TURBOMECANICA

ANNUAL REPORT TURBOMECANICA 2023

SUMMARY

THE MESSAGE OF THE PRESIDENT – GENERAL DIRECTOR

Dear shareholders,

It is my pleasure to present to you the financial results recorded by TURBOMECANICA for the year 2023 and I believe that they will reaffirm your trust in us.

We continue to record good financial results, although globally, the business environment is still influenced by economic uncertainties, inflationary pressures and geopolitical tensions.

In 2023, we recorded 131.4 million lei (2022: 139.2 million) of revenue from customer contracts and a net profit of 11.1 million lei, as well as a net profit margin of 8.49% (2022: 8.76%).

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

38% of the turnover for the whole year (2022: 34,2%) was generated in Q4, thus emphasizing the cyclicality that we experience every year and the understanding of which we consider fundamental for investors so that they can correctly assess the evolution of our business during the year.

Maintaining the profitability of the company at a level close to that of the previous year, 8.49% in 2023 compared to 8.76% in 2022, although the turnover decreased by approximately 5.6% and the expenses remained at a level comparable to the previous year, demonstrates the quality of financial management. The sales decrease is due to the rescheduling in production of a set of mechanical assemblies and the lack of a resolution regarding the additional costs related to the NATO program. This impact will not significantly influence TBM's position in 2024.

TURBOMECANICA is still commited to the development strategy by diversifying its portfolio of civil engine maintenance services. Thus, in the year 2023, our Company established bank deposits of important values that are intended to ensure the own funds necessary to start this development project.

Regarding the production of aircraft components, I am pleased to note the increase in the volume of activity from 2023, which was reflected in an increase in sales in this segment, and we hope to maintain the positive trend for this year as well.

The year 2024 is a special one for TURBOMECANICA, which will celebrate 50 years since its establishment. Over time the Company encountered many challenges, but we would look at them as opportunities from which we learned important lessons, sometimes stepping out of our comfort zone. The most important aspect is that we never stopped, regardless of the challenges that arose. I firmly believe that we are part of one of the most successful stories in Romania's aeronautical history and we confidently look to the future.

I am honored to work with our customers, partners and investors. At the same time, I am proud of our team of specialists who have been guaranteeing excellence in the field of aviation for half a century.

I invite you to go through the annual report, in which TURBOMECANICA's performance in 2023 is presented in detail.

ANNUAL REPORT OF THE MANAGING BOARD

INTRODUCTION

This Annual Report of TURBOMECANICA S.A. as at 31.12.2023 is written in accordance with Law 24/2017 and Regulation no. 5/2018 of the Financial Supervisory Authority (FSA) on issuers of financial instruments and market operations.

The Administrators' Report as at 31.12.2023 is accompanied by the Individual Financial Statements of TURBOMECANICA SA, in order to inform investors and stakeholders about the changes in the company's position and performance for 2023, as well as about the situation on the aviation and defense industry market.

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

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

ABOUT TURBOMECANICA

Turbomecanica is a Romanian company, with a tradition of almost half of century in the Romanian aviation industry, being part of the national defense industry in accordance with law 232/2016.

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

The current main activities are:

- Maintenance of licensed equipment;
- Manufacture of components for civil aviation;
- Manufacture of components for the energy field.

