non-deductible expenses mainly include non-deductible depreciation and provisioning expenses. Non-deductible income consists mainly of reversals of provisions.

10. INCOME TAX (continued)

The deferred income tax in 2021 and 2020 is as follows:

	Balance as at January 1, 2020	Recognized through profit or loss	Recognized through other comprehensive income	Balance as at December 31, 2020	Recognized through profit or loss	Recognized through other comprehensive income	Balance as at December 31, 2021
Tangible assets	(2,158,761)	-	(2,475,277)	(4,634,038)		-	(4, 634,038,)
Obligations related to employee benefits						(101,798)	(101,798)
Provisions					746,750		746,750
Net tax asset/(liability)	**(2,158,761)**	**-**	**(2,475,277)**	**(4,634,038)**	**746,750**	**(101,798)**	**(3,989,086)**

In 2021, the Company recorded a deferred tax related to earnings from pension provisions recorded through comprehensive income and a deferred income tax related to provisions for bonuses, unpaid leave, guarantees and valuable aids from customers. In 2020, the Company recorded a deferred tax related to revaluation reserves in the amount of RON 2,475,277. No deferred tax was recognized for inventories, based on the reasoning set forth in Note 3.

Deferred tax consists of:

	Assets		Liabilities		Net	
	31-Dec-21	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Tangible assets	-	-	(4,634,038)	(4,634,038)	(4,634,038)	(4,634,038)
Employee benefits liabilities	-	-	(101,798)	-	(101,798)	-
Provisions	746,750	-		-	746,750	-
Net tax (asset)/liability	**746,750**	**-**	**(4,735,836)**	**(4,634,038)**	**(3,989,086)**	**(4,634,038)**

Deferred tax liabilities and assets are expected to be recovered over a period longer than 12 months

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and other constructions	Technical installations and machinery	Furniture, equipment, office supplies, protective equipment	Tangible Assets in progress	Total
COST						
January 1, 2020	**18,794,996**	**12,008,084**	**35,390,687**	**219,967**	**344,779**	**66,758,513**
Additions	-	-	2,294,495	-	4,956,754	7,251,249
Transfers	-	1,220,454	2,011,812	39,518	(3,271,784)	-
Disposals	-	-	(241,717)	(383)	-	(242,100)
Additions pending supply	-	-	-	-	-	-
Increases/(reductions) from revaluation, in correspondence with the reserve from valuation, respectively through the global income situation	(2,152,085)	2,050,228	15,311,491	63,357		15,272,991
Elimination of depreciation on revaluation	-	(1,635,235)	(15,606,956)	(95,188)	-	(17,337,379)
Additions / (disposals) from revaluation	(2,152,085)	414,993	(295,465)	(31,831)	-	(2,064,388)
December 31, 2020	**18,642,911**	**13,643,530**	**39,159,811**	**227,271**	**2,029,751**	**71,703,273**
Additions	-	96,181	125,817	-	3,763,062	3,985,061
Transfers	-	-	2,911,443	304,461	(3,215,904)	-
Disposals	-	-	(2,227,594)*	(3,610)	-	(2,231,204)
Additions pending supply	-	-		-	-	-
Additions / (disposals) from revaluation	-					
December 31, 2021	**16,642,911**	**13,739,711**	**39,969,477**	**528,122**	**2,576,909**	**73,457,130**
ACCUMULATED DEPRECIATION						
January 1, 2020	**-**	**912,851**	**10,319,739**	**60,503**	**-**	**11,293,093**
Depreciation for the year	**-**	722,384	5,454,133	35,035	-	6,211,551
Accumulated depreciation related to outflows	-	-	(166,915)	(351)	-	(167,266)
Disposals due to revaluation	-	(1,635,235)	(15,606,956)	(95,188)	-	(17,337,378)
December 31, 2020	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation for the year	**-**	583,280	9,230,538	106,626	-	9,920,444
Accumulated depreciation related to outflows	-		(46,716)		-	(46,716)
Disposals due to revaluation	-				-	
December 31, 2021	**-**	**583,280**	**9,183,822**	**106,626**	**-**	**9,873,728**
NET BOOK VALUE	**-**	**-**	**-**	**-**	**-**	**-**
December 31, 2020	**16,642,911**	**13,643,531**	**39,159,811**	**227,272**	**2,029,751**	**71,703,273**
December 31, 2021	**16,642,911**	**13,156,431**	**30,785,655**	**421,496**	**2,576,909**	**63,583,402**

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

***** Disposals from technical installations include equipment in the amount of RON 1,856,572, which was returned to the supplier because it did not work properly. This is a non-cash outflow for the cash flow statement. Also, during the year, two equipments were transferred from stocks in the amount of RON 1,719,692

Fair value measurement of the Company's freehold land and buildings

The Company's freehold land, buildings, equipment's and furniture are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's freehold land and buildings as at 31 December 2020 were performed by Neoconsult Valuation, independent valuation consultant not related to the Company. Neoconsult Valuation are members of the Institute of Valuers of Romania, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

The valuation report has been drawn up for the land, buildings, plant, equipment, vehicles, furniture and human and material protection equipment located in the same place. The valuation techniques used were market approach and for specialised properties where the market information available was insufficient, the Company used the net replacement cost method. To determine the final value, the valuer also used the cost and income approach

The categorization per level of fair value as per IFRS 13 is as follows:

- Level 1 – no asset can be included in this category, as there is no active market (transactions) for identical assets where unadjusted prices can be used and accessed by the entity and the appraiser at the valuation date
- Level 2 – not used, as it could be determined any inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – land, buildings and equipment's were valued using income and cost approach.

For land and buildings, cost and income approach were used. Regarding cost approach it was estimated a gross replacement cost. The replacement cost was determined using the guidance established by Cornel Schiopu in the valuation guide "Reconstruction costs - replacement costs, industrial, commercial and agricultural buildings" Ed. Iorval, 2010 adjusted with updated indexes for August 2020- July 2021. The gross replacement cost was diminished by the estimated accumulated depreciation.

Income approach supposed estimation of gross operational result, estimating the capitalization rate related to net operating income, conversion of gross operational result to buildings value using formulae: Gross operational result / capitalization rate related to net operating income. The estimation of the gross operating income was made as follows:

- it was estimated a monthly rent obtainable of 6 euro / sqm for Central Warehouses and renovated general warehouses (office space)
- an estimated monthly rent of 4 euro / sqm was estimated for the thermal treatment hall, a monthly rent of 3.5 euro / sqm for turbo engine test stand, monthly rent of 3 euro / sqm for storage spaces and 2 euro / sqm for other spaces
- the potential gross income was estimated as the rent obtainable for 12 months;
- an occupancy rate of 90% was estimated and the actual gross income was estimated.

The cost approach was used for the equipment.

Underlying the cost approach is the principle of substitution: a prudent buyer will not pay more for a property, a machine than the cost of acquiring a replacement property or equivalent machine.

The principle can be applied to either an individual asset or a machine, an entirely complex installation.

