TURBOMECANICA SA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2019

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION,
IN ACCORDANCE WITH MINISTRY OF PUBLIC FINANCE ORDER NO. 2844/2016,
WITH SUBSEQUENT AMENDMENTS

(together with Independent Auditor’s Report and Administrators’ Report)

CONTENTS: **PAGE:**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,
Turbomecanica SA

Opinion

1. We have audited the financial statements of Turbomecanica SA (the "Company"), with registered office in Bucharest, identified by unique tax registration code 3156315, which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

2. The financial statements as at December 31, 2019 are identified as follows:

• Net assets/Equity	RON	125,138,651
• Net profit for the financial year	RON	21,919,302

3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named the "Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide an opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the matter</th></tr>
<tr><td>Income recognition</td><td></td></tr>
<tr><td>We have identified two core matters regarding the income obtained from repairs and sales of airspace parts manufactured by the Company, presented below, which we consider important due to the complexity of the operation and the judgment applied:
• the complete registration of contracts/large clients
• timing of income recognition
The accounting policies on income recognition are mentioned in Note 3 to the financial statements and the two income sources mentioned above have been presented in Note 3 to the financial statements.</td><td>We have performed the following audit procedures:
• assessed the existing controls of the sales activity, namely invoicing and income recognition;
• assessed the operational efficiency of controls in a sample of income, by obtaining evidence in the form of relevant signatures and related approvals;
• confirmed income with the most important clients selected;
• conducts analytical procedures regarding income;
• analysed the commercial agreements concluded by the Company with its most important clients and compared the amounts stipulated in the agreements with the actual income registered in the financial statements;
• selected a sample of income, which we compared with the relevant supporting documents.</td></tr>
</table>

Other Information – Administrators' Report

6. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators' report, but does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and, unless explicitly provided in our report, we do not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements for the year ended December 31, 2019, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   With respect to the Administrators' report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

   On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

   a) the information included in the Administrators' report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with these financial statements;

   b) the Administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the financial statements prepared as at December 31, 2019, we are required to report if we have identified a material misstatement of this Administrators' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

7. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on 14.11.2017 to audit the financial statements of Turbomecanica SA for the financial year ended December 31, 2019. The uninterrupted total duration of our commitment is 1 year, covering the financial year ended December 31, 2019.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.

- We have not provided for the Company the prohibited **non-audit services** referred to in Article 5 (1) of EU Regulation No.537 / 2014.

The engagement partner on the audit resulting in this independent auditor’s report is Madeline Alexander.

Madeline Alexander, Audit Partner

For signature, please refer to the original Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under AF 36

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under FA 25

The Mark Building, 84-98 and 100-102 Calea Griviței,
8th Floor and 9th Floor, District 1
Bucharest, Romania
March 25, 2020

TURBOMECANICA SA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in „RON", unless otherwise specified)

	Note	December 31, 2019	December 31, 2018
		RON	*RON*
Revenues	**4**	114,960,057	112,387,772
Other gains and losses	**9**	681,609	484,761
Income from production of goods		-	-
Changes in inventories		8,924,079	(1,043,853)
Raw materials and consumables	**5**	(39,555,253)	(30,764,226)
Employee benefits and salaries	**6**	(40,635,250)	(34,250,089)
Asset impairment		(8,620,573)	(8,490,388)
Financial costs, net	**7**	(2,190,286)	(2,895,023)
Finance income	**7**	28,390	504
Other operating expenses	**8**	(7,823,152)	(7,016,569)
Gain / Loss from assets held for sale	**9**	(68,684)	809,724
Favorable /unfavorable differences from revaluation		-	-
Profit before taxation		**25,700,938**	**29,222,612**
Income tax / Deferred income tax	**10**	(3,781,636)	(4,374,895)
Profit for the year		**21,919,302**	**24,847,717**
Other comprehensive income, net of taxation			
Deferred income tax			-
Revaluation differences			-
Actuarial (loss) / gain on defined benefits plan	**21**	(509,474)	(674,648)
Other comprehensive income for the year		(509,474)	(674,648)
Comprehensive income for the year		**21,409,828**	**24,173,069**
Result per share	**27**		
Number of shares		369,442,475	369,442,475
(RON / share) basic and diluted		0.06	0.07

The financial statements were approved by the Board of Administration and authorized for issuance on March 25, 2020.

CLAUDIA ANGHEL,
Economic - Commercial Manager

RADU VIEHMANN,
CEO

TURBOMECANICA SA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018
(all the amounts are expressed in „RON", unless otherwise specified)

	Note	December 31, 2019	December 31, 2018
ASSETS		***RON***	***RON***
Long-term assets			
Property, plant and equipment	**11**	55,465,420	54,393,716
Intangible assets	**12**	3,391,723	4,620,294
Other assets		6,000	1,772,000
Total long-term assets		**58,863,143**	**60,786,009**
Current assets			
Inventories	**13**	55,610,633	38,203,237
Trade receivables	**14**	4,540,984	2,452,667
Other receivables	**15**	2,018,674	1,762,178
Cash and cash equivalents	**16**	4,105,218	6,990,513
Assets held for sale	**17**	-	-
Total current assets		**66,275,509**	**49,408,595**
Total assets		**125,138,651**	**110,194,604**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	**18**	1,024,571,055	1,024,571,055
Reserves	**19**	89,981,651	87,815,126
Retained earnings		(1,031,975,951)	(1,036,441,556)
Own shares	**27**	(599,408)	(599,408)
Total equity		**81,977,346**	**75,345,217**
Long-term liabilities			
Borrowings	**20**	3,567,060	1,713,317
Deferred tax liabilities	**10**	2,158,761	2,163,750
Provisions	**21**	1,840,284	1,493,086
Other long-term liabilities	**24**	1	1
Total long-term liabilities		**7,566,106**	**5,370,154**
Current liabilities			
Trade and other liabilities	**22**	8,387,340	2,791,929
Borrowings	**20**	14,128,979	12,019,531
Current income tax	**10**	889,100	3,303,399
Provisions	**21**	4,026,021	3,900,826
Deferred income	**23**	2,178	159,227
Other current liabilities	**23**	8,161,569	7,304,321
Total current liabilities		**35,595,199**	**29,479,233**
Total liabilities		**43,161,305**	**34,849,387**
Total equity and liabilities		**125,138,651**	**110,194,604**

The financial statements were approved by the Board of Administration and authorized for issuance on March 25, 2020.

CLAUDIA ANGHEL,	**RADU VIEHMANN,**
Economic - Commercial Manager	CEO

TURBOMECANICA SA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in „RON", unless otherwise specified)

	December 31, 2019	December 31, 2018
Cash flow from operations		
Net profit / (loss) of the year	**21,919,302**	**24,847,715**
Adjustments for:		
Income tax	3,781,636	4,374,895
Impairment expenses	8,620,574	8,490,388
Charge / (Reversal) of provision for receivables	453,483	(250,012)
Provision for inventories	(1,125,510)	(109,059)
Other provisions	428,824	536,360
Net loss on sale of fixed assets	81,477	(806,041)
Financial costs	1,917,588	2,555,591
Other financial gains	(28,091)	(504)
Net gains / loss from exchange rate differences	(27,497)	12,599
Changes in working capital	**36,021,786**	**39,651,932**
(Increase) / Decrease in trade and other receivables	(1,029,294)	(1,391,226)
(Increase) / Decrease of inventories	(16,281,885)	(1,146,396)
(Increase) / Decrease in trade and other liabilities	4,400,936	(2,894,907)
Net cash generated by / (used in) operating activities	**23,111,543**	**34,219,403**
Income tax paid	(6,200,924)	(3,988,314)
Interest paid/received, net	(1,889,497)	(2,555,087)
Net cash generated by / (used in) operating activities	**15,021,122**	**27,676,002**
Cash flows from investment activities		
Purchase of tangible assets	(7,620,244)	(2,860,293)
Purchase of intangible assets	(664,053)	(493,708)
Proceeds from sale of fixed assets	1,120	10,368,460
Net cash generated by / (used in) investment activities	**(8,283,177)**	**7,014,459**
Net cash from financing activities		
(Repayments) / collection of borrowings	3,990,700	(29,118,913)
Dividends paid	(13,613,940)	(8,217,891)
Disposals / (Payments) on redeemed own shares	-	-
Net cash used in financing activities	**(9,623,240)**	**(37,336,804)**
Net increase / (decrease) of cash and cash equivalents	**(2,885,295)**	**(2,646,343)**
Cash and cash equivalents at the beginning of the period	**6,990,513**	**9,636,857**
Cash and cash equivalents at the end of the period	**4,105,218**	**6,990,514**

The financial statements were approved by the Board of Administration and authorized for issuance on March 25, 2020.

CLAUDIA ANGHEL,
Economic - Commercial Manager

RADU VIEHMANN,
Chairman - CEO

TURBOMECANICA SA
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in „RON", unless otherwise specified)

	Share capital	Reserves	Revaluation reserve	Retained earnings	Total
Balance as at January 1, 2018	**1,024,571,055**	**50,715,138**	**37,657,605**	**(1,052,831,142)**	**60,112,656**
Profit / (Loss) for the year	-	-	-	24,847,717	24,847,717
Realization of revaluation reserves	-	-	(2,308,288)	2,308,288	-
Increase in legal reserves	-	1,750,671	-	(1,750,671)	-
Other reserves	-	-	-	(674,648)	(674,548)
Dividends declared	-	-	-	(8,940,508)	(8,940,508)
Balance as at December 31, 2018	**1,024,571,055**	**52,465,809**	**35,349,317**	**1,037,040,964**	**75,355,217**

The financial statements were approved by the Board of Administration and authorized for issuance on March 25, 2020.

CLAUDIA ANGHEL,
Economic - Commercial Manager

RADU VIEHMANN,
Chairman - CEO

TURBOMECANICA SA
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in „RON", unless otherwise specified)

	Share capital	**Reserves**	**Revaluation reserve**	**Retained earnings**	**Total**
Balance as at January 1, 2019	**1,024,571,055**	**52,465,809**	**35,349,317**	**1,037,040,964**	**75,345,217**
Profit / (Loss) for the year	-	-	-	21,919,302	21,919,302
Realization of revaluation reserves	-	-	(166,947)	166,947	-
Increase in legal reserves	-	2,333,472	-	(2,333,472)	-
Other reserves	-	-	-	(509,474)	(509,474)
Dividends paid	-	-	-	(14,777,699)	(14,777,699)
Balance as at December 31, 2019	**1,024,571,055**	**54,799,281**	**35,182,370**	**(1,032,575,359)**	**81,977,346**

The financial statements were approved by the Board of Administration and authorized for issuance on March 25, 2020.

CLAUDIA ANGHEL,
Economic - Commercial Manager

RADU VIEHMANN,
Chairman - CEO

1. GENERAL INFORMATION

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

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

The activity of the company is manufacturing of engines and mechanical assemblies for aircrafts and helicopters. The main products provided by the Company are: Turbo engines, Viper engines, modernization of Puma helicopters, spare parts for Viper, Spey and Turbo engines, spare parts and engines for Rolls-Royce. Turbomecanica is the only producer of gas turbine engines and mechanical assemblies for aircrafts on the Romanian market.

The Company's main clients on the national market are the Ministry of Defense and IAR Brasov, but the Company has also concluded transactions with clients from Europe.

The average number of employees is as follows:

	2019	**2018**
Average number of employees	462	447

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),APP3_IFRS16_EFFECT_ANALYSIS

- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019),

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

Initial application of new amendments to the existing standards effective for the current reporting period (continued)

The adoption of these amendments to the existing standards has not led to any material changes in the Company's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these financial statements, the following new standards and amendments to standards issued by IASB and adopted by the EU are not yet effective:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to References to the Conceptual Framework in IFRS Standards** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU (the effective dates stated below is for IFRS in full):

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022),

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

  The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

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

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU (continued)

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements, if applied as at the balance sheet date.

Additional information on certain standards, revisions, amendments and interpretations that may be used when applicable:

- **IFRS 14 "Regulatory Deferral Accounts"** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognize regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.

- **IFRS 16 "Leases"** issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. For finance leases a lessor recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

- **IFRS 17 "Insurance Contracts"** issued by IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied.

- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business issued by IASB on 22 October 2018. Amendments were introduced to improve the definition of a business. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.

- **Amendments to IFRS 9 "Financial Instruments" - Prepayment Features with Negative Compensation** issued by IASB on 12 October 2017. The amendments modifies the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i. e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain. Moreover, amendments contain clarification regarding the accounting for a modification of a financial liability that does not result in derecognition. In this case, carrying amount is adjusted with the corresponding result recognized in comprehensive income. The effective interest rate is not recalculated.

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

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform issued by IASB on 26 September 2019. The changes in Interest Rate Benchmark Reform:

  a) modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;

  b) are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;

  c) are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and

  d) require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014 (on 17 December 2015 IASB deferred indefinitely effective date). The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Material** issued by IASB on 31 October 2018. The amendments clarify the definition of material and how it should be applied by including in the definition guidance.

- **Amendments to IAS 1 "Presentation of Financial Statements"** issued by IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement issued by IASB on 7 February 2018. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures" - Long-term Interests in Associates and Joint Ventures** issued by IASB on 12 October 2017. Amendments were introduced to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Amendments also delete paragraph 41 because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.

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

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** issued by IASB on 12 December 2017. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording. The amendments clarify that: a company remeasures its previously held interest in a joint operation when it obtains control of the business (IFRS 3); a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business (IFRS 11); a company accounts for all income tax consequences of dividend payments in the same way (IAS 12); and a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale (IAS 23).

- **Amendments to References to the Conceptual Framework in IFRS Standards** issued by IASB on 29 March 2018. Due to the fact that Conceptual Framework was revised, the IASB updated references to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** issued by IASB on 7 June 2017. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.

3. SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies are presented below:

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

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, according to the Ministry of Public Finance Order no. 2844/2016, as subsequently amended.

Basis of preparation

The individual financial statements of Turbomecanica SA have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations, as adopted by the European Union. The individual financial statements have been prepared on the historical cost basis, as amended further to the revaluation of tangible assets and financial assets available for sale at fair value through equity.

The preparation of the individual financial statements in accordance with IFRS requires the use of critical accounting estimates. It also requires that the management use its professional judgment when applying the Company's accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern

As at December 31, 2019 the Company registered a cumulated loss of RON 1.051.561.782 which also includes the effects of the application of inflation ratios according to IAS 29. In 2019, the Company registered a profit of RON 21,919,302, much of the Company's business being redressed. The Company has stable orders and clients. These financial statements have been prepared based on the going concern principle. Still, the Company's ability to continue its activity depends on its capacity to generate sufficient future revenues, on the financial support of the crediting banks. The Company's management also deems that the decrease of the gearing ratio due to sale of assets and reimbursement of some loans will lead to an increased support from financing banks. These financial statements do not include adjustments arising from the outcome of any uncertainty related to the going concern.

The Company is currently dependent on the activity with two main internal customers. Turnover with these clients for 2019 represents 84% of total turnover of the Company.

Comparatives

For each item of balance sheet, profit and loss, and where applicable, changes in equity, the Company presented the value of the corresponding item for the previous financial year.

If the values related to the previous year are not comparable to the current period, then such have been amended to provide consistency with the accounting policies and disclosure requirements for the current year.

Revenue recognition

The revenue is measured at the fair value of the counter value received or receivable. Revenue from sales is reduced for returns, commercial rebates and other similar reductions.

Revenue from sales of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenues from the sale of goods are recognized when the goods are delivered and the ownership right is transferred.

Revenues from services

Revenues generated by a services supply contract are recognized at the completion of the service. The degree of completion of the transaction is established as follows:

- Installation fees are recognized according to the degree of completion of the installation, determined as portion of the total estimated time for installation lapsing at the end of the reporting period;

- Maintenance fees included in the prices of the products sold are recognized by reference to the portion out of the total maintenance cost for the sold product; and

- Revenues generated by time and materials contracts are recognized at contractual rates as hours worked and direct costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenues from dividends and interest

The revenue from financial investments is recognized when the shareholders' right to receive payment has been established (provided that the economic benefits are directed to the Company and the value of revenues is measured with accuracy).

The revenues from interest generated by a financial asset are recognized when it is probable that the Company obtains economic benefits and when such revenue can be reliably measured. The revenue from interest is accumulated in time, by reference to the principal and the actual interest rate applicable, meaning the rate that discounts with accuracy the estimated future cash collections throughout the estimated period of the financial asset at the net book value of the asset upon initial recognition.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Company as lessor

Amounts payable by a lessee under financing lease are recognized as receivables at the value of the net investment of the Company's in leases. The revenue from finance leases is attributed to accounting periods so as to reflect a constant periodic rate of return of the Company's net investments regarding leases.

Revenues from operating leases are recognized on a straight-line basis over the lease term. Direct initial costs involved in the negotiation and contracting of an operating lease are added to the book value of the leased asset and are recognized on a straight line basis over the lease term.

Company as lessee

Assets held under leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless directly attributable to eligible assets, in which case are capitalized in accordance with the Company's general policy on borrowing costs.

Foreign currency transactions

In preparing these financial statements, transactions in other currencies than the functional currency are recorded at the exchange rate valid at the date of the transaction. At the end of each reporting period, non-monetary elements expressed in foreign currency are translated at the exchange rate valid on such date. Non-monetary elements accounted at fair value, expressed in a foreign currency are translated at the current rates valid on the date when the fair value was determined. Non-monetary elements measured at historical cost in a foreign currency are not translated again. The exchange rates used are EUR 1 = RON 4.7793 (December 31, 2019) and USD 1 = RON 4.2608 (December 31, 2019), average rate 2019 EUR 1 = RON 4.7452.

Foreign exchange differences for monetary elements are recognized in the profit and loss in the period they are incurred, except for:

- foreign exchange differences corresponding to borrowings in foreign currency for assets in progress for future production, which are included in the cost of such assets when considered an adjustment of the expense with the interest related to such borrowings in foreign currency;

- foreign exchange differences related to transactions concluded to cover certain foreign currency risks (see the hedge accounting policies below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Revenues from investing temporarily the obtained borrowings to purchase or construct qualifying assets are deducted from the borrowing costs that may be capitalized.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Employee benefits

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

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

The Company rewards its employees with retirement benefits according to the collective labor contract. For such pension plan, the cost of benefits is determined using the projected unit credit method, and actuarial assessments are performed on each balance sheet date. The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

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

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

Benefits for termination of employment contract

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

Current and deferred annual tax

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

The income tax for the year ended December 31, 2019 was 16% (December 31, 2018: 16%).

Property, plant and equipment

Tangible assets used in production or to supply goods or services, or for administrative purposes, are presented in the statement of financial position at re-measured value less depreciation and any cumulated depreciation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The depreciation periods for tangible assets are:

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

Land is not depreciated.

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

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

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

The net book value of buildings, plant and machinery is of approximately RON 36.6 million and the net book value of the land (including locally mandatory indexation) is approximately RON 18.8 million.

Intangible assets

Intangible assets acquired separately

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

Internally generated intangible assets – research and development expenses (continued)

Expenses for research and development are recognized as expense in the period in which they are incurred.

Expenses for research and development are recognized as expense in the period in which they are incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Internally generated intangible assets – research and development expenses (continued)

The initially recognized value of internally generated intangible assets means the sum of all costs incurred as of the date when the intangible asset fulfils for the first time the recognition criteria above. Where no internally generated intangible asset may be recognized, development expenses are recognized in profit and loss in the period in which they are incurred.

