



TURBOMECANICA



ANNUAL REPORT

TURBOMECANICA

2022

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THE MESSAGE OF THE PRESIDENT – GENERAL DIRECTOR

Dear shareholders,

The year 2022 proved to be a challenging year marked by the war in Ukraine and multiple uncertainties in the economic plan, generated by inflation, interest rate, energy and raw materials crisis.

Therefore, to achieve the results TURBOMECANICA is grateful for the collaborations with our customers, partners and investors. I would also like to show my deepest appreciation to all the colleagues who carry on the tradition of almost half a century of our Company.

As usual, we present the information from the annual report with transparency and determination.



In 2022, we recorded total revenues of 141.5 million lei (4.5% increase compared to 2021), a turnover of 139.2 million lei (5.96% increase compared to 2021) and a net profit of 12.2 million lei (3.74% increase compared to 2021), as well as a net profit margin of 8.76%. 34,2% of the turnover for the whole year was generated in Q4, thus emphasizing the cyclical nature that we experience every year and the understanding of which we consider fundamental for investors so that they can correctly assess the evolution of our business during the year.

The growth prospects of the industry can be appreciated in the year 2023 as the "known unknowns". That is, there are numerous variables that we are aware of (the known ones) that could create significant variation depending on their outcome (the unknown) such as:

The Economy: Will Inflation and Interest Rates Stay High or Adjust to Lower Values? Many financial experts are predicting a recession next year but only time will tell what will happen.

The ongoing war will continue to affect global oil, commodity and energy prices, most acutely in Europe, which in turn will negatively impact the airline industry's fragile ability to fully recover. How long the war will last is currently a known unknown.

The current civil unrest in Iran appears to be escalating and therefore creating further instability in the Middle East, which could create further volatility in oil prices;

The certification process and timeline for the Boeing 737 MAX 7/10 aircraft remains unknown. At the same time, supply chain bottlenecks that have negatively affected both new engine production and MRO suppliers in urgent need of spare parts.

The global aviation maintenance and repair (MRO) market grew by 18% in 2022 and is forecast to grow by 22% this year, still 2% below its peak in 2019, following to reach \$125 billion by 2033 at an estimated average annual growth rate of 2.9%. These growth forecasts combined with the evolution of our business model show that our expectations to grow our business in the coming years are objective despite the uncertain economic outlook.

ANNUAL REPORT OF THE MANAGING BOARD

INTRODUCTION

This Annual Report of TURBOMECANICA S.A. as at 31.12.2022 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 31.12.2022 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 2022, 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.

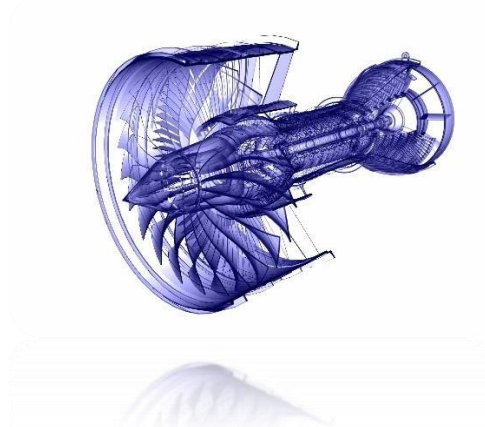
ABOUT TURBOMECANICA



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.

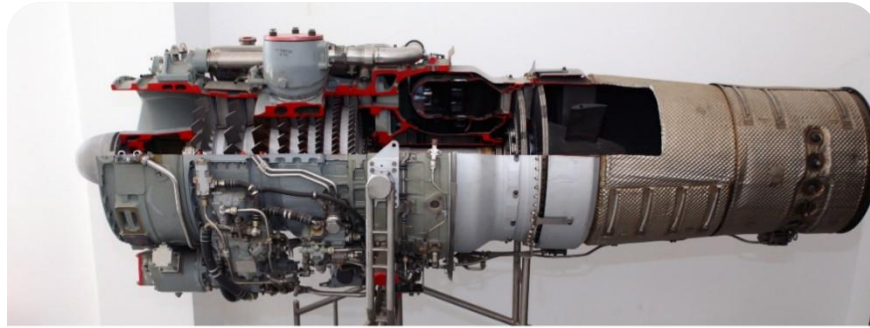
Our mission began with the foundation of TURBOMECANICA Plant in 1975 as the only manufacturer of turbine engines and mechanical assemblies for helicopters (IAR PUMA 330L), as well as engines for Romanian-made aircraft (IAR 99) which equip the fleet of the Ministry of National Defense and Romanian Intelligence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



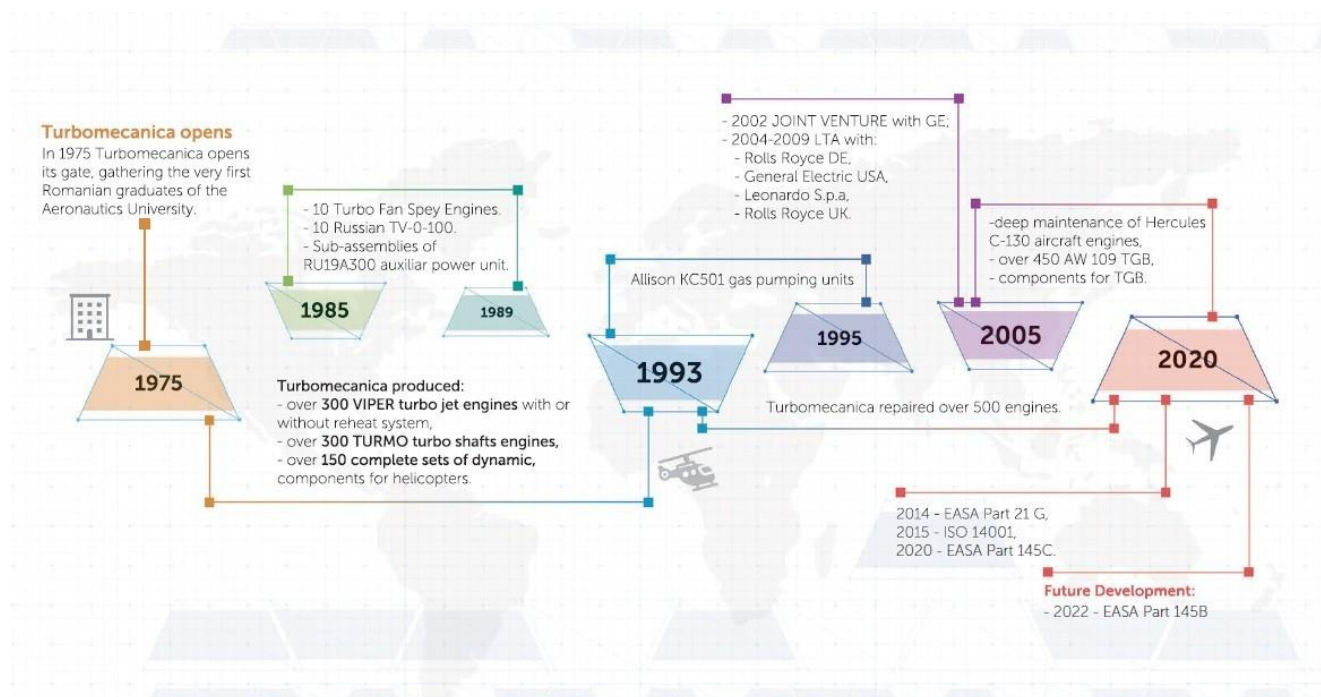
On the international market, the Company continued in 2022 to deliver components and subassemblies for civil aircraft engines. These programs have continued to run despite difficulties on the world market. In parallel, the activity of components for gas turbines continued.

Thus, Turbomecanica continues the tradition of collaboration with important names in the international aviation market, such as Leonardo Helicopters, ITP Aero și Witzenmann, sau GE Ungaria 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 and secondary CAEN code 3316

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 2022 – EVENTS, INVESTMENTS AND KPI

In 2022, the Company obtained the recognition certification of the alignment of the quality and environmental assurance system with the international standards related to the activity of aircraft and spacecraft maintenance in the military field - CAEN code 3316. Therefore, it received the authorization number RO.AAMN. 145.0006/12.12.2022, issued by AANM (National Military Aeronautical Authority)

Another important event of the year referred to the project "Transfer of technology for the optimization of the mechanical surface treatment of some landmarks used in the aeronautical industry" was accepted for financing by the National Research-Development and Innovation Plan PNCDI III, project code PN-III -P2-2.1-PTE-2021-0195. The Turbomecanica team in collaboration with a group of researchers from the Politehnica University of Bucharest will carry out the objectives of this project, which aims to make the processing process more efficient by modernizing the installation and developing the processing capability. The project is promoted at the leading MRO event in Europe and the Middle East where airlines, MRO organizations, OEMs, lessors, suppliers and industry experts meet annually to explore and define the aviation maintenance industry.

At the end of 2022, the prerequisites were created for ensuring the programs to be carried out during the next 3 years, the period 2023-2025. Therefore, at the beginning of 2023, these programs, in collaboration with the client IAR Braşov, came to fruition by signing the additional documents for performing major maintenance on 12 helicopters from the UN/SAR and Helicopter L/VIP programs.

Following the same direction, TBM together with MAPN continues the steps and preparations for carrying out the major maintenance on the VIPER engines, which until now have not required any work, and it follows that in the future TBM will carry out such works during the resource consumption, for the entire fleet of IAR 99 Falcon aircraft.

IMPLEMENTATION OF THE INVESTMENT PLAN

In 2022, the company continued investments in increasing the productivity of existing capacities and capabilities, but also pursued the development of new ones.

Consequently, the degree of realization of the investment plan for 2022 reached the percentage of 89.35%. From a value point of view, the Company saved approximately EUR 900,000 during the negotiations of the purchases approved through the investment plan.