11. PROPERTY, PLANT AND EQUIPMENT (continued)

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The principle of the method consists in correcting the replacement value (again) with the real degree of depreciation, the stages necessary to be covered being:

- Determining the replacement value (according to the definition: The replacement value is the value in undiminished condition of a fixed means, at the place of use, ready to be put into operation. It includes all expenses that should be incurred at the date of evaluation for the replacement of equipment considered in a new state, with technical-economic characteristics similar to the one to be evaluated) by one of recommended methods (estimate, cost-capacity, index).

The replacement value was obtained through a capacity cost assimilation starting from the quotation again and by the index method. For some of the equipment (of those with a more active market) quotations of market were taken from the bids attached to the report.

Details of the Company's freehold land and buildings and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 3	**Fair value as at 31/12/2021**
	RON	***RON***
Land	16,642,911	16,642,911
Buildings	13,156,431	13,156,431
Technical installations and machinery	30,785,655	30,785,655
Equipment's and vehicles	421,496	421,496

Pledged or mortgaged assets

As of December 31, 2021, the Company has pledged or mortgaged depreciable tangible assets in the net book value of RON 21,646,953 (December 31, 2020: RON 12,719,882) and land in the amount of RON 16,020,708 (December 31, 2020: RON 16,020,708).

The right to use certain assets

Included in the tangible fixed assets presented are also assets representing the right to use some machines and equipment in the amount of RON 5,208,283 as of December 31, 2021 (December 31, 2020: RON 7,459,540); the depreciation expense for the year 2021 was RON 443,716 (December 31, 2020: RON 248,153). See Note 25 for movements in leasing liabilities.

12. INTANGIBLE ASSETS

	Other intangible assets	Intangible assets in progress	Total
COST			
As at December 31, 2019	**20,600,192**	**67,109**	**20,667,301**
Additions	1,522,211	25,688	1,547899
Disposals	(842,082)	-	(842,082)
As at December 31, 2020	**21,280,321**	**92,796**	**21,373,118**
Additions	-	666,173	666,173
Disposals	758,971	(758,971)	-
As at December 31, 2021	**22,039,292**	**-**	**22,039,292**
ACCUMULATED AMORTISATION			
As at December 31, 2019	**17,301,265**	**-**	**17,301,265**
Amortization for the year	2,742,841	-	2,742,841
Accumulated amortization related to outflows	-	-	
As at December 31, 2020	**20,044,106**	**-**	**20,044,106**
Amortization for the year	1,056,637	-	1,056,637
Accumulated amortization related to outflows			
As at December 31, 2021	**21,100,743**	**-**	**21,100,743**
NET BOOK VALUE			
As at December 31, 2020	**1,236,215**	**92,796**	**1,329,012**
As at December 31, 2021	**938,549**	**-**	**938,549**

Intangible assets are represented by:

1. SAP-ERP software. The payback period for these software programs is 3 years. The net book value of ERP as of December 31, 2021 is RON 415,282 (December 31, 2020: RON 446,405).
2. 2. Assets related to leasing rights in accordance with IFRS16, value remaining at 31.12.2021: RON 47,901 (December 31, 2020: RON 191,606), remaining life 4 months.
3. IT licenses, value remaining on 31.12.2021: 420,411 RON (31 December 2020: 465,928 RON) with useful lives of 12 - 36 months.
4. Commercial licenses, the value remaining on 31.12.2021: 54,953 RON (31 December 2020: 92,797 RON) with a lifespan of 12 months.

13. INVENTORIES

	December 31, 2021	December 31, 2020
	RON	*RON*
Raw materials	40,169,839	30,741,426
Consumables	2,529,041	2,223,863
Packaging	30,324	33,611
Finished goods	5,296,567	1,583,010
Work in progress	15,424,099	-
Semi-finished goods	13,551,886	9,467,657
Residual products	151,132	141,275
Merchandise	449	-
Inventory allowances	(17,811,415)	(13,017,671)
Total	**59,341,922**	**31, 173,171**

* In the financial statements for the year ended December 31, 2020, the value of semi-finished products was included in the line of raw materials.

In 2020, the Company presented the production in full execution on the line of contracted assets, including the related provision. Following a comprehensive analysis conducted in 2021, it was established that this classification was not applicable to the entire production in progress. The change was made only prospectively, a restatement of the previous balances requiring a detailed analysis of the production component in stock, which could not be performed until the date of these financial statements.

Obsolete raw materials were adjusted as follows: by 100% inactive inventories in the last 5 years (or more), by 70% inactive inventories in the last 4 years and by 50% inactive inventories in the last 3 years. Inactive inventories in the last 2 years have not been adjusted since most manufactured products have long cycle of use. To adjust slow moving inventories, only those materials that registered outflows in 2021 have been taken into account, and inventories as at 31.12.2020 and 31.12.2021 were different from zero. The rate was calculated as the ratio between the average inventories (as at 31.12.2020 and 31.12.2021) and 2020 outflows. The adjustments were calculated according to the size of rate: 30% for a rate equal to 3, 70% for a rate equal to 4 and 100% for a rate equal to 5 (and higher).

Inventories of raw materials and consumables managed by DPPV – Finished parts VIPER; DPRP – Repaired parts; DPMP – hazardous materials, intended only for the manufacturing and repair or VIPER 632-41 aircraft parts and engines, were 100% provisioned.
The Company also assessed and recorded, as appropriate, any adjustments to determine net realizable value in accordance with IAS 2.
The movement of allowances for inventory impairment is as follows:

	December 31, 2021	December 31, 2020
	RON	*RON*
Balance at the beginning of the year	**(13,017,671)**	**(11,732,851)**
Increase/Decrease of allowances in profit or loss	(1,949,587)	(1,284,820)
Balance at the end of the year	**(14,967,258)**	**(13,017,671)**

The increase in allowance per types of inventories can be presented as follows for 2021:

Inventory type	**Variation in allowance 2021**	**Variation in allowance 2020**
Raw materials	1,756,879	1,780,583
Consumable	254,590	143,320
Finished goods and Residuals products	52,779	(709,725)
Packages	(114,661)	70,642
Total	**1,949,587**	**1,284,820**

13. INVENTORIES (continued)

The movement within the adjustments for the depreciation of the stocks related to the production in progress is the following:

	December 31,2021	December 31,2020
	RON	*RON*
Balance at the beginning of the year	**-**	**-**
Transfer of contractual assets	(2,066,371)	-
Provision increase recognized in profit and loss	(777,786)	
Balance at the end of the year	**(2,844,157)**	**-**

14. CONTRACT ASSETS

	December 31,2021	December 31,2020
	RON	*RON*
Repairs and production contracts	11,952,778	33,796,257
Loss allowance	-	(2,066,371)
Total	**11,952,778**	**31,729,886**
Non-current	-	12,128,057
Current	11,952,778	19,601,829

Amounts relating to contract assets are balances due from customers under repairs contracts that arise when the Company enters in repairs agreement with customers. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Payment for repairs services is not due from the customer until the repairs services are complete and therefore a contract asset is recognized over the period in which the repairs services are performed to represent the entity's right to consideration for the services transferred to date.