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

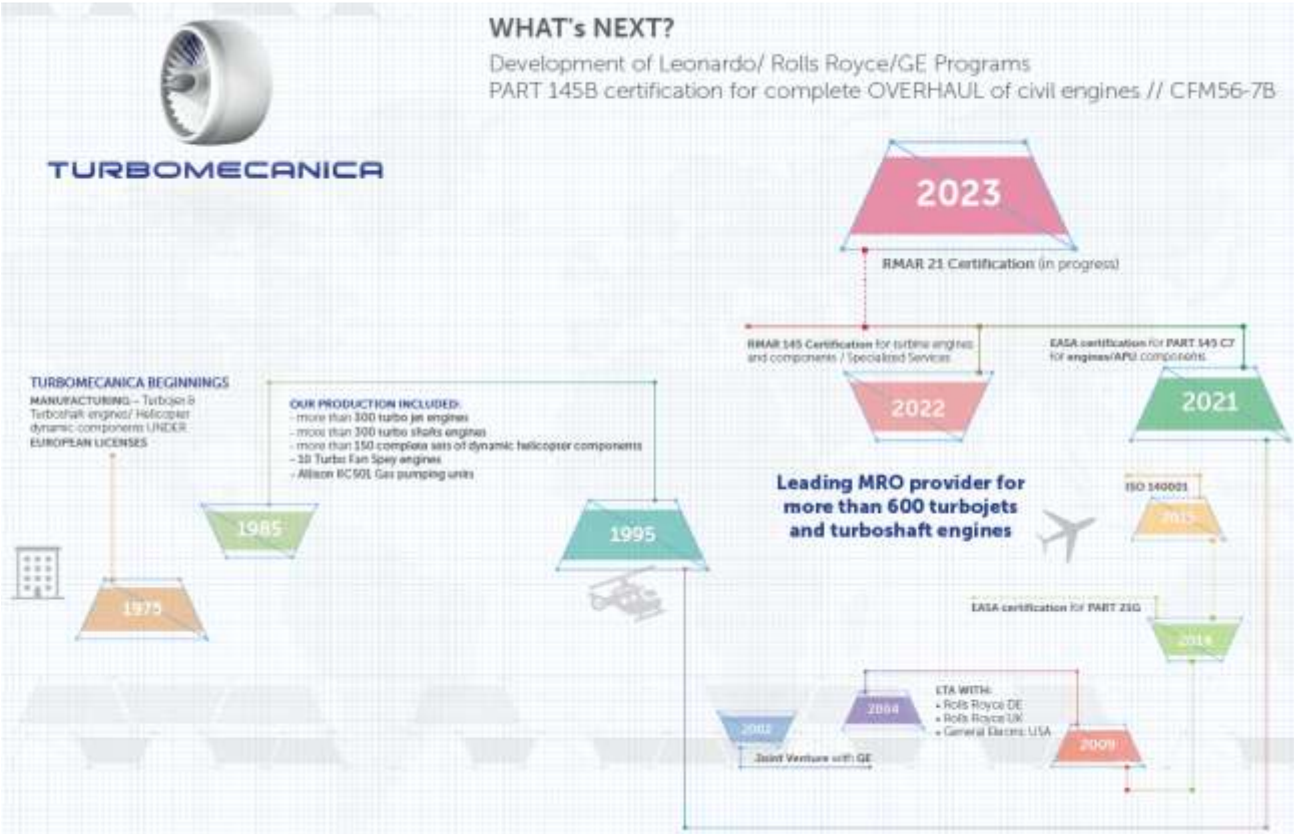
On the international market, the Company continued in 2023 to deliver components and subassemblies for civil aircraft engines. These programs have continued to run despite difficulties on the world market. In parallel, the activity of components for gas turbines continued.

Thus, Turbomecanica continues the tradition of collaboration with important names in the international aviation market, such as Leonardo Helicopters, ITP Aero și Witzenmann, sau GE Ungaria in the field of energy, as well as other customers with lower shares in the Company's turnover.

According to the classification of activities in the national economy, the main object of activity of TURBOMECANICA is the manufacture of aircraft and spacecraft - CAEN code 3030 and secondary CAEN code 3316

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

The company website is www.turbomecanica.ro



YEAR 2023 – EVENTS, INVESTMENTS AND KPI

In 2023, the Company began the transition process to implement the new requirements of the EASA Part 145 and Part 21 regulations by planning the transition to Safety Management, going to implement a Safety Management System aimed at proactively identifying hazards and mitigating risks related to of safety before they lead to aviation accidents and incidents.

At the beginning of 2023, the programs to be carried out during the next 3 years, the period 2023-2025, in collaboration with the client IAR Brașov, were secured by signing addendums for the performance of major maintenance on 12 helicopters from the UN programs/ SAR and Helicopter L/VIP, based on the dscussions discussions started at the end of 2022.

Continuing the good news, in 2023, TBM and Leonardo Helicopters signed a medium-term collaboration contract. Through this contract and through the investments in new equipment made by TBM, the company will be able to increase production by up to 30% within this program

During the year 2023, TBM received a visit from the Honeywell Defense & Aerospace Representative with the position of Sales Director – Engines, Power Systems, Wheels & Brakes. During the meeting, technical aspects were discussed regarding the implementation in TBM of the maintenance of the AGT 1500 engines that equip the Abrams tanks, tanks to be purchased by Romania through the endowment program. After this discussion, TBM was invited to the event celebrating Honeywell's 25th anniversary in Romania, where TBM representatives talked with the Honeywell Representative with the position of Government Relations Director Europe HBT & Aerospace & CEE. At the beginning of 2024, TBM also received positive reactions regarding the maintenance of these engines in TBM including from MoD / Armaments Directorate.