Therefore, the situation of investments related to the year 2022 is presented as follows:

Approved investment plan	4,385,000
Delayed investments	467,000 ¹
Approved investment value	3,918,000
Actual investment value	3,004,925
Saving	913,075

The investments made according to the approved investment plan concentrated a percentage of 99.48% for the production facilities, namely for the modernization and efficiency of the production activity and are presented as follows:

4 CNC equipment were purchased for grinding, mortising and 2 equipment for turning. These were contracted by increasing the Leasing ceiling engaged with Banca Transilvania.

However, the most important purchase is the plasma spray equipment that contributes to the development of the Company's capabilities by adding to them 2 new techniques of surface coating by metallization, but also by the opportunity to certify this special process at the international level, which creates the premises for reducing subcontracting costs this service for the production of landmarks related to civil aviation.

The purchase of the cutting equipment contributes to the reduction of production/delivery terms by preparing the raw material to the size required by the documentation, in order to launch it into manufacturing

In conclusion, 5 CNC equipment for mechanical processing and 2 equipment for carrying out special processes (the plasma spray station and the deionization station) were purchased.

The company has also carried out 3 modernizations to the sand blasing process, to the Eltherma generator (heat treatment) and to 2 baths related to surface coating processes.

The improvements on the line of emergency situations, routes, circulation between sections and waste storage platforms were further postponed due to the reorganization of the assembly-test section to align the activity with the European Military Airworthiness requirements. (EMAR/RMAR). Activity that was completed in December 2022, due to the delayed scheduling of the certification audit, scheduled by AAMN (National Military Aviation Authority) depending on its availability. Therefore, although this activity was estimated for completion during 2022, it will be rescheduled for 2023.

¹ Din valoarea investițiilor nerealizate de 467.000 Eur, 400.000 Eur (85,65%) reprezintă asfaltarea drumurilor uzinale

At the same time, the asphaltting of industrial roads was also postponed (85.65% of the value of the unrealized investments), due to the equipment relocation activities and the need to build a special construction for the placement of the metallization equipment, contracted in 2022 with a delivery deadline of 2023 Q3.

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

ECONOMIC-FINANCIAL INDICATORS

	2022	2021
Current liquidity	2.42	2.29
Degree of indebtedness	5.95	2.94
Flow speed - cl	75.29	56.34
Rotation rate of real estate assets	2.25	2.04
Overall solvency ratio	3.09	3.12
Financial rate of return	9.93	9.74
NET profit rate	8.76%	8.95%
Net treasury	46,630 K RON	39,232 K RON

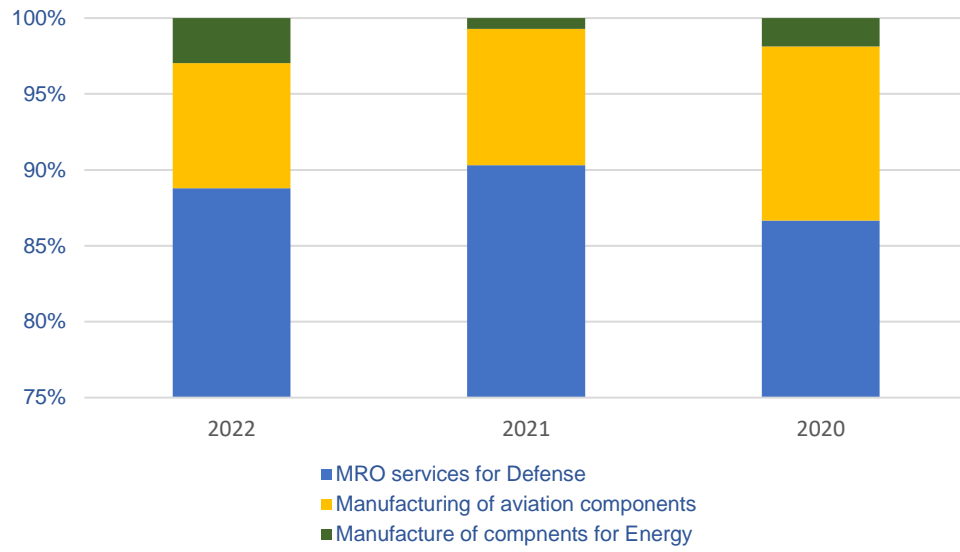
MACROECONOMIC INDICATORS

	2022	2021
Inflation	13.8	5.1
Average exchange rate €	4.94	4.92
Average exchange rate \$	4.63	4.16
Average exchange rate £	5.02	5.72

EVOLUTION OF SALES BY CATEGORY

CATEGORY	2022	2021
Military aviation maintenance services and product manufacturing	121,992,815	118,315,767
Manufacture of aviation products	11,479,502	10,317,084
Products manufacturing for Energy Division	4,123,419	905,804

EVOLUTION OF SALES BY CATEGORY



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 engines and mechanical assemblies (main gearbox, intermediate and tail gearboxes, main rotor head) in accordance with AACR and AAMN authorizations, civil and military equipment



- 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 equip 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

The effects of the energy crisis and disruptions in supply chains, manifested as early as the second part of 2021, were amplified at the beginning of 2022 by the geopolitical situation. Thus, it is predicted that the influence of the health crisis caused by the Coronavirus on national economies will decrease, but that the war will affect the world economy, especially in Europe, with many European states being dependent on Russian gas. At the European level, at the beginning of 2022, increases in international quotations for energy products were predicted, as well as the need to compensate for the deficit of energy resources of Russian origin with other resources. These forecasts have come true to a large extent, the evolution of prices on the energy market leading to global inflation - inflation in the euro zone exceeding 10%, and that of the US dollar 7%, according to preliminary statistical data for the year 2022.

The National Bank of Romania estimated at the beginning of 2022 that inflation is largely determined, namely 70%, by the increase in energy and natural gas prices. Although Romania was more protected from the impact of Russian supply, the explosion in energy prices brought back double-digit inflation, and the National Bank of Romania raised the key interest rate in each monetary policy meeting and changed the forecast from one report to another.

The Romanian economy was also affected in 2022 both due to the energy crisis and as a result of its dependence on global economic mechanisms and its integration into European and world value chains.

TBM faced several challenges during 2022:

- increase in the costs of raw materials/castings, those related to transport, energy and gas. Their effect was felt in the second part of 2021 and throughout 2022. Market estimates indicate continued pressure on companies' costs in 2023;
- financing the formation of stocks of raw materials and critical materials, which ensure a certain independence in the short-medium term;
- judicious scheduling of all financial, material and human resources;
- health crisis. Compared to the years 2020-2021, TMB's results were no longer significantly influenced by the health crisis, however its effects did not disappear, as part of TMB's employees were diagnosed with COVID-19 in the first quarter of 2022. The Company's management adopted decisions prompt and efficient in order to properly honor customer orders and achieve scheduled turnover;
- the continuation of the activity with increased precautionary measures to reduce the risks on the human resource;
- temporary interruptions or changes in the way of carrying out the professional activity (see telework programs in certain work areas);
- the application of a policy aimed at permanently ensuring the continuity of the company's business, including in the potential and especially unpredictable situation of the continuation of the health crisis;
- the legislative framework affected the business environment and created a lack of predictability in extremely important areas for the business environment, such as energy policy, fiscal legislation (increase in dividend tax, new way of calculating tax on buildings, etc.), social protection (increasing the minimum wage for the economy, changes to the Labor Code, etc.).

Therefore, the year 2022 was a year with multiple challenges, in which TBM managed to 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

In 2022, Romania's position as a NATO member country, acting in the international political context existing in the area, confirmed once again the strategic importance that TURBOMECANICA holds within the national defense industry as the only provider of maintenance services for the PUMA helicopter fleet and IAR 99 STANDARD / SHOIM aircraft of MAPN/Air Force General Staff, Naval General Staff and the Romanian Information Service.



Thus, the domestic market continued to represent the main pillar of the company's sales consolidation in 2022 (Total value of sales: 139,161,607 LEI): thus, TBM managed to achieve within the internal maintenance programs of aeronautical products but and various industrial collaborations a total value of sales of products/services intended for the domestic market of: 120,291,565 LEI, representing approx. 86.4% of the total value of TBM sales in 2022).

The maintenance/maintenance activity in 2022 materialized through the continuation of major programs of repairs/maintenance/manufacture of aeronautical products, but also through new programs aimed at collaborations within aviation programs for strategic clients: IAR Brasov, MApN/UM01836 Otopeni, Airplanes Craiova, the Craiova Flight Research, Innovation and Trials Center, other internal clients, as detailed below:

Programs run through the IAR Brasov client (the client with the majority turnover – 67%):

- Continuation of the PUMA – “NATO” helicopter modernization program (4 helicopters, sets 5-8)
- Continuation of the Manufacturing Program of TURMO IVCA engines and PUMA IAR 330 helicopter mechanical assemblies for the SMFA program (1 helicopter, SH4 set),
- New program of capital repairs of PUMA SM helicopter mechanical assemblies: "PAKISTAN" (2 helicopters
- New programs: "NAVAL" and "SRI" for capital repairs (with replacement of major components with TLV) and various current repairs, technical assistance and supply of spare parts for TURMO IVC/CA engines and PUMA IAR 330 helicopter mechanical assemblies;

For the next period 2023-2025: the Addendum has already been signed with the client IAR Brasov regarding the two major programs of complete overhaul of TURMO IVC/CA engines and PUMA IAR 330 helicopter mechanical assemblies intended for MApN, respectively:

- "UN (SAR)" Program 1-6 (6 helicopters), which will take place during 2024-2025;
- "HELICOPTER L/ VIP" Program 1-6 (6 helicopters), running in the period 2023-2025.
- NAVAL and SRI 2023 programs for capital repairs of TURMO IVC/CA engines and IAR330 mechanical assemblies, according to the detailed centralized analysis below.

Programs carried out with the strategic client MApN (turnover – 14%):

- Maintenance program of high and medium complexity, reconstructions of calendar potentials and current repairs to TURMO IVCA engines, VIPER 632-41R/M engines and their aggregates, mechanical assemblies IAR 330 PUMA, aggregates related to Allison T56 engines, manufacturing of spare parts - through TMB's participation in the public procurement procedure of 09.12.2022, completed with partial success and delivered in December 2022;
- Various programs for maintenance works/post-delivery services of technical assistance and supply of parts through direct collaboration with military units: UM01961 Otopeni, UM02015 Bacau, UM01969 Campia Turzii, UM01838 Boboc.