The loss allowance related to contract assets is recognized at an amount equal to lifetime ECL, simplified approach and taking into account historical default experience.

Based on historical experience, given the specialized nature of the services offered, the limited number of customers and the fact that the main customers are state-owned companies, their credit risk is very low, therefore the related depreciation is considered insignificant. The depreciation presented in 2020 represents the depreciation registered for production in progress older than 3 years. In 2021, they were reclassified into stocks

15. TRADE RECEIVABLES

	December 31, 2021	December 31, 2020
	RON	*RON*
Trade receivables	20,520,299	12,534,851
Clients - invoices to be issued	90,382	76,346
Allowance for doubtful debts	(340,313)	(238,832)
Total	**20,270,368**	**12,372,365**

15. TRADE RECEIVABLES (continued)

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

	December 31, 2021	December 31, 2020
Balance at the beginning of the year	**238,832**	**489,897**
(Decrease) / Increase of allowance in profit or loss	101,481	(251,065)
Balance at the end of the year	**340,313**	**238,832**

The company allowed in proportion of 100% the receivables which exceed 270 days because the historical experience indicated that these receivables are generally not recoverable.

The company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The company carried out the assessment on the ECL approach and no significant difference was found because the company operates in the defense industry, where the main customers are state-owned companies that do not have payment problems. The average number of collection days is 22. The increase in the balance of receivables at the end of the year is due to the completion of a large number of orders by the end of the year that were invoiced in the last month. These were subsequently collected as there was no risk regarding the increased balance as of December 31, 2021.

16. OTHER RECEIVABLES

	December 31, 2021	December 31, 2020
Sundry debtors	45,911	154,781
Prepaid expenses	272,940	406,997
Advances to suppliers	907,417	1,142,156
Other receivables	1,204,875	1,013,408
		-
Total	**2,431,143**	**2,717,342**

17. CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
Cash in banks	18,902,135	5,133,632
Petty cash	16,220	14,582
Other cash equivalents	42,411	-
Cash equivalents	594	577
Total	**18,961,360**	**5,148,791**

18. SHARE CAPITAL

The share capital is fully paid in:

	No. of shares	Share capital
		RON
Share capital as at December 31, 2020	**369,442,475**	**36,944,248**
Effect of inflation on the share capital	987,626,807	987,626,807
Share capital as at December 31, 2020	**1,024,571,055**	**1,024,571,055**
Closing the reported result from the adoption of IAS 29	**-**	(987.626.807)
Share capital as at December 31, 2021	**369,442,475**	**36.944.248**

The share capital of the Company was inflated until December 31, 2003, the date from which the Romanian economy was no longer considered inflationary.

Following the OGMS Decision 3 / 26.08.2021, in TRIM III, it was decided to close the reported result from the adoption of IAS 29 - debtor by reducing the corresponding amount of capital and reserves.

As a result of this operation, the following items will be presented in the financial statements as follows:
a) The company's own capital in the financial statements will be of RON 36,944,248, the paid subscribed capital, registered at the Trade Register.
b) The legal reserve will be reduced by RON 8,302,633
c) Other reserves will be reduced by RON 12,414,196
d) The reported result will decrease by RON 3,280
e) Also, the above adjustments are closed with the amounts previously registered in the result carried forward in the amount of RON 1,008,346,916.

When these amounts were registered (2012) they did not have any impact on the company's patrimony, respectively on the own capitals, these remaining at the value before making these registrations, because the respective amounts are canceled each other.
Now (2021) when this inflation is canceled, the equity will not be changed, for the same reasons: the respective amounts are mutually canceled.

19. RESERVES

	December 31, 2021	December 31, 2020
Legal reserves	7,388,850	15,691,483
Revaluation reserves	47,190,885	47,579,992
Other reserves	27,874,351	40,288,547
Total	**82,454,086**	**103,560,022**

The movements in reserves during 2021 are mainly represented by the closing of the result carried foreward from IAS29 adoption (note 18).
Revaluation reserves are related to revaluations performed on property, plant and equipment and cannot be distributed to shareholders until they are realized.

In 2021, no legal reserve was established, as it has been established since 2017 in the amount of 20% of the share capital.

In 2020, reserves were set up for the amount of reinvested profit amounting to RON 1,180,748, representing fiscal facilities.

Other reserves also include the tax deductions granted for exports in the years 2000-2003 in the amount of RON 4,957,578 (their inflated value being RON 6,100,419). If the management decides to change their destination, they will be charged. Management has decided not to use these reserves so no deferred tax has been imposed on them.

20. BORROWINGS

	December 31, 2021	December 31, 2020
a) Short-term debts from shareholders	**4,880,000**	**4,880,000**
Interest payable to shareholders	4,880,000	4,880,000
b) Loans from banking institutions and lease entities		
Secured loans		
Short-term loans	21,909,394	13,839,726
Long-term loans		
Short-term leasing debts	1,105,655	1,704,812
Long-term leasing debts	2,055,578	4,242,854
Total loans from banking institutions and leasing entities	**25,070,627**	**19,787,392**
Total loans	**29,950,627**	**24,667,392**
Short-term loans	27,895,049	20,424,538

a) Amounts owed to shareholders

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

- Viehmann Radu: RON 4,580,000 of which RON 4,500,000 according to Contract 178/2009 and the subsequent addenda and RON 80,000 according to short-term contract no. 538/2011, non-interest bearing.

- Ciorapciu Dana Maria: RON 300,000 according to Contract 867/2012 and the subsequent addenda.

These are extended annually, by additional documents, during the year the interest related to these contracts is paid.

Thus, in January 2020, the 2 contracts were extended until 31.01.2021 and additional documents were concluded, respectively AA 11 / 27.01.2020 and AA 7 / 27.01.2020. The related interest is 6.35%.

In 2020, the interest due for 2020 to Mr. Viehmann Radu in the amount of 258,102 lei and to Mrs. Ciorapciu Dana Maria in the amount of 17,202 lei was paid.

In January 2021, the two contracts were extended and additional documents were concluded as follows: AA 12 / 28.01.2022 and contract 178/2009 and respectively, AA 8 / 28.01.2022 to contract 867/2012.

Both additional documents extend the validity of the 2 contracts until 31.01.2022, and the gross interest rate is 5.80% / year, which includes the percentage related to the investment income tax, which currently, according to the Fiscal Code, is 10%. In 2021, the interest due for 2021 to Mr. Viehmann Radu in the amount of 236,809 lei and to Ms. Ciorapciu Dana Maria in the amount of 15,786 lei was paid.

In January 2022, the two contracts were extended and additional documents were concluded as follows: AA 13 / 28.01.2022 to contract 178/2009 and AA 9 / 28.01.2022 to contract 867/2012, respectively.

Both additional documents extend the validity of the 2 contracts until 31.01.2023, and the gross interest rate is 5.46% / year, which includes the percentage related to the investment income tax, which currently, according to the Fiscal Code, is 10%.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions

Contract	December, 31 2021	December, 31 2020
(A) BRD		
– Working Capital no. 103 BIS/28.04.2006	14,572,012	5,982,312
(D) Banca Transilvania		
– Working Capital no. 186/24.06.2009	7,337,382	7,857,414
	21,909,394	**13,839,726**

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

The company has a credit line and a SGB issuance facility and the opening of letters of credit with BRD which has been extended over time by additional documents.