At the Le Bourget salon (#Paris Airshow) TBM participated in the initial meeting held by MTU Aero Engines and SAFRAN Helicopter Engines, with 25 representatives of industry and universities, meeting aiming to launch the invitation to participate in the joint European efforts to develop a new helicopter engine in the "European Next Generation Rotorcraft Technologies - "ENGRT" project. Following this meeting, TBM signed a tripartite NDA.

The project "Technology transfer for the optimization of mechanical surface treatment of some landmarks used in the aeronautical industry" in collaboration with the Faculty of Materials Science and Engineering within UNSTPB (formerly UPB) declared winner in 2022, is to be completed in June 2024. The project is already a success. As a result of the modernization of the equipment, it was possible to increase the production of several important milestones for Leonardo Helicopters, including the TGB (Tail Gearbox) which is an EASA certified product. Thus, it is intended to increase the number of TGBs delivered to 5 pieces per month, compared to an average of 3.75 pieces/month in 2023, respectively 2.17 pieces/month in 2022.

We want to continue the progress made and, as a result of the excellent collaboration with the UNSTPB team. In this sense, TBM in partnership with UNSTPB (National University of Science and Technology Polytechnics Bucharest) submitted a PED (Experimental Demonstration Project) project with the theme "Demonstration model for an advanced technology of thermomechanical treatment of steel surfaces for critical applications in aerospace industry (Demonstration model for an advanced thermomechanical surface treatment technology of steels used for critical aerospace applications) - AeroSurfSteel". According to the competition calendar, in the period from February to July 2024, the verification of the eligibility of the proposed projects and their evaluation takes place, with final results having a deadline of July 31, 2024.

IMPLEMENTATION OF THE INVESTMENT PLAN

In 2023, the company continued investments in increasing the productivity of existing capacities and capabilities, but also pursued the development of new ones.

Consequently, the degree of realization of the investment plan for 2023 reached the percentage of 70%89.35%.

From a value point of view, the Company saved approximately EUR 1,100,000 during the procurement negotiations approved through the investment plan.

Therefore, the situation of investments related to the year 2023 is presented as follows (in EUR):

Approved investment plan	4,978,000
Delayed investments	1,067,000[1]
Approved investment value	**3,911,000**
Actual investment value	**2,718,425**
Saving	**1,192,575**

The investments made according to the approved investment plan concentrated a percentage of 90.92% for the production sections, namely for the modernization and efficiency of the production activity and are presented as follows:

3 numerical control mechanical processing equipment were purchased for the realization of planar rectification, turning/milling of gear wheels and rectification of the straight teeth profile. These were contracted by increasing the Leasing ceiling engaged with Banca Transilvania.

[1] *Din valoarea investiițiilor nerealizate de 350,000 Eur (33%) represents the postponement of the modernization of a TT furnace and 400,000 Eur (37%) represents the asphalting of factory roads*

These acquisitions will underpin production growth with Leonardo Helicopters calling for a 30% increase in deliveries over the coming years.

The company also made 2 upgrades to the nitriding furnace and the carburizing furnace. The modernization of the tempering/aging/annealing furnace was postponed due to the impossibility of immobilizing the equipment for a period longer than 3 days.

In order to ensure health and safety at work, the Company started the modifications of the buildings to comply with the technical regulations regarding fire safety, in order to align with the updates of the ISU requirements.
The installation of the fire detection, alarm and extinguishing system at the engine test benches was also contracted.

At the same time, the asphalting of industrial roads was also postponed (37% of the value of unrealized investments), due to equipment relocation activities.