After initial recognition, internally generated intangible assets are reported at cost less any accumulated amortisation and any impairment losses, the same as intangible assets acquired separately.

Intangible assets acquired as part of a business combination

Intangible assets acquired as part of a business combination and recognized separately from goodwill are initially recognized at fair value on the acquisition date (deemed cost thereof).

After initial recognition, intangible assets acquired as part of a business combination are reported at cost minus any accumulated amortisation and any impairment losses, the same as intangible assets acquired separately.

Derecognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that that such assets have impaired. Should such indication exist, the Company estimates the recoverable value of the asset to determine the extent of the impairment (if any). Where the recoverable value of a particular asset cannot be estimated, the Company estimates the recoverable value of the cash generating unit to which the asset belongs. Where there can be identified a reasonable and consistent basis of allocation, corporate assets will also be allocated to individual cash generating units or, if not, to the smallest group of cash generating units for which a reasonable and consistent basis of allocation can be identified.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the WAC (weighted average cost) method. Net realizable value represents the estimated selling price throughout the normal business course, less estimated costs of completion and costs necessary to make the sale.

Provisions

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

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

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

Onerous contracts

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

Restructurings

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

As the term for compensatory payments was prescribed, the Company registered such overdue payments as non-taxable income, thus, in the accounts, the balance of such provisions set up as non-deductible expenses in previous years is 0 in 2019.

Guarantees

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

Financial assets and liabilities

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

<u>Financial assets</u>

Financial assets are classified in the following categories: financial assets "at fair value through profit and loss" and "loans and receivables". The classification depends on the nature and scope of the financial assets and is determined upon initial recognition. All standard purchases or sales of financial assets are recognized and derecognized on the transaction date. Standard purchases or sales are purchases or sales of financial assets that require the delivery of the assets within a short period of time through regulation or market convention.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including the taxes paid or received forming an integral part of the effective interest rate, transaction costs, and other premiums or discounts) over the estimated period of the debt instrument, or (if applicable) over a shorter period, to the net carrying amount as at the initial recognition date.

The income is recognized based on the effective interest method for debt instruments other than the assets classified as financial assets at fair value through profit and loss.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when they are either held for trading or when they are classified as financial assets at fair value through profit or loss.

A financial asset is classified as held for trading:

- if it is acquired principally for the purpose of selling or repurchasing it in the near term; or
- upon initial recognition if it is part of a portfolio of identified financial instruments that the Company manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- if it is a derivative not designated and effective as hedging instrument.

A financial asset other than a financial asset held for trading may be designated as financial asset at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset is part of a group of financial assets, financial liabilities or both, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- the asset is part of a contract containing one or more embedded derivatives, and IAS 39 Financial instruments: recognition and measurement allows that the entire combined contract (asset or liability) be designated as financial asset at fair value through profit or loss.

Financial assets at fair value through profit or loss are declared at fair value, and any gain or loss arising from revaluation is recognized in profit or loss. Net gains or losses recognized in profit or loss comprise all the dividends or interest gained at financial assets and are included as "Net financial gains" in the statement of comprehensive income.

Loans and receivables

Borrowings and receivables are non-derivative financial instruments with fixed or determinable payments not quoted on an active market. Borrowings and receivables (including trade and other receivables, bank balances and cash, etc.) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest method, except for short-term receivables when the recognition of the interest is not material.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

Financial assets other than at fair value through profit or loss are tested for impairment on each balance sheet date.

Financial assets are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) had an impact on the future cash flow corresponding to the investment.

Certain categories of financial assets such as clients, assets measured as not individually impairable are subsequently tested for impairment collectively. Objective evidence that a portfolio of receivables is impaired may include the Company's past experience regarding collective payments, an increase in the collection of delayed payments beyond the crediting period, and visible changes in the national and local economic conditions that correlate with payment incidents regarding receivables.

Other objective evidence of impairment include:

- significant financial difficulty of the issuer or obligor; or
- a breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter insolvency or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The carrying value of the financial asset is reduced by the impairment loss, directly for all financial assets, except for trade receivables, in which case the carrying value is reduced through an allowance account. If it is deemed that a receivable cannot be recovered, it shall be written off and deducted from the provision. Subsequent recoveries of the amounts previously written off are credited in the allowance account. Changes in the carrying value of the allowance account are recognized in profit or loss.

Derecognition of financial assets

The Company derecognises financial assets if and only if the contractual rights over the cash flows expire; or it transfers the financial asset and substantially all of the risks and rewards related to the asset to another entity.

When derecognising a financial asset other than entirely (e.g., when the Company does not retain an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the entity retains control), the Company allocates the previous carrying value of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying value allocated to the part that is no longer recognized and the sum of the consideration received together with any cumulative gain or loss that had been recognized in other elements of comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other elements of comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

Classification as liability or equity

Debt or equity instruments issued by the Company are classified either as financial liabilities or equity in accordance with contractual engagements and the definition of a financial liability and equity instrument.

Equity instruments

An equity instrument is any contract that proves a residual participation in the assets of an entity after deducting all liabilities.

Financial liabilities

Financial liabilities are classified either as financial liabilities "at fair value through profit or loss" or as "other financial liabilities".

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities are classified at fair value through profit or loss when the financial liability is either held for trading, or designated at fair value through profit or loss.

A financial liability is classified as held for trading:

- if it is acquired principally for the purpose of selling or repurchasing it in the near term; or
- if, upon initial recognition, is part of a portfolio of identified financial instruments that the Company manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- if it is an embedded derivative not designated and effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as financial liability at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability is part of a group of financial assets, financial liabilities or both, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- the asset is part of a contract containing one or more embedded derivatives, and IAS 39 Financial instruments: recognition and measurement allows that the entire combined contract (asset or liability) be designated as financial liability at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are declared at fair value, and any gain or loss arising from re-measurement is recognized in profit or loss. Net gains or losses recognized in profit or loss comprise any interest paid in relation to the financial liability and are included as "Net financial expenses" in the statement of comprehensive income.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expenses over the relevant period. The effective interest rate is the rate that discounts exactly estimated future cash payments (including all fees and points paid or received forming an integral part of the effective interest rate, transaction costs, and other premiums or discounts) over the estimated period of the financial liability, or (if applicable) over a shorter period, to the net carrying value as at the initial recognition date.

Derecognition of financial liabilities

The Company derecognises financial liabilities if and only if the Company's liabilities are paid, cancelled or expire. The difference between the carrying value of the derecognized financial liability and the counter value paid and payable is recognized in profit or loss.

Subsidiaries and associates

Counterparties are deemed subsidiaries or associates when another party, either through ownership, contractual rights, family relations or other means, may control directly (subsidiaries) or influence significantly (associates) the other party.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

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

Settlement prices among segments are set objectively.

The results, assets and liabilities related to a segment include elements that may be allocated directly to one segment, and elements that may be allocated on a reasonable basis. Elements not allocated principally consist of investments (other than property investment) and related revenues, credits and loans and related expenses, corporate assets (mainly the Company's main office) and administrative expenses related to the main office, and income tax assets and liabilities.

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

IFRS 9 "Financial instruments"

As of January 1, 2018, the Company first applied IFRS 9 "Financial Instruments". IFRS 9 introduces changes in the recognition and measurement of financial assets and results in prior recognition of non-performing debt allowances for receivables. Being permitted by the standard, the Company adopted IFRS 9 from 1 January 2018 using the revised retroactive method, with cumulative adjustments from the initial application recognized in equity as of 1 January 2018 and without disclosing the comparatives. For trade receivables, there is no significant difference between the initial measurement method in accordance with IAS 39 and the new criteria.

Non-derivative financial instruments include equity investments and credit securities, trade and other debt, cash and cash equivalents, trade and other liabilities.

Non-derivative financial instruments are initially recognized at fair value plus any directly attributable transaction costs. Subsequent recognition is made at fair value, any adjustment being presented in the statement of other comprehensive income.

Loans and leases are initially recognized at fair value plus other trading costs, and subsequent recognition is carried at amortized cost.

IFRS 15 "Revenue from contracts with customers"

IFRS 15 "Revenue from contracts with customers" introduces a comprehensive model for the recognition and measurement of income. The standard replaces the existing income recognition criteria, replacing IAS 18 "Income", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". Under the new standard, revenue is recognized when the customer acquires control of the goods or services provided, at the amount that reflects the price that the company expects to receive in exchange for those goods or services.

Being permitted by the standard, the Company adopted IFRS 15 from 1 January 2018 using the revised retrospective method with cumulative adjustments from the initial application recognized in equity as of 1 January 2018 and without restating the comparatives. Initial application had no impact on the retained earnings of the Company.

As far as the moment of revenue recognition is concerned, all services provided by the Company are transferred to the customer when the services are rendered. On the basis of the internal assessment, the impact was identified in the amount of RON 1,143,583 from extended guarantees. Also, a number of other amendments and interpretations have been effective since January 1, 2018, but do not have a material effect on these separate financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting (continued)

If the new IFRS 15 had been adopted, the Income lines in the statement of comprehensive income for the period ended December 31, 2019 would have been higher by Ron 1,143,583 and by RON 1,232,247 at December 31, 2018 without impact on the margin.

IFRS 16 "Leases"

Starting January 1, 2019, the Company adopted the new IFRS 16 "Leasing" standard. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. IFRS 16 replaces existing guidelines for lease agreements, including IAS 17 Leasing, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases - Incentives and SIC-27 Evaluating the Fund of Transactions involving the Legal Form of a Lease Agreement.

Critical accounting judgements

The following are the critical judgements that the management has used in applying the Company's accounting policies and which have a significant impact on the carrying values recognized in the financial statements.

i) Allowances for impairment of tangible and intangible assets

At the end of each reporting period, the Company revises the carrying values of its tangible and intangible assets to determine whether there is any indication that such assets are impaired. Should such indication exist, the Company estimates the recoverable value of the asset to determine the extent of the impairment (if any). Where the recoverable value of a particular asset cannot be estimated, the Company estimates the recoverable value of the cash generating unit to which the asset belongs. The recoverable value means the highest value of fair value minus sale costs and its value in use. When assessing the value in use, the management estimates future cash flows discounted at their current value by using an un-discounting rate which reflects the current market value of the time value of money and the risks specific to the asset for which the estimated cash flows have not been adjusted. The carrying amount of tangible and intangible assets as at December 31, 2019 is of RON 58,857,144. As at December 31, 2019, the Company did not find any indication of impairment of the recoverable value of such non-current assets.

ii) Useful life of tangible and intangible assets

The Company revises the estimated useful life of tangible and intangible assets at the end of each annual reporting period. The useful lives are presented in Note 3 tangible and intangible accounting policies.

iii) Pension obligations

The present value of pension obligations depends on a number of factors determined on an actuarial basis, using various hypotheses. Any change in such hypotheses will influence the carrying value of the pension obligations. The pension obligations are in amount of RON 1,840,284 as at December 31, 2019, of which RON 201,828 as expense corresponding to the period recognized in the statement of the financial year result. The value was calculated by Gelid Actuarial Company S.R.L. based on the consultancy and actuarial services provision contract concluded in 2019.

iv) Deferred tax. The carrying amount as at December 31, 2019 and December 31, 2018 is presented in Note 10.

v) Provisions and contingent liabilities. Provisions are reassessed annually – presented in Note 21 and contingent liabilities are also determined on annual basis - presented in Note 30.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements (continued)

vi) The fair value of financial instruments

The fair value of financial instruments that are not traded on an active market is determined by using measurement techniques. The Company uses its judgement to choose from various methods and advance hypotheses that rely mainly on the existing market conditions at the end of each reporting period. Financial instruments analysis is presented in Note 26.

The management considers that the measurement techniques and the hypotheses used are correct for setting the fair value of financial instruments.

4. INCOME

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

	December 31, 2019	December 31, 2018
	RON	*RON*
Income from the sale of finished products	114,073,904	111,002,984
Income from the sale of merchandise	16,350	85,966
Income from services provided	719,804	738,170
Income from other activities	1,513	46,641
Income from the sale of residual products	148,487	514,011
Total	**114,960,057**	**112,387,772**

Starting January 1, 2018, the Company adopted the new IFRS 15 "Revenue from Contracts with Customers". If the new IFRS 15 had not been adopted, the Income lines in the statement of comprehensive income for the period ending December 31, 2019 would have been higher by RON 1,143,583 and by RON 1,232,247 at December 31, 2018 without impact on the margin.

5. RAW MATERIALS AND CONSUMABLES USED

	December 31, 2019	December 31, 2018
Expenses with raw materials	30,844,568	24,889,284
Expenses with utilities	2,743,650	2,180,162
Expenses with auxiliary materials	3,588,010	2,436,585
Other similar expenses	2,290,080	1,126,042
Packaging expenses	73,471	61,626
Cost of goods sold	15,474	70,527
Total	**39,555,253**	**30,764,226**

6. EMPLOYEE BENEFITS

	December 31, 2019	December 31, 2018
Salaries	39,176,052	33,006,351
Social security contributions	1,459,198	1,243,738
Other expenses with contributors	-	-
Total	**40,635,250**	**34,250,089**

7. NET FINANCIAL LOSSES

	December 31, 2019	December 31, 2018
Interest expense	1,894,002	2,554,007
Bank commissions	139,963	249,913
Other financial expenses	133,229	89,522
Other financial income	23,092	1,581
Interest income	(28,390)	(504)
Total	**2,161,896**	**2,894,519**
Other financial income	**-**	**-**

8. OTHER OPERATING EXPENSES

	December 31, 2019	December 31, 2018
	RON	***RON***
Services provided by third parties	3,225,148	2,843,749
Other operating expenses	747,863	577,482
Duties and taxes	952,401	975,827
Repairs	947,605	876,669
Advertising, publicity and protocol	613,223	792,621
Insurance premiums	410,398	301,512
Secondment	281,277	262,827
Rental expenses	48,693	192,275
Employee training	75,453	78,914
Transport expenses	521,091	114,693
Total	**7,823,152**	**7,016,569**

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

	December 31, 2019	December 31, 2018
	RON	*RON*
Net gain on foreign exchange	(27,498)	(12,599)
Movement of provisions	709,107	(734,888)
Gain / (Expenses) with the impairment of assets intended for sale	-	-
Total	**681,609**	**(747,486)**
Other gains and losses from sale of assets	**(68,684)**	**809,724**

Details regarding the sale of assets held for sale in the year 2019 are presented in Note 17.

10. INCOME TAX

In 2019 and 2018, the income tax rate was 16%.

The income tax recognized in profit or loss:

	December 31, 2019	December 31, 2018
Income tax – current liabilities	(889,100)	(3,303,399)
Deferred income tax	4,989	1,495,815
Total	**(884,111)**	**(1,807,584)**

Reconciliation of current income tax:

	December 31, 2019	December 31, 2018
Profit before taxation	**22,808,402**	**29,383,363**
Legal reserve	-	-
Elements similar to revenues	169,173	2,311,971
Elements similar to expenses	-	-
Non-taxable income	(6,499,936)	(6,399,167)
Non-deductible expenses	19,474,955	18,169,068
Tax deductions	(4,568,736)	(3,736,985)
Taxable result	**31,383,859**	**39,728,250**
Fiscal losses used	-	-
Income tax expense	**(3,786,625)**	**(5,870,710)**
Deferred income tax	4,989	1,495,815
Total tax expenses	**(3,781,636)**	**(4,374,895)**
Effective tax rate	**16,58%**	**14.89%**

10. INCOME TAX (continued)

The deferred income tax in 2019 and 2018 is as follows:

	Balance as at January 1, 2019	Recognized through profit or loss	Recognized through other comprehensive income	Balance as at December 31, 2019	Recognized through profit or loss	Recognized through other comprehensive income	Balance as at December 31, 2019
Tangible assets – revaluation reserves	(2,163,750)	4,989	-	(2,158,761)			-
Employee benefits liabilities	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-
Net tax (asset)/liability	**(2,163,750)**	**4,989**	**-**	**(2,158,761)**			**-**

In 2019, the Company registered income from deferred tax in amount of RON 4,989 due to the decrease of the deferred tax liability as at December 31, 2019.

Deferred tax consists of:

	Assets		**Liabilities**		**Net**	
	31-Dec-19	**31-Dec-18**	**31-Dec-19**	**31-Dec-18**	**31-Dec-19**	**31-Dec-18**
Tangible assets – revaluation reserves	-	-	(2,105,404)	(2,249,568)	-	(2,105,404)
Employee benefits liabilities	-	-	(126,868)	(1,773)	-	(68,612)
Provisions	15,255	87,591	-	-	-	15,255
Net tax (asset)/liability	**15,255**	**87,591**	**2,232,272**	**(2,251,341)**	**-**	**(2,158,761)**

The unrecognized deferred income tax is RON 2,158,761 corresponding to value adjustment of inventories. It was not registered in the financial statements, since the recognition criteria in accordance with IFRS are not fulfilled.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and other constructions	Technical installations and machinery	Equipment and vehicles	Tangible assets in progress	Total
COST						
January 1, 2018	**21,381,525**	**9,400,854**	**28,718,196**	**132,633**	**328,747**	**59,961,955**
Inflows	-	112,526	3,236,602	-	1,855,902	5,205,030
Transfers	-	-	-	-	-	-
Outflows	(2,586,529)	-	(1,484,634)	-	(803,252)	(4,874,415)
Inflows pending supply	-	-	-	-	-	-
Inflows / (outflows) from revaluation	-	-	-	-	-	-
December 31, 2018/January 1, 2019	**18,794,996**	**9,513,380**	**30,470,164**	**132,633**	**1,381,397**	**60,292,570**
Inflows	-	2,494,703	7,025,610	88,824	4,435,157	14,044,294
Transfers	-	-	-	-	-	-
Outflows	-	-	(2,105,087)	(1,490)	(5,471,774)	(7,578,351)
Inflows pending supply	-	-	-	-	-	-
Inflows / (outflows) from revaluation	-	-	-	-	-	-
December 31, 2019	**18,794,996**	**12,008,084**	**35,390,687**	**219,967**	**344,779**	**66,758,513**
Accumulated depreciation						
January 1, 2018	-	-	-	-	-	-
Depreciation for the year	-	392,171	5,477,348	31,106	-	-
Accumulated depreciation related to outflows	-	-	(1,770)	-	-	-
Disposals due to revaluation	-	-	-	-	-	-
December 31, 2018	**-**	**392,171**	**5,475,578**	**31,106**	**-**	**5,898,855**
Depreciation for the year	-	520,680	4,948,455	30,244	-	
Accumulated depreciation related to outflows	-	-	(104,294)	(847)	-	
Disposals due to revaluation	-	-	-	-	-	-
December 31, 2019	**-**	**912,851**	**10,319,739**	**60,503**	**-**	**11,293,093**
NET BOOK VALUE	**-**	**-**	**-**	**-**	**-**	**-**
December 31, 2018	**18,794,996**	**9,121,209**	**24,994,586**	**101,527**	**1,381,397**	**54,393,716**
December 31, 2019	**18,794,996**	**11,095,232**	**25,070,948**	**159,464**	**344,780**	**55,465,420**

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Fixed assets pledged or mortgaged

As at December 31, 2019 the Company pledged or mortgaged property, plant and equipment of RON 25,790,346.15 (RON 7,698,010 fixed assets and RON 18,092,336 land).