- By the Additional Act no. 60 / 22.08.2019, in addition to other modifications of the contractual terms and conditions, the bank waived the financial conditions that had to be met by the Company.
- Additional act no. 62 / 28.08.2020 extended the validity period of the global financing ceiling of facility A, multi-options, non-binding, until 31.08.2021, and for facility B until 31.12.2021.
- Additional act no. 63 / 25.08.2021 extended the validity period of the global financing ceiling of facility A, multi-options, non-binding, until 31.08.2022, and for facility B until 31.12.2022.

All other provisions of the Credit Agreement remain unchanged, including those relating to guarantees, interest, commissions.
As of 31.12.2021, the loan balance is 14,572,011.77 lei (31.12.2020: 5,982,311.45 lei)

The value of the letters of guarantee issued from the credit ceiling and valid in 2020 is 1,000,014 lei, of which 609,126 lei are valid on January 1; during the year, SGBs worth 390,999 lei were issued. On 31.12.2020, 4 GBS in the amount of 910,966 lei expired at maturity, the difference of 89,048.60 lei expires on 30.06.2021.

On 31.12.2020, the approved limit is 19,365,000 lei, of which 5,982,311.45 lei are used through the credit line and 89,048.60 lei through the Bank Guarantee Letters, the limit available for use on 31.12.2020 is 13,293. 639 lei.

The value of the letters of guarantee issued from the credit ceiling and valid on 01.01.2021 is 89,048.60 lei, maturing on 30.06.2021. On 28.12.2021, a Letter of Good Performance Bank Guarantee was issued in favor of the client UM01836 in the amount of 641,312.49 lei with maturity on 31.08.2022.

On 31.12.2021, the approved limit is 19,365,000 lei, of which 14,572,011.77 lei are used through the credit line and 641,312.49 lei through Bank Guarantee Letters, the available limit to be used being 4,151,675 lei.

(A1) BRD - Factoring contract 539/04.05.2006

In 2006 the Company concluded a factoring contract, the factoring contract no. 539 / 04.05.2006, which was successively extended.

By addendum No.5 to the Factoring Contract no. 539 / 04.05.2019, the financing ceiling of 500,000 Eur was established, for covering the risk of non-payment of 500,000 Eur. The factoring commission is 1.1% + VAT and 9 EUR / document + VAT

Annual financing commission rate: EURIBOR / 3M + 4% margin p.a. + VAT.

On 31.08.2020, the addendum no. 6 to the Factoring Contract no. 539 / 04.05.2006 came in force, by which it was agreed to increase the factoring ceiling, so the Special Conditions no. 1 have been completely rewritten.

The financing ceiling is 500,000 Eur, being eligible for financing and covering the risk of non-payment, receivables with a payment term of maximum 120 days from the date of their issuance. The amount financed will not exceed the amount resulting from the application of the percentage of financing to the approved financing ceiling.

The validity term of the financing ceiling is 31.08.2021.

b) Amounts owed to credit institutions (continued)

The percentage of financing of the approved receivables is: 90%, and the difference of 10% of the approved receivables representing the reserve. No time limit applies for the rejection of claims. The validity term of the non-payment risk coverage ceiling is 31.08.2021.

On 31.08.2021 the factoring contract was not renewed. The Company waived the assignment of receivables for the customer of GE Hungary. At the maturity date, the balance of the assigned receivables was EUR 11,690, with a maximum maturity of 03.11.2021. Upon the full collection of the invoices from the balance, the factoring contract no. 539 / 04.05.2006 concluded between

BRD -Group Societe General and Turbomecanica is automatically terminated according to notification no. 6187 / 08.09.2021 transmitted by BRD

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

On 18.05.2020, the Additional Act no. 26/186, whose object is the modification of the guarantees, the extension of the credit limit amounting to 9,400,000 lei until 08.09.2020. The period of use is until 07.09.2020.

The following have been established: the interest rate is variable of 5.88%, being made up of ROBOR 6M, calculated on 31.03.2020, to which is added the bank's margin of 3.25% (6-month ROBOR index calculated on 31.03.2020 is 2.63%), the penalty interest being 15% / year, the extension commission of 0.15% applicable to the loan amount, to be paid on the extension date, the non-use is 1% / year, calculated on the daily amount left unused from the amount of the loan, the administration fee is 0.05% / month of the average monthly balance of the loan, to be paid monthly, the early repayment fee is 1% of the amount repaid in advance, to be paid on the date of the advance repayment.

On 18.05.2021, the Additional Act no. 29/186, the object of which is to modify the following conditions: extension of the credit facility until 18.05.2022; the value of the loan 9,400,000 lei; Multiple shots.

Use period: until 17.05.2022. Expires 18.05.2022

Interest rate. The annual interest rate is 4.98% variable and consists of the 6-month ROBOR index, calculated on 31.03.2021, to which is added the Bank's margin of 3.25%. The ROBOR index is 1.73%, but in all cases where the value of the reference index falls below zero, in order to calculate the interest, the value zero is used. The annual interest rate will be updated Quarterly on the first working day of the calendar quarter with the official level of the 6-month ROBOR index calculated on the last working day of the previous calendar quarter.

On 21.07.2021, the Additional Act no. 30/186 by which the interest margin decreased from 3.25% to 2.5%, starting with 15.08.2021.
On 12.10.2021, the Additional Act no. 31/186 which modifies the structure of guarantees by eliminating the buildings with cadastral numbers 233974 and 229339 based on an evaluation report provided that the remaining guarantee has a degree of coverage of 85%.

The following guarantees are maintained:

- first real estate mortgage on objectives 6,8,11 and 10, land of 583 sqm, free urban land of 684 sqm and real movable guarantee on receipts and the balance of the current account and sub-accounts opened at BT, with no. 186 / CES / 02 / 06.06.2012, amended and supplemented by AA 01/186 / CES / 02 / 21.05.2019.
- movable mortgage on the existing goods for 18 equipments, eliminating, unlike the previous contract, the Maxicut transmission machine.

The guarantees on the existing goods for 18 equipments are maintained, in accordance with the Movable Mortgage Agreement for the existing goods determined no. 186 / GAJ / 01.27.02.2014, amended and supplemented by Additional Act no. 04/186 / GAJ / 01 / 18.05.2020.

According to the standard contractual clauses, the customer undertakes to submit to the bank for analysis all the documents necessary for the extension of the credit facility at least 45 days before the expiration of the facility.

Turbomeanica has the obligation to make a BT turnover of min. 33% of turnover. Running condition has been met The special clauses of the facility are maintained and remain unchanged.

The credit balance on 31.12.2021 is RON 7,337,381 (31.12.2020: RON 7,857,414).

20 --BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(C) Leasing contracts

In 2017, the company concluded Leasing Contracts 4003351 and 4003350 with UNICREDIT LEASING, amounting to EUR 174,132.