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

ECONOMIC-FINANCIAL INDICATORS

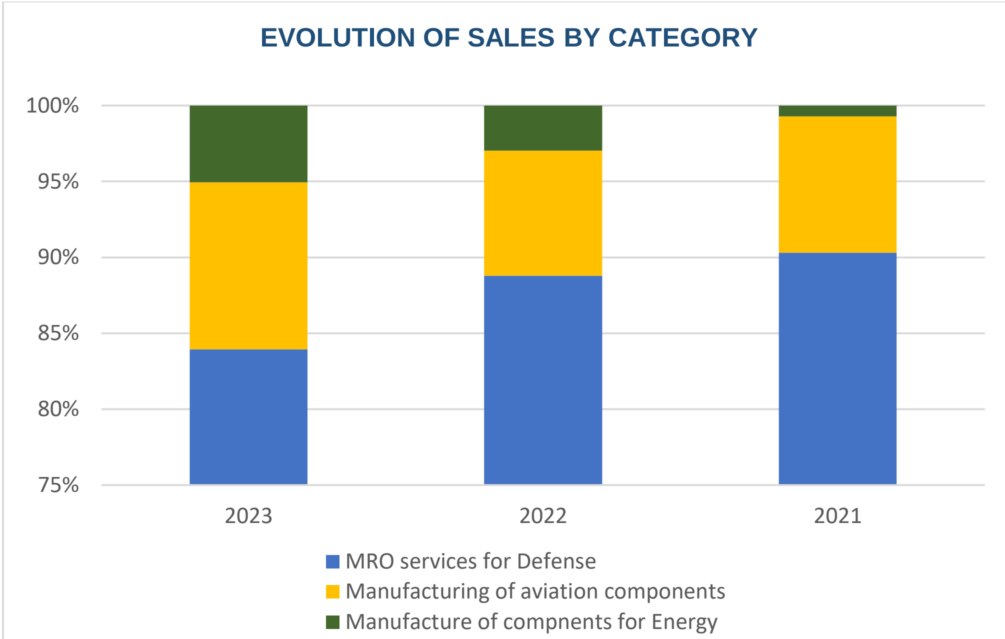
	2023	2022
Current liquidity	1,86	**2,34**
Degree of indebtedness	10,68	9,41
Flow speed - customers	83,31	75,29
Rotation rate of real estate assets	1,32	2,02
Overall solvency ratio	2,46	2,91
Financial rate of return	7,63	9,93
NET profit rate	8,49%	8,76%
Net treasury	19,161 K RON	17,923 K RON

MACROECONOMIC INDICATORS

	2023	2022
Inflation	10,4%	13.8%
Average exchange rate €	4,9465	4.94
Average exchange rate $	4,5743	4.63
Average exchange rate £	5,6869	5.02

EVOLUTION OF SALES BY CATEGORY

CATEGORY	2023	2022
Military aviation maintenance services	110,266,054	121,992,815
Manufacture of aviation products	14,458,127	11,479,502
Products manufacturing for Energy Division	6,639,248	4,123,419



CONTEXT OF THE ORGANIZATION AND STAKEHOLDERS

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

These are:

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

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

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

BUSINESS MODEL

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

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

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

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

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

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

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

THE IMPACT OF THE GLOBAL ECONOMIC SITUATION

The global economy has been subjected to several tests in the year 2023: inflation and one of the most aggressive monetary tightening policies in recent decades, the war in Ukraine, the Israeli-Palestinian conflict, multiple tense geopolitical situations worldwide, China's economic problems and the rivalry the deepening rift between Washington and Beijing, which is forcing companies to rethink supply chains and security, and the beginning of 2024 is the same way. According to the "Global Economic Prospects" report published by the World Bank, in 2024 the global economy will experience a slowdown in economic growth for the third consecutive year, from 2.6% to 2.4%. The growth rate is below the average of the last decade by 0.75 percentage points.

Regarding Romania's economy, the World Bank's estimates predict a growth rate of 3.9% for 2024, respectively 4.1% for 2025, with the national economy maintaining first place in the European Union in terms of economic growth rate. Estimates for the euro zone are for growth of 1.3%, the growth rate to reach 2.3% in 2025.

Over the past two years, interest rates have risen sharply due to high inflation, and central banks have raised interest rates in a manner unprecedented in the past 40 years. This phenomenon took place both in the euro zone and in the USA, Great Britain and Switzerland. The interest rate reached 4% in the euro area, being the highest value ever recorded. 2024 outlook for central banks to cut interest rates.

In the Inflation Report of February 2024, the National Bank of Romania (BNR) revised downwards, to 4.7%, the inflation forecast for the end of 2024, compared to the estimate of 4.8% from November 2023. According to the National Bank's estimates, inflation will decrease to approximately 3.5% at the end of 2025. Considering these perspectives, the Board of Directors of the NBR decided in the meeting of February 13, 2024 to maintain the monetary policy interest rate at the level of 7%, the rate the interest rate for credit facilities (Lombard) at 8%, respectively the interest rate for the deposit facility at 6%, the signal being one of continuity, of supporting macroeconomic stability in Romania, in the context of a changing economy and current and future challenges. Also, for the national economy strongly integrated in that of the European Union, it is important to maintain a stable exchange rate, a depreciation of the national currency can increase the costs for imported materials.