12. INTANGIBLE ASSETS

	Other intangible assets	Intangible assets in progress	Total
COST			
As at January 1, 2018	**19,041,091**	**44,511**	**19,085,602**
Inflows	402,849	425,448	828,297
Outflows	710,684	402,850	1,113,534
As at December 31, 2018	**18,733,256**	**67,109**	**18,800,365**
Inflows	1,766,616	1,552,815	-
Outflows	-	(1,426,808)	-
As at December 31, 2019	**20,499,872**	**193,116**	**20,692,989**
ACCUMULATED AMORTISATION			
As at January 1, 2018	**12,300,992**	**-**	**12,300,992**
Amortization for the year	2,589,764	-	2,586,764
Accumulated amortization related to outflows	(710,685)	-	(710,685)
As at December 31, 2018	**14,180,071**	**-**	**14,180,071**
Amortization for the year	3,121,194	-	3,121,195
Accumulated amortization related to outflows	-	-	
As at December 31, 2019	**17,301,265**	**-**	**17,301,266**
NET BOOK VALUE			
As at December 31, 2018	**4,553,185**	**67,109**	**4,620,294**
As at December 31, 2019	**3,198,607**	**193,116**	**3,391,723**

Intangible assets largely consist of ERP IT software. Such software amortizes over 9 years. The net book value of the ERP as at December 31, 2019 is of RON 1,829,797 with a remaining useful life of 12 months.

13. INVENTORIES

	December 31, 2019	December 31, 2018
	RON	*RON*
Raw materials	39,136,298	33,604,946
Consumables	1,700,883	1,237,393
Items of inventory	-	-
Packaging	41,072	27,173
Finished goods	1,697,193	1,155,592
Work in progress	25,456,650	16,054,191
Semi-finished goods	-	-
Residual products	45,069	62,917
Merchandise	346,933	-
Inventory allowances	(12,813,466)	(13,938,976)
Total	**55,610,633**	**38,203,237**

Finished goods and work in progress are expected to be realized in the next twelve months while the remaining are expected to be realized in a period of five years depending on the orders received from customers.

Obsolete inventories were adjusted as follows: by 100% inactive inventories in the last 5 years (or more), by 70% inactive inventories in the last 4 years and by 50% inactive inventories in the last 3 years. Inactive inventories in the last 2 years have not been adjusted since most manufactured products have long cycle of use. To adjust slow moving inventories, only those materials that registered outflows in 2019 have been taken into account, and inventories as at 31.12.2018 and 31.12.2019 were different from zero. The rate was calculated as the ratio between the average inventories (as at 31.12.2018 and 31.12.2019) and 2019 outflows. The adjustments were calculated according to the size of rate: 30% for a rate equal to 3, 70% for a rate equal to 4 and 100% for a rate equal to 5 (and higher).

Inventories of raw materials and consumables managed by DPPV – Finished parts VIPER; DPRP – Repaired parts; DPMP – hazardous materials, intended only for the manufacturing and repair or VIPER 632-41 engines, were 100% provisioned.

The movement of allowances for inventory impairment is as follows:

	December 31, 2019	December 31, 2018
	RON	*RON*
Balance at the beginning of the year	**(13,938,976)**	**(14,048,035)**
Increase of provision in profit or loss	1,125,510	79,059
Balance at the end of the year	**(12,813,466)**	**(13,938,976)**

14. TRADE RECEIVABLES

	December 31, 2019	December 31, 2018
	RON	*RON*
Trade receivables	4,967,202	2,447,343
Clients - invoices to be issued	60,677	41,738
Allowance for doubtful debts	(486,895)	(36,414)
Total	**4,540,984**	**2,452,667**

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

	December 31, 2019	December 31, 2018
Balance at the beginning of the year	**36,414**	**(286,426)**
(Decrease) / Increase of provision in profit or loss	453,483	250,012
Balance at the end of the year	**489,897**	**36,414**

The following table analyses trade receivables:

	December 31, 2019	December 31, 2018
Not due and without impairment	-	-
Maturity expired, without impairment	-	-
Impairment allowances	453,483	250,012
Total	**453,483**	**250,012**

Age of trade receivables whose maturity has expired, but which bear no impairment allowances:

Due and without impairment	December 31, 2019	December 31, 2018
Within 3 months	4,388,601	1,739,833
Between 3 months and 6 months	15,657	410,429
Between 6 months and 9 months	59,287	256,284
Between 9 months and 1 year	109,641	-
Within more than 1 year	394,016	40,797
Total	**4,967,202**	**2,447,343**

15. OTHER RECEIVABLES

	December 31, 2019	December 31, 2018
Sundry debtors	67,044	65,778
Prepaid expenses	334,870	34,976
Advances to suppliers	1,114,272	1,050,387
Other receivables	502,488	611,037
Impairment allowances	-	-
Total	**2,018,674**	**1,762,178**

16. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash in banks	4,080,039	6,982,769
Petty cash	11,648	5,173
Other cash equivalents	33	261
Cash equivalents	13,498	2,310
Total	**4,105,218**	**6,990,513**

As at December 31, 2019, the Company does no longer hold any asset held for sale.

17. SHARE CAPITAL

The share capital is fully paid in:

	No. of shares	Share capital
		RON
Share capital as at December 31, 2018 and December 31, 2019	**369,442,475**	**36,944,248**
Effect of inflation on the share capital	987,626,807	987,626,807
Share capital as at December 31, 2018 and December 31, 2019	**1,024,571,055**	**1,024,571,055**

The Company's share capital was indexed to inflation as at December 31, 2003, from which date the Romanian economy was no longer considered inflationary.

18. RESERVES

	December 31, 2019	December 31, 2018
Legal reserves	15,691,483	15,691,483
Revaluation reserves	35,182,370	35,349,317
Other reserves	39,107,798	36,774,326
Total	**89,981,651**	**87,815,126**

The revaluation reserve is related to revaluations performed on property, plant and equipment and cannot be distributed to shareholders until it is realized.

In 2019, the Company did not create a legal reserve, as it was established in 2017 in amount of 20% of the share capital.

Other reserves include the fiscal facilities for exports received in the period 2000-2003 in amount of RON 6,100,419 (their value prior to inflation adjustment was RON 4,957,578). If the management decides to change their destination, they will be taxed. The management has decided not to use such reserves, thus no deferred tax has been established in relation thereto.

In 2019, the Company established reserves for the profit reinvested in amount of RON 2,333,472, representing tax facilities. The management decided not to use such reserves, and therefore, it did not register deferred tax in this respect. The remaining reserves are distributions from the previous years' profit.

19. BORROWINGS

	December 31, 2019	December 31, 2018
a) Short-term debts to shareholders	**4,880,000**	**4,880,000**
Secured loans	4,880,000	4,880,000
Interest payable to shareholders	-	-
b) Loans from banking institutions	**7,951,738**	**6,796,587**
Secured loans	**14,128,979**	**7,139,531**
Short-term loans	-	-
Long-term secured loans	-	-
Long-term loans	3,567,060	-
Total short- and long-term loans	**17,696,039**	**12,019,531**

Contract	Balance as at December 31, 2018	Interest payable as at December 31, 2018	Commissions as at December 31, 2018
(A) BRD – Credit facility no. 103 BIS/28.04.2006	5,417,687	-	1,084
(D) Banca Transilvania – Loan contract no. 186/24.06.2009	1,378,900	-	356
	6,796,587	**-**	**1,440**

Contract	Balance as at December 31, 2019	Interest payable as at December 31, 2019	Commissions as at December 31, 2019
(A) BRD – Credit facility no. 103 BIS/28.04.2006	3,529,101	-	706
(D) Banca Transilvania – Loan contract no. 186/24.06.2009	4,422,637	-	210
	7,951,738	**-**	**916**

19. BORROWINGS (continued)

a) Amounts owed to shareholders

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

(I) with Mr. Radu Viehmann, for RON 3,000,000;
(II) with Mr. Paul Radulescu, for RON 250,000;
(III) with Mr. Ion Dinca, for RON 350,000;
(IV) with Mr. Danut Spirea, for RON 200,000.

In 2016, the Company paid the interest owed for 2016 to Mr. Viehmann Radu and Ms. Ciorapciu Dana Maria and paid to the State budget the tax on the interest paid for each of them as follows:

Viehmann Radu: interest in amount of RON 249,300 and tax in amount of RON 47,485;
Ciorapciu Dana Maria: interest in amount of RON 16,620 and tax for January 2016 – October 2016 in amount of RON 2,636.

The tax on the interest paid for November – December 2016 in amount of RON 527 was established in December 2016 and was paid in January 2017 within the legal term.

The loan balance as at December 31, 2016 is:

Viehmann Radu: RON 4,580,000 of which RON 4,500,000 according to Contract 178/2009 and the subsequent addenda (due date 31.01.2017) and RON 80,000 according to short-term contract no. 538/2011, non-interest bearing.

Ciorapciu Dana Maria: RON 300,000 according to Contract 867/2012 and the subsequent addenda (due date 31.01.2017).

In 2017 the Company paid the interest owed for 2017 to Mr. Viehmann Radu and Ms. Ciorapciu Dana Maria and paid to the State budget the tax on the interest paid for each of them as follows:

Viehmann Radu: interest in amount of RON 240,244 and the related tax in amount of RON 47,761;
Ciorapciu Dana Maria: interest in amount of RON 16,620 and the related tax in amount of RON 3,050.

The balance of the loans as at December 31, 2017 is:

Viehmann Radu RON 4,580,000 of which RON 4,500,000 according to Contract 178/2009 and the subsequent addenda (due on January 31, 2018) and RON 80,000 according to short-term contract no. 538/2011, not interest bearing.

Ciorapciu Dana Maria: RON 300,000 according to Contract 867/2012 and subsequent addenda (due on January 31, 2018).

In 2018, the Company paid the interest owed for 2018 to Mr. Viehmann Radu and Ms. Ciorapciu Dana Maria and paid to the State budget the tax on the interest paid for each of them as follows:

Viehmann Radu: the interest in amount of RON 262,672 and related tax in amount of RON 29,195;
Ciorapciu Dana Maria: interest in amount of RON 17,508 and related tax in amount of RON 1,951.

The outstanding loans as at December 31, 2018 are:

Viehmann Radu – RON 4,580,000 of which RON 4,500,000 as per Contract 178/2009 and the subsequent addenda (due on January 31, 2019) and RON 80,000 as per Short-term contract no. 538/2011, not interest bearing.

Ciorapciu Dana Maria – RON 300,000 as per Contract no. 867/2012 and the subsequent addenda (due on January 31, 2019)

19. BORROWINGS (continued)

a) Amounts owed to shareholders (continued)

In 2019, the Company paid the interest owed for 2019 to Mr. Viehmann Radu and Ms. Ciorapciu Dana Maria and paid to the State budget the tax on the interest paid for each of them as follows:

Viehmann Radu: interest in amount of RON 257,897 and related tax in amount of RON 28,647;
Ciorapciu Dana Maria: interest in amount of RON 17,189 and related tax in amount of RON 1,911.

The outstanding loans as at December 31, 2019 are:

Viehmann Radu RON 4,580,000, of which RON 4,500,000 as per Contract 178/2009 and the subsequent addenda (due on January 31, 2019) and RON 80,000 RON as per Short-term contract no. 538/2011, not interest bearing.

Ciorapciu Dana Maria RON 300,000 as per Contract 867/2012 and the subsequent addenda (due on January 31, 2019)

In January 2020, the two contracts were extended and addenda were entered into as follows:

- AA 11 /27.01.2020
- AA 7/27.01.2020

Both addenda extend the validity of the 2 contracts until January 31, 2021 and the interest rate is 6.35% gross.

b) Amounts owed to credit institutions

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

On April 13, 2005, the Company concluded a loan contract which, until present, was substantially amended.

The addenda that amended the contract in 2016 and 2017 are presented below.

Addendum no. 54/23.05.2016 extended the validity of the contract until 25.05.2017.

Current interest and commissions are paid monthly.

As at December 31, 2016 the approved credit limits are RON 3,977,712.73 and USD 6,259,922.00 and the amounts drawn are USD 6,147,520.51 (equivalent of RON 26,454,625.01) and RON 1,501,350.87.

By Letter no. 3117/02.06.2016, registered with Turbomecanica SA under no. 3133/06.06.2016, BRD Special Loans communicated that BRD approved and written off from its records all interest and fees related to the facilities granted by the Bank and owed by TURBOMECANICA SA by 25.01.2016.

By Addendum no. 55/24.05.2017 the contract validity was extended until 31.08.2017.

Current interest and commissions are paid monthly.

By Addendum no. 56/30.08.2017, the outstanding credit as at the conclusion date of such addendum in amount USD 6,259,190.61 and RON 1,771,394.88 and a non-cash exposure of RON 685,771.03 is converted to RON.

The total loan amounts to RON 30,149,798.40 at USD 1 = RON 3.8730 exchange rate and has the following structure:

19. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

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

Facility A – multi-option non-binding global financing threshold, in amount of RON 19,365,000 used as follows:

- Facility credit line;
- Facility for issuance of bank letter of guarantee;
- Facility to open letters of credit ("L/C facility")

Facility B – long-term loan repayable based on a repayment schedule, in amount of RON 10,784,798.40.

The maturity date for Facility A is 31.08.2018.

The termination date for Facility B is 31.12.2020.

The interest rate is:

- for Facility A: ROBOR 3M + 3.5% (bank margin)
- for Facility B: ROBOR 3M + 3.5% (bank margin)

The addendum stipulated the repayment terms and guarantees that had to be established.

By Addendum no. 57/31.08.2017, the parties agreed upon the conditions of the addendum and amended article 7.3 of Addendum no. 56/30.08.2017 regarding the suspensive conditions for drawing the loan.

As at December 31, 2017, the balance of Facility A is RON 5,125,429.04 formed of RON 3,898,052.90 representing balance of the Credit Line and RON 1,227,377.04 not drawn due to the expiry of the Letters of Guarantee issued within the threshold.

The balance of Facility B is RON 10,784,798.40 as at December 31, 2017.

Addendum no. 59/29.08.2018 extended the validity of Facility A – multi-option non-binding global financing threshold to 31.08.2019, amended article 4 of Addendum 56/30.08.2017, amended article 6 "Due date" of Addendum 56/30.08.2017, amended article 7.3 (Suspensive conditions) and article 7.4 (Other provisions) of Addendum 56/30.08.2017, amended article 3.3 Financial obligations in Part B – General Terms and Conditions.

On 29.08.2018 the Company concluded:

Mortgage contract no. 7003 on movable goods, to secure all of the assumed obligations (19 mortgaged goods as per Annex 1);

Mortgage contract no. 7004 on movable goods, to secure all of the assumed obligations (2 mortgaged goods as per Annex 1);

Contract for mortgage on all bank accounts no. 7005/29.08.2018 to secure all of the obligations assumed (19 current accounts as per Annex 1);

Contract for mortgage on all of the Company's receivables no. 7006/29.08.2018 (6 contracts or other trade documents as per Annex 1).

In March 2018, the Company received from BRD -GSG for signing, the updated repayment schedule of Facility B to Contract 103 bis.

19. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

The entire balance of Facility B to Contract 103 bis in amount of RON 10,784,798.40 was paid 2018 as follows:

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

06.03.2018	RON 554,398.90
13.04.2018	RON 6,830,227.30
30.09.2018	RON 554,398.90
24.12.2018	RON 2,845,773.30

The interest rate is ROBOR 3 M+3.5% p.a.

As at December 31, 2018, the balance of the loan under Contract 103 bis is:

Facility A RON 5,417,686.55

Facility B 0

The value of the letters of guarantee issued out of the loan threshold, valid in 2019, is RON 74,235.60.

The value of the letters of guarantee issued out of the loan threshold, valid until December 31, 2018 is RON 1,576,291.66. RON 1,576,291.66 was released in the credit line on 03.01.2019.

The management fee for December 2018 was in amount of RON 1,083.54 and was established in December 2018 (account 51861000) and paid on 01.01.2019, i.e., when due.

Addendum no. 60/22.08.2019 extended the validity of Facility A – multi-option non-binding global financing threshold to 31.08.2020, amended article 4(1) – the credit line facility is in amount of RON 19,365,000, the issuance of BLG and opening of letters of credit is in amount of RON 7,000,000, eliminated article 7.4 of Chapter 7, eliminated paragraphs c) and d) of article 11 and supplemented article 11 by paragraphs j), f), k) regarding mortgages.

It amended and supplemented the General Terms of Business, i.e. introduced 7 new paragraphs (the bank's approval for new loans, leases of maximum EUR 1 million, conditions regarding mortgages.

Addendum no. 61/03.12.2019:

1. amended and supplemented Part A "Special Terms of Business" of the loan agreement (amended paragraphs j) and l) of Chapter 11 "Guarantees";
2. amended and supplemented Part B "General Terms of Business".

Addendum no. 1/02.12.2019 was concluded to movable mortgage contract on bank accounts no. 7005/29.08.2018 whereby the bank guarantee was also extended to the current account in RON bearing IBAN code RO85 BRDE 410S V302 0100 4100, which has a card attached. The sole user of the card is Production Head TICA SORIN.

The value of the letters of guarantee issued out of the loan threshold and valid until December 31, 2019 is RON 439,084.20.

The value of the letters of guarantee issued out of the loan threshold and valid until December 31, 2020 is RON 609,126.01.

The RON 439,084.20 was remade available in the credit line on January 8, 2020.

The management fee for December 2019 was in amount of RON 705.82 and was established in December 2019 (account 51861000) and paid on 01.01.2020, i.e., when due.

At December 31, 2019 the balance of the loan is RON 3,529,101.

19. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(A1) BRD - Factoring contract 539/04.05.2006

On 04.05.2006, the Company concluded the factoring contract with BRD-Groupe Societe Generale, which comprises the General and Special Terms.

The contract was amended in the following years, and the latest addenda are presented below.

On 15.06.2016, the Company concluded with BRD - Groupe Societe Generale Addendum no. 1 to Special Terms no. 2 to Factoring Contract no. 539/04.05.2006 applicable to the commercial relationship between TURBOMECANICA SA and the debtor of the assigned receivable, IAR SA.

The financing ceiling is RON 10,000,000, the validity term of the financing ceiling is 25.05.2017 and the financing percentage of approved receivables is set at 75%.

In addition, the Company concluded Mortgage Contract on Bank Accounts no. 3378/13.06.2016 and Mortgage Contract on Movable Assets no. 3380/13.06.2016.

On 15.06.2016, the Company concluded with BRD - Groupe Societe Generale Addendum no. 1 to Special Terms no. 3 to Factoring Contract no. 539/04.05.2006 applicable to the commercial relationship between TURBOMECANICA SA and the debtor of the assigned receivable GE Hungary Kft Hungary.

The financing ceiling is EUR 1,500,000, the validity term of the financing ceiling is 25.05.2017, and the financing percentage of approved receivables was set at 75%.

In addition, the Company concluded Mortgage Contract on Bank Accounts no. 3379/13.06.2016 and Mortgage Contract on Movable Assets no. 3381/13.10.2016.

On 15.06.2016, the Company concluded with BRD - Groupe Societe Generale Addendum no. 1 to Special Terms no. 2 to Factoring Contract no. 539/04.05.2006 applicable to the business relation between TURBOMECANICA SA and debtor of the assigned receivable IAR SA.

The financing ceiling is RON 10,000,000, the validity term of the financing ceiling is 25.05.2017 and the financing percentage of approved receivables was set at 75%.

At the same time, the Company concluded Mortgage Contract on Bank Accounts no. 3378/13.06.2016 and Mortgage Contract on Movable Assets no. 3380/13.06.2016.

Addendum no. 2 to Special Terms no. 2 to Factoring Contract no. 539/04.05.2006 applicable to the business relation between TURBOMECANICA SA and debtor of the assigned receivable IAR SA stipulates that, as of 25.05.2017 the financing limit for IAR is cancelled and the provisions of Special Terms no. 2 to Factoring Contract no. 539/04.05.2006 are terminated.