In 2019, these contracts were subject to IFRS 16 “Leasing Contracts”. As of January 1, 2019, the accounting standard IAS 17 “Leases”, as well as all interpretations issued in its application have been replaced by a new standard issued by the international body, namely IFRS 16 “Leases”.

The major changes brought by the new standard refer primarily to the accounting at the level of tenants (users), in which case the differentiation established based on the old rules, respectively financial leasing - operational leasing will no longer be relevant. Based on the new principles of IFRS 16, the right of use becomes essential, and the principle of economic prevalence over legal acquires a more accentuated applicability in the case of tenants.

The balance of these leasing contracts as of 31.12.2021 is RON 52,050 (31.12.2020: RON 204,895), DAE 8.77%.
The assets related to these contracts have been presented in Note 12.

Subsequently, the company concluded leases for equipment with BT Leasing for a period of 60 months and with Gleason -Pfauter Maschinenfabrik Gmb for a period of 36 months, with an interest rate of 3.9%. Their balance as of December 31, 2021 is RON 3,109,183 (December 31, 2020: RON 5,742,771).

The assets related to these leases are presented in note 11.

All lease debts are due in a period of up to 5 years.

21. PROVISIONS

	Provisions for post-employment benefits	Other provisions related to personnel	Provisions for Guarantees	Provisions for onerous contracts	Total
Balance as of 01.01.2021	**1,800,095**	**3,708,200**	**1,232,247**	**-**	**6,740,542**
Additions	247,859	3,098,207		676,153	4,022,219
Used	(261,358)				(261,358)
Reversal through profit and loss		(2,683,738)	(896,625)		(3,580,363)
Actuarial gain – other comprehensive income	(636,240)				(636,240)
Balancce as of 31.12.2021	**1,150,356**	**4,122,669**	**335,622**	**676,153**	**6,284,800**

Provisions for guarantees and post-employment benefits have been classified as long-term.

“Other provisions related to staff” include the following: provision for performance bonuses for 2021 to be granted in 2022, provision for rest leave not taken on December 31, 2021, provision for tax obligations related to gift vouchers granted to employees during 2016 - 2019.

The company provides the following benefits to its employees:
a) Retirement benefits in the amount of two basic salaries in the month preceding retirement;
b) Assistance in case of death of the employee: 5 minimum salaries per company plus 25% of this amount of each dependent child;
c) Upon termination of the activity from the company's initiative as a result of the restriction of its activity, compensatory payments of up to 6 individual salaries, representing 20% of the individual salary of the month preceding the termination of the collaboration.

The most recent actuarial valuation of the provision for post-employment benefits was performed on December 31, 2021, by GELID ACTUARIAL COMPANY. The present value of the benefit obligation determined the costs related to the current services and the cost of the past service, were measured using the Projected Credit Factor Method (MFCP). These benefits will be paid in large in the next 5-15 years.
The principal assumptions used for the purposes of the actuarial valuations were as follows:

22. PROVISIONS (continued)

Demographic assumptions on the future characteristics of employees eligible for receiving benefits:

Mortality of employees and their family members.	Romanian Mortality Table for 2018 men and women issued by the National Institute of Statistics.
Rate of employee turnover	In 2021, the employee turnover rate was 10.9%. For this exercise, the average of the last three years was considered to be 8.9% p.a. Based on the age structure of the staff, the staff turnover rate model takes into account the number of years remaining until retirement and results in a number of employees who would leave and be replaced equal to 8.9% of the total number of employees. The employee turnover rate is: - 23.9% pa for employees who are over 35 years old until retirement - Linearly decreasing to 0% for employees with a number of years until retirement between 35 and 5 years; For the last 5 years until retirement, I considered that employees are no longer looking to change jobs and that they have gained enough experience not to be replaced for disciplinary reasons.
Rate of dismissals	For the period after December 2021, the Company did not communicate a personnel redundancy plan.

Financial assumptions

Discount rate	As regards the discount rate, the Company took into account the yields of bonds on the active market at the end of December 2010. The available residual terms until maturity were 1 - 10 years and 13-14 years. For the other terms, the Company estimated the discount rate using the Smith-Wilson method. The long-term assumptions were: – estimated long-term inflation rate 2% pa – estimated long-term real yield of government bonds 1.6% pa – liquidity premium for Romania 0%. Thus, a balancing forward rate of 3.60% pa was considered. The method ensures compatibility between the discount rate and inflation rate. The weighted average discount rate is 5 % p.a.
Inflation rate	Based on the statistics issued by INSSE and the NBR forecast, the Company estimated an inflation rate of: – 8.2% for 2021 – 5.9% for 2022 – 3.2% for 2023 – 3.0% for 2024 – 2.8% for 2025 − 2.5% for 2026 - 2031 and following a declining trend in the following years
Wage growth rate	The Company estimates an average growth of maximum 4,02% in 2022. For 2023 and the following years, the Company estimated that salaries will increase by an average of the consumer price index of each year

The components of defined benefit costs recognized in profit or loss are as follows:

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Change the present value of the obligation	**December 31, 2021**	**December 31, 2020**
Present value of obligation	1,800,095	1,609,323
Interest cost	42,729	60,341
Cost of current service	205,130	200,717
Payments from provisions during year	(261,358)	(534,690)
Actuarial (Gain)/Loss of the year	(636,240)	464,404
Past service costs	-	-
Present value of the obligation	**1,150,356**	**1,800,095**

21. *PROVISIONS (continued)*

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

Service cost:	December 31, 2021	December 31, 2020
Current service cost	205,130	200,717
Interest cost	42,729	60,341
Past service cost	-	-
Benefits paid	247,859	261.358

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

Re-measurement of the net defined benefit liability:	December 31, 2021	December 31, 2020
Actuarial gains and losses from changes in financial assumptions	(636.240)	464,404
TOTAL	**(636.240)**	**464,404**

Change in provision	December 31, 2021	December 31, 2020
Opening Balnce – January 1st	1,800,356	1,609,323
Expenditure/ (Income) related to the period	(388,381)	725,462
Payments	(261,358)	(534,690)
Total provision	**1,150,536**	**1,800,095**

Significant actuarial assumptions for determining the defined obligation are the following: discount rate, projected salary increases and mortality.