According to the Global Economic Survey 2024 (GES2024) conducted by the Association of European Chambers of Commerce, the main causes of concern for the international business community are: geopolitical tensions, disruption of supply chains, access to raw materials and energy security. Supply chain issues have risen to the second biggest challenge facing the global economy in 2024, up from fourth place last year. However, geopolitical tensions represent for the second consecutive year the biggest challenge of the business environment, against the background of the conflicts in Ukraine and the Middle East, but also the complexity of the 2024 electoral year (elections for 76 states).

TBM faced several challenges during 2023:

- increase in the costs of raw materials, specific aviation materials (9%-14%) and those related to transport. Their effect has been felt by the aeronautical industry for almost 5 years, and market estimates indicate that the pressure on companies' costs will continue in 2024;

- supply chain complexity, the aeronautical industry relies on extensive and complex supply chains, which can be affected by delays, disruptions or changes in the supply of raw materials and specific aviation materials. Managing this complexity can put pressure on costs and operational efficiency.
- financing the formation of stocks of raw materials and critical materials, which ensure a certain independence in the short-medium term;
- judicious scheduling of all financial, material and human resources;
- the business continuity with increased precautionary measures to reduce the risks on the human resource;
- the application of a policy aimed at permanently ensuring the business continuity;
- the legislative framework that affected the business environment and created a lack of predictability in extremely important areas for the business environment, such as energy policy, fiscal legislation, social protection (increasing the minimum wage in the economy, changes to the Labor Code, etc.).

Therefore, the year 2023 was a year with multiple challenges, in which TURBOMECANICA continued to register profit avoiding risks and achieving its strategic objectives.

COMMERCIAL ACTIVITY

BUSINESS ENVIRONMENT

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

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

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

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

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

SALES

MAINTENANCE ACTIVITY

In 2022, **Romania's position as a member state of the European Union and NATO, a pillar of regional stability and an important provider of security in South-Eastern Europe,** confirmed once again the strategic importance that TURBOMECANICA holds within the national defense industry as the only provider of maintenance services for the PUMA helicopter fleet and IAR 99 STANDARD / SHOIM aircraft of MApN/Air Force General Staff, Naval General Staff and the Romanian Information Service.

TURBOMECANICA continues to demonstrate superior quality standards, the ability and the ability to provide the logistic support necessary for the Romanian army, assuming the duty of strengthening Romania's defense capacity and resilience.

In the above mentioned context, the domestic market continued to represent the main pillar of the company's sales consolidation in 2023.TBM managed to achieve within the internal maintenance programs of aeronautical products total percentage of sales for the domestic market of: 85.3 % (2022:86.4%) out of the total sales recorded in 2023.

The maintenance/maintenance activity in 2023 materialized through the continuation of major programs of repairs/maintenance/manufacture of aeronautical products, but also through new programs aimed at collaborations within aviation programs for strategic clients: IAR Brasov, MApN/UM01836 Otopeni, Airplanes Craiova, the Craiova Flight Research, Innovation and Trials Center, other internal clients, as detailed below:

Programs run through the IAR Brasov client (the client with the majority turnover – appox. 52%):

- Continuation of the PUMA – “NATO” helicopter modernization program (4 helicopters, sets 5-8)
- The contracting in 2023 and the start of two new major programs of capital repairs of TURMO IVC/CA engines and PUMA IAR 330 helicopter mechanical assemblies, respectively
  - "UN (SAR)" Program 1-6 (6 helicopters), for the period 2024-2025;
  - “L/ VIP" Program 1-6 (6 helicopters), running in the period 2023-2025.
- New program of current repairs and applications of service bulletins for PUMA helicopter mechanical assemblies: "LIBAN" (3 CTP, AT);
- New programs and in parallel the continuation of periodic maintenance programs "NAVAL" and "SRI" for capital repairs (with replacement of major components with TLV) and various current repairs, technical assistance and supply of spare parts for TURMO IVC/CA engines and PUMA IAR 330 helicopter mechanical assemblies;

Programs carried out with the strategic client MApN (approx. turnover – 21.5% - 2022: 14%):