The implementation program for full overhaul of the strategic VIPER engine (according to Minute no. 452/16.04.2021 from the TMB-MApN working session) continued, through the arrival in 2022 in TMB of the first 2 VIPER 632-41M 605 series engines and 627, 2 pcs of VIPER thermocouple ramps and 2 pcs of VIPER thermocouple cables also intended for the RK program - process not yet approved in TMB and started in accordance with TMB strategic objectives; in order to carry out this program, a collaboration has already been initiated with PIAGGIO AEROSPACE, ITALY, by signing a tripartite NDA (Piaggio-TMB-MApN), through which TMB intends to obtain an update/completion of the constructive documentation related to the VIPER 632 engine-41M, as well as the source for purchasing VIPER parts

Programs run with the client Avioane Craiova S.A.:

- Program for transformation works from version 632-41R to 632-41M, revitalization and application of CMV with RK to AFC for VIPER engine series 737;
- Program for transformation works from version 632-41R to 632-41M, revitalization and application of CMV with RK to AFC for two VIPER engines series 695 and 703;
- Program for transformation works from 632-41R to 632-41M, revitalization and application of CMV with RK to AFC for three VIPER engines series 699, 757 and 759 engines with delivery in 2023;
- Program for the works of transformation of the afterburning engines 633-47 into 632-41M, revitalization and application of CMV with RK to AFC for two VIPER engines series 2255 and 2265, engines with delivery in 2023;
- Various VIPER engine spare parts manufacturing programs, based on firm CLT orders.

At the same time, a turnover for the year 2023 of: 10,599,424.40 LEI (excluding VAT) was secured by firm contracting and the continuation of the maintenance programs related to the fleet of IAR 99 SOIM aircraft through the transformation, revitalization and shortening of the resource of a number of 6 more VIPER engines with afterburner 632-41M (program that is currently under analysis for the period 2023-2024)

MANUFACTURE OF HIGH TECHNOLOGY AND HIGH QUALITY EQUIPMENT

The commercial activity of TBM continued to be represented in 2022 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 2022, action postponed since 2021.

However, at the end of 2022, it was possible to complete the negotiation with Leonardo Helicopters for the update of prices for the year 2023, with margins between 12%-17%. With Witzenmann, negotiations have settled on a 5% upgrade for 2023. New orders from ITP Aero are expected for 2023 in line with Rolls Royce's requirement for Pearl engines.

It is worth mentioning that during 2022 **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-through ITP Aero, 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 2022 is mainly detailed as follows:

Leonardo Helicopters, Italia:	4,4% (2021- 4,00 %)
Programe RR (ITP + Witzenmann + Astrofein):	5,5% (2021-3,88%)
Programe GE_ENERGY:	3,4% (2021-0,71%)
Honda Aero:	0,109% (2021-0,11%)



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 2022, 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 2022, 159 regulations were elaborated / revised as follows:

REGULATION CATEGORY	2022	2021	2020
General Procedures including Independent Annexes	50	80	37
Company Standards including Independent Annexes	31	50	31
Specific Working Instructions including Independent Annexes	36	49	64
Regulations including Independent Annexes	7	9	6
Human resources strategy with all Independent Annex	2	1	-
Quality Plans	7	3	5
Wage Policy	8	1	1
Quality and Environment Manual	0	1	2
Presentation Expositions	18	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 2022 to implement a continuous improvement in the organization and design of the quality management system.

An important achievement in 2022 is the Turbomecanica certification, according to RMAR 145 requirements, by the National Aeronautica Militara Authority as a military maintenance organization for Turmo IV C/CA products, Viper 632-41 and 633-47, Allison T56-A7B/A15, Mechanical Assemblies IAR-330, including aggregates and their components.

In a later stage, which will take place in 2023, Turbomecanica is preparing the certification, according to RMAR 21G requirements, by the National Aeronautica Militara Authority as a military production organization of products and components for Turmo IV C/CA, Viper 632-41 and 633 -47, Allison T56-A7B/A15, Mechanical Assembly IAR-330, including their aggregates.

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

In April 2022, **Honda Aero** performed an online supplier surveillance audit (product audit) according to the requirements of customer specification SRM 13711-Q0A-0000. In the conducted audit, the Honda Aero audit team found **no non-conformities and maintained TBM as an authorized supplier**.

In June 2022, **Leonardo Helicopters** performed an on-site supplier surveillance audit according to the requirements of the international standard EN 9100:2018 and the customer specification QRS-01. In the conducted audit, the Leonardo Helicopters audit team **found no non-conformities and maintained TBM as an authorized supplier**.

In August-September 2022, **Safran Helicopters Engines** performed an on-site potential supplier evaluation audit according to the requirements of client specifications GRM-0123, GRP-0087 and G012. In the conducted audit, the Safran Helicopters Engines audit team found no non-conformities, appreciated the existing capabilities and **indicated possibilities for future collaboration** for the maintenance of more modern engines.

In October 2022, **General Electric Power** performed an on-site supplier surveillance audit (product audit and special process audit) according to customer requirements extracted in a checklist. In the conducted audit, the General Electric Power audit team **found no non-conformities**, but indicated some corrections **and maintained TBM as an authorized supplier**.

In November 2022, **IAR Brasov** performed an on-site supplier surveillance audit according to the requirements of the international standards EN 9100:2018 and AQAP 2110:2016. In the ongoing audit, the IAR Brasov audit team **found 1 minor non-conformity** for which 1 corrective action (completed) and 1 opportunity for improvement (in progress) were established, **TBM being maintained as an authorized supplier**.

In December 2022, **Rolls-Royce** performed an online supplier surveillance audit (classified product audit) according to the SABRe3 customer requirements extracted in a checklist. In the conducted audit, the Rolls-Royce audit team **found 3 minor non-conformities** for which 3 corrective actions were established (all completed) and **maintained TBM as an authorized supplier**.

To prove compliance with the standards and regulations applicable in its activity, Turbomecanica supported 5 third-party audits carried out by certification/supervision authorities/bodies, as presented below:

In February 2022, the **Romanian Civil Aviation Authority (AACR)** carried out an on-site scheduled audit for the supervision of the authorization of the civil maintenance organization according to the provisions of EU Regulation no. 1321/2014, Annex II (Part 145), Subpart A. Following the audit the team audit AACR found 2 minor non-

conformities for which 5 corrective actions were established (all completed) and **maintained TBM's authorization as a maintenance organization RO.145.051 from 03.15.2021.**

In October 2022, the **National Military Aviation Authority (AAMN)** carried out an on-site scheduled audit for the initial assessment and approval of the authorization of the military maintenance organization according to the provisions of RMAR Regulation 145. Following the audit, the AAMN audit team found no non-conformities and **granted TBM military maintenance organization authorization RO.AAMN.145.00006 from 12.12.2022.**

In November 2022, **AEROQ** performed an on-site audit for the supervision of the quality and environmental management systems according to the provisions of the ISO 9001:2015 and ISO 14001:2015 standards. Following the audit, the AEROQ audit team found no non-conformities, **maintaining the certifications for the TBM quality and environmental management systems** (issued in April 2021 and valid until 09.11.2023).

In November 2022, **TUV Nord** carried out an on-site audit for the recertification of the supervision of the quality management system according to the provisions of the ISO 9001:2015 and EN 9100:2018 standards. Following the audit, the TUV Nord audit team found 1 minor non-conformity for which 3 corrective actions were established (all completed), **indicating the re-certification of the TBM quality management system** (the current certificates are issued in February 2020 and are valid until 22.02.2023).

In November 2022, the **Romanian Civil Aviation Authority (AACR)** carried out an on-site audit for the continuous supervision of the civil production organization according to the provisions of EU Regulation no. 748/2012 (Part 21), Subpart G. Following the audit, the AACR audit team found no non-conformities, **maintaining TBM's authorization as a civil production organization** (issued in December 2014 and upgraded to rev. 2 in August 2020).

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 carried out internal / external audits in 2022 as presented below:

Internal audits quality management system and environment management system

Internal audits for the quality management system were carried out in accordance with the PA-TBM Audit Plan 2022 ed. 1, later evolved into ed. 2, ed. 3 and ed. 4, approved by the Director General.

In 2022, 25 SMQ audits were carried out in which 49 non-conformities were found, for which 79 corrective actions were established, which were completed in a proportion of 84.8% (67 completed).

Internal audits for the middle management system were carried out in accordance with the Audit Plan PA-TBM 2022 ed. 1, later evolved into ed. 2, ed. 3 and ed. 4, approved by the Director General.

In 2022, 2 SMM audits were carried out in which 3 non-conformities were found for which 8 corrective actions were established which were completed in proportion to 100%.

Internal product audits

The internal audits for the products were carried out in accordance with the Audit Plan PA-TBM 2022 ed. 1, later developed in ed. 2 and ed. 3, approved by the General Manager.

In 2022, 12 product audits were carried out, in which 14 non-conformities were found, for which 35 corrective actions were established, which were completed in proportion to 97.1% (34 completed).

Internal process audits

The internal process audits were performed in accordance with the Audit Plan PA-TBM 2022 ed. 1, later developed in ed. 2, ed. 3 and ed. 4, approved by the General Director.

In 2022, 15 process audits were performed in which 10 non-compliances were found, for which 23 corrective actions were established, which were 100% completed.

External audits of suppliers

In September 2022, an external audit (product audit) was planned and carried out on-site at the supplier Rezistoterm SRL Iasi according to the general requirements of EN 9100:2018 and the specific requirements of TBM. In the ongoing audit, the TBM audit team (CAI, CCU, BPT) found 2 minor non-conformities for which 2 corrective actions were established (1 completed, 1 ongoing), maintaining Rezistoterm SRL Iasi as a conditionally accepted supplier.