Benefit Payment Maturity Analysis 2021

Maturity of obligations with defined benefits	Retirement benefits	Employee death benefits	Total obligations with defined benefits
Pana la 1 year	89,286	43,786	133,072
1 – 2 year	90,502	45,566	136,067
2 – 5 year	329,945	127,039	456,984
5 – 10 year	1,065,073	156,428	1,221,501
Peste 10 year	1,144,334	129,978	1,274,312

Sensitivity analysis 2021

Hypotheses	**December, 31 2021** Post-employment benefits	**December, 31 2020** Post-employment benefits
PVDBO at 31.12.2021 (RON)	1,150,356	1,800,095
Discount rate +1%	1,077,350	1,699,573
Discount rate -1%	1,231,281	1,912,386
Wage growth rate +1%	1,232,899	1,912,409
Wage growth rate -1%	1,074,679	1,697,795
Increased longevity by 1 year	1,143,928	1,792,949

As mentioned in Note 3, for contract revenues, the Company offers its customers a guarantee between 12-18 months. The management of the Company makes an analysis of the historical costs with the repairs under warranty. Based on this analysis, the Company determined that the level of expenses for warranty works, which is on a decreasing trend, was at a level of 0.26% of turnover, a percentage used in determining the provision for guarantees

23. TRADE AND OTHER LIABILITIES

	December 31, 2021	December 31, 2020
Trade liabilities	4,273,032	1,338,180
Liabilities on invoices to be received	1,265,915	523,349
Other creditors	12,571	-
Total	**5,551,518**	**1,861,529**

24. OTHER CURRENT LIABILITES AND DEFERRED INCOME

Other current liabilities	December 31, 2021	December 31, 2020
Salaries	1,942,787	1,848,588
Salary taxes	2,531,620	2,439,069
VAT payable	3,249,763	1,800,475
Other creditors	159,882	192,118
Other taxes	222,421	77,009
Advances from clients	12,459	207,830
Dividends	1,076,277	1,762,359
Total	**9,182,750**	**8,327,448**

25. SEGMENT REPORTING

Operating segments of the Company are driven by the main products and services delivered, as it is shown below: manufacturing of aircraft parts, repairs of engines and other. The geographical segmentation of the operations derives from the country of origin for the main customers of the Company.
The Company's management does not monitor the business at the level of these segments, only the registered revenues. Owned assets serve all segments presented. Therefore, the Company cannot present profitability and CAPEX at the individual segment level.

Segment revenues	December 31, 2021	December 31, 2020
Manufacturing of aircraft parts	38,512,607	36,827,898
Repairs of engines	90,120,845	85,931,742
Others, including the production of parts for the industrial sector	2,697,713	2,229,397
Total	**131,331,165**	**124,989,037**

Geographic information

The company revenue form external customers and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets by geographical location are detailed below:

Location	**2021 Revenues**	**2020 Revenues**
EUROPA	131,228,370	124,821,002
- Out of which Romania	121,530,133	110,722,333
USA	87,128	152,843
ASIA	15,667	15,192
TOTAL	**131,331,165**	**124,989,037**

26. FINANCIAL INSTRUMENTS

a) Capital risk management

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

The Company's capital consists of debts, which include the borrowings disclosed in Note 19, cash and cash equivalents and equity.
Own equity comprises share capital, reserves and retained earnings, as disclosed in Notes 16 and 17.

The Company monitors capital based on the gearing ratio. Such ratio is calculated as ratio between the net debt and total capital. The net debt is calculated as total borrowings (including both long and short-term loans) less cash and cash equivalents.
The total capital is calculated as "capital and reserves" as reported in the balance sheet.
The gearing ratio as at December 31, 2021 and December 31, 2020 is as follows:

	December 31, 2021	December 31, 2020
Total borrowings	29,950,627	24,667,387
Cash and cash equivalents	(18,961,360)	(5,148,791)
Net debt	**10,989,267**	**19,518,596**
Total capital and reserves	120,598,947	108,649,087
Gearing ratio	9%	18%

The change in the degree of indebtedness is due to the increase in cash and cash equivalents as of December 31, 2021.

b) Credit risk management

The company is subject to a credit risk due to its trade receivables and other types of receivables. The company has policies designed to ensure that sales are made to customers with appropriate references regarding their creditworthiness. The maturity date of the debts is closely monitored and the amounts due after the deadline are promptly tracked. Trade receivables (customers) are presented net of adjustments for impairment of uncertain receivables.
The company develops policies that limit the value of credit exposure to any financial institution. The company does not request collateral deposits but in some limited cases, it requires advances from customers.

The concentration of trade receivables and revenue from contracts is as follows:

	Trade receivables as of 31 December 2021	Contractual Assets as of 31 December 2021	Revenue from contracts with customers 2021	Trade receivables as of 31 December 2020	Revenue from contracts with customers 2020
Top 3 clients	15,824,791	10,764,873	123,215,826	11,135,042	113,882,629
Others	4,445,577	1,187,905	8,115,339	1,237,323	11,106,408
Total	**20,270,368**	**11,952,778**	**131,331,165**	**12,372,365**	**124,989,037**

The main 3 clients according to sales are represented by 2 entities with majority state participation, clients that fall into a low risk category and Leonardo S.p.a Helicopters Division, an external entity with a very good creditworthiness. There are also income and their income in each period. As of December 31, 2020, the division of contract assets could not be provided.

Cash is held in financial institutions that are valued at minimal risk of default. These are BRD and Banca Transilvania.
The book values present the maximum exposure of the Company to the credit risk related to the existing receivables.
On this basis, the provision for loss on December 31, 2021, December 31, 2020 was determined by the provision of receivables older than 270 days.

The company assumes that the credit risk is low, as most of the company's balance of receivables consists of 2 main customers that are held by the state, with an average collection period of 20 days, so there is a limited risk of significant losses of credit and Leonardo Spa Helicopters Division, customer with good creditworthiness

25. *FINANCIAL INSTRUMENTS (continued)*

c) Foreign currency risk management

The Company is exposed to foreign currency fluctuations in commercial and financing transactions. Foreign currency risk arises from recognized trade assets and liabilities, borrowings inclusively, expressed in foreign currency. Due to high associated costs, the Company's policy is not to use financial derivatives to mitigate such risk.

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

2021	**EUR 1 EUR = RON 4,8694**	**USD 1 USD = RON 3,9660**	**GBP 1 GBP = RON 5,4201**	**CHF 1 CHF = RON 4,4997**	**RON 1 RON = RON**	**TOTAL December 31, 2021**
	RON	***RON***	***RON***		***RON***	***RON***
ASSETS						
Cash and cash equivalents	3,745,707	48,664	7,199	1,854	15,157,936	18,961,360
Receivables and other current assets	3,353,123	12,079	-	-	16,905,166	20,270,368
Contract assets	-	-	-	-	11,952,778	11,952,778
LIABILITIES						
Trade and other liabilities	71,594	143,684	-		5,336,240	5,551,518
Short and long-term loans	3,161,235	-	-	-	26,789,393	29,950,628
Net balance exposure (assets - liabilities)	**3,866,001**	**(82,941)**	**7,199**	**1,854**	**11,890,247**	**15,682,360**

2020	**EUR 1 EUR = RON 4,7793**	**USD 1 USD = RON 4,2608**	**GBP 1 GBP = RON 5,6088**	**CHF 1 CHF = RON 4,4033**	**RON 1 RON = RON**	**TOTAL December 31, 2020**
	RON	***RON***	***RON***		***RON***	***RON***
ASSETS						
Cash and cash equivalents	4,913,769	25,073	34,728	4,073	155,951	5,133,594
Receivables and other current assets	3,495,143	11,330	-	-	9,028,378	12,534,851
LIABILITIES						
Trade and other liabilities	73,970	119,630	3,954		1,625,769	1,823,323
Short and long-term loans	5,947,662	-	-	-	18,719,725	24,667,387
Net balance exposure (assets - liabilities)	**2,387,280**	**(83,227)**	**(30,774)**	**4,073**	**(11,161,165)**	**(8,822,265)**

25. *FINANCIAL INSTRUMENTS (continued)*

c) Foreign currency risk management (continued)

Sensitivity analysis

The Company is mainly exposed in respect of the exchange rate of the EUR vs. RON. The following table details the Company's sensitivity to a 10% increase in the main currencies the company has monetary items.