Addendum no. 2 to Special Terms no. 3 to Factoring Contract no. 539/04.05.2006 the validity term of the financing ceiling was extended to 31.08.2017 and the financing percentage of approved receivables was set at 75%.

Addendum no. 3 to Special Terms no. 3 to Factoring Contract no. 539/04.05.2006 the validity term of the financing ceiling was extended to 31.08.2018 and the financing percentage of approved receivables was set at 90%.

On 10.10.2018, the Company concluded Addendum no. 4 to Factoring Contract no. 539/04.05.2006, which amended article XI(2) (The amount of taxes and fees provided for under article 1 shall be established in the Special Terms) and article XVI (These general terms shall be concluded for a period of 1 year as of the date of last signing, and the validity thereof shall be automatically extended over successive periods of 1 year, the validity of the thresholds is not extended automatically, termination conditions, etc.).

19. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

On the same date, 10.10.2018, the Company concluded Addendum no. 4 to Special Terms no. 3 to Factoring Contract no. 539/04.05.2006, which provided for certain supplementations/amendments (financing threshold of EUR 500,000, validity term of financing threshold - 31.08.2019, 90% financing of approved receivables, other terms)

The factoring fee is 1.1% + VAT and EUR 9 /document + VAT.

The annual financing rate is: EURIBOR/3M + 4% margin p.a. + VAT.

Addendum no. 5 to Factoring Contract no. 539/04.05.2019 provided a financing threshold of EUR 500,000, and a default risk threshold of EUR 500,000.

The factoring fee is 1.1% + VAT and EUR 9 /document + VAT.

The annual financing rate is: EURIBOR/3M + 4% margin p.a. + VAT.

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

On 24.06.2009, the Company concluded loan contract no.186 with Banca Transilvania Militari Branch, to be used as global ceiling.

The loan was amended by addenda, having the following structure in 2016 and 2017:

On 22.03.2016, the Company concluded Addendum no.12/186 whereby the interest margin was reduced from 6.4% to 4.4% and a new clause was inserted, namely the submission of the documentation to extend the credit facility 45 days prior to the due date.

On 26.05.2016, the Company concluded Addendum no.13/186 whereby the validity of the credit line was extended to 27.05.2017, the variable interest rate was set at 5.42 % (ROBOR 6 M namely 1.02 +4.4 % bank's margin), the guarantees were maintained, special granting clauses were introduced.

The loan balance as at 31.12.2016 is RON 6,833,510.

The commissions payable for 2016 due on 31.01.2017 are:
- management commission RON 110.22;
- non-withdrawal commission RON 142.58.

On 25.05.2017 the Company concluded Addendum no. 14/186 which technically extended the credit line in amount of RON 9,400,000 to finance the current activity until 26.06.2017.

On 22.06.2017, the Company concluded Addendum no. 15/186 whereby the validity of the credit line was extended to 25.05.2018, the variable interest rate was set at 5.47% (ROBOR 6M namely 1.72 +4.4% bank margin), registered the guarantees and the terms of the facility.

On 22.06.2017, the Company concluded Addendum no. 03/186/GAJ/01 which amends and supplements Mortgage Contract on Specific Existing Goods no. 186/GAJ/01,27.02.2014.

On 24.07.2017 the Company concluded Addendum no. 16/186 to revise the description of the guarantees according to the changes made in sites 10 and 11.

The balance of the loan as at December 31, 2017 is RON 9,052,895.35.

The commissions payable for 2017 due on January 31, 2018 are:

- management commission RON 146.01;
- non-withdrawal commission RON 19.28.

On 24.05.2018, the Company concluded Addendum no. 17/186 which technically extended the credit line until 06.06.2018.

19. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

On 30.05.2018 the Company concluded Addendum no. 18/ whereby the validity of the credit line was extended to 24.05.2019.

The interest rate was set to 6.39% (ROBOR 6M + 4% bank margin), penalties and commissions were set (0.60% for extension, risk, non-withdrawal, review, management, evaluation and early repayment), guarantees, insurance of collateral, facility clauses.

On 10.12.2018 the Company concluded Addendum no. 19/186 which amended the guarantees (added collateral) and added conditions to the credit line in amount of RON 9,400,000.

The condition imposed is to finalize, within 30 days from approval of the request, the evaluation report for the real estate brought as security.

Deposit contract no. 186/DEP/01/10.12.2018 was added to guarantees, which is registered in the Electronic Archive for Security Interests in Movable Property, whereby a movable mortgage is established on the balance of the savings account in amount of RON 1,771,000 opened by Turbomecanica with Banca Transilvania.

The balance of the loan as at December 31, 2018 is RON 1,378,900.04.

The commissions payable for 2018 due on January 31, 2018 are:

- management commission RON 22.24
- non-withdrawal commission RON 334.24

On 07.01.2019 the Company concluded Addendum no. 20/186 which amended contractual clauses.

On 11.02.2019 the Company concluded Addendum no. 21/186 which amended contractual clauses.

On 21.05.2019 the Company concluded Addendum no. 22/186 which extended the lending cap.

The interest rate was set to 6.57% (ROBOR 6M + 3.25% bank margin), commissions were set (0.50% for extension, non-withdrawal, management, and early repayment), guarantees, insurance of collateral, facility clauses.

On 27.08.2019 the Company concluded Addendum no. 23/186 which amended contractual clauses.

On 05.11.2019 the Company concluded Addendum no. 24 / 186 whose object is the modification of the structure of collateral according to Art. 7 of the contract-credit facility: "Credit line current account" respectively collateral that is maintained (real estate mortgage of first rank on objective 6, 8, 11 and 10, land of 583 sqm, security interest in personal property on the amounts received and the balance of the current account and of the sub-accounts opened at BT, security interest in personal property on determined existing goods, i.e.19 items of equipment), guarantees that are excluded (real estate mortgage on objective 7 and 12, the deposit contract establishing a movable mortgage on the balance of the deposit account in amount of RON 1,771,000) and guarantees that are added (real estate mortgage on freehold land located within the built-in area of 684 sqm).

The balance of the loan at December 31, 2019 is RON 4,422,637.

The commissions payable for 2019 established in December 2019 in account 51862000, due at 31.01.2020 (and paid when due) are:

- management commission RON 71.33;
- non-withdrawal commission RON 138.26.

19. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(C) BRD – Subordinating agreements

On 29.02.2012, BRD and Messrs. Viehmann Radu, as President and General Manager, and Dinca Ion, as Financial Manager, concluded subordinating agreements.

On 18.02.2013, BRD and Ms. Ciorapciu Dana-Maria concluded a subordinating agreement.

(D) BRD – contract for issuance of letter of guarantee no. 4104-A of December 22, 2016

On 22.12.2016, Turbomecanica SA concluded a contract for issuance of a letter of guarantee in amount of RON 125,959.72, with expiry on 31.12.2016.

The beneficiary of the bank letter of guarantee is UM 01836 Otopeni, and the contract underlying the request is A 12331/19.12.2016.

The contract stipulates: an issuance fee (0.50 flat minimum RON 150), risk commission (0.25%), payment commission in case of an application for enforcement (0.15%), commission for change of value and/or validity 0.50% of the value of the letter minimum RON 150, commission for other changes RON 100.

The Company also concluded Mortgage Contract on Bank Accounts no. 4104-B/22.12.2016 whereby a mortgage was instituted over all amounts, securities, interests and benefits related to the identified bank accounts.

Following the expiry of the Guarantee Letter, in January Turbomecanica SA requested the bank to close the cash collateral deposit and the related amount was cashed in the Company's current account RO37 BRDE 410S V2016 4067 4100 on 09.01.2017.

Following the expiry of the letter, the original of the Bank letter of guarantee was submitted to BRD Militari Branch by letter 86/22.02.2017.

On 28.12.2016, Turbomecanica SA concluded a contract for issuance of a letter of guarantee in amount of RON 478,000.00, with expiry on 31.12.2017.

The beneficiary of the bank letter of guarantee is UM 01836 Otopeni, and the contract underlying the request is A 10090/28.10.2016.

The contract stipulates: an issuance fee (0.50 flat minimum RON 150), risk commission (0.25%), payment commission in case of an application for enforcement (0.15%), commission for change of value and/or validity 0.50% of the value of the letter minimum RON 150, commission for other changes RON 100.

The Company also concluded Mortgage Contract on Bank Accounts no. 4296-A/28.12.2016 whereby a mortgage was instituted over all amounts, securities, interests and benefits related to the identified bank accounts.

Compliance with the bank contractual clauses

According to the loan contracts concluded with BRD and Banca Transilvania, the Company must meet the following economic – financial indicators in order not to change the terms of loan contracts: the EBITDA/turnover ratio not less than 17% and the net profit compared to turnover not less than 5% as at December 31, 2019. As at December 31, 2019 and December 31, 2018, the Company complied with these economic and financial indicators.

20. PROVISIONS

	December 31, 2019	**December 31, 2018**
Provisions for post-employment benefits	-	428,824
Other personnel-related provisions	1,840,284	1,493,086
Provisions for compensatory salaries	4,026,021	3,472,002
Total	**5,866,305**	**5,393,912**

Compensatory salaries provisions mean provisions for compensatory salaries to be paid to the Company's employees who are dismissed, according to the collective employment contract.

"Other personnel-related provisions" includes as follows: provision for performance bonuses for 2019 which will be granted in 2020, provision for rest leaves not taken as at December 31, 2019, provisions for meal vouchers related to December 2019 which will be granted in 2020, provision for gift tickets granted to employees in 2016 - 2019.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at 31 December 2019 by GELID ACTUARIAL COMPANY. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Credit Unit Method (PCUM). Retirement benefits are expected to be paid in a period of 5-15 years.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

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

Mortality of employees and their family members.	Romanian Mortality Table for 2013 (men and women) issued by the National Institute of Statistics.
Rate of employee turnover	In 2019, the employee turnover was 9.9%. For this year, the Company considered the average of the last five years, of 9.86% pa. Based on employees' age structure, the model of the employee turnover rate takes into account the number of remaining years until retirement, resulting a number of employees who would be leaving and who would be equally replaced with 9.86% of the total number of employees. The rate of employee turnover is: - 27.49% pa for employees over 35 years until retirement; - decreasing to 0% for employees with 35 to 5 years until retirement; For the last 5 years until retirement, the Company considered that the employees are not looking for a change of job and have gained enough experience not to be replaced on disciplinary or professional grounds.
Rate of dismissals	For the period after December 2019, the Company did not communicate a personnel redundancy plan.

20. PROVISIONS (continued)

2) Financial assumptions

Discount rate	As regards the discount rate, the Company took into account the yields of bonds on the active market at the end of December 2019. The available residual terms until maturity were 1 - 9 years and 12 years. For the other terms, the Company estimated the discount rate using the Smith-Wilson method. The long-term assumptions were: – estimated long-term inflation rate 2% pa – estimated long-term real yield of government bonds 2.05% pa – liquidity premium for Romania 0%. Thus, a balancing forward rate of 4.05% pa was considered. The method ensures compatibility between the discount rate and inflation rate. The weighted average discount rate is .18% p.a.
Inflation rate	Based on the statistics issued by INSSE and the NBR forecast, the Company estimated an inflation rate of: – 3.1% in 2020 – Decreasing on a straight line up to 2.5% in 2021-2025 – 2.50% in 2025-2030 following a decreasing trend in the upcoming years.
-	The Company estimates an average growth of maximum 13.77% in 2020. For 2020 and the following years, the Company estimated that salaries will increase by an average of the consumer price index of each year.

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

Service cost:	**December 31, 2019**
Current service cost	138,910
Interest cost	62,918
Past service cost	-
Benefits paid	(374,504)
TOTAL	**(172,676)**

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

Re-measurement of the net defined benefit liability:	**December 31, 2019**
Actuarial gains and losses from changes in financial assumptions	509,474
TOTAL	**509,474**

The current service cost, the interest cost, the past service cost and the benefits paid are included in other gains and losses in profit or loss.

The re-measurement of the net defined benefit liability in included in other comprehensive income.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality.

21. TRADE AND OTHER LIABILITIES

	December 31, 2019	December 31, 2018
Trade liabilities	7,916,095	2,521,140
Liabilities on invoices to be received	471,245	270,789
Other creditors	-	-
Total	**8,387,340**	**2,791,929**

22. OTHER CURRENT LIABILITES AND DEFERRED INCOME

Other current liabilities

	December 31, 2019	December 31, 2018
Salaries	1,530,702	1,267,357
Salary taxes	1,884,546	1,545,826
VAT payable	1,166,214	2,144,944
Other creditors	90,761	37,561
Other taxes	156,011	59,912
Liabilities with material guarantees	1,232,247	1,232,247
Advances from clients	-	10,314
Dividends	2,101,088	1,006,159
Total	**8,161,569**	**7,304,321**

Deferred income

Deferred income represent re-invoicing of utilities which are delivered at a later date (after balance sheet date) - which is determined based on client's request. The amount as at December 31, 2019 of RON 2,178.

23. SEGMENT REPORTING

Operating segments of the Company are driven by the main products and services delivered, as it is shown below: manufacturing of aircraft parts, repairs of engines and other. The geographical segmentation of the operations derives from the country of origin for the main customers of the Company.

Segmenting income	**Segmenting income**	
	December 31, 2019	**December 31, 2018**
	RON	***RON***
Aircraft benchmarks and parts	14,260,819	6,332,351
Current engine repairs	96,694,412	102,662,977
Other	4,004,826	3,392,444
Total from operations	**114,960,057**	**112,387,772**

In 2019, the depreciation and amortization is allocated to Aircraft makers and parts – 10.43%, Current engine repairs – 84.11%, others 5.46%. Material non-cash items not allocated consist of RON 4,989 reversal of deferred tax asset.

23. SEGMENT REPORTING (continued)

	Asset Segment		Liability Segment	
	31-Dec-19	**31-Dec-18**	**31-Dec-19**	**31-Dec-18**
Assets and liabilities segment				
Aircraft benchmarks and parts	96,465,389	79,826,158	2,720,965	2,198,946
Current engine repairs	19,090,971	15,211,980	5,097,711	-
Not allocated	9,582,291	15,144,984	35,342,629	32,650,441
Total Assets / Liabilities	**125,138,651**	**110,194,604**	**43,161,305**	**34,849,387**

	Profit/(loss)	
	December 31, 2019	**December 31, 2018**
Aircraft benchmarks and parts	3,193,205	2,107,891
Current engine repairs	21,651,287	28,596,064
Other	896,739	603,453
Unallocated	(3,821,929)	(6,459,691)
Total	**21,919,302**	**24,847,717**

The reported profits above are presented based on internal managerial reports, direct costs are allocated by per segments while the overheads are included in Other. Unallocated refers to financing costs, sale of assets held for sale and related deferred tax.

	Income by geographical areas	
	December 31, 2019	**December 31, 2018**
Europe	114,571,228	112,211,307
US	386,474	176,465
Asia	2,355	-
Total	**114,960,057**	**112,387,772**

24. FINANCIAL INSTRUMENTS

a) Capital risk management

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

The Company's capital consists of debts, which include the borrowings disclosed in Note 20, cash and cash equivalents and equity.

Equity comprises share capital, reserves and retained earnings, as disclosed in Notes 18 and 19.

The Company monitors capital based on the gearing ratio. Such ratio is calculated as ratio between the net debt and total capital. The net debt is calculated as total borrowings (including both long and short-term loans) less cash and cash equivalents.

The total capital is calculated as "capital and reserves" as reported in the balance sheet.

The gearing ratio as at December 31, 2019 and December 31, 2018 is as follows:

	December 31, 2019	**December 31, 2018**
Total borrowings	17,696,039	13,732,848
Cash and cash equivalents	4,105,218	6,990,513
Net debt	**21,801,257**	**20,723,361**
Total capital and reserves	81,977,346	75,345,217
Gearing ratio	26%	28%

Gearing ratio has been positively changed from last year.

b) Foreign currency risk management

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

c) Interest rate risk management

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

24. FINANCIAL INSTRUMENTS (continued)

d) Credit risk management

The Company is exposed to credit risk due to its trade and other receivables. The Company has adopted a policy of only dealing with creditworthy clients. The due date of the liabilities is closely monitored and the amounts owed after expiry of the maturity date are promptly supervised. Trade receivables (clients) are disclosed net of allowances for doubtful debts. The Company has adopted policies limiting the value of the credit exposure towards any financial institution. Collaterals are not required however advance payments are in certain cases required. Cash is placed in financial institutions, which are considered to have minimal risk of default. The deposits are held at the BRD and Banca Transilvania.

The carrying amounts represent the Company's maximum exposure to credit risk for existing receivables.

e) Liquidity risk management

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

f) Fair value of financial instruments

The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

- the fair value of financial derivatives is calculated using quoted prices. Where such prices are not available, the discounted cash flow analysis is used, using the yield curve applicable to the duration of derivatives that do not include options and the models to assess options for derivatives based on options.

Financial instruments in the balance sheet include trade and other receivables, cash and cash equivalents, short and long-term loans and trade and other payables. The estimated fair values of these instruments approximate their carrying amounts.

24. FINANCIAL INSTRUMENTS (continued)

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

2019	EUR 1EUR = RON 4,7793	USD 1USD= RON 4,2608	GBP 1GBP=RON 5,6088	CHF 1 CHF = RON 4,4033	RON 1 RON = RON	TOTAL December 31, 2019
ASSETS	*RON*	*RON*	*RON*		*RON*	*RON*
Cash and cash equivalents	3,501,989	63,628	3,986	2,402	508,034	4,080,039
Receivables and other current assets	1,897,675	70,586	-	-	2,572,723	4,540,984
LIABILITIES						
Trade and other liabilities	1,059,388	546,624	100	3,732	6,769,209	8,397,340
Short and long-term loans	-	-	-	-	17,696,039	17,696,039
Net balance exposure (assets - liabilities)	**4,340,276**	**(412,410)**	**3,886**	**(1,330)**	**(21,384,491)**	**(17,437,177)**

2018	EUR 1EUR = RON 4,6639	USD 1USD= RON 4,0736	GBP 1GBP=RON 5,1931	CHF 1 CHF = RON 4,1404	RON 1 RON = RON	TOTAL December 31, 2018
ASSETS	*RON*	*RON*	*RON*		*RON*	*RON*
Cash and cash equivalents	471,948	41,577	11,451	3,561	6,461,976	6,990,513
Receivables and other current assets	2,313,142	-	-	-	139,525	2,452,667
LIABILITIES						
Trade and other liabilities	844,744	49,439	13,728	-	1,884,018	2,791,929
Short and long-term loans	-		-	-	13,732,848	13,732,848
Net balance exposure (assets - liabilities)	**1,940,346**	**(7,862)**	**(2,277)**	**3,561**	**(9,015,365)**	**(7,081,597)**

24. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis

The Company is mainly exposed in respect of the exchange rate of the EUR and USD vs. RON. The following table details the Company's sensitivity to a 10% increase and decrease in EUR/USD against RON. 10% is the sensitivity rate used when reporting foreign currency risk internally to senior management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

A negative number below indicates a decrease in profit, when there is a 10% weakening of the RON against the EUR / USD. For a 10% strengthening of RON against the EUR / USD there would be an equal and opposite impact on the profit and equity and the balance would be positive.