- ✈ **Maintenance program of high and medium complexity, reconstructions of calendar potentials and current repairs to TURMO IVCA engines, VIPER 632-41R/M engines and their aggregates, mechanical assemblies IAR 330 PUMA, aggregates related to Allison T56 engines, manufacturing of spare parts** - contracted for the period 2023 and 2024, based on Contracts no. A1-10920/19.12.2022 and respectively no. A1-12503/22.12.2023, through TBM's participation in successfully completed public procurement procedures;

- ✈ **Various programs for maintenance works/post-delivery services of technical assistance and supply of parts through direct collaboration with military units**

TBM continued in 2023 the implementation program for full overhoul of the strategic VIPER engine

Programs run with the client Avioane Craiova S.A. (turnover – approx 11.50% 2022 - 1,24%)::

- ✈ Program for transformation works from version 632-41R to 632-41M, revitalization and application of CMV with RK to AFC for VIPER engine series 737;

MANUFACTURE OF HIGH TECHNOLOGY AND HIGH QUALITY EQUIPMENT

The Company's manufacturing activity continued to be represented in 2023 mainly by the execution of components and subassemblies for aviation engines. These programs, despite the existing difficulties on the world market, have managed to maintain an acceptable trend, with parallel sales of gas turbine components continuing.

At the beginning of 2023, following the negotiations in 2022, the LTA type agreement (Long Term Agreement) was concluded with Leonardo Helicopters, with an annual price update starting with 2024.

It is worth noting that during 2023 the collaboration relationships with partners that present a significant business potential on the international market were maintained (mainly the business relationship with Rolls-Royce Germany – through ITP Aero, Witzenmann Germany), with General Electric in the industrial field, other clients with smaller shares in the company's turnover). In the RR program, there was a decrease mainly due to the lack of orders for a period of 2 months, from the client Witzenmann.

However, at the annual level, there was a general increase in sales to external customers by approximately 20% from approximately the previous year.

Starting with the IV quarter of 2023, negotiations were started with GE Aerospace regarding the provision of component technical maintenance services for several types of civil CFM engines.

Production intended for export increased from 10.9% in 2022 to 15% in 2023.

INTEGRATED QUALITY AND ENVIRONMENTAL ASSURANCE SYSTEM

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

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

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

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

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

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

During 2023, the following actions were taken in the field of quality assurance:

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

In 2023, 146 regulations were elaborated / revised as follows:

REGULATION CATEGORY	2023	2022	2021
General Procedures including Independent Annexes	49	50	80
Company Standards including Independent Annexes	17	31	50
Specific Working Instructions including Independent Annexes	45	36	49
Regulations including Independent Annexes	9	7	9
Human resources strategy with all Independent Annex	0	2	1
Quality Plans	8	7	3
Wage Policy	9	8	1
Quality and Environment Manual	0	0	1
Presentation Expositions	9	18	3

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

The Quality and Organization Department (renamed Saftey and Compliance Department) acted in 2023 to implement a continuous improvement in the organization and design of the quality management system.

The National Aeronautical Military Authority could not schedule the certification audit, according to RMAR 21G requirements, for TBM authorization as a military production organization of products and components for Turmo IV C/CA, Viper 632-41 and 633-47, Allison T56-A7B/ A15, Mechanical Assembly IAR-330, including their aggregates.

In order to demonstrate compliance with its customers' requirements, Turbomecanica received 3 second-party audits, as follows:

In March 2023, **ITP Aero** performed an on-site supplier initial assessment audit according to the requirements of the **EN 9100:2018 and AS 13100:2021** standards. In the conducted audit, **the ITP Aero** audit team found 5 non-conformities for which 13 corrective actions were established (all completed) and the client maintained **TBM** as an accepted supplier.

In May 2023, **Leonardo Helicopters** performed an on-site supplier **surveillance audit** according to the requirements of the international standard **EN 9100:2018** and the requirements of the **customer specification QRS-01** integrated into TBM through the **PQ S-0002 Quality Plan**. In the conducted audit, the **Leonardo Helicopters** audit team found 1 non-conformity for which 2 corrective actions were established (all completed) and the client maintained **TBM** as an accepted supplier.

In December 2023, **General Electric Vernova (Power)** performed an **on-site EHS supplier surveillance audit** according to the specific client requirements (SRG) extracted from a **checklist**. In the conducted audit, the **General Electric Vernova (Power)** audit team found 1 non-conformity for which 1 corrective action was established (in progress) and the client maintained **TBM** as an accepted supplier.