10% is the sensitivity rate used when reporting foreign currency risk internally to senior management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

A negative number below indicates a decrease in profit, when there is a 10% weakening of the RON. For a 10% strengthening of RON against the currencies the company has the monetary items denominated there would be an equal and opposite impact on the profit and equity and the balance would be positive.

	10% strengthening of RON against EUR - impact on the result as at:	
	December 31, 2021	**December 31, 2020**
EUR	386,600	238,728
USD	(8,294)	(8,322)
GBP	(720)	(3,077)
CHF	185	407

d) Liquidity and interest risk management

A prudent liquidity risk management requires maintaining sufficient cash and available credit lines, by continually monitoring the estimated and actual cash flow and by correlating the maturities of financial assets and liabilities.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's operating cash flows are impacted mainly by the changes in interest rates, due to the borrowings with variable interest rates contracted from internal credit institutions. The Company has significant borrowings with variable interest rates that expose the Company to significant cash flow risk. The Company is on ongoing negotiation process with the bank to renegotiate repayment terms and interest.

Sensitivity analysis – interest

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

Part of interest the company pays to lease companies, where the interest is fixed, thus no impact on fluctuations of interest rates.
For the short term loan, the interest has a volatile component (ROBOR) and is about 5-6% per month.

For the short-term loan, the interest rate has a volatile component (ROBOR) and is about 5-6% per month.
Assuming a 2% increase, which historically is an increase in ROBOR rates, the impact on the profit and loss account will be insignificant.

25. FINANCIAL INSTRUMENTS (continued)
d) Liquidity and interest risk management (continued)

2021	Interest rate	Less than 1 month	Less than 1 year	1 to 5 years	More than 5 years	Total
Trade and other current liabilities		5,031,328	520,190	-	-	5,551,518
Long and short-term borrowings (of which):			**29,613,560**	**2,055,579**		**31,669,139**
Short term borrowings in lei – BRD	ROBOR 3M +3.50%		14,572,012			14,572,012
Related interest - BRD			988,416			988,416
Short term borrowings - Banca Transilvania	ROBOR 6M+2.25%		7,337,381			7,337,381
Interest – Banca Transilvania			448,929			448,929
Leasing BTRL			1,105,656	2,055,579		3,161,235
Shareholder loans	5.80%		4,880,000			4,880,000
Interest – shareholder loans			281,166			281,166
Total Liabilities		**5,031,328**	**30,133,750**	**2,055,579**	**-**	**37,220,657**

2020	Interest rate	Less than 1 month	Less than 1 year	1 to 5 years	More than 5 years	Total
Trade and other current liabilities		1,619,166	204,157			1,823,323
Long and short-term borrowings (of which)			**21,654,746**	**4,242,852**		**25,897,598**
Short term loans in lei - BRD	ROBOR 3M +3,50%		5,982,311			5,982,311
Interest - BRD			914,899			914,899
Short term loans Banca transilvania	ROBOR 6M+3,25%		7,857,414			7,857,414
Interest Banca transilvania			466,840			466,840
Leasing BTRL			1,704,810	4,242,852		5,947,662
Shareholder loans	6,35%		4,880,000			4,880,000
Interest - Shareholder loans			268,628			268,628
Total liabilities		**1,619,166**	**21,858,903**	**4,242,852**		**27,720,921**

25. *FINANCIAL INSTRUMENTS (continued)*

d) *Liquidity and interest risk management (continued)*

Changes in liabilities arising from financing activities

	1-Jan-2021	Encashment	Payments	Other variations*	Foreign exchange movement	New leases	Dividends granted	31-Dec-2021
Borrowings	18,719,725	8,069,668		-	-	-	-	26,789,393
Leasing	5,947,666	-	929,858	1,856,573	-	-	-	3,161,235
Dividends	1,762,359	-	686,000	-	-	-	-	1,076,277
Total financial liabilities	**26,429,750**	**8,069,668**	**1,615,858**	**1,856,573**	**-**	**-**	**-**	**31,026,905**

* During 2021, as mentioned in Note 11, one of the leased equipment was returned to the supplier.

	1-Jan-2020	Encashment	Payments	Overdraft	Foreign exchange movement	New leases	Dividends granted	31-Dec-2020
Borrowings	12,831,738	5,887,987		-	-	-	-	18,719,725
Leasing	4,863,396	-	1,210,234	-	-	2,294,494	-	5,947,666
Dividends	2,101,088	-	338,629	-	-	-	-	1,762,359
Total financial liabilities	**19,796,222**	**5,887,987**	-	**-**	**-**	**2,294,494**	**-**	**26,429,750**

25. FINANCIAL INSTRUMENTS (continued)

e) Fair value of financial instruments

1. Financial assets and liabilities carried at fair value

As at December 31, 2021, December 31, 2020 the Company does not hold any financial instruments carried at fair value.

2. Non-financial assets carried at fair value

The table below analyses the Company's assets and liabilities carried at fair value, by valuation method. As of 31 December 2021, 31 December 2020 there have been no transfers between fair value levels

The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

31-Dec-2021			
Assets	**Level 1**	**Level 2**	**Level 3**
Land	-	-	16,642,911
Buildings	-	-	13,156,431
Equipment	-	-	31,207,151

31-Dec-2020			
Assets	**Level 1**	**Level 2**	**Level 3**
Land	-	-	16,642,911
Buildings	-	-	13,643,530
Equipment	-	-	39,387,082

3. Assets and liabilities not carried at fair value but for which fair value is disclosed

The assets and liabilities of the Company are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Trade receivables include the contractual amounts for settlement of trades and other obligations due to the Company.

Trade and other payables and borrowings represent contract amounts and obligations due by the Company.

27. EARNINGS PER SHARE

(a) Basic

The basic result per share is calculated by dividing the shareholders' profit to the weighted average number of ordinary shares issued during the year, except for ordinary shares purchased by the Company and kept as treasury shares.

	2021	2020
Company shareholders result	11.749.227	13.342.276
Weighted average number of ordinary shares issued	363.448.395	363.448.395
Basic earnings per share	0.032	0.037

(b) Diluted

The diluted result per share is calculated by adjusting the weighted average of existing shares to take into account the translation of all potentially diluted shares. The Company did not register convertible debts or share issuance options which may be converted to ordinary shares that may adjust the weighted average number of shares.

In year 2020 and 2021, the Company did not distribute dividends.