	10% strengthening of RON against EUR / USD - impact on the result as at:	
	December 31, 2019	**December 31, 2018**
EUR	434,028	194.035
USD	(41,241)	(786)
GBP	389	(228)
CHF	(133)	356

Tables regarding liquidity and interest rate risks

The following tables detail the Company's remaining contractual maturity for financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

24. FINANCIAL INSTRUMENTS (continued)

2019	Interest rate	Less than 1 month	Less than 1 year	1 - 5 years	5+ years	Total
Non-interest bearing						
Trade and other current liabilities		7,950,582	436,758	-	-	8,387,340
Other liabilities		4,828,234	3,333,335	1	-	8,161,569
Long and short-term loan (of which)		-	-	-	-	-
Short-term bank loan in RON BRD	ROBOR 3 M+3,50%	-	3,529,101	-	-	3,529,101
Loan ceiling in RON from Banca Transilvania M	ROBOR 6M+3,25%	-	4,422,637	-	-	4,422,637
Finance lease BTRL		-	1,296,331	3,567,060		4,863,391
Loans from shareholders	6,35%	-	4,880,000			4,880,000
Interest payable		916	-	-	-	916
Total debt		**12,779,732**	**17,898,162**	**3,567,061**	**-**	**34,244,954**
Cash and cash equivalents		4,105,218	-	-	-	4,105,218
Other receivables and other current assets		3,962,383	184,585	394,016	-	4,540,984
Total assets		**8,067,601**	**184,585**	**394,016**	**-**	**8,646,202**
Total Net		**(4,712,131)**	**(17,713,577)**	**(3,172,955)**	**-**	**(25,598,752)**

24. FINANCIAL INSTRUMENTS (continued)

2018	Interest rate	Less than 1 month	Less than 1 year	1 - 5 years	5+ years	Total
Non-interest bearing						
Trade and other current liabilities	-	1,007,399	1,784,530	-	-	2,791,929
Other liabilities	-	5,349,458	1,954,862	1	-	7,304,321
Long and short-term loan (of which)	-	-	-	-	-	-
Long-term real estate loan BTRL	-	-	-	-	-	-
Long-term loan for RELOCATION RON BT	-	-	-	-	-	-
Long-term loan BTRL RON		-	-	-	-	-
Short-term bank loan in RON BRD	ROBOR 3M + 3,5% pa	-	5,417,687	-	-	5,417,687
Loan ceiling in RON from Banca Transilvania M	ROBOR 6M+4.4%	-	1,378,900	-	-	1,378,900
Medium-term bank loans - BRD		-	-		-	-
Finance lease BTRL		-	341,504	1,713,317	-	2,054,821
Loans from shareholders	6.33%/6.50%	-	4,880,000	-	-	4,880,000
Interest payable		1,440	-	-	-	1,440
Total debt		**6,358,297**	**15,757,483**	**1,713,318**	**-**	**23,829,099**
Cash and cash equivalents	-	**6,990,513**	-	-	-	**6,990,513**
Other receivables and other current assets	-	1,082,711	1,323,998	45,958	-	2,452,667
Total assets		**8,073,224**	**1,323,998**	**45,958**	**-**	**9,443,180**
Total Net		**1,714,927**	**(14,433,485)**	**(1,667,360)**	**-**	**(14,385,919)**

25. EARNINGS PER SHARE

(a) Basic

The basic result per share is calculated by dividing the shareholders' profit to the weighted average number of ordinary shares issued during the year, except for ordinary shares purchased by the Company and kept as treasury shares (Note 18).

	2019	**2018**
Company shareholders result	21,919,302	24,847,717
Weighted average number of ordinary shares issued	369,442,475	369,442,475
Basic earnings per share	0.06	0.07

(b) Diluted

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

In 2019, the company distributed dividends from the 2018 profit, in amount of RON 14,777,699, the balance of which as at December 31, 2018 is RON 2,101,088.

26. RELATED PARTIES

The loans from the shareholders are presented in Note 20.

27. COMMITMENTS AND CONTINGENCIES

Potential liabilities:

Taxation

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

In 2019, the interest value is 0.02% for each day of delay; the delay penalties are 0.01% for each day of delay.

In Romania, the fiscal year stays open for verifications during 5 years. The management estimates that the tax liabilities included in these financial statements are adequate.

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

Environmental matters

Environmental regulations are developing in Romania, and the Company did not register any liabilities as at December 31, 2019 or December 31, 2018 for any estimated costs, including legal and consulting fees, site surveys, the design and implementation of recovery plans as regards the environment.

Inventories held in custody

As at December 31, 2019, the Company did not hold inventories in custody.

28. SUBSEQUENT EVENTS

In 2020, the loan contracts of Mr. Viehmann Radu (Addendum no. 11 authenticated under no. 83/27.01.2020) and of Mrs. Ciorapciu Dana Maria (Addendum no. 7, authenticated under no. 82/27.01.2020) were extended until 31.01.2021. The interest rate was set at 6.35%.

For January 2020, Mr. Viehmann Radu received an interest in amount of RON 21,861 and tax was paid in amount of RON 2,429 and Mrs. Ciorapciu Dana Maria received an interest in amount of RON 1,457 and tax was paid in amount of RON 162.

In January 2020, all commissions related to December 2019 due on 01.01.2020 (at BRD) and on 31.01.2020 (at Banca Transilvania) were paid.

Information on the Business Continuity Plan in the context of COVID-19

The rapid spread of Covid-19 virus and its social and economic impact in Romania and globally can generate assumptions and estimates that require periodic reassessments. The evolution of the economic context in the second half of 2020 may lead to adjustments of the book value of assets and liabilities in the next financial year.

Although the certainty of the impact cannot be estimated correctly, as the events evolve on a day-by-day basis, and the legal regulations with temporary impact on the economic activity at national level are still unpredictable, the company does not estimate a major impact on the commercial activity as it is mainly carried out in the National Defense Industry.

Official communications are constantly received from foreign clients Leonardo Helicopters Italy and Rolls Royce Germany, which inform us on the current situation and ask us in turn, as a supplier, to issue communications about the business continuity plan and to ensure customer requirement according to the delivery plan that was not affected by the spread of COVID-19.

The rest of the foreign clients from whom no information was received are operating under normal conditions.

The commercial activity of the Company was not affected by the dissemination of COVID-19, and at the date of these financial statements, the Company fulfils its obligations, which have not changed in the context in which in Romania the Government installed state of emergency, as long as the activity will not be affected to support the national financial efforts.

The Company assessed the impact of the Coronavirus pandemic over its business and concluded that the financial statements will not be significantly affected by this event. Even though, we currently can’t properly evaluate the consequences of this pandemic considering the dynamics in the evolution, the Company doesn’t expect a major impact on its activity in the future based on information available to the management at the date of this report.

Therefore, the company continues to apply the going concern principle as a basis for preparing its financial statements.

It also intends to support, through regulated means, the fight against the spread of COVID-19 at national level.

The financial statements were approved by the Board of Administration and authorized for issuance on March 25, 2020.

CLAUDIA ANGHEL, Economic - Commercial Manager	**RADU VIEHMANN,** CEO

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ANNUAL REPORT OF THE BOARD OF ADMINISTRATION OF TMB FOR 2019 ACCORDING TO NSC REGULATION NO. 1/2006

TURBOMECANICA SA ("TMB") is a Romanian open joint-stock company according to the Constitutive Act and applicable regulations, entirely privately owned, whose shares are listed on the Bucharest Stock Exchange.

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

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

The company has a long history of start-ups, diversifications and developments, but also restructuring, falls, searches, new beginnings. However, what is important is that throughout all this time, it has never stopped operating in the defense and aviation industry.

The program of technical restructuring and relocation of the technological flows, started a long time ago, and realization of the assets made available further to the reorganization of the company are in the third year in which they produce the estimated effects, strengthening the company's capacity to generate profit and re-balancing the company financially.

In 2019, there was no significant event or reorganization of the company.

The entire financial and accounting activity was based on the following principles:

- principle of prudence;
- principle of permanence of methods;
- going concern principle;
- cut-off principle;
- principle of intangibility;
- non-offsetting principle;
- principle of substance over form.

The accounting of Turbomecanica SA is the main instrument to know, manage and control the assets, to ensure chronological and systematic registration of information, to process and store it, presenting the real status of the assets and the results obtained.

The Company manages its accounting using the double-entry method, prepares monthly, quarterly reports and at year end it presents the accounting balance sheet.

The accounting registrations are made chronologically and systematically according to the chart of accounts and the rules in force, and any asset-related operation is registered in a supporting document.

In addition, the Financial and Accounting Department is organized so as to enable a high quality financial reporting process. The roles and responsibilities are specifically defined and a control process is in place to ensure that the financial reporting is conducted accurately and correctly.

The 2019 results are included in the financial statements of the year, prepared in accordance with International Financial Reporting Standards (IFRS). Some of the elements are listed below:

A. STATEMENT OF COMPREHENSIVE INCOME

NAME	2019	2018
Revenues	114,960,057,,	112,387,772,,
Other revenues and (losses)	681,609,	484,761,,
Variation of stocks	8,924,079,,	(1,043,853),,
Raw materials	(,,39,555,253)	(,,30,764,226)
Expenses with employees' benefits	(40,635,250,)	(,,34,250,069)
Expenses with depreciation of assets	(8,,620,573)	(,,8,490,388)
Net financial expenses	(2,,190,286)	(,,2,895,023)
Financial income	28,390	504
Other operating expenses	(7,,823,152)	(,,,7,016,569)
Gains / Loss on sales of assets available for sale	(68,684),	809,724,
Favorable/Unfavorable differences from revaluation	-	,,-
Profit/ (Loss) before tax	**25,700,938,,**	**29,222,612,,**
Income tax	(,,3,786,625)	(,,5,870,710)
Deferred income tax	,, 4,989	1,495,815,
Profit for the year	**,,21,919,302**	**24,847,717,,**

B. STATEMENT OF FINANCIAL POSITION

NAME	2019	2018
Long-term assets		
Tangible assets	55,465,420	54,393,716
Intangible assets	3,391,723	4,620,293
Other assets	6,000	1,772,000
Total long-term assets	**58,863,143**	**60,786,009**
Current assets		
Stocks	55,610,633	38,203,237
Trade receivables	4,540,984	2,452,667
Other receivables	2,018,674	1,762,178
Cash and cash equivalents	4,105,218	6,990,513
Total current assets	**66,275,509**	**49,408,595**
Total assets	**125,138,651**	**110,194,604**

NAME	2019	2018
Capital and reserves		
Capital issued	1,024,571,055	1,024,571,055
Reserves	89,981,651	87,815,126
Retained earnings	(1,031,975,951)	(1,036,441,556)
Own shares	(599,408)	(599,408)
Total equity	**81,977,346**	**75,345,217**
Long-term liabilities		
Loans	3,567,060	1,713,317
Deferred tax liabilities	2,158,761	2,163,750
Provisions	1,840,284	1,493,086
Other long-term liabilities	1	1
Total long-term liabilities	**7,566,106**	**5,370,154**
Current liabilities		
Trade payables and other payables	8,387,340	2,791,929
Borrowings	14,128,979	12,019,269
Current income tax	889,100	3,303,399
Provisions	4,026,021	3,900,826
Deferred income	2,178	159,227
Other current liabilities	8,161,569	7,304,321
Total current liabilities	**35,595,199**	**29,479,233**
Total liabilities	**43,161,305**	**34,849,387**
Total equity and liabilities	**125,138,651**	**110,194,604**

C. <u>TURBOMECANICA SHARES</u>

NAME	2019	2018
Number of shares	369,442,475	369,442,475
Nominal value per share	0.1	0.1
Book value per share	0.2219	0.204
Average price per share	0.3570	0.247
Net profit per share	0.06	0.07
Market value per share at the end of the period	0.3550	0.28
Stock capitalization	131,520,079	103,443,893

D. MACRO-ECONOMIC INDICATORS

NAME	2019	2018
Inflation	3.8	4.6
EUR average exchange rate	4.75	4.65
USD average exchange rate	4.24	3.94
GBP average exchange rate	5.41	5.25

E. TURNOVER ON SEGMENTS

NAME	2019	2018
Turnover, of which:	**114,960,057**	**112,387,772**
Benchmarks and aircraft parts	14,260,819	6,332,351
Engine repairs	96,694,412	102,662,977
Others	4,004,826	3,392,444

The investment expenses totaled RON 6,906.5 thousand in 2019, accounting for 6% of the turnover.

Exports reached 9.21% of the turnover and are continuing to grow.

The net profit obtained by the Company in relation to the turnover determines a rate of return of 19.06%.

F. PATRIMONY STOCK COUNTING

According to the provisions of the Accounting Law, the International Financial Reporting Standards, the Rules on the organization and conduct of assets, liabilities and equity counting, the stock counting was performed in 2019 based on Decision no. 542/10.10.2019 for the annual stock counting of fixed assets and items of inventory, raw materials, consumables, unfinished and finished products, scraps, packaging and merchandise and Decision no. 541/10.10.2019 for the annual inventory of assets, suppliers and creditors.

The results of the annual stock counting were recorded in the Annual Stock Counting Minutes of TURBOMECANICA SA, registered under no. 133/20.02.2020.

The cash and cash equivalents at banks as at December 31, 2019 were traced to the accounting documents and cash and cash equivalents in foreign currency were measured at the valid exchange rate of the NBR.

G. ORGANISATION OF CASH EQUIVALENT MANAGEMENT, ANALYTICAL AND SYNTHETIC ACCOUNTING

The management of cash equivalent is organized by the nature thereof by categories and storage or utilization places as follows:

- fixed assets are organized in terms of quantity and value
- raw materials, items of inventory, consumables are organized in warehouses in the company by quantity and value

Cash equivalent is accounted using the permanent inventory and control is exercised in accordance with MoPFO no. 2861/2009.

H. In 2019, the following actions were conducted in the field of **quality assurance**:

1. To align to the reference standard requirements, the requirements of the regulatory authorities and to implement the organizational changes applied this year at TMB, the structural entities of TMB made changes to the following documents of the Quality/Environmental Management System

In 2019, 115 regulations were prepared/revised as follows:

- 35 General Procedures including Independent Annexes
- 25 Company Standards including Independent Annexes
- 42 Working Instructions including Independent Annexes
- 5 Regulations including Independent Annexes (detailed below)
- 4 Quality Plans (detailed below)
- 1 Policy (detailed below)
- 1 Manual (detailed below)
- 1 Memorandum (detailed below)
- 1 Strategy (detailed below)
- The following regulations were revised: Internal Regulations (ROF-TMB); TMB Internal Regulations (RI-TMB), Regulation on the Personnel's Access to and Monitoring in TMB (R RU-01), SSM-01 Regulations on Occupational Safety and Security at TMB (R SSM-01); Regulations on Emergency Situations at TMB (R SU-01);
- prepared 2 System Quality Plans including Product Quality Plans to comply with the contractual provisions of client Ministry of National Defense, regarding the manufacturing/repair of aerospace products produced by TMB, in accordance with the requirements of the commercial relationship with such client (PQ S-0033, PQ S-0034);
- revised 2 Quality Plans given the changes occurred in the business relationship / client's supplier requirements LEONARDO HELICOPTERS (PQ S-0002) and PZL SWIDNIK POLAND (PQ S-0020);
- TMB Salary Policy was revised (PO RU-01);
- The TMB Quality Manual (MQ-TMB) was revised;
- The Standalone Annexes to the TMB Memorandum of Presentation of Production Organization (POE-TMN) were revised, required for TMB to obtain the authorization of the Romanian Civil Aeronautical Authority for the manufacturing of products for program Leonardo Helicopters;
- Updated the Human Resources Strategy (S-RU-01).

In 2019, the Quality System and Organization Department acted towards constantly improving the organization and design of the Quality Management System.

2. To prove compliance with its clients' requirements, TMB was subject to second party audits conducted thereby, as presented below:

In January 2019, **Witzenmann (Germany)** conducted an audit at TMB to evaluate the quality management system of TMB, according to **EN 9100:2018** and **VDA 6.3:2016** standards. Further to the audit, **Witzenmann** found **4** inconsistencies and made **2 recommendations** (**Audit Report no. 2019-015 of 11.01.2019**) which established 4 corrective measures (all completed) to align to the requirements of such supplier.

In September 2019, **Leonardo Helicopters (Italy) conducted a supervisory audit on the quality management system at TMB** according to **EN 9100:2018 and Specification QRS-01 "Quality Requirements for Suppliers"**. Further to the audit, **Leonardo Helicopters** did not find inconsistencies and indicated **2 improvement opportunities (Activity Report no. QA-7368 of 12.09.2019**), maintaining **TMB's** supplier certification issued on **10.10.2014.**

3. To prove compliance with its clients' requirements, TMB was subject to third party audits

conducted by certification/supervisory authorities/bodies, as presented below:

In October 2019, **AEROQ** conducted a scheduled audit at TMB to supervise TMB's quality and environmental management systems, according to **ISO 9001:2015 and ISO 14001:2015** standards. Further to the audit, AEROQ did not find any inconsistencies and indicated 5 improvement opportunities (**Minutes of 31.10.2019** and **Supervisory Audit Report 2 of 31.10.2019)**, keeping the certifications for TMB's quality and environmental management systems valid until **09.11.2020**.

In November 2019, the **Romanian Civil Aeronautical Authority (AACR)** conducted a scheduled audit at TMB to supervise on an ongoing basis the production organization at **Turbomecanica SA** according to the provisions of **EU Regulation no. 748/2012, Part 21, Section A, Subpart G**. Further to the audit, **AACR** found **2 inconsistencies** and indicated **3 recommendations** (Investigation Report **RTI-TMB-2019-SCG-P/1&MMG-NP/1 of 04.12.2019)**, keeping the license for production organization issued on **02.12.2014.** For the inconsistencies found, **TMB** established 4 corrective measures (all completed).

In November 2019, **TUV Nord** conducted a scheduled audit to recertify TMB's quality management system according to **ISO 9001:2015** and **AS/EN 9100:2018**. Further to the audit, **TUV Nord** found 1 inconsistency (**Audit Report no. 35252113 of 29.11.2019**), proposing recertification for the license for TMB's quality management system. For the inconsistency found, **TMB** established 2 corrective measures (all completed). The **TUV Nord** certificates were issued in February 2020 and are valid until **22.02.2023**.

4. To guarantee the TMB management, clients and certification bodies that the company properly implements the requirements of the quality management/environmental management system and keeps them efficient and effective, in 2019, the Department of Quality and Organization conducted internal/external audits as follows:

4.1 Internal quality management system and environment management system audits

The internal audits on the quality management system were conducted in accordance with Audit Plan PA-TMB 2019, 1st, revised to 2nd and 3rd Editions, approved by the CEO.

In 2019, 23 SMQ audits were conducted that found 31 inconsistencies for which the company established 50 correction measures, which were 90% completed (45 of which are completed and 5 of which are scheduled for 2020).

The internal audits on the environmental management system were conducted in accordance with Audit Plan PA-TMB 2019, 1st revised to 2nd and 3rd Editions, approved by the CEO.

In 2019, 3 SMM audits were conducted that found 5 inconsistencies for which the company established 4 correction measures, which were 100% completed.

4.2. Internal product audits

The internal product audits were conducted in accordance with Audit Plan PA-TMB 2019, 1st Edition revised to 2nd and 3rd Editions, approved by the CEO.

In 2019, 9 product audits were conducted that found 6 inconsistencies for which the company established 6 correction measures, which were 100% completed.

4.3. Internal process audits

The internal process audits were conducted in accordance with Audit Plan PA-TMB 2019 1st Edition, revised to 2nd and 3rd Editions, approved by the CEO.

In 2019, 18 process audits were conducted that found 6 inconsistencies for which the company established 14 correction measures, which were 100% completed.