To prove compliance with the standards and regulations applicable in its activity, Turbomecanica supported 4 third-party audits carried out by certification/supervision authorities/bodies, as presented below:

In March 2023, the **Romanian Civil Aviation Authority (AACR)** carried out an on-site audit for the continuous supervision of the civil maintenance organization according to the provisions of **EU Regulation no. 1321/2014 (Part 145)**. Following the audit, the **AACR** audit team found 6 non-conformities for which 10 corrective actions were established (all completed), maintaining **TBM**'s authorization as a civil maintenance organization (**RO.145.051 - issued in March 2021).**

In May 2023, the **Romanian Civil Aviation Authority (AACR) and the European Aviation Safety Agency (EASA)** carried out an on-site audit for the continuous supervision of the civil manufacturing organization according to the provisions of **EU Regulation no. 748/2012 (Part 21, Section G)**. Following the audit, the **AACR and EASA** audit team found no non-conformities, reconfirming **TBM**'s authorization as a civil manufacturing organization (**RO.21G.008 rev. 02 - initially issued in December 2014, with the current revision from August 2020).**

In October 2023, **AEROQ** performed an on-site audit for the recertification of the quality and environmental management systems according to the provisions of the **ISO 9001:2015 and ISO 14001:2015** standards. Following the audit, the **AEROQ** audit team found no non-conformities, extending the certifications for the **TBM** quality and environmental management systems (issued in April 2021) until **09.11.2026**.

In November 2023, **TUV Nord** carried out an on-site audit for the supervision of the quality management system according to the provisions of the **ISO 9001:2015 and EN 9100:2018** standards. Following the audit, the **TUV**

Nord audit team found no non-conformities, maintaining the **TBM** quality management system certifications (the current certificates are issued in February 2023 and are **valid until 22.02.2026**).

In order to guarantee the management of TBM, customers and certification bodies the correct implementation of the requirements of the quality management / environmental management system and the maintenance of their efficiency and effectiveness, **the Saftey and Compliance Department carried out internal / external audits in 2023 as presented below:**

Internal audits quality management system and environment management system

Internal audits for the quality management system were carried out in accordance with the PA-TBM Audit Plan 2023 ed. 1, later evolved into ed. 2 and ed. 3 approved by the Director General.
In 2023, 24 SMQ audits were carried out in which 25 non-conformities were found, for which 48 corrective actions were established, which were completed in a proportion of 77.1% (37 completed).

Internal audits for the middle management system were carried out in accordance with the Audit Plan PA-TBM 2023 ed. 1, later evolved into ed. 2 and ed. 3, approved by the Director General.
In 2023, 2 SMM audits were carried out in which no non-conformities were found.

Internal product audits

The conduct of the internal audits produced was carried out in accordance with the Audit Plan PA-TBM 2023 ed. 1, later evolved into ed. 2 and ed. 3, approved by the Director General.

In 2023, 14 product audits were carried out in which 28 non-conformities were found, for which 55 corrective actions were established, which were completed in proportion to 94.5% (52 completed).

Internal process audits

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

In 2023, 15 process audits were carried out in which 7 non-conformities were found for which 16 corrective actions were established which were completed in a proportion of 93.8% (15 completed).

External audits of suppliers

In March 2023, an external audit was carried out on-site (periodic evaluation of service providers/metrological checks) at the supplier **Mobil Industrial Pitesti (Romania)** according to the requirements of the **ISO 9001:2015 and ISO 17025:2018** standards and the specific requirements of TBM. In the conducted audit, the **TBM** audit team (CAI, CMETR) found no non-conformities, maintaining Mobil Industrial Pitesti as an unconditionally **accepted supplier.**

In March 2023, an external audit was carried out on-site (initial evaluation of service provider measuring parts) at the supplier **Ro Mega Trade Brasov (Romania)** according to the requirements of the **ISO 9001:2015** standard and the specific requirements of TBM and of the client **PZL Swidnik.** In the conducted audit, the TBM audit team (CAI, SCPD) **did not find non-conformities** and provided CCU with information regarding the supplier's capability in order to establish a future collaboration.

In June 2023, an external audit was carried out on-site (periodic supplier evaluation of semi-finished products) at the supplier **Leistritz Turbinentechnik Remscheid (Germany)** according to the requirements of the **EN 9100:2018** standard and the specific requirements of TBM. In the conducted audit, the **TBM** audit team (CAI, CCU, SCPL) found no non-conformities, maintaining **Leistritz Turbinentechnik Remscheid** as an unconditionally **accepted supplier**.