28. RELATED PARTIES

The company has loans received from related parties as per below illustration:

	December 31, 2021	December 31, 2020
Total	**4,880,000**	**4,880,000**
Radu Viehmann	4,580,000	4,580,000
Maria Ciorapciu	300,000	300,000

Terms and conditions of transactions with related parties:

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash or by compensation. There have been no guarantees provided or received for any related party loans.

Key management employees

Please see below key management employee benefits disclosure. During years ended 31 December 2020 and 31 December 2019 there were no transactions concluded between the company and key management employees.

During 2021, the Company paid benefits to the key members of the management consisting of the members of the Board of Directors ("C.A.") of Turbomecanica SA and the General Manager, as follows:

	31 December 2020	31 December 2020
Board of Directors and General Director	2,774,108	2,750,401
Total		

As of December 31, 2021, the company does not grant advances for settlement to the directors / members of the board of directors
At 2021 and 2020 year end, there were no guarantees or future obligations assumed by the Company on behalf of the directors.

27 - RELATED PARTIES (continued)

During 2020, dividends granted in previous years were paid in the amount of RON 72,718, of which annual dividends:
- 2016 in the amount of RON 1,237
- 2017 in the amount of RON 22,076
- 2018 in the amount of RON 49,405.

The value of dividends was prescribed for 2016, it was recorded on income in 2020, amounting to RON 263,011

During 2021, dividends were paid in previous years in the amount of RON 42,323, of which dividends per year:
- 2017 in the amount of RON 1,272
- 2018 in the amount of RON 38,076

The value of dividends was prescribed for 2017, this was recorded on income in 2021, amounting to RON 643,758

29. COMMITMENTS AND CONTINGENCIES

The Company has no commitments related to the acquisition of tangible or intangible assets as of December 31, 2021 and December 31, 2020.

The company issued bank letters of guarantee in favor of suppliers and customers on December 31, 2021 in the amount of RON 641,312.49 - (December 31, 2020: RON 89,048.46)

Liabilities related to leasing liabilities are presented in Note 20.

Contingencies

Taxation

Taxation system in Romania is still developing trying to consolidate and harmonize with the European legislation. In this respect, there still are various interpretations of the tax laws. In certain cases, tax authorities may treat differently certain aspects and calculate supplementary taxes and levies and related interests and penalties.

In 2020, the interest value is 0.02% for each day of delay; the delay penalties are 0.01% for each day of delay.

In Romania, the fiscal year stays open for verifications during 5 years. In the last 5 years there have been no tax inspections on the profit tax. The management estimates that the tax liabilities included in these financial statements are adequate.

In accordance with the provisions issued by the Ministry of Public Finance, which regulate the tax regime of items of equity which have not been subject to income tax as at their accounting registration, due to their nature, should the Company change the destination of revaluation reserves (by covering losses or allocation to shareholders), it will incur additional income tax liabilities.

Environmental matters

Environmental regulations are developing in Romania, and the Company did not register any liabilities as at December 31, 2021 or December 31, 2020 for any estimated costs, including legal and consulting fees, site surveys, the design and implementation of recovery plans as regards the environment.   Conducerea Societăţii consideră că nu sunt necesare provizioane cu privire la obligatiile de mediu.

Inventories held in custody

As at December 31, 2021, the Company did not hold inventories in custody.

30. SUBSEQUENT EVENTS

In 2022, the loan contracts of Mr. Viehmann Radu (Additional Act No. 13 authenticated under No. 130 / 14.02.2022 and of Ms. Ciorapciu Dana Maria (Additional Act 9, authenticated under No. 129 / 14.02) were extended .2022) until 31.01.2023 and the interest rate was set at 5.46%.

On 28.02.2022, the Additional Act no. 32/186 between Banca Transilvania and Turbomecanica was concluded, by which it was agreed to modify the guarantees, as well as to update the guarantees with their description following the successive attachments and / or detachments.

On 03.03.2022, the Additional Act no. 3 to the Mortgage Agreement no. 186 / IPO / 01 / 24.06.2009, amended based on the additional act no. 1/86 / IPO / 01 / 10.06.2010 and by the additional act no. 2 / 24.07.2017, between Banca Transilvania and Turbomecanica. The clause implies the modification of the guarantee structure by eliminating the buildings with no. cadastral 233974 and 229339 based on an evaluation report provided that the remaining guarantee has a degree of coverage of 85%. The other terms of the contract remain unchanged.

In the context of the conflict between Russia and Ukraine, which began on February 24, 2022, the European Union, the US, the UK and other countries have imposed numerous sanctions against Russia, including financial restrictions on Russian banks and state-owned companies, and sanctions against a number of individuals. Considering the geopolitical tensions, starting with February 2022, there was an increase in the volatility of the financial markets and the pressure on the depreciation of exchange rates.

These events are expected to affect activity in many sectors of the economy and could lead to a further rise in energy prices in Europe and a high risk of delays in the supply chain.

The company does not have direct exposure to the affiliated party and / or key customers or suppliers in these countries.

The Company considers these events to be non-adjustable events that occurred after the balance sheet date, the effect of which cannot be estimated at this time. At this time, the Company's management is analyzing the possible effects of the change in micro and macro-economic conditions on the Company's financial position and results.

No other events took place after the balance sheet date.

The financial statements were approved by the Board of Administration and authorized for issuance on March 24, 2022.

CLAUDIA ANGHEL,
Economic & Commercial Director

RADU VIEHMANN,
CEO

MANAGEMENT DECLARATION

I the undersigned, Eng. Radu Viehmann Chairman of the Board of Directors and CEO, hereby take responsibility for the preparation of the accounting reports as at December 31, 2021.

We hereby state that the accounting policies used by **TURBOMECANICA** to prepared the accounting reports as at December 31, 2021 are in compliance with Accounting Law no. 82/1991 republished, as subsequently amended and supplemented, with MoPFO no. 2844/2016 approving the accounting regulations compliant with International Financial Reporting Standards and MoPFO no. 85/2022 on the main aspects related to the preparation and submission of the annual financial statements and annual accounting reports of economic operators with the territorial units of the Ministry of Public Finance, and the modification and supplementation of accounting regulations.

We hereby confirm that in 2021 there were no cases of breaches or potential breaches of non-compliance with laws or regulations, which might substantially affect the accounting reports.

We hereby state that the accounting reports as at December 31, 2021 of **TURBOMECANICA** give a fair view of the financial position, financial performance and the other information related to the activity carried out between January 1, 2021 and December 31, 2021.

We hereby state that **TURBOMECANICA** carries out its activity on a going concern basis, does not intend and does not need to liquidate or significantly reduce the amount of its activity from:

- loss of important customers,
- application of a restructuring plan,
- overdue payments,
- liquidity issues, court actions as defendant or claimant against shareholders, debtors, significant creditors, State authorities, claims,
- sector, market risk,
- other factors.

We hereby declare that the management is not aware of any material uncertainties related to events or circumstances that might raise significant doubts on the Company's ability to operate on a going concern basis.

Date: 24.03.2022

CEO,
Eng. VIEHMANN RADU

FINANCIAL & COMMERCIAL DIRECTOR,
Ec. ANGHEL CLAUDIA