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 2022 the following actions were carried out:

The general procedure PG SMQ-05 "Management analysis" determines the indicators necessary to achieve the strategic and quality objectives and which influence the level of customer satisfaction. The evolution of these indicators in 2022 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 99.69% (2021:99.61%). 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 97.48% (2021:97.22%). This shows that the sales plan is being complied with, with TBM delays in deliveries for external customers Leonardo Helicopters, ITP Aero, Honda and Witzenmann, but also for internal customer IAR.

-The strategic indicator I211g + I212g (global quantitative percentage of loss due to PO changes) has a decreasing trend and falls within the proposed target of a maximum of 3%, with an overall value of 2.52% (2021: 2.78%) (of which TBM has 2.40% and customers have 0.13%).

- The strategic indicator I3 (the degree of non-compliance with the requirements of the technical execution documentation - non-conformities and scrap) has an increasing 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%, having an overall value of 0.66% (2021:1.03%); if unconfirmed / rejected complaints are excluded, the indicator reaches the overall value of 0.56% (2021: 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 I4pg (external percentage loss - complaints) has a downward trend and does not fall within the proposed objective of maximum 0.5%, having a global value of 0.97%; if we exclude the 6 orders registered as complaints/reports, with intervention costs, but not technically justified according to the maintenance documentation, the subject products continuing to be used under supervision, the recalculated global value is 0.44% which falls within the proposed objective of a maximum of 0, 5%.

- **The strategic indicator I41** (time for resolving complaints) has a decreasing trend and falls within the proposed objective of a maximum of 30 days, having a global value of 27 days (for resolution in TBM) and 5 days (for resolution at customers/in operation).

- **The strategic indicator I42** (the rate of warranty claims for repaired products) has a decreasing trend and falls within the proposed objective of a maximum of 25%, having a global value of 12.83%.

- **The strategic indicator I43** (recurrence rate of complained products) has a decreasing trend and does not fall within the proposed objective of maximum 25%, having a global value of 34.38%.

- **The strategic indicator I44** (median product complaint duration since delivery) has a decreasing trend and does not fall within the proposed objective of a minimum of 250 days, having a value of 143 days at the end of 2022.

- **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 a global value of RON 1,411,753 in 2022. If we exclude the costs of handling the 6 orders registered as complaints/reports but technically unjustified according to the maintenance documentation, then the value of the indicator is of RON 673.569 which is closer to the max objective of 600.000 RON.

- **The strategic indicator I6** (turnover achievement related to the reporting period) will be calculated on 28.02.2023 and will be reported in the next management analysis meeting; after trim. III-2022, the value reached is 91,545,691 lei, being above the target of 73,714,279 lei.

- **The strategic indicator I7** (degree of achievement of net profit margin) will be calculated on 28.02.2023 and will be reported in the next management analysis meeting; after trim. III-2022, the value reached is 2.7%, being below the target of 10%.

In the field of **special processes and quality laboratories the policy of satisfying customer requirements** was continuously applied, 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 2022, the following special processes were re-accredited:

In January 2022, **Nadcap** performed a surveillance audit of **NDT processes according to AC7108 requirements**. In the conducted audit, Nadcap found 5 minor non-conformities for which 21 corrective actions were established (all completed), and the CND TBM processes were included in the **Merit Program for 24 months, re-accreditation being granted until 31.05.2024**.

In February-March 2022, Nadcap performed a surveillance audit of TBM **welding processes according to AC7110 requirements**. In the conducted audit, Nadcap found no non-conformities, and TBM welding processes were included in the Merit Program for 24 months, **re-accreditation being granted until 31.05.2024**.



In August 2022, **Nadcap** performed a surveillance audit of the TBM **ecruisation process according to AC7117 requirements**. In the conducted audit, Nadcap found 2 minor non-conformities for which 10 corrective actions were established (all completed), and the TBM ecruisare process was included in the Merit Program for 18 months, **re-accreditation being granted until 31.05.2024**.

In September 2022, **Nadcap** performed a surveillance audit of TBM's **chemical processes according to AC7108 requirements**. In the ongoing audit, Nadcap found 1 minor non-conformity for which 5 corrective actions were established (3 completed), and the TBM chemical processes were included in the **Merit Program for 24 months, re-accreditation being granted until 30.11.2024**.

Second party process certifications

Leonardo Helicopters Certifications

In 2022, 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:

- Liquid Penetrant Inspection (IT12/0193/04: valid until 11.01.2025);
- Etch Inspection of Hardened Steel Parts (IT012/0397/03: valid until 15.03.2025);
- Casting Impregnation (IT12/0475/03: valid until 01.07.2025)
- Heat Treatment of Steel Alloys (Normalizing, Hardening and Tempering for low-alloyed steels, Precipitation hardening of PH steels (sect. IV), Hardening and Tempering for stainless steel (sect. III)) (IT12/0195/07: valid until 02.12.2025);
- Heat Treatment of De-Embrittlement and Stress Relief (IT013/0165/04: valid until 31.12.2025);
- Chromic Acid Anodizing (IT13/0148/04: valid until 31.12.2025).

PZL Swidnik Certifications

In 2022, the qualifications of the special **TBM** processes obtained previously applicable to **PZL Swidnik** articles were maintained and no requalifications were initiated and following certificate was renewed:

- Heat Treatment of Steel Alloys (PL10/0043/04: valid until 23.09.2025);

General Electric Certifications

In 2022, 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, Welding).

Rolls-Royce Certifications

In 2022, the approvals previously obtained by TMB from **Rolls-Royce Civil & Defense Aerospace** were maintained in accordance with the Certificate of Approval for Quality Management System & Processes (no expiration date).

Avio Aero Certifications

In 2022, previously obtained TBM special process qualifications applicable to **Avio Aero** products were maintained and no special process qualifications were extended.

Introduction of new parts in production

For the client **Leonardo Helicopters** (Italy), 16 FAI files were drawn up (8 TGB benchmarks and 8 MGB benchmarks) which were approved by the client. By updating them, we continue to improve the manufacturing of the parts requested by the customer for the Rear Transmission Box and the Main Transmission Box of the AW109/AW119 helicopters.

For the client **Witzenmann** (Germany), 3 FAI files were drawn up and approved by the client. By updating them, the improvement of the manufacturing of the benchmarks requested by this 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 for "Surface treatment of metals or plastic materials by electrolytic or chemical processes in which the volume of the vats is greater than 30m³".

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, the Water Management Authorization, as well as the Waste Water Takeover Agreement give the company the right to operate under legal conditions, through a permanent monitoring of the proper functioning of the depollution installations and the existing equipments on the company's site. In 2022, no environmental incidents were recorded.



Following the controls of the National Environmental Guard carried out in 2022, the Company undertook to ensure the continuous monitoring of the operating status of the installations so that they do not generate pollutant emissions that exceed the limit values allowed by law and if this happens to stop working until fixed.

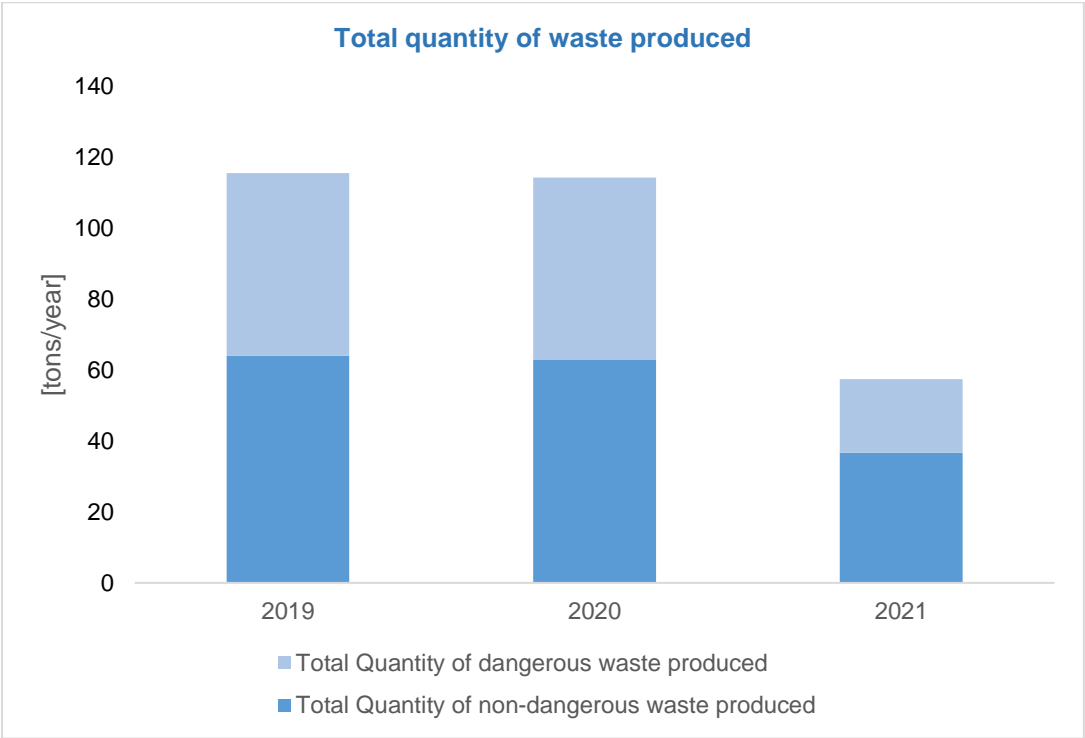
In order to prevent an emergency that may endanger the quality of the environment and the health of people, TBM has designated intervention teams for all risk areas in society. Exercises are periodically carried out to simulate possible emergencies that may result in accidental pollution. The purpose of the exercises is to raise the awareness of the staff to avoid accidents of any kind.