4.4. External audits at suppliers

The external audits at supplies were conducted in accordance with Audit Plan PA-TMB 2019 1st Edition revised to 2nd and 3rd Editions, approved by the CEO as follows:

In March 2019, **TMB** representatives (within DCO and CCU) conducted a supplier supervisory audit at **Molle Industriale Conti Torino** for the Leonardo Helicopters program, according to **EU Regulation** no**. 748/2012, Part 21, Section A, Subpart G**. Further to the audit, the TMB audit team prepared Audit Report no. B1F of 18.03.2019, which found **2 inconsistencies** and **3 recommendations**. Since the supplier established the necessary correction actions and completed them by the deadline, TMB proposes to keep such supplier on TMB's approved suppliers list.

In June 2019, **TMB** representatives (within DCO and CCU) conducted an audit at **IAR Brasov** to supervise the quality management system rolled out by the supplier according to **EN 9100:2018** standard. Further to the audit, the **TMB** audit team prepared **Audit Report no. A1F of 02.07.2019** and found **5 inconsistencies** and made **2 recommendations**. Since the supplier took the necessary correction actions, TMB proposes to keep such supplier on **TMB's approved suppliers list**.
80% of the correction actions established were completed (4 completed and 1 scheduled for 2020).

In August 2019, **TMB** representatives (within DCO and CCU) conducted a supervisory audit at **Mobil Industrial Pitesti,** a supplier of metrological services, according to the **ISO 9001:2015** and **ISO 17025:2018** standards. Further to the audit, the **TMB** audit team prepared **Audit Report no. C1F of 29.08.2019**, indicated **4 recommendations** and proposes to keep such supplier on **TMB's approved suppliers list**.

In September 2019, **TMB** representatives (within DCO and CCU) conducted an audit at **Leistritz Turbinentechnik Remscheid** to evaluate such goods suppliers according to the **EN 9100:2018** standard. Further to the audit, the **TMB** audit team prepared **Audit Report no. B2F of 13.09.2019**, indicated **2 recommendations** and proposes to keep such supplier on **TMB's approved suppliers list**.

5. To ensure the monitoring of the performance of TMB's processes with a view to increasing customer satisfaction as regards the quality of the products/services delivered and increase the attractiveness of such products/processes on the aeronautical market, the following actions were conducted in 2019:

5.1 The general procedure PG SMQ-05 "Management analysis", lays down the indicators required to reach the strategic and quality objectives and which influence the customer satisfaction level. Such indicators in 2019 are:

- Strategic Indicator I1 (compliance of delivery terms) is increasing and falls under the planned objective of minimum 97%, having an aggregate value of 98.40%. This means that TMB observes the production program and the failures are very low;

- Strategic Indicator I2 (compliance of selling plan) is increasing, and falls within the planned objective of minimum 97.06%, having an aggregate value of 99.32%. This means that TMB takes efforts to observe the sales program and failures are very small;

- Strategic Indicator I3 (non-compliance of the requirements of the technical execution documentation – non-compliance and scraps) is increasing, falls under the objective set (maximum 0.75%), having an aggregate value of 0.45%. This means that TMB complies with the requirements of the documentation and deviations are very few;

- Strategic Indicator I4 (non-compliance of products/services delivered – complaints) is decreasing, and slightly exceeds (0.1%) the objective set (maximum 1.0% and has an aggregate value of 1.19%; out of the total 82 products/services for which complaints were raised, 16 complaints were not confirmed or were rejected, which makes the indicator reach an aggregate value of 0.99%, therefore falling under the proposed objective (maximum 1.0%). This means that TMB ensures the conformity of products/services delivered and complaints are few;

- Strategic Indicator I5 (non-quality costs), as internal percentage loss, is decreasing, and exceeds (3.79%) the objective set (maximum 5%, having an aggregate value of 8.79% of the value of the prior computation of internal orders affected production).

5.2 As regards special processes and the activity of quality laboratories, in 2019 the Company continued its policy of meeting the customers' needs, and increasing the attractiveness of the Company for potential active customers in the aeronautical industry by the following actions:

5.2.1. Accreditation of special processes

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

In 2019, the following special processes were re-accredited:

In April 2019, **NADCAP** conducted at **TMB** an audit for the re-accreditation of the **heat treatment processes** at **TMB** according to the requirements of **AC7102**. The audit found **3 minor inconsistencies** for which 10 correction actions were established in order to comply with the requirements of **NADCAP**; such actions were accepted by **NADCAP** and **TMB's** heat treatment processes were included in the **24-month Merit Program**. The reaccreditation was granted until **31.07.2021**).

In June 2019, **NADCAP** conducted a re-accreditation audit at **TMB** of the **chemical processing processes** installed at **TMB** according to the requirements of **AC7108**. Further to the audit, **6 minor inconsistencies** were found, for which 30 correction actions were established in order to comply with the requirements of **NADCAP**. Such actions were accepted by **NADCAP**, and the chemical processing processes of **TMB** were included in the **18-month Merit Program**. The reaccreditation was granted until **30 April 2021.**

In December 2019, **NADCAP** conducted a supervisory audit of the **welding processes at TMB** according to the AC7110 requirements. Further to the audit, no inconsistencies were found, and **TMB's welding processes were included in the 24-month Merit Program**. The reaccreditation was granted until **30 April 2022**).

5.2.2. Second-party process certifications

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

Between January and June 2019, the qualifications for the following special processes applicable to Leonardo Helicopters items were extended:

- Liquid Penetrant Inspection (IT12/0193/03; valid until 11.01.2022);
- Etch Inspection (IT12/0397/02; valid until 15.03.2022);

Between July and December 2019, the Company maintained the **special processes qualifications** previously obtained, applicable to the **Leonardo Helicopters** items and initiated the following re-qualifications:

In November 2019, the report on the requalification of heat treatment processes for the normalization, cooling and precipitation of steel was sent (DQP IT12/0195/04).

In December 2019, the reports on re-qualification of surface coverage processes were sent for: chrome anodic oxidation (DQP IT13/0148/02), dry lubrication (DQP IT13/0153/02), passivation (DQP IT13/0155/02), mordanting (DQP IT13/0156/02) and defragilization (DQP IT13/0165/02

5.2.2.2. PZL Swidnik certifications

In 2019, the Company maintained the special processes qualifications obtained previously, applicable to PZL Swidnik items.

Between July and December 2019, the Company maintained the **special processes qualifications** previously obtained, applicable to the **PZL Swidnik** items and extended the **qualification** of the special heat treatment process:

- Heat Treatment of Steel Alloys (PL10/0043/02; 22.09.2019-22.09.2022).

5.2.2.3 General Electric certifications

In 2019, the **special process and laboratory certifications** previously obtained by TMB from **General Electric Aviation** were maintained, and process certifications reaccredited by NADCAP were extended (for the processes evaluated by NADCAP, certificates GT193 are issued so long as the NADCAP accreditation is maintained).

5.2.2.4. Rolls-Royce certifications

In June 2019, **Rolls-Royce** conducted an audit at **TMB** to assess **TMB's heat treatment processes** according to the requirements of **RPS 574, RPS 367 and RRP 54000**. Further to the audit, **Rolls-Royce** did not find any **inconsistencies (New Approval Request Summary Report 203_SPG_JUN_2019_Issue 1 of 27.06.2019)** and recommends the approval of the processes evaluated.

5.2.2.5. Introducing new benchmarks in production

For client Leonardo **Helicopters (Italy)**, 9 FAI files were created, which were approved. Through the integration of such benchmarks at TMB, the Company continues the assimilation of the benchmarks modified for the Rear Transmission Box and the benchmarks for the Master Transmission Box for the **Leonardo** helicopters.

For client **Rolls-Royce (Germany) 1 FAI** file was created, which was approved by **CLT**.

Also, for client **Witzenmann (Germany) 6 FAI** files were created, which were approved by **CLT**. **TMB's** integration of such benchmarks is a confirmation that the Company integrated the **Rolls-Royce/Witzenmann** benchmarks.

6. Special and laboratory processes

<u>6.1 Re-accreditation of NADCAP special processes</u>

In April 2019, **NADCAP** conducted an audit at **TMB** for the reaccreditation of **TMB's heat treatment processes** according to **AC7102**. **TMB's heat treatment processes** were included in the **24-month Merit Program**. The reaccreditation was granted until **31.07.2021.**

In June 2019, **NADCAP** conducted an audit at **TMB** for the reaccreditation of **TMB's surface coverage processes** according to **AC7108**. The **surface coverage processes were included in the 18-month Merit Program**. The reaccreditation was granted until **April 31, 2021**.

In December 2019, **NADCAP** conducted a supervisory audit of the **welding processes at TMB** according to the **AC7110** requirements. Further to the audit, no inconsistencies were found, and **TMB's welding processes were included in the 24-month Merit Program**. The reaccreditation was granted until **30 April 2022.**

<u>6.2 Certification of TT Rolls-Royce processes</u>

In June 2019, **Rolls-Royce** conducted an audit at **TMB** to assess **TMB's heat treatment processes** according to the requirements of **RPS 574, RPS 367 and RRP 54000**. Further to the audit **Rolls-Royce Deutschland** revised the Certification of **TMB's processes** by including the TT processes **(Certificate of Approval no. 104080/07 of 10.07.2019)**.

<u>6.3 Inter-laboratory processes</u>

In May – July 2019, **TMB** took part through the **SCPL** Laboratories, in Round-Robin Inter-laboratory Cross-testing Program organized by PTP Centeh Exova in France to check the performance of mechanical testing, metalography and physical and chemical testing laboratories (salt fog testing). These programs are undertaken under the patronage of Airbus, Airbus Helicopters, GKN, MTU and Rolls-Royce, and are mandatory for maintaining the NADCAP and GT193 certifications for special processes. All tests have had positive results and the results provided by TMB fall under performance **Classes 1 and 2**.

In September 2019, **TMB** took part through the **SCPL** Laboratories, in Round-Robin Inter-laboratory Cross-testing Program organized by Dirats Laboratories and Westmoreland Mechanical Testing and Research, to check the performance of mechanical testing, metalography and physical and chemical testing laboratories (salt fog testing). These programs are undertaken under the patronage of **General Electric, GE Avio** and **Safran** and are mandatory for maintaining the **GT193** certifications for the laboratories that validate the performances of the special processes. All test came out with positive results.

7. Complaints / Notifications

In 2019, **TMB** received **82 complaints** from clients, of which:

- 1 from foreign customers (1 from Leonardo Helicopters); the status thereof is presented in table 7.1 herein below:

- 81 from domestic customers (25 complaints from military units of the Ministry of National Defense and 56 complaints from IAR Brasov); the status thereof is presented in table 7.2 herein below.

Further to the analysis and settlement of **C/N**, the Company established correction measures meant to correct, strengthen or improve process performances.

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

Total number of **C/N**:	82
Total number of rejected/unconfirmed **C/N**:	16
Total number of closed **C/N**:	60
Total number of open **C/N**:	6

7.1. Complaints/notifications for parts filed by foreign customers

Total C/N:	**1**	**Complaint**
Client - benchmark C/N (no. of affected pieces):		
LH (Italy) – flange (1 piece)	1	Complaint closed

7.2 Complaints/notifications for products filed by domestic customers

Total **C/N** products:	**89**	**Items subject to complaint**
Total **C/N** products per category of products:		
- Rear transmission IAR-330A	6	Items subject to complaint
- TURMO engine	15	Items subject to complaint
- VIPER engine	7	Items subject to complaint
- TURMO engine ventilating level	2	Items subject to complaint
- CTP main transmission	10	Items subject to complaint
- TURMO engine start-up block	2	Items subject to complaint
- TURMO engine control block	2	Items subject to complaint
- TURMO motor oil pump	2	Items subject to complaint
- IAR-330A ventilating level	2	Items subject to complaint
- VIPER engine thermocouple	1	Items subject to complaint
- CTS rear transmission	4	Items subject to complaint
- CTI intermediary transmission	1	Items subject to complaint
- BRP scavenger	1	Items subject to complaint
- Turmo fire detectors	7	Items subject to complaint
- Turmo transmission	2	Items subject to complaint

Total **C/N** products:	**89**	**Items subject to complaint**
- Turmo connection tube	1	Items subject to complaint
- Turmo oil valve	1	Items subject to complaint
- Turmo oil pipe	1	Items subject to complaint
- Viper extension tube	1	Items subject to complaint
- Viper stratoflex pipe	1	Items subject to complaint
- Simering Viper	1	Items subject to complaint
- Viper tachogenerator	1	Items subject to complaint
- Turmo tachogenerator	1	Items subject to complaint
- BRP rotor	4	Items subject to complaint
- BRP transmitter	1	Items subject to complaint
- CTP flector disks	1	Items subject to complaint
- CTP manometric contactor	2	Items subject to complaint
- Turmo ignition coil	1	Items subject to complaint
- CTP slide shaft	1	Items subject to complaint
- CTP tachometric transmitter	1	Items subject to complaint
- CTS rods	5	Items subject to complaint
- CTS linchpin-collar	1	Items subject to complaint

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

Domestic customer	**Number of C/N**	
Total C/N from domestic customers:	**81**	Complaints
- IAR Braşov	56	Complaints
- UM01969 - Campia Turzii	3	Complaints
- UM02015 - Bacau	3	Complaints
- UM01961 - Otopeni	2	Complaints
- UM01838 - Boboc	6	Complaints
- UM 02040 -Tuzla	3	Complaints
- UM 01837 –Mihail Kogalniceanu	8	Complaints

I. HUMAN RESOURCES

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

As at December 31, 2019, **TMB** had a total of **480** employees.

The personnel's average age as at such date was 48.13 years.

Between January and December 2019, 64 employees left the company and 110 were employed.

In 2019, the expenses with employees' benefits totalled RON **41,156,341**, of which:

- salaries: RON 36,504,722
- meal vouchers: RON 1,427,070
- gift vouchers: RON 1,244,260
- social security: RON 1,459,198

The recruitment costs incurred were approximately **RON 126,000**.

The company's personnel policy regarding the vocational training of its personnel was well implemented as regards internal trainings, and the budget allocated to external trainings was increased. Trainings were delivered in accordance with the plan approved for 2019.

According to it, the company invested approximately RON 88,002 in improving the competences and certifications outside the company.

Improvement and certification courses were delivered in the company, which totalled approximately 7,797 hours for 173 employees.

During the period under review, only 66 employees attended educational courses and various courses, qualifications/poly-qualifications totalling 7,143 hours.

Personnel expenses totalled 35.80% of the turnover obtained in 2019.

53% of the company employees are trade union members.

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

- 29.16% employees with higher education – 140 employees, of which:
- Post-university studies: 2 EMBA employees
- 41.88% of employees with secondary and post-secondary studies - 201 employees
- 23.54% of employees with vocational studies - 113 employees
- 5.42% of employees with primary studies - 26 employees

The relationship between the management and employees is regulated under the Collective Labor Agreement for 2019-2020. The social and professional environment is permanently monitored, through a communication system between social partners, which prevents conflicts, which were non-existent in 2019.

Staff training

In 2019, in accordance with the provisions of the **Periodic TMB Staff Training Plan**, through specific training and certification courses, the necessary skills of 137 operators were provided and maintained, inspectors and lab workers for the special and laboratory processes, conducting 34 specific trainings.

J. Assessment of occupational health and safety

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

The entire activity of the Company is based on the principle of improving on an ongoing basis both the production activity, and the increase of occupational health and safety of employees.

In this sense, in 2019, the occupational health and safety training was set up, having as fundamental objective the pursuit of the activity in the company, with the purpose of finding other measures to improve occupational safety and health.

The risk factors for each activity carried out in the company were revised, and the occupational health and safety instructions were modified for each activity.

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

Investment activities continued in the field of occupational safety and the conditions for carrying out all production activities were enhanced.

The process of improving the conditions for changing rooms and dining places continued, both by modernising the existing ones and equipping them with refrigerators and heating equipment for food, as well as by building other spaces used as changing rooms and dining places for all the employees of Turbomecanica - the main beneficiaries being the ATD employees.

A priority in increasing occupational safety is the improvement of the conditions in the area of chemical and electrochemical coatings, the area with the highest degree of risk.

The most important endeavour is to revamp all the special processes lines, with direct impact on the improvement of the working conditions.
All the windows in this area were insulated and the heating system of the warehouse for this activity was replaced.
A new insulation compensation system was designed, which will be implemented in 2020.
This system is provided with a permanent supply of fresh air and aims to reduce the level of pollution in this area.

The investment program for 2019 also included the finalization of the thermal insulation of the building used for mechanical processing and office purposes.

The Company also continued the process of improving the conditions for locker rooms and eating areas, both by modernizing the existing ones and installing refrigerators and food heating equipment, and by building other areas to be used as locker rooms and eating areas for all the employees of Turbomecanica.

All the existing changing rooms in the company are equipped with showers, and all the bathrooms are equipped with disposable protection for toilet covers, as well as soap dispensers and paper towels, so that every employee can benefit from normal hygiene conditions.

Under the labor protection and security program for 2019, the company carried out all the activities required to comply with Law no. 319/2006 on Occupational Safety and Health and the application rules thereof, as well as the other acts of legislation in the field, by taking the following measures:

- assessed the risks for occupational safety and health in all the working locations;
- based on the risk assessment, it took preventive measures to ensure the improvement of the level of safety and health protection of its workers;
- it filled in at all times the occupational safety and health materials, according to the current legislation, which are used in delivering the periodical occupational safety and health trainings to TMB employees and it established the measures required to operate the technological processes under safe conditions;
- it purchased a complete set of working equipment for all **TMB** directly productive employees, both the existing ones and the newly-employed,
- it constantly provided any cleaning and sanitary materials (protection creams, etc.) in compliance with the provisions of the Internal Regulations;
- it purchased on a regular basis emergency eye cleaning solutions for the personnel working in the Galvanizing, Storing-Packaging and Painting Workshops and safety masks for the personnel working in the Non-destructive Testing Laboratory, the plasma cutting personnel, as well as the personnel working in the Galvanizing, Storage-Packaging and Painting departments and the personnel in charge of polishing and adjustments
- it continued to purchase new masks according to the latest requirements in the field for welders;
- for personnel whose activity is carried out in a toxic environment, it purchased, on a regular basis, an antidote consisting of powder milk and sparkling water, according to the regulations in force;
- the eye examination was completed for all of **TMB**’s employees, and purchased protective spectacles fitted with corrective lenses for all of the employees working in the production field;
- it extended the permits for the hoisting machines and pressurized installations held by **TMB** (in accordance with the CNCIR instructions);
- it performed the mandatory annual occupational medicine investigations for employees; the Medical Supervisory Report concluded that the employees examined did not suffer from any professional illness;
- it adopted a brand new protection system by using disposable, oil and other chemical-resistant gloves, which provide more efficient protection to all the staff involved in the production activity.

In 2019, no labour accident occurred at **TMB**. In December, the investigation regarding the labour accident that occurred in 2017 at the Company was completed and the conclusion was that it had been caused by a negligence of the employee involved.

K. NUCLEAR PROTECTION

In **2019**, as regards nuclear protection, the following actions were undertaken:

- authorisation of Viper parts out of MSRR 8014 material, valid until 27.02.2020;

- authorisation and conduct on July 17, 2019 of the internal transfer to RATEN – ICN Piteşti of 10% of the entire amount of radioactive materials held (CNCAN Permit IP/032/2019);
- CNCAN issued a new permit for holding a second RX generator (Permit VG/2019) valid for a period of 5 years until 08.12.2024

L. ENVIRONMENTAL PROTECTION

1. **Integrated Environmental Permit and Water Management Permit**

TMB submitted the documentation for the updating of Integrated Environmental Permit no. 05 / 11.02.2016, under an application registered with APM Bucharest under no. 12982 / 05.06.2019, following classification decision no. 143 / 28.11.2016 regarding the modernization of the Viper testing workshop, notification by letter to APM Bucharest regarding completion of works no. 23 712 / 11.12.2018. Following the open session of 21.11.2019, APM Bucharest took the decision to issue the updated Integrated Environmental Permit.