In July 2023, an external audit was carried out on-site (at the request of the CCU) (initial supplier assessment of teeth rectification operations in the manufacturing for the customer **Leonardo Helicopters**) at the supplier **CIMA Bologna (Italy)** according to the requirements of the **Part 21G regulation** and the specific requirements of **TBM.** In the conducted audit, the **TBM** audit team (CAI, CCU, BPT) found no non-conformities, maintaining **CIMA Bologna** as a conditionally accepted supplier.

In order to monitor the performance of TBM processes in order to increase customer satisfaction with the quality of products / services delivered and increase the attractiveness of these products / processes in the aeronautical sector market, in 2023 the following actions were carried out:

The general procedure PG SMQ-05 “Management analysis” determines the indicators necessary to achieve the strategic and quality objectives and which influence the level of customer satisfaction. The evolution of these indicators in 2023 is presented below:

-**The strategic indicator I1** (degree of compliance with the production program) has a constant trend and falls within the proposed target of at least 97%, with an overall value of 99.55% (2022:99.69%). This fact shows that the production schedule is respected and the shortcomings are very small.

- **The strategic indicator I2** (degree of compliance with the sales plan) has a constant trend and falls within the proposed target of at least 97%, with an overall value of 99.16% (2022: 97.48%). This shows that the sales plan is being complied with, with few TBM delays in deliveries for external customers Leonardo Helicopters and ITP Aero.

-**The strategic indicator I211g + I212g** (global quantitative percentage of loss due to PO changes) has a decreasing trend and falls within the proposed target of a maximum of 3%, with an overall value of 2.38% (2022: 2.52%) (of which TBM has 2.28% and customers have 0%).

- **The strategic indicator I3** (the degree of non-compliance with the requirements of the technical execution documentation - non-conformities and scrap) has a constant trend and falls within the proposed target of maximum 0.75%, with an overall value of 0.24%. This fact reveals that the requirements of the documentation are observed in TBM, and the deviations (transposed in non-conformities and rejects) have a small weight.

-**The strategic indicator I4** (the degree of non-conformity of the delivered products / services - complaints) has a decreasing trend and does not fall within the proposed target of maximum 1.0%, having an overall value of 1.71%; if unconfirmed / rejected complaints are excluded, the indicator reaches the overall value of 1.51%, still not falling within the proposed target (maximum 1.0%). This reveals that TBM ensures the conformity of the delivered products / services but the complaints a higher weight than the target.

The strategic indicator I4pg (external percentage loss - complaints) has a downward trend and does not fall within the proposed objective of maximum 0.5% of total sales, having a global value of 0.89%. This fact reveals that TBM ensures the conformity of the delivered products/services, but the costs of handling complaints are above the set target.

- **The strategic indicator I41** (time for resolving complaints) has an increasing trend and partially falls within the proposed objective of a maximum of 30 days, having a global value of 42 days (for resolution in TBM) and 7 days (for resolution at clients/in exploitation). This fact reveals that TBM ensures the resolution of customer/user complaints on time and with delays in TBM (in some situations) due to difficulties in identifying or confirming the complained of defects.

- **The strategic indicator I42** (the rate of warranty claims for repaired products) has a decreasing trend and falls within the proposed objective of a maximum of 25%, having a global value of 15%. This fact reveals that TBM ensures the conformity of the products/services delivered and the complaints during the warranty period are within the established target.

- **The strategic indicator I43** (recurrence rate of complained products) has an increasing trend and falls within the proposed objective of a maximum of 25%, having a global value of 25%. This fact reveals that TBM ensures the conformity of the delivered products/services and the recurrence of complaints is within the established target.

- **The strategic indicator I44** (median product complaint duration from delivery) has an increasing trend and falls within the proposed objective of a minimum of 250 days, having a value of 314 days at the end of 2023. This fact reveals that TBM ensures the conformity of products/services delivered and the duration of complaints is within the established target.

- **The strategic indicator I5** (non-quality costs) has a decreasing trend and does not fall within the proposed objective of a maximum of 600,000 RON/year, having a global value of 1,500,602 RON in 2023. These costs are due to waste (326,696 RON) and orders for investigation/repair of complained products (1,173,906 RON). Among these, there are 3 complaints with high costs (322,040 RON - Turmo 2394; 444,024 RON - Turmo 2321; 52,662 RON - Turmo 