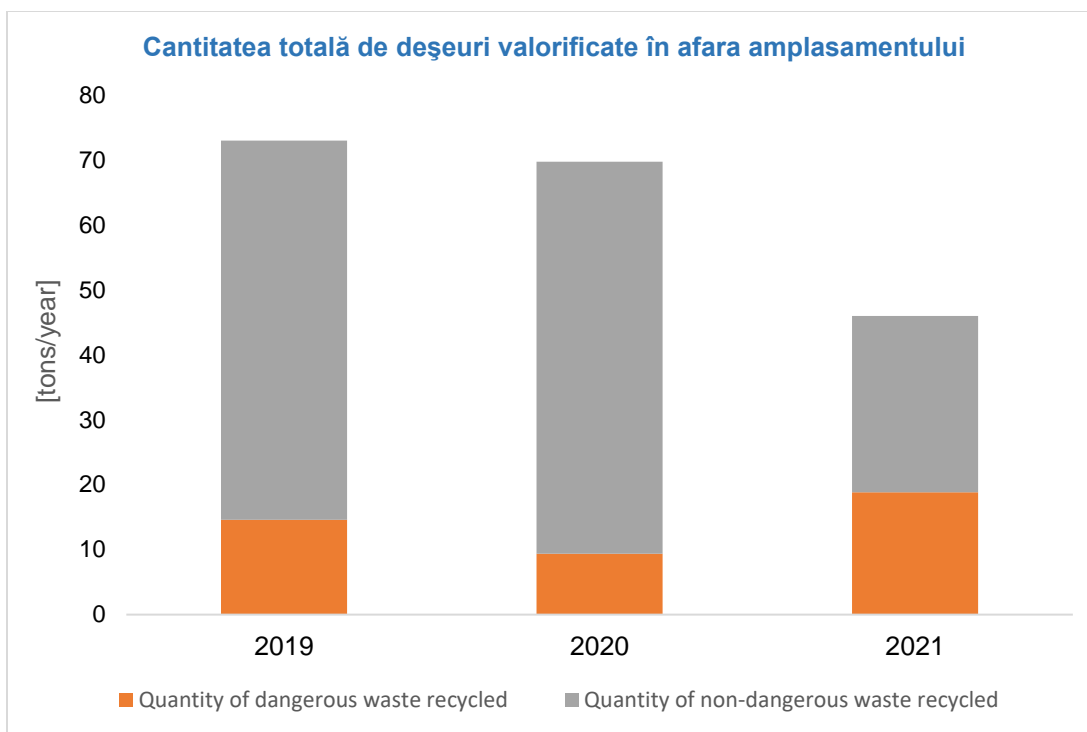
Also, through the monitoring and measurement program of the environmental management system, all existing depollution installations on the site are monitored weekly and periodically checked through the technological equipment predictive preventive maintenance program, regarding their functionality under normal conditions

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

In 2022, Turbomecanica demonstrated that the actions regarding **the reduction of the amount of hazardous waste were effective**, even if the quantities were higher than in 2021. The increase is due to the depreciation of the chemical solutions of the surface coating processes.

At the same time, the **share of the amount of non-hazardous waste has increased compared to previous years** because TBM is in the process of modernizing the production sections, replacing old and unproductive machine tools with the latest generation industrial centers.



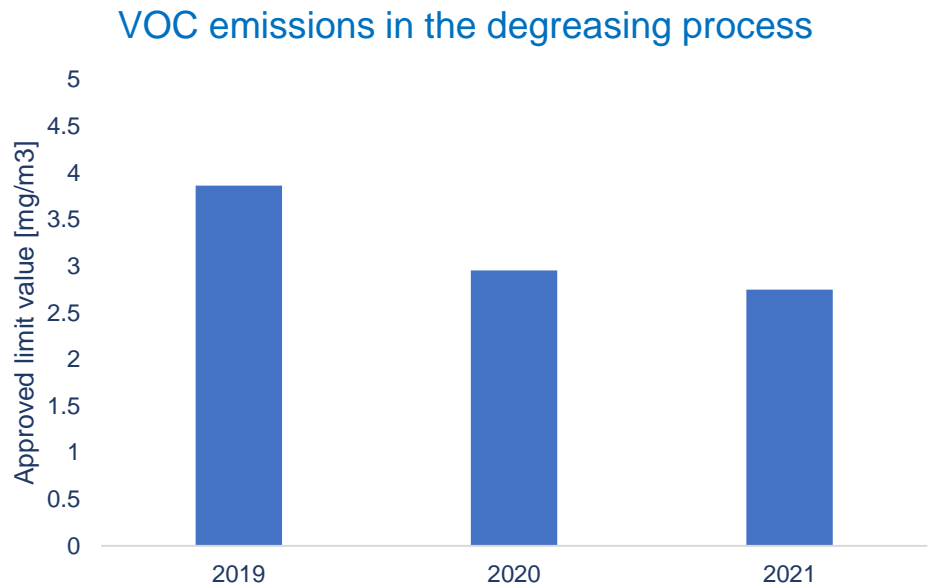


During 2022, Turbomecanica implemented measures with a major impact on improving environmental performance and pollution prevention:

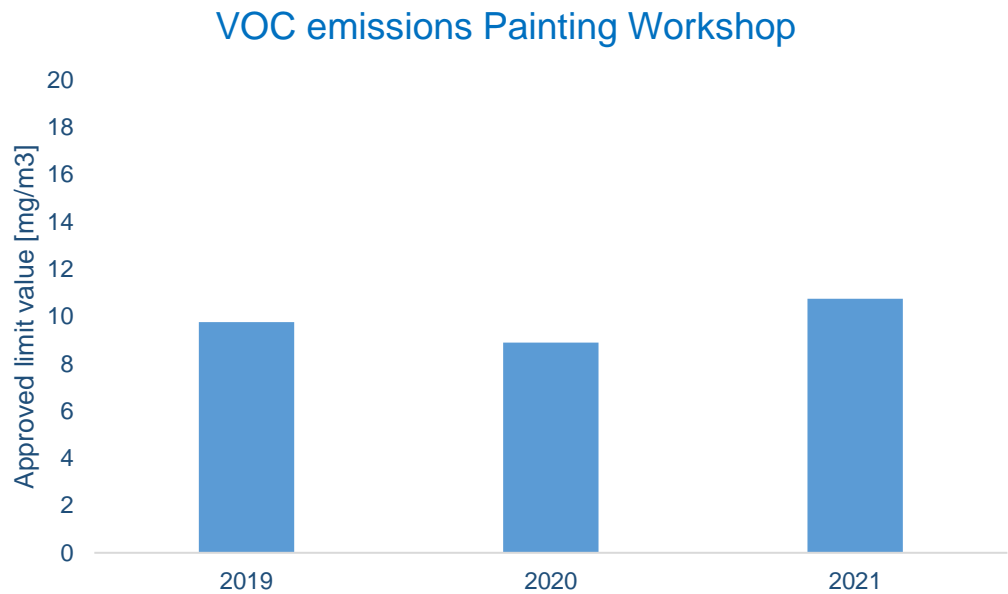
- The filter system for capturing emissions on the Argintare line has been changed;
- It was decided to purchase and install a system of filters with the efficiency of capturing the emissions of heavy metals (Copper, Cadmium, Chromium) and the powders eliminated in the special processes.
- A water demineralization station with a flow rate of 7.5 mc/h was purchased to streamline the filling time with demineralized water of the washing baths related to special processes and to reduce the amount of chemical substances used in the regeneration of ion-exchange resins;
- It was decided to supply raw materials (hazardous substances) in optimal quantities, depending on the existing stocks and the need for use based on orders in progress, in order to avoid the situation regarding their expiration in order to reduce the quantities of hazardous waste.

Turbomecanica, through the prism of the activity carried out, uses organic solvents with volatile organic compounds, which fall under the scope of legal provisions. Volatile organic compounds, VOCs, are an important category of atmospheric pollutants, frequently encountered in the atmosphere as a result of human activities. The main activity of the company that generates emissions with volatile organic compounds is the process of degreasing parts, the organic solvent used being tetrachloroethylene.

After calculating the consumption of VOC emissions, it turns out that it is below the limit allowed by law as follows:

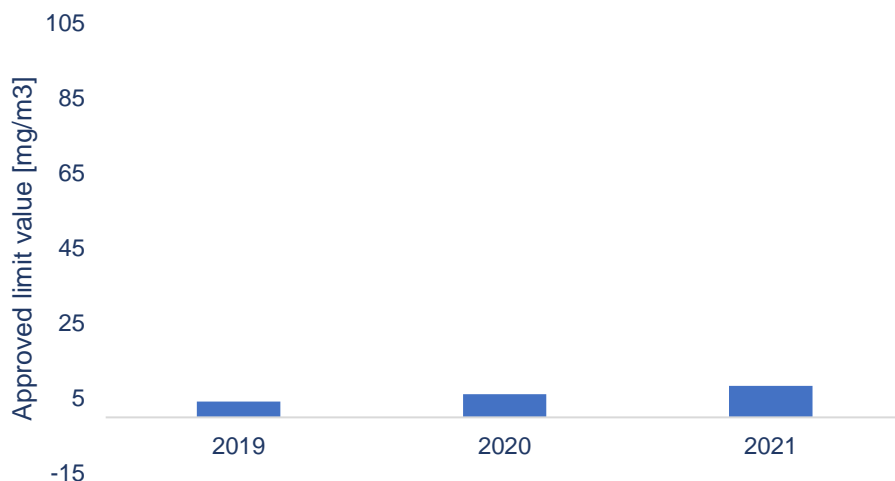


Following the semiannual measurements, by accredited laboratories in the field of environmental protection, it follows that the values of VOC emissions eliminated in the processes of painting and laboratory chemical analyzes are below the limit allowed by law, as can be seen from the following graphs:



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

VOC emissions Chemical analysis laboratory



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.

The increase in the value of VOC emissions, as well as the increase in the consumption of organic solvents (Tetrachloroethylene), in 2022 compared to 2021 was due to the increase in production volume.

NUCLEAR PROTECTION

Turbomecanica 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 2022, in continuation of the 10-year program, the request for the transfer of the third tranche of 10% of the amount of radioactive materials held was sent to ICN Pitesti for bidding, and in 2023 the offer will be analyzed and to the extent which is competitive, considering the monopoly held by RATEN, to continue the program.