To fully comply with the provisions in the environmental integrated permit, the Company has laid down objectives and actions, included in the Environmental Management System Program of TMB and the 2019 Investment Plan, most of which have been met and those unsettled were included in the Environmental Management System Program of TMB and the 2020.

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

In 2019, no environmental incidents, or accidental pollution of used water above the maximum values admitted by the legislation in force were registered.

Further to the controls of the **National Environmental Guard** concluded in 2019 by Minutes:

- no. 227/23.07.2019, one permanent measure and three scheduled measures were ordered:

  1. The company undertakes to operate permanently, in compliance with the operating, regulatory and monitoring conditions in the environmental field, provided by the regulatory permits it holds, in particular, Integrated Environmental Permit no. 05 / 11.02.2016 - permanent character.

  2. In view of the recent installation of activated carbon filters within the surface coating section (28.05.2019) as well as the fact that the company has not verified their efficiency until the date of the inspection, the company is required to carry out atmospheric emissions analysis as soon as possible, and analyses of atmospheric emissions resulting from the copper coating process, as well as at the 12 towers of dispersion and discharge of atmospheric emissions coming from the surface coating workshop - deadline 30.08.2019 (completed through a notification to the National Environmental Guard under no. 8500 / 24.10.2019)

  3. At the same time, the company will carry out a new set of measurements at the other 9 sources of atmospheric emissions, as well as at the suspended emissions - powders, hexavalent Cr and Nox, at four locations at the border of the property, as provided in the Integrated Environmental Permit - deadline 30.08.2019 (Completed through a notification to the National Environmental Guard under no. 8500/24.10.2019)

  4. The documents that could not be presented at the inspection date: atmospheric emissions monitoring for S1 2019 - 24.08.2019 (completed through notification to the National Environmental Guard under no. 8500/24.10.2019) will be submitted with the National Environmental Guard - CMB.

Further to the inspection carried out by the **Bucharest City Hall – General Directorate of Local Police and Supervisory** concluded by Minutes

- no. 4236/30.09.2019, the following permanent measures were established, no sanctions were imposed:

- Compliance with the provisions included in the Integrated Environmental Permit;
- The activities carried out in the workshops must be conducted with closed doors.

Further to the inspection carried out by the **Bucharest Public Health Directorate – inspection and Public Health Department**, concluded by Minutes

- no. 8353/22.10.2019, the following measure was ordered:

    - In order to verify the efficiency of the measures taken to reduce the noise level generated by the production process, new determinations will be made with a company accredited for this activity and a copy of the sonometric analysis bulletin and its interpretation will be sent to the DSPMB within 3 days. Measure completed.

Certification of Environment Management System

Further to the audit for supervision of the integrated quality and environment management system of 31.10.2019, **TURBOMECANICA SA** was audited by **AEROQ SA** in accordance with the requirements of SR EN ISO 14001:2015 – Environmental Management System and ISO 9001:2015 – Quality Management System. Further to such audit, **TURBOMECANICA SA** no inconsistency was found, only 5 recommendations were made.

M. MARKETING

TMB's commercial activity aimed at the foreign market was represented in 2019 mainly by the **programs for the production of high complexity components and subparts for aircraft engines**, while continuing with the **programs for the production of components for gas turbines**.

As a result of the company's commercial and marketing strategy, we can say that such programs continued to grow / develop compared to previous years but, exceptionally, in 2019 they focused mainly on resuming and developing business relations with renowned partners in the specialized airline industry, such as Rolls-Royce and MTU and other companies that are part of the supply chain in Germany for such clients (WITZENMANN, ASTROFEIN, AEROTECH PEISSENBERG, other).

The company's marketing strategy for 2019 focused on strategic objectives which aimed at:

- further reaffirming the company's image domestically and internationally, and maintaining its market stability,
- contacting certain world-renowned large industry corporations in the airline and industrial field, and last, but not least, their suppliers ("Tier 1") known internationally – in order to take part in sub-contracting programmes for high aviation corporations as sub-supplier of components for mechanical processing ("Tier 2");
- Identifying and attracting new clients for mechanical processing and business resumption with currently inactive traditional customers to provide about 40% of the 2020 turnover.
- **Domestically, the educational/ dual training offer made by TURBOMECANICA**, to ensure the human resources and creating a new generation of specialists of the company.

In this regard, in 2019 it was still necessary to apply measures to make **TURBOMECANICA's capabilities** known, which materialized mainly through the continued participation of the company in domestic and international specialised events (fairs and exhibitions), but also through online marketing actions / publication of articles on the company website, so as to allow greater accessibility of the clients to the company information.

The participation in the events held in 2019 also targeted the **educational offer / dual training made by TURBOMECANICA**, in order to attract young people to participate in the programs offered by the company, including the opportunity to work at TMB in the areas with scarce personnel (mechanical processing and aviation mechanics), an action that is currently undergoing.

Some of the events attended by TURBOMECANICA in 2019 are:

1. On **March 21, 2019**, TURBOMECANICA attended **SIM JOBS**, organized by the **Materials Science and Engineering Faculty within the University of POLITECHNICS of Bucharest.**

SIM JOBS has succeeded over time to place students on the labor market and to help them be familiar with the areas of activity of the guest companies.
During the event, TURBOMECANICA had the opportunity to present their career capabilities and opportunities, to get to know and follow the evolution of each generation of students.

2. In the same line of thought, during **March 25 – 26, 2019**, TURBOMECANICA attended **AEROCONSULT,** organized each year by **EUROAVIA Students' Association in Bucharest** in collaboration with the **Faculty of Aerospace Engineering**, where a high number of Romanian airline companies participate.

AEROCONSULT promotes and develops the communication between the representatives of the participating companies and the students of the faculty, the promotion of the companies that carry out their activity in the field of aerospace engineering and the facilitation of the signing of undertakings for internships and employment.

We once again offered the young students the opportunity to take the first steps towards performance, expressing our openness and willingness to guide them in order to develop a successful career in the aeronautical field. We have directly informed and presented in detail the TURBOMECANICA programs specially designed for students (Internship Turbo and Turbo School Practice), the profile and capabilities of the company and a wide range of information regarding the professional development opportunities that our company may offer.

3. During **May 27 – 30, 2019, TURBOMECANICA** attended **TANDEM Aerodays**, which addresses the technological and industrial evolutions in the field of aviation.

4. We participated in this event under the auspices of **ARIE** (Romanian Association of the Helicopter Industry, established for the purpose of promoting and developing the helicopter industry in Romania), together with our partners - Romanian companies in the aviation industry: Airbus Helicopters Romania SA, Airbus Helicopters Industries SRL, our traditional partner IAR Brasov, Aeroteh SA, INCDT Comoti, Aerofina SA.

5. Between **June 17-23, 2019 TURBOMECANICA** participated in the "**International Paris Air Show**" - **Le Bourget** fair organized by the **International Aerospace Salon** part of the French Group of the Aerospace Industry (GIFAS - Groupement des Industries Francaises Aeronautiques et Spatiales).
   TURBOMECANICA participated in the exhibition with its own stand (Hall 1 - H 317) and had the opportunity to meet with the main players in the industry and to identify new business opportunities.

TURBOMECANICA specialists had a series of B2B meetings with business partners and potential clients / suppliers, including: SAFRAN, Honeywell, GM&T International, Aubert Duval, United Performance Metals, Fresal Tools, Aerometal, Yanos Aerospace, Dynamic Metals, Bibus Metals, Progressive Alloy, Leistritz, Sonaca Aerospace and many other.

TURBOMECANICA also had the honor of receiving in its own stand the visit of the Ambassador of Romania in France, Mr. Luca Niculescu, who particularly appreciated the representation of our company in such an international event, as well as the specialized information that the TURBOMECANICA team presented to visitors, emphasizing the business opportunities that our company can offer to international partners.

We appreciate that the presence of TURBOMECANICA at these international events in 2019 represented an important opportunity that was successfully used for the development of partnership relations with internationally renowned companies, which brought TMB the opportunity to enter, by the end of 2019, competitive bidding processes for Witzenmann Germany and Rolls-Royce and the receipt of the first firm orders that laid the foundation for the resumption of business relations that might end up highly beneficial for TURBOMECANICA.

The Sales Marketing Office was also actively involved in the diversification of TMB promotional materials, by executing promotional presentation videos, as a result of TMB's collaboration with the Army Press Trust / Television and Film Center. The purpose of these materials was mainly to present the company's capabilities, but in particular the TMB educational offer.

We also focused our efforts on the marketing activity dedicated to the recruitment of human resources, which consisted of advertising campaigns at STB and Metrorex, which published posters of the educational offer and the organization of the DUAL training offered to the 8th grade pupils from all over the country and the Republic of Moldova, in collaboration with colleges Henri Coanda, Dinicu Golescu, Carol I and Ion I.C. Bratianu, campaigns that are still ongoing.

6. On **November 25, 2019, TURBOMECANICA** participated in the **EBEC** event, organized by **BEST (BOARD OF EUROPEAN STUDENTS OF TECHNOLOGY) within the POLITECHNICS University of Bucharest**.

   EBEC is the largest engineering competition in Europe and over time has succeeded in testing the students' practical skills, creativity and teamwork abilities.

   During the event, **TURBOMECANICA** had the opportunity to present its educational offer and career opportunities and actively participated in working tests in which the students participated; thus, EBEC facilitated the development of the communication between TURBOMECANICA and the students of the faculties within the Polytechnics University, creating the necessary framework to offer once again the young students the opportunity to take the first steps towards performance, expressing our openness and desire to guide towards developing a successful career in the aeronautical field. We communicated both directly about **TURBOMECANICA's** programs especially designed for students (Internship Turbo and Turbo School Practice), the company's profile and capabilities and we have provided a wide range of information regarding the professional development opportunities that our company has to offer, and indirectly, through newsletters and articles posted on all the social networks of the association.

Also, Turbomecanica participated in the "**Number One**" editorial project organized by the **MediaUno Press Group**, an annual, high-quality publication dedicated to business leaders in Romania and to the companies they brought at the forefront of the Romanian economy. Within the project, we presented the history, key moments, evolution and capabilities of the company.

Along with this presentation of the company, Turbomecanica broadcast an advertising spot on Bucuresti TV national television, where we highlighted the company's desire to employ and support young people in their professional development.

Domestically, in order to attract the human resources necessary to successfully meet its strategic objectives, the participation of TURBOMECANICA between 22 and 23 March 2018 in the **CNC Technologies** International Conference and Exhibition, 12th edition, organized by the Polytechnics University in Bucharest, along with prestigious companies, university professors, teachers from technically vocational high schools, researchers and specialists of research institutes, students passionate about such technologies and equipment.

In terms of business, the results were soon noticeable:

- **TMB** further maintained, with responsibility and dedication, the national flying capabilities for PUMA IAR-330 helicopters and IAR 99/ SOIM test planes owned by the Ministry of National Defence **(SMFA, SMFN)** and the **National Intelligence Office** (total turnover – domestic aviation: EUR 21,797,446.61).

- TMB managed to maintain in 2019 a high place in the supply chain of world-wide renowned producers of engines and mechanical aviation parts (LEONARDO HELICOPTERS Italy – 2019 turnover: EUR 1,075,693.72), especially in the ENERGY field: GE Power & Water–Hungary and GE Greenville USA (2019 turnover: EUR 646,681.87) along with other historical partners (PZL SWIDNIK Poland, HONDA AERO SUA, AVIALL USA, AVIO ITALY, UNISON POLAND and others.

Although the number of new CLTs is not large, Rolls Royce Witzenmann-Germany, Aerotech Peissenbeg Germany, ASTROFEIN Germany can represent a significant potential for TMB, through the market share that can thus be regained by the company and which, by itself only, can ensure the fulfillment of TMB's strategic objective to cover about 40% of the 2020 turnover with orders for mechanical processing.

The TMB strategy is currently focused on developing cooperation with important CLTs (which have great potential for collaboration / hold significant market shares / programs that best correspond to TMB's capabilities), including a relatively low number of benchmarsk of high complex (and implicitly, value).

It is important to notice that the Company has successfully maintained its permit granted by the Romanian Civil Aeronautical Authority for the production of products/components/equipment to fit out AW109 and AW119 helicopters – LEONARDO Helicopters (AGUSTA WESTLAND) ITALY (according to Certificate no. RO.21G.0008/02.12.2014). Based on such permit, TMB continued in 2019 to deliver full subsets for rear transmission for helicopters (production, mounting, trial) and will continue to develop both the current cooperation programs and new programmes with **LEONARDO Helicopters** ITALIA (MGB components execution programme for civil helicopters).

On the domestic market, for aeronautical products, TMB is the only manufacturer and repairer in Romania of gas turbine engines for aircraft and mechanical assemblies for helicopters, its main clients being the Ministry of National Defense (S.M.F.A., S.M.F.N.), the PUMA helicopter producers S.C. IAR S.A. Brașov with which we collaborated in various aviation programs (revamping of **PUMA-SOCAT**, **PUMA-S.A.R. (ONU), PUMA NATO** and **PUMA-NAVAL, SRI**, and other collaborations).

Given the circumstances, where conflict is still present on the international political scene, in 2020 the domestic market still represents an opportunity to consolidate the company's turnover, by continuing the equipment programs of the Ministry of National Defense both in terms of maintaining the existing fighting technique at optimum parameters and in particular by continuing the upgrading of helicopters with **SOCAT** systems throughout 2019 – 2021 and the **NATO** program which includes the revamping of 15 helicopters **during 2019-2022**, as well as the maintenance programs for the IAR 99 SOIM aircraft fleet (by bringing a considerable number of VIPER 632-41M engines equipping such aircraft to the optimum operation parameters).

TMB's major strategic objective continues to be in 2020 the development of CLT production programs from the 2019 portfolio, so as to ensure a growth of **2% of the 2020 turnover** and to ensure the premises for the increase of production programs to **20%** in **2021**. Therefore, we are focusing on efficiently loading the production capacity in the field of mechanical processing along with maintaining flexibility in meeting the specific needs of each customer (such as *just in time* deliveries*,* accepting the reasonable variation of customers' needs, the existence of a reasonable back-up stock of finished products, etc.). Correlated with the policy of expanding its production of parts across the global market, a policy applied by the big companies, this strategy of the company aims at increasing the efficiency of production.

One of the most important objectives for 2020 is to ensure the business development and continuity by introducing the MRO program for civil aviation by implementing the repair of the oil pump of the **CFM 56-7B** engine, obtaining the **EASA Part 145** certification for this component, the project of transformation of the turbine engine test workshop for **CFM 56-7B** engine testing, the Business Plan related to the development project and the financial resources dedicated to this program.

In addition to the matters presented, TMB envisages for 2020 a marketing policy oriented towards TMB's strategic objectives as regards the provision of human resources in the period 2018-2021 (according to SRU-01, AI1), by launching and implementing media projects (TV, WEBSITE TMB, publications, other media) to ensure the dissemination of information on TMB partnerships in dual education enrolling the required number of students to the specializations of interest for TMB, the launching of projects in collaboration with the University of Polytechnics of Bucharest that would involve students, some of which might become future employees of TMB, depending on the requirements of the ongoing contracts.

Thus, the marketing budget for this year ensured the Company's participation in many international educational and promotional events, the financing of specific marketing activities in the field of HR, which would allow the Company to successfully meet such objectives, thus providing the new generation of workers and specialists for TURBOMECANICA.

N. CORPORATE GOVERNANCE

TURBOMECANICA SA ("the Company") applies the provisions of the Corporate Governance Code and the Bucharest Stock Exchange, the regulated market where the shares of such company are traded at standard category.

1. Statement on Code compliance

Provisions of the code on corporate governance	Yes	No	Reason for non-compliance/Details
Section A Duties of the Board of Administration			
A.1 The Company has an internal BoA regulation that includes terms of reference for BoA and for corporate governance.	X		The Company has adopted a functioning regulation for the BoA. BoA's responsibilities, key functions and mode of operation are provided by the constitutive act and the legal provisions.
A.2 The provisions for management of conflict of interest are included in the BoA regulation.	X		The Company has adopted an operating regulation for the BoA, which contains provisions on the management of conflict of interest. The Board of Administration will oversee the implementation and compliance with the applicable legal provisions, as well as the policies approved by the BoA on non-competition and conflict of interest.
A.3 The Board of Administration or the Supervisory Board must be composed of at least five members.	X		The Board of Administration consists of 5 members.
A.4 Most members of the Board of Administration should not have executive functions. At least one member of the Board of Administration or the Supervisory Board must be independent in the case of Standard Category companies. Each independent member of the Board of Administration or the Supervisory Board, as the case may be, must file a statement at the time of its nomination for election or re-election, as well as when any change of its status occurs, indicating the elements on the basis of which it is deemed independent in terms of character and judgment.	X		Membership of the Board of Administration: **Radu Viehmann** – President, CEO **Dana Maria Ciorapciu** – Non-executive Administrator **Radu Ovidiu Sarbu** - Independent Non-executive Administrator **Grigore Florescu** - Non-executive Administrator **Henriette Spinka** - Non-executive Administrator Out of the 5 members of the Board of Administration, one is executive administrator – president CEO, – and the rest are non-executive. Mr. **Radu Ovidiu Sarbu** declared that he is independent administrator, fulfilling the criteria provided for by the CGC of the BSE in articles A41-A49.
A.5 Other relatively permanent commitments and obligations of a member of the Board, including executive and non-executive positions in the Board of Non-profit Companies and institutions, must be disclosed to potential shareholders and investors prior to nomination and during their term of office.	X		The BoA members have submitted their statements regarding their relatively permanent commitments and obligations.
A.6 Any BoA member should provide the BoA with information on any report on a shareholder directly or indirectly owning 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 BoA.	X		Members of the BoA have filed statements relating to shareholders who directly or indirectly own more than 5% of all voting rights in addition to the provisions of the constitutive act and the legal provisions applicable to the BoA members' obligation to exercise their mandate with loyalty, which compels them to refrain from any attitude that may affect the position of the member on matters decided by the Board.