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 2022-2023 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 2022, 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

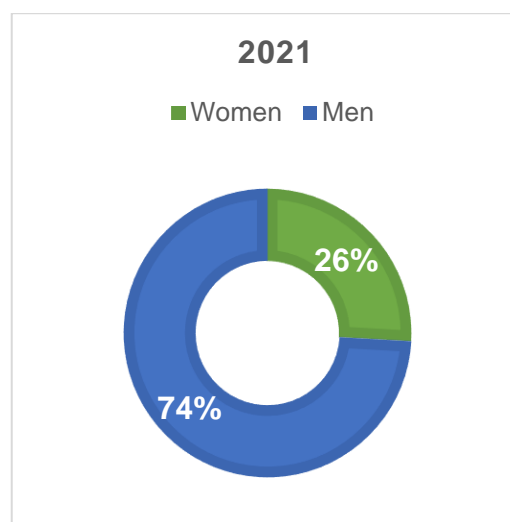
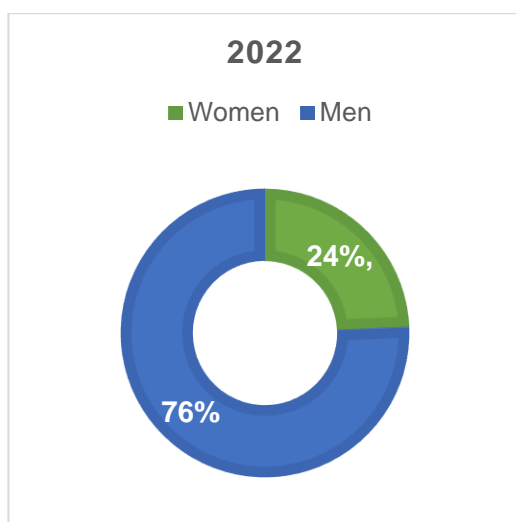
The management of the company ensured the development of the activities of Production, Technical and Compliance, Quality and Organization, Human Resources, Financial - Accounting, Legal, Marketing and Sales.

The total number of TBM staff on 31.12.2022 was 461 employees, decreasing compared to last year by 40 people.

The average age of the staff on 31.12.2022 was 48 years, similar as in 2021.



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 2022, a number of 93 employees left the company (of which 11 retired) and 53 people were employed.

Total expenses with salaries and employee benefits, made in 2022, amounted to 52,742,599 lei, of which:

	2022	2021
COSTS		
salary expenses:	46.200.894	47.034.576
spending on vouchers granted to employees	4.310.600	4.091.470
expenses regarding the labor insurance contribution	1.039.566	1.058.426
other expenditure on insurance and social protection (aid)	254.850	253.900
expenses with the company's contribution to health insurance other expenses (CCM)	936.689	970.196

The share of personnel expenses in turnover achieved for 2022 was 37.90%, registering an increase of 2.77% compared to 2021.

The costs involved in the recruitment process were approximately RON 63,695 representing the costs of purchasing recruitment services and subscriptions to specialized sites.

Regarding the degree of unionization of the company, 55.74% 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	2022	2021	2020
Higher education	31.02 %	31.34 %	31.38%
Employees with high school and post-high school education	39.91 %	40.32 %	41.40%
Employees graduating from vocational school	23.86 %	23.35 %	22.49%
General school graduate employees	5.21 %	4.99 %	4.73%

The relation between the management and the employees is regulated based on the Collective Labor Agreement for the years 2022-2023. 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 2022.

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 2022.

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 out in accordance to the Annual Professional Training Plan. In this respect, the courses for Certification/Autorization, Professional Qualification assured both inside and outside the Company, a number of 378 employees were trained, amounting a total of 10,659 hours. Some of the specific trainings, due to the duration will be continued in 2022 and 2023.

For the management staff, a budget was allocated for MBA courses, with a duration of 2 that take place during the academic years 2021-2023, with a value of 5,000 Eur

For the external training and certification courses, the Company has invested the amount of 131,812 lei.

The specific training to ensure the maintenance of the necessary skills of operators, inspectors and laboratory workers for special processes and laboratories, carried out according to the annual Professional Training Plan in 2022, is structured as follows:

COURSE TYPE	2022		2021	
	No. of hours	No. Participants	No. of hours	No. Participants
Certification courses	810	340	1.283	405
Internal qualification	9.460	20	12.470	27
External training	143	13	3.056	88
External qualification	246	5	n/a	2
TOTAL	10.659	378	16.809	522

In order to ensure the human resources necessary to carry out the activities of manufacturing parts for aviation engines and maintenance of turbojet engines, turbomotors, helicopter mechanical assemblies, components and aggregates specific to them, as well as the production of high-tech industrial products, components and aggregates, TBM adopted the solution of practical teaching for students from grades 9-11 within the framework of dual education, carried out in partnership with technical colleges.

Turbomecanica concluded partnerships with 4 technical colleges for this form of education and publicized the company's offer in Bucharest and its surroundings in order to stimulate the interest of 8th grade graduates and their parents for the field of activity in which it operates and to generate the desire to become part of the Turbomecanica team

During the 3 years of study, Turbomecanica makes sustained efforts to convey to students the theoretical and practical knowledge necessary to classify children in the professions of Aviation Mechanic, CNC Operator, Fine Mechanic or Lathe, Milling Mechanic.

In addition to the practical experience, the students who signed dual education contracts with TBM receive:

- the premium of 800 lei if they obtain an average above 7 in the examinations during the practice and have 100% attendance.
- additional premium of 300 lei if they have averages over 8.
- transport settlement and the equivalent of a hot meal during the practical training sessions,
- employment in TBM at the end of the 3 years if they obtain the qualification diploma with grades above 7.

The total number of students enrolled at TBM in dual education in 2022 was 125 students and will continue to grow in the next school year.

Following the completion of the first complete cycle of dual education, the Company hired in 2022 7 Mechanics, 5 PM operators, 1 Metrologist and 1 compliance controller

The total expenses for dual education carried out in 2022 were in the amount of 945,993 lei, registering a decrease of 9.70% compared to 2021.

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 2022, 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 SPSP special processes section (with the production areas: Thermal Treatments (TT), Surface Coatings (AS) and Painting) the works continued to improve the production conditions/working microclimate, by modernizing the ventilation and exhaust installations/ noxe treatment, namely:
 - The modernization works of the SHOPP1D crucible installation have begun, by replacing the filtration system, restoring the inner lining and the control panel;
 - Modernization of ENDO generator type GEN 20-E;
 - Modernization of the recirculated water demineralization installation by replacing the tanks and water circuits
- Within the Test Assembly section (SMI) the expansion works were completed and, respectively, the moving bridges in the Engines and Mechanical Assemblies areas were put into operation;
- Workspaces/compartments were rearranged in the areas of Aggregate Tests and Engine/Aggregate Control'
- Also, the noxious exhaust systems from the VIPER and TURMO test benches were checked and, if necessary, elements of their structure were replaced to maintain normal operating parameters.
- Replacement of several machines in the mechanical processing section to make the production process more efficient.

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 2022, 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 accordance with the TBM Prevention and Protection Plan, the necessary measures were applied to ensure the improvement of the level of security and protection of workers' health as follows;

- 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;
- hoods/caps for head protection were provided for SPM personnel who carry out activities in areas with low temperatures
- protective gloves (chemical, mechanical, etc.) were periodically purchased for the salaried staff, as well as abdominal and/or lumbar protection belts for the staff from the SPM-presaj, SPSP and partially ATD sections.
- 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.

The measures applied to ensure protection against SARS-CoV2 contamination continued in 2022, 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 investigations/periodic medical check-ups for TBM staff were carried out at the TBM headquarters, in two stages, by the mobile medical team of the provider of occupational medicine medical services: in March for part of the employees, and respectively , between September and October 2022 for most employees.

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

The medical recommendations regarding the work ability for the employees notified following the periodic medical check-up were analyzed internally and, as the case may be, the appropriate measures were applied.

Also, during September-October, the medical control was performed for the students who perform the internship in TBM for the school year 2022-2023.

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 2022, 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).

In July 2022, the Training regarding the provision of first aid measures for people from TMB was carried out - 44 participants.

Starting from December 2022, the TBM PSI authorization process is underway.



INTERNAL ORGANIZATION & ORGANIZATIONAL STRUCTURE

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

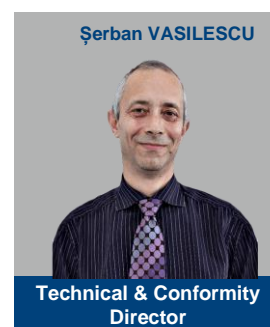
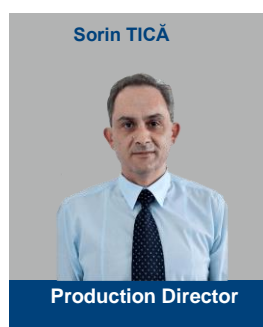
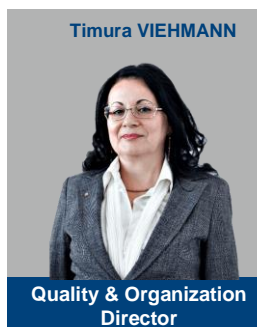
The management at operational level is ensured by the Directors of the 4 departments, which form the Managing Board.

Each operational department has specific structures under it.

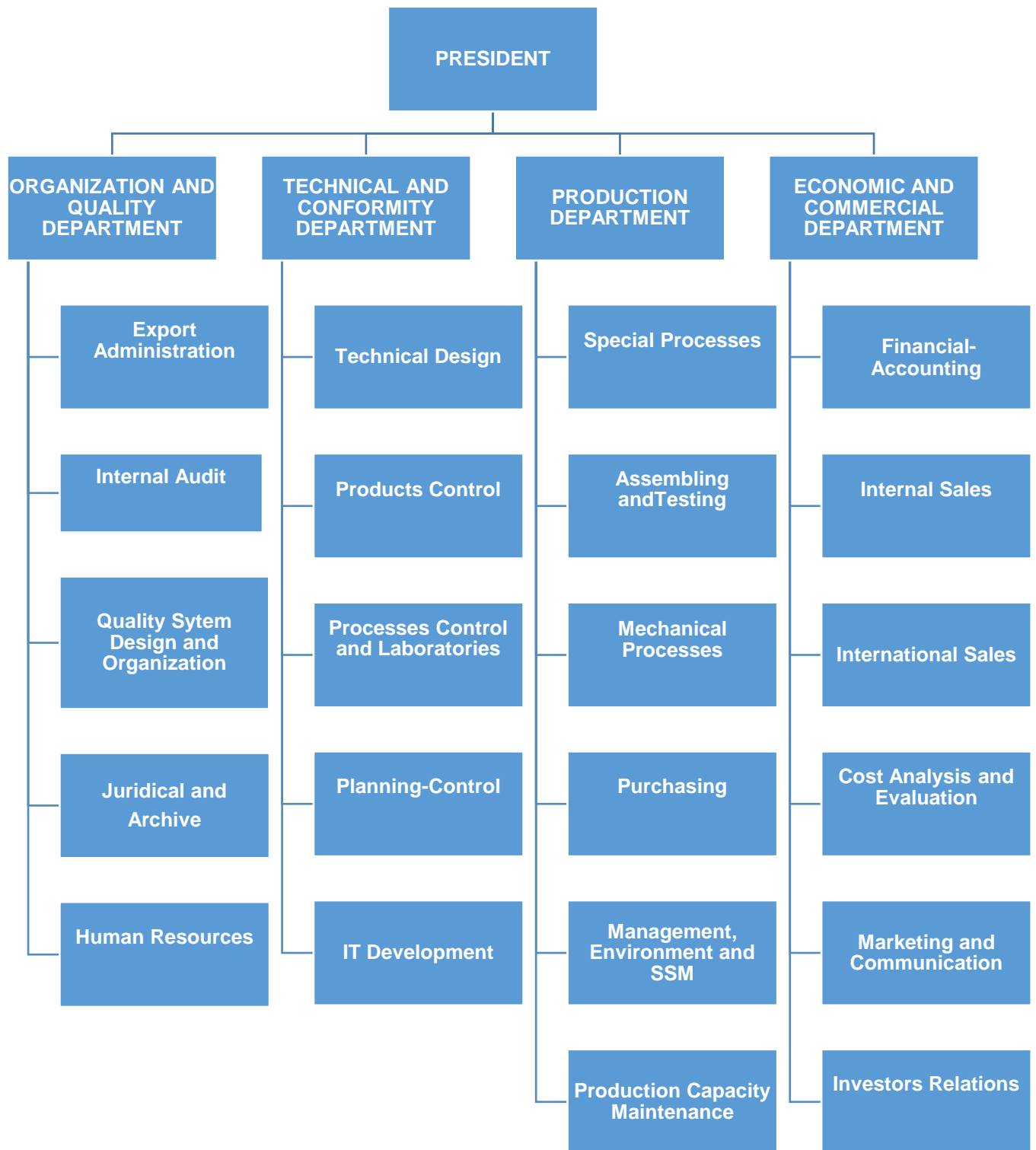
There were no changes in this structure in 2022.

As at 31.12.2022, 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



TURBOMECHANICA 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 2022 a total number of 1,127 shareholders, individuals and legal entities.

The synthetic structure of the Turbomecanica shareholding published on 31.12.2022 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 2022, TBM granted dividends, offering investors a yield per share of approximately 10.5%. The net worth of the dividend was 0.02735 lei.

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 31.12.2022:

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-executive 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 31.12.2022

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	570,000	0.1543 %

During 2022, the Managing Board met in 8 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 activities 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 the year 2022 an average number of 457 employees, consequently the company does not have the obligation to report the non-financial statement.

However, the Company's Board of Directors decided to present non-financial information for the year 2022 in the form of a non-financial statement, attached to the Report of the Board of Directors, in order to ensure a comprehensive, detailed and transparent reporting to investors and interested parties.

COMPLIANCE WITH NON-FINANCIAL REPORTING REQUIREMENTS

COMPLIANCE REQUIREMENTS	CHAPTER FROM THE ANNUAL REPORT 2022	PAGE
Business model, Organizational context and stakeholders	Contextul organizației și părțile interesate	10
Quality policy and environment	Integrated quality and environmental assurance system	16
Improving environmental performance	Climate change mitigation by improving environmental performance and preventing pollution	22
Improving performance in the field of pollution prevention	Climate change mitigation by improving environmental performance and preventing pollution	22
Climate change mitigation	Climate change mitigation by improving environmental performance and preventing pollution	22
Sustainable use of resources	Sustainable development and sustainable use of resources	40
Principles and values of Turbomecanica Code of conduct and ethics	Code of conduct and ethics - principles and values	27
Sustainable Development	Non-financial statement Sustainable development and sustainable use of resources	39
Social responsibility	Social Responsibility	42
Social and personnel issues	Human resource	26
Promoting diversity	Human resource	28
Human rights and the fight against corruption and money laundering	Human resource	27
Corporate governance	Corporate governance	36
Risk management and opportunities	Risk and opportunity management	36
		43

COMPLIANCE WITH REGULATION REQUIREMENTS

The Company's activity is organized and regulated internally taking into account the compliance with the legislation and national and international standards in the aeronautical field through:

- ✓ the documents of the Quality and Environmental Management System (SMQ&M) which in 2022 was recertified by the competent state authorities in accordance with ISO 9001, ISO 14001 AS EN 9100, AQAP 2110, documents that are the basis for obtaining TBM authorization by AACR (Romanian Civil Aviation Authority) and by AAMN (National Aeronautical Military Authority) as MRO in accordance with Regulation (EU) no. 1321/2014 part 145 and with RMAR 145
- ✓ Implementation of the 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;
- Applying 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, and with secondary and university education institutions, TBM is represented by the Director of Quality and Organization who dedicates time and effort to organizing and monitoring the training of young generations of specialists in the aeronautical industry.

Taking into account in particular the specificity of the object of activity carried out, based on the partnership contracts concluded with 4 (four) educational units and with the administrative-territorial units within the radius of which they are located, TBM proposed the continuous and long-term training of skills needed by students, thus supporting their transition from school to work



On this occasion, in July 2022 TMB successfully completed the first cycle of professional training carried out during 3 school years and organized, in collaboration with the educational units. The certification exam of the professional qualification in the MECHANIC field (level 3 of qualification according to the National Framework of Qualifications) for the specialization of 18 students with the professional qualification of aircraft mechanic, as well as of 12 students with the professional qualification of operator of numerical control machines. All the examined students obtained graduation diplomas. 7 Mechanics, 5 PM operators, 1 Metrologist and 1 compliance controller were employed in TBM.

Also, in the 2021-2022 school year, TBM opted for the inclusion in the training program for another 120 students of the Xth and XIth grades in the MECHANICAL professional training field (qualification level 3 according to the National Framework of Qualifications), with the following professional qualifications: numerical control machine operator, aircraft mechanic, turner, fine mechanics mechanic and router-turner-mortiser.

In this sense, TBM has allocated material resources (by providing textbooks and course materials), logistic (through access to the production lines and setting up a workshop-school) and human resources (through the involvement of specialists in the process of teaching theoretical concepts specific) in order to train the skills and abilities of a number of 120 students for their employment after completing their studies.

In November 2022, TURBOMECANICA formulated a series of tuition offers in dual education for the 2023-2024 school year for an additional number of 84 students who will be enrolled in the 9th grade with the same professional qualifications.

At the same time, we maintain a close connection with the Faculties of Aerospace Engineering and Materials Engineering within the Polytechnic University of Bucharest, also having a collaboration protocol currently underway in this regard.

The financial aid distributed to the community in 2022 through the sponsorship strategy took into account 3 main objectives: Education & Social, Environment and Medical. Among the largest projects continue to be, 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 and safety 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 Management 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 2021-2022 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 the 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.)

The global macroeconomic issues (energy crisis, continued unpredictable evolution of prices for raw materials and dysfunctions in supply chains, etc.) and European (euro inflation, economic imbalances in the European Union, especially in the Eurozone, etc.), combined with the geopolitical problems in the area (the war in Ukraine, the topic of migration and protectionism in the EU, the problems in the Middle East, etc.) create additional pressures on the aviation industry and those related to it.

IATA predicts that in 2023 total airline revenues will recover industry-wide to approximately 93% of pre-Covid levels. This reflects the further recovery of air passenger revenues to around USD 522 billion (about 86% of 2019 level) partially offset by air cargo revenues which have been unusually strong for several years at around USD 150 billion (approximately 150% of the 2019 level).

Economic risk

Earlier this year, the International Monetary Fund maintained its forecast for the development of the world economy, estimating that it will grow by 2.7% in 2022, amid the return of China's contribution to fueling global growth, probably from mid-2023, but also of an expected mild recession for the US economy. The IMF believes that great uncertainty persists, citing the risk of a significant climate event, a major cyber attack or the danger of an escalation of Russia's war in Ukraine. The World Bank predicts in the report "Global Economic Prospects" a 1.7% growth of the world economy in 2023, the slowest pace in the last three decades, except for the recessions of 2009 and 2020.

As far as Romania is concerned, in the autumn forecast published in October 2022, the National Strategy and Forecasting Commission estimates for the year 2023 a deceleration of economic growth to 2.8%, given that the unfavorable effects of the current geopolitical context will continue and become more visible at the European level. Activity in the industrial sector will continue to be influenced by the high level of energy product prices and the weakening of industry in Germany - Romania's main trading partner, with an increase in gross value added of only 0.4% expected.

The risks related to the current economic forecasts remain high in the current geopolitical context regarding the war in Ukraine and the sanctions associated with it. At the same time, supply chain distortions are expected to continue throughout 2023, CNSP considering that their persistence over a longer period of time becomes a risk for the evolution of the world economy. Also, maintaining high prices for a long period of time leads to the risk of reducing the rate of economic growth, diminishing profit margins and eroding purchasing power.

On the other hand, there are also premises for an economic growth beyond expectations supported by the faster materialization of reforms and investments foreseen from European funds, especially in PNRR, with a positive impact in mitigating global shocks. Also, the prolongation of Russia's war in Ukraine may lead to the relocation of some companies to Romania, the infusion of foreign capital being a breath of oxygen for the economy.