A.7 The Company must designate a Board secretary responsible for supporting the work of the Board.	X		The Board of Administration has confirmed Mrs. Claudia Anghel in the position of secretary.
A.8 The Annual report provides information whether an evaluation of the Board took place under the supervision of ?		X	Annually, the Board of Directors presents the activity report at the first Ordinary General Meeting of Shareholders. The Company is in process of implementing the evaluation policies of the Board of Administration, the activity of the Board of Administration being analyzed mainly by the GMS.
A.9 The corporate governance statement should contain information on the number of Board and committee meetings over the past year, the participation of the administrators (in person and in absentia) and a report by the Board and committees on their activities.	X		In 2019, the Council met 7 times, all of its members being present in person. The Audit Committee carries out its activity in accordance with the internal regulations adopted.
A.10 The annual report must contain information on the exact number of independent members of the BoA.	X		Of the appointed members of the BoA, Mr. **Radu Ovidiu Sarbu** declared that he fulfils conditions provided by the Applicable regulations in order to be independent member of the Board.
A.11 The Company holds a nomination committee consisting of non-executive members, which will lead the nomination process of new members in the Board and make recommendations to the Board.	X		Pursuant to the provisions of the BoA Regulations, in the event of the appointment of a new BoA member / renewal of mandates, the BoA will establish a nomination committee.
Section B Risk management system and internal control			
B.1 The BoA should set up an audit committee where at least one member should be an independent non-executive administrator. Most members, including the chairperson, must have proven that they have appropriate qualifications relevant to the functions and responsibilities of the Committee. At least one member of the audit committee must have proven and appropriate audit or accounting experience.	X		The Audit Committee consists of administrators with relevant audit or accounting experience.
B.2 The chairman of the audit committee must be an independent non-executive member.	X		Mr. **Radu Ovidiu Sarbu** is an independent administrator and has been appointed as chairman of the BoA's Audit Committee.
B.3 As part of its responsibilities, the audit committee must carry out an annual assessment of the internal control system.	X		The Audit Committee carries out its work in accordance with the adopted regulation including the assessment of the internal control system.
B.4 The assessment should take into account the effectiveness and scope of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Council's audit committee, the promptness and effectiveness with which executive management addresses the deficiencies or weaknesses identified by the internal audit and the submission of relevant reports to the BoA.	X		The Audit Committee has been set up and operates in accordance with the adopted regulation including as regards the assessment of the internal control system and internal control mechanisms.

B.5 The audit committee should assess the conflicts of interest in relation to the transactions of the company and its subsidiaries with affiliated parties.	X		The Audit Committee has been set up and operates in accordance with the adopted regulation 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 should assess the effectiveness of the internal control system and risk management system.	X		The Audit Committee was set up and operates in accordance with the adopted regulation including the analysis of the effectiveness of the internal control system and risk management system.
B.7 The Audit Committee should monitor the application of generally accepted legal standards and internal audit standards. The Audit Committee should receive and evaluate internal audit team reports.	X		The Audit Committee has been set up and operates in accordance with the regulations adopted including the assessment of the application and the observance of the generally accepted standards, a function which is specific to the audit committee.
B.8 Whenever the Code mentions reports or analyses initiated by the Audit Committee, they must be followed by regular reports (at least annually) or ad hoc reports to be submitted to the Council.	X		The Audit Committee has been set up and operates in accordance with the regulations adopted, including as regards reporting to the BoA in accordance with the provisions of the Corporate Governance Code of the BSE.
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.	X		The Company applies the regulations in force established both by the Constitutive Act and by other derivative corporate regulations.
B.10 The Board must adopt a policy to ensure that any Company transaction with any of the related parties with a value equal to or greater than 5% of the Company's net assets (according to the latest financial report) is approved by the BoA following a mandatory opinion of the Board's audit committee and properly disclosed to shareholders and potential investors, to the extent that such transactions fall within the category of events subject to reporting requirements.	X		The Audit Committee has been set up and operates in accordance with the adopted regulation including the issuance of opinions on the Company's transactions with related parties, transactions worth more than 5% of the net assets of the Company. The legal provisions for reporting transactions of over EUR 50,000 concluded with related parties are considered sufficient, covering the 5% criterion of net assets of the company.
B.11. Internal audit should be performed by a separate structural division (internal audit department) within the company or by hiring an independent third party.	X		The Company has an internal structure of internal audit.
B.12 In order to ensure the fulfillment of main functions of the internal audit department, it must report functionally to the BoA through the audit committee. For administrative purposes and within the management's obligations to monitor and mitigate risks, the internal audit must report directly to the CEO.	X		The internal audit division must report to the audit committee and the BoA.
Section C Fair salaries and incentives			
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.	X		The remuneration of BoA members is set upon the members' appointment by the GMS and the related decisions are published both on the Company's website, on the BSE and in the Official Journal.

Section D Value added 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 the legal provisions, 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:	X		The company has organized the Investor Relations Service coordinated by a specialized advisor who manages the relationship with investors. 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 the information.
D.1.1 The main corporate regulations: the constitutive act, the procedures for general meetings of shareholders;	X		
D.1.2 Professional CVs of members of the governing bodies of the company, other professional engagements of Board members including executive and non-executive positions on boards of administration in companies or non-profit institutions;	X		Currently there are on the company's website updated CVs for each member of the BoA and executive management.
D.1.3 Current reports and periodic reports (quarterly, half-year and annual) - at least those set out in point D.8 - including current reports with detailed information on non-compliance with this Code;	X		
D.1.4 Information on general meetings of the shareholders: agenda and informative materials; the procedure for electing members in the Board, including the decisions adopted;	X		The information provided by the law is published on the Company's website. It is necessary to implement the necessary steps according to the BoA Regulation regarding the issues related to: the procedure of electing the members of the Board; the arguments supporting proposals for candidates in the Board, along with their professional CVs.
D.1.5 Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of the rights of a shareholder, including the deadlines and the principles applied to such operations. Such information will be published within a timeframe that will allow investors to take investment decisions;	X		All information on the payment of dividends is published on the Company's website as well as in current reports.
D.1.6 The name and contact details of a person who will be able to provide relevant information upon request;	X		
D.1.7 Company presentations (e.g., investor presentations, quarterly results, etc.), financial statements (quarterly, half-year, annual), audit reports, and annual reports.	X		The Company publishes all the information provided by the law, including the reports in the dedicated section of the BSE site 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 CEO or the Directorate 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.	X		The Company has adopted the dividend distribution policy and procedures for each dividend distribution, but due to the fluctuating economic situation and especially the uncertainties surrounding the defense and / or aeronautics field, it is difficult to establish a long-term policy on the annual distribution of dividends. Insofar as net dividable profit was recorded in the form of dividend and to the extent that the losses of the previous financial years have been covered, the Company has proven consistency and predictability in the allocation of dividends when the Company's profit has allowed it.

D.3 The company will adopt a policy regarding the forecasts, whether they are made public or not. The forecast policy will determine the frequency, timing and content of the forecasts. If published, forecasts may only be included in the annual, half-year or quarterly reports.		X	The Company could not objectively adopt a forecasting policy to determine the frequency, timing and content of whether or not to be made public due to the fluctuating economic situation and, in particular, the uncertainties in the defense and / or aeronautics sector. The annual reports of the administrators and published annually in the income and expenditure budget contain the forecasts and estimates of the management bodies of the Company in this respect.
D.4 The rules of the general meetings of shareholders should not limit shareholders' participation in general meetings and the exercise of their rights. Changes to the rules will take effect at the earliest, starting the next meeting of shareholders.	X		
D.5 External auditors will be present at the shareholders' general meeting when their reports are presented at these meetings.	X		
D.6 The Board will present to the Annual General Meeting of Shareholders a brief description of the internal control system and system of management of significant risks, as well as opinions on matters subject to the decision of the general meeting.	X		According to the BoA regulation, the annual report contains a brief description of the internal control and risk management systems.
D.7 Any specialist, consultant, expert or financial analyst may attend the shareholders' meeting upon a prior invitation from the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	X		
D.8 The quarterly and half-year financial reports will include both Romanian and English information on key factors that affect changes in sales, operating profit, net profit and other relevant financial ratios from quarter to quarter, as well as year-on-year.	X		All financial reports are published both in Romanian and English.
D.9 A company will hold at least two meetings / conference calls with analysts and investors each year. The information presented on these occasions will be published in the Investor Relations section on the company's website at the dates of the meetings / conference calls.	x		The financial calendar provides for meetings with analysts and investors especially when publishing the annual financial statements (as material for OGMS) and half-year financial statements.
D.10 If a company supports different forms of artistic and cultural expression, sporting activities, educational or scientific activities and considers that their impact on the innovation and competitiveness of the company is part of its development mission and strategy, it will publish the policy on its activity in this area.		X	The Society has not been able to adopt and publish a policy to support forms of artistic and cultural expression, sporting, educational and scientific activities, due to the fluctuating economic situation and, in particular, the uncertainties related to the field of defense and / or aeronautics. However, numerous actions to support the above areas have been carried out, as disclosed in the financial statements of the company.

2. Reporting information on the standalone provisions of the Corporate Governance Code

A. Duties of the Board of Administration ("BoA")

TMB is a company operating in accordance with Company Law no. 31/1990, amended and supplemented. The company was included in the initial public offering initiated by the Government of Romania in 1995 as "Mass Privatization Program". Under this program, the Company has fulfilled the conditions to be listed on the regulated market Bucharest Stock Exchange (BSE), where it was listed on 07.10.1998.

As issuer, the Company complies with the provisions of Law no. 24/2017 on the capital market, and of the specific regulations issued by the National Securities Commission (NSC) based on such law.

TMB is managed by a Board of Administration formed of five (5) members elected by the general meeting of shareholders of 25.04.2016 for a 4-year term, with possibility of re-election. Out of such members elected by the ordinary General meeting of Shareholders, the Board members will elect a president and a vice-president. The president is also the Company's CEO.

The Board of Administration is lead by the President, or, in his absence, the vice-president, holding the same rights as the incumbent president.

Out of the 5 members of the Board of Administration, one is also the executive administrator –president CEO – and the rest are non-executive. Mr. Radu Ovidiu Sarbu declared himself independent administrator, fulfilling the criteria provided for by the CGC of the BSE at points A41-A49.

Administrators in office as at December 31, 2019

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

The administrators' obligations and responsibilities are governed by the provisions on mandate and those especially provided for in relation to companies. In addition to this, the Company adopts the BoA's Regulations detailing the main tasks, organization, committees and policies to be implemented and supervised by the BoA.

The BoA Regulation provides for the rules applicable by the BoA to manage conflicts of interest in Chapter F of the BoA Regulation.

Members of the Board of Administration, including the President, may delegate the powers of representation and / or decision to the Company's managers, appointed from among the administrators or outside the Board.

The BoA members have adopted the Corporate Governance Regulation of the BSE voluntarily, have approved the CGR, which is available on the company's website www.turbomecanica.ro and report to the BSE the level of compliance with Corporate Governance Code of the Bucharest Stock Exchange. TMB has taken and will take all professional, legal and administrative measures required to align to the Corporate Governance Code of the Bucharest Stock Exchange and present such results in a transparent manner.

The powers and responsibilities of the BoA are provided in the CGR and the Regulation of the Board of Administration. The chairman of the BoA is also the Company's CEO.

The BoA formed three working committees as follows: audit committee, nomination committee and remuneration committee. Most of such committees include the BoA's non-executive members.

The administrators' professional training and experience is presented in the CVs which are available on the Company's website www.turbomecanica.ro.

The administrators' participation in the share capital of TMB as at December 31, 2019

Name	Position	No. of shares	% of share capital
Radu Viehmann	Chairman, CEO	95,758,800	25.9198
Dana Maria Ciorapciu	Non-executive Administrator	56,003,876	15.1590
Radu Ovidiu Sarbu	Independent Non-executive Administrator	-	-
Grigore Florescu	Non-executive Administrator	-	-
Henriette Spinka	Independent Non-executive Administrator	610,000	0.1626

In 2019, the BoA convened in 7 meetings, at least 2 meetings per quarter, which were attended by 4 to 5 of its members – and adopted decisions which enable it to fulfil its duties efficiently and effectively. Therefore, in its meetings, the BoA has analyzed the financial results obtained during the reporting period and cumulated from the beginning of the year, as well as its economic performance by reference to the budget and the similar period of the previous year. The administrators' remuneration policy applied until present is based on the national legislation in force. The administrators concluded mandate contracts, setting a fixed remuneration. The template contract may be accessed on the Company's webpage www.turbomecanica.ro. There is no variable remuneration component or other forms of reward for administrators. In order to remunerate the executive management based on efficiency and performance, a Remuneration Committee was created within the Board of Administration.

B. Risk management and internal control

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

Risk management and internal control have been carried out so far by the specialized department within the Company and by the BoA.

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

The Company has developed all aspects of the management of the conflicts of interest, transaction advertising, audit, fair treatment of shareholders in the Company's current work, approval of shareholder transactions by the BoA under the supervision of the BoA and in strict compliance with the legal provisions applicable to companies whose shares are traded on a regulated market.

Also, regarding internal audit, the Company has fulfilled its requirements, implemented the policies and conditions stipulated by law.

C. Fair compensation and incentives

Considering the corporate size of the company until present, the remuneration policy has not been adopted since the remuneration of the BoA members has been set by the General Meeting at a level similar to those existing on the market.

The Company owns a website with a section dedicated to investor relations whose content is to be updated according to the provisions of the BoA Regulation and the Corporate Governance Code.

The Company publishes on its website all information on general meetings, participation conditions, documents, etc., current reports, corporate events, including dividend payments.

The Company has not yet adopted a dividend payment policy, but has demonstrated its steady and predictable payout.

The dedicated section contains information about Company leadership, board members, contact details of the person in charge of investor relations.

Upon request, the Company invites specialists, consultants or experts as well as accredited journalists at the GMS meetings to the extent that the President of the Board deems appropriate and organizes two meetings with analysts and investors each year.

D. Information on Business Continuity Plan in the context of COVID-19

In the context of the spread of COVID-19 worldwide and the increase of numbers of infected people and the establishment by the President of Romania of a state of emergency, TMB revised its Business Continuity Plan in Q1 2020 in order to introduce the impact that COVID-19 can have on the company in its risk analysis.

In this regard, in Q1, TMB maintained a level of information adequate for emergency situations, by constantly monitoring the official information channels of the Ministry of Health, the Ministry of Internal Affairs, the Ministry of Economy - Defense Industry Directorate, the Financial Supervisory Authority and the clients / TMB suppliers.

The measures to prevent the spread of COVID-19 have been gradually implemented in TMB's activity, being introduced since February 2020 based on the information received from Leonardo Helicopters Italy regarding the implementation of personal preventive measures in the international relations.

Business continuity risk analysis was performed on the FMEA model (Failure Mode and Effects Analysis) - Analysis of failure modes and their effects, which represents a systematic procedure for analyzing a system in order to identify potential failure modes, causes and effects of every failure on the operation of the system.

Following the analysis, 5 potential causes of failure were identified, of which 4 were evaluated with a Risk Potential Number (RPN) above the maximum number allowed according to internal standard SF SO-01 "Risk management". Following the risk analysis, the availability of cash flow was not evaluated with a Risk Potential Number (RPN) above the maximum allowed. The risk analysis will be revised whenever the Management sees a new potential risk.

The potential effects of the 4 causes of failure relate to temporary difficulties in the supply of the company, in intra-community deliveries, in the optimal insurance of the company's personnel and in the unpredictability of the legal regulations with temporary impact on the economic activity at national level. In order to mitigate the negative effects of the potential causes of failure on the Company's activity, the following responsibilities were placed with the Board of Directors:

- provide means of protection and prevention to maintain employees' health;
- purchase thermometers for daily checking of personnel in order to detect people with fever above 38ºC;
- flexibility of the working program for avoiding crowds in public transport to / from work;
- conduct an intensive information campaign in order to make the entire staff aware of the hygiene rules to be implemented and respected in order to prevent contracting of the virus;
- implement actions to raise awareness of the need for information by all staff regarding possible trips to risk areas as they are updated by the authorities and about possible contacts with such family members or group of acquaintances;
- implement information measures by all staff about any symptoms of the disease;
- strictly implement home isolation for symptomatic staff;
- implement the measures provided by the competent authorities regarding quarantine or isolation, as the case may be, of personnel returning from risk areas or who have come into contact with sick people (in the case of viruses with a rapid transmission capacity and with serious potential health effects);

- establish a stock of raw materials and consumables provided by customers or other suppliers;
- identify and use alternative sources of raw materials and consumables;
- establish a back-up stock of parts that can be delivered to customers;
- re-schedule the delivery terms, if the case;
- ensure an efficient communication with the suppliers along the supply chain in order to ensure the measures to prevent malfunctions in the supply chain related to the actual supply activity, as well as to any problems related to the dedicated staff of these suppliers;
- inform customers of possible delays in product deliveries, if the case.

All the measures concerning the personnel of the Company were analyzed and agreed with the members of the Company's trade union and were detailed in Decision no. 51 / 16.3.2020 of the CEO.

Failure to comply with the measures ordered and communicated by the executive management of the Company in these emergency situations, as well as failure to comply with the measures ordered by the competent authorities in relation to the prevention and limitation of the spread of COVID-19 infections, entails the disciplinary liability of employees, in accordance with the provisions of the Collective Employment Contract or of the Internal Regulations, as the case may be.

The measures detailed above, subject to Decision no. 51/16.03.2020 of the CEO, must be implemented by all of the Company's employees, as well as by any other person who has access to the company's premises (collaborators, visitors, etc.)

Although the certainty of the impact cannot be estimated correctly, as the events evolve on a day-by-day basis, and the legal regulations with temporary impact on the economic activity at national level are still unpredictable, the company does not estimate a major impact on the commercial activity as it is mainly carried out in the National Defense Industry.

Official communications are constantly received from foreign clients Leonardo Helicopters Italy and Rolls Royce Germany, which inform us on the current situation and ask us in turn, as a supplier, to issue communications about the business continuity plan and to ensure customer requirement according to the delivery plan that was not affected by the spread of COVID-19.

The rest of the foreign clients from whom no information was received are operating under normal conditions.

Specific measures have also been taken for the consumables and raw materials coming from risk areas, in the sense that they are quarantined for 24 hours before being received and the personnel managing them has appropriate equipment.

Until the date of this information, the commercial activity of the Company was not affected by the spread of COVID-19, and the Company's management is engaged in implementing fully and without any exceptions the best management practices and policies so as to ensure the business continuity in 2020, both in the investors' interest, and in strict compliance with any measures imposed by the competent authorities.

To date, the Company has not registered a positive test case with COVID-19 and has not applied personnel isolation measures

CEO

Eng. RADU VIEHMANN

Signature____________________

Date: March 25, 2020

TURBOMECANICA

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Capital Social subscris integral vărsat 36.944.247,50 RON
www.turbomecanica.ro; e-mail: office@turbomecanica.ro

No.: 402 Date: March 25, 2020

Re: STATEMENT

I the undersigned, Eng. Radu Viehmann Chairman of the Board of Administration and CEO, hereby take responsibility for the preparation of the accounting reports as at December 31, 2019.

We hereby state that the accounting policies used by TURBOMECANICA SA to prepared the accounting reports as at December 31, 2019 are in compliance with Accounting Law no. 82/1991 republished, as subsequently amended and supplemented, with MoPFO no. 2844/2016 approving the accounting regulations compliant with International Financial Reporting Standards and MoPFO no. 3781/2018 on the main aspects related to the preparation and submission of the annual financial statements and annual accounting reports of economic operators with the territorial units of the Ministry of Public Finance, and the modification and supplementation of accounting regulations.

We hereby confirm that in 2019 there were no cases of breaches or potential breaches of non-compliance with laws or regulations, which might substantially affect the accounting reports.

We hereby state that the accounting reports as at December 31, 2019 of TURBOMECANICA SA give a fair view of the financial position, financial performance and the other information related to the activity carried out between January 1, 2019 and December 31, 2019.

We hereby state that TURBOMECANICA SA carries out its activity on a going concern basis, does not intend and does not need to liquidate or significantly reduce the amount of its activity from:

- loss of important customers,
- application of a restructuring plan,
- overdue payments,
- liquidity issues, court actions as defendant or claimant against shareholders, debtors, significant creditors, State authorities, claims,
- sector, market risk,
- other factors.

We hereby declare that the management is not aware of any material uncertainties related to events or circumstances that might raise significant doubts on the Company's ability to operate on a going concern basis.

CEO,
Eng. VIEHMANN RADU

ECONOMIC-COMMERCIAL MANAGER,
Ec. ANGHEL CLAUDIA