Market development risk

In 2022, the global civil air transport industry continued its slow recovery, with IATA estimates of a return to pre-pandemic traffic values in 2024. Airlines, airports and other players again began to hire at record rates, add capacity, to resume routes and, in some cases, to recover from a financial point of view.

As for the military aviation MRO market, it has had different developments from one country to another in the context of the pandemic. This market was estimated at USD 22.9 billion in 2018 and is expected to grow at a CAGR of 2.60% by 2028 to USD 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 a 10.4% MRO market share for multi-mission helicopters -role.

TBM operates without competition on the domestic MRO market of military helicopter engines.

At the same time, the gradual transition was started for civil MRO addressed to both the domestic and the international market, on which several big players (Safran, MTU, Lufthansa Technik, etc.) and medium-sized

companies (Aero Norway, GA Telesis) are active , etc.) where it will be able to attract market share thanks to the tradition of five decades of experience in the military segment.

In terms of the manufacturing market for civil and military aviation components, the competition is strong, being influenced by the diversity of players in the market. TURBOMECANICA performs successfully on this market, becoming a supplier for decades for major 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 the business determined exclusively by the dependence on the approval of the state budget 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 EU 1321/2014, Annex II (Section 145) - AACR, action that was estimated with long term of completion, as well as certification and in the military field by acquiring RMAR 145 - AANM, these to be followed by securing EASA 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 sense, according to the investment plan approved for 2021, the server cluster in the Data Center was up-graded to ensure compatibility with the latest software version.

The Checkpoint update ensures the redundancy of the Core Firewall so that in the event of a failure, the processing load may be offloaded from the defective device.

Updates were made to major software versions, with the system set to check and update once every 6 hours for critical updates.

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 quick reaction to evaluate and establish the actions related to the impact of the Covid 19 pandemic, the Company went through the pandemic period from 2020-2022 without a major impact on the continuity of the activity. There were significant reallocations between reporting quarters, but at the end of each reporting period the Company met a significant proportion of 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 2021-2022, 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 RON.

[Inflation risk](#)

In the context of the available data and the regulations in force, the BNR estimates a worsening of the inflation outlook, almost exclusively in the short term, anticipating that the annual inflation rate is expected from 16.3% in 2022 to 11.2% in 2023, following in 2024 inflation to return to a single digit, namely 4.2% in September 2024.

According to the National Bank, the main determinants of the decrease in the annual dynamics of inflation will be the basic disinflationary effects associated with the large increases previously recorded in energy and fuel prices, as well as the relatively more pronounced downward trend of the oil price in recent months.

In an attempt to control inflation, at the beginning of January 2023 the NBR decided to increase the monetary policy interest rate to 7% per annum, from 6.75% per annum.

[Interest rate risk](#)

The risk generated by the interest rate is the risk of variation 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 ROBOR evolution on the market.

ROBOR represents the average interest rate at which Romanian banks lend to each other, in lei. The evolution of ROBOR is influenced by several factors, the most important of which refer to the monetary policy of the BNR, liquidity on the market, inflation and fiscal policy.

ROBOR has experienced significant growth in recent years. Thus, the 3-month ROBOR index - according to which interest is calculated for most loans granted in lei - stood at 1.5% in January 2021, 3% in January 2022, decreasing in mid-January 2023 to 7, 3% after a peak of 8.2% in October 2022.

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 2022.

FINANCIAL STATEMENT FOR 2022

	2022	2021
Equity	36,944,248	36,944,248
Turnover	139,161,607	131,331,165
Sales Export	15,173,423	11,222,755
% Export sales in turnover	10,90%	8.7%
Average staff	457	501
Gross profit	13,439,082	14,203,709
NET INCOME	12,189,143	11,749,227
Cash and financial assets	17,923,696	18,961,360
General liquidity	2.04	1.99
Investments put into function	2,233,352	3,215,903
% Investments in turnover	1.60%	2.4%

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, 2022, Turbomecanica owns tangible assets in gross value of **72.938.173 lei**, 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	8,50%	3 - 50 ani
Technical equipment, of which:	41,931,669	42,92%	1 –15 ani
- Technological equipment	33,173,718	40,72%	1 - 15 ani
- Measurement devices and equip.	6,456,950	52,44 %	
- Means of transport	2,301,001	47,87%	1 –10 ani
Other tangible assets	623,882	38,00%	1 - 8 ani
TOTAL	72,938,173		

ANNUAL INVENTORY OF PATRIMONY

Taking into account the provisions of the Accounting Law, the International Financial Reporting Standards, the Norms regarding the organization and performance of the inventory of assets, liabilities and equity, the inventory was carried out in 2022 based on Decisions no. 359.3/20.10.2022, for the annual inventory of fixed assets and inventory items, raw materials, materials, unfinished production, finished products, waste, packaging, goods and Decision no. 359.2/20.10.2022, for the annual inventory of assets, suppliers and creditors.

The results of the annual inventory were recorded in the Annual Inventory Minutes of TURBOMECANICA SA, registered under no. 84/31.01.2023.

The availabilities in bank accounts on 31.12.2022 were reconciled with the accounting record documents, and the availabilities in currencies were valued at the NBR exchange rate on that date.

SUMMARY OF FINANCIAL POSITION






	2022	2021
Tangible assets	61,816,980	64,527,951
Current assets	119,606,959	112,957,572
TOTAL ASSETS	181,423,939	177,485,524
Equity	122,751,280	120,598,947
Impairments	5,109,123	6,284,800
Deferred income	-	-
Total Debts	58,672,659	56,886,574
TOTAL EQUITY AND DEBT	181,423,939	177,485,524








SUMMARY OF OVERALL RESULT








	2022	2021
Operating income, of which:	140,009,552	134,933,049
- Sales income	136,096,376	128,533,049
- Income from the application of IFRS 15	3,065,231	2,798,116
Operating Expenses	124,362,016	118,895,888
Operating profit	15,647,535	16,042,131
Financial Income	1,453,159	391,071
Financial Expenses	3,661,612	2,229,494
Financial Profit / (Loss)	(2,208,453)	(1,838,423)
Profit before tax	13,439,081	14,203,708
Corporate tax	1,249,938	2,454,481
NET PROFIT AT 31.12.2022	12,189,143	11,749,227







The results for 2022 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 2022, the Council met 8 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.
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.			<p>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.</p> <p>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.</p>

INDIVIDUAL FINANCIAL STATEMENTS FOR 2022

Individual statement of financial position

The value of Tangible Fixed Assets increased with the value of equipment being supplied:

- a) KASTO TWIN cutting machine
- b) KELLENBERGER rectification machine
- c) OKK processing center
- d) 2 YCM lathes.

Depreciation expenses increased by 272,900 lei compared to 31.12.2021, as a result of the commissioning of some equipment necessary in the production process.

Considering the current economic context and as a result of the increase in the prices of raw materials and materials, the costs of supplying these products have increased, having an impact on the entire production flow. TMB continuously analyzes stocks with slow movement and no movement, so that this year, there was an impact on revenues related to the reversal of the provision, established in 2021.

Although the raw materials and materials come under management at a higher price, the total value of stocks decreased compared to the previous period, a major impact was the application of IFRS15 "Revenue from contracts with customers" which adjusted the value of production in progress.

Regarding commercial receivables, they registered an increase compared to the same period of 2021, mainly due to the situation of the contracts in execution and implicitly the deliveries made in the second half of December 2022 and collected after the end of the fiscal year 2023.

The contractual assets remained approximately at the same level as last year. . Contractual assets are the gross amounts owed by customers, related to ongoing contracts, for which costs incurred and recognized profits (minus recognized losses) exceed the total invoiced value of the respective contract.

In accordance with AGEA Decision no. 2/28.04.2022 TBM in TRIM II, purchased state securities (secured investments) worth 5,880,000 lei, these can be found under Short-term financial investments.

The long-term debts reflect the leasing contracts that the Company has concluded in order to ensure the investment plan, and the short-term loans include the amounts related to the working capital, as well as the part related to the short-term leasing contracts.

Individual profit and loss statement

Turnover on 31.12.2022: 139,161,607 RON (including the expected impact of IFRS15) exceeded the budgeted level of 133,901,139 RON

While in 2021, the increase in turnover exceeded, by approximately 50%, the increase in the prices of raw materials, in 2022 it was not possible to adjust the sales prices to the economic reality, due to the lack of revision of HG 126/ 21.09.2022 regarding the adjustment of the prices of product/service purchase contracts of sectoral contracts and Framework Agreements awarded in the fields of defense and security.

Therefore, the company had to carry out the maintenance works for the NATO program with the negotiated prices in 2020.

In order to limit the impact of the increase in operating expenses, the management ensured the increase in turnover according to the unoccupied capacity, a measure that could not significantly eliminate/diminish the escalation recorded by the inflation rate and the exponential increase in the price of utilities, the volatility of the exchange rate, the increase in interest rates.

The human resources management ensured in 2022 a total decrease of the salary fund of 1.77% which resulted from the decrease in the number of employees and the granting of bonuses or salary increases according to the performance evaluation process.

The internal decision no. 376 / 01.09.2021 for limiting the increase in personnel expenses by stopping hiring for vacant positions. However, staff turnover in the occupied positions was addressed through hiring.

Most of the expenditure accounts with the supply, with the provision of services, had an increase of at least 10% compared to the year 2021.

There was also a significant increase in utility expenses, 58% compared to 2021.

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 67,444.

Individual statement of changes in equity

Equity on 31.12.2022 increased by 1.78%, compared to the same period last year.

Individual cash flow statement

In 2022, the Company deposited with BRD - Groupe Societe Generale, as a deposit, sums worth 9,000,000 lei. This amount is likely to be used to secure own funds in order to start the development project in the maintenance of civil engines. In 2023, it is desired to continue providing these funds up to the equivalent of 6,000,000 Eur.

In accordance with AGEA Decision no. 2/28.04.2022 TBM in TRIM II, purchased state securities (secured investments) worth 5,880,000 lei, these can be found under Short-term financial investments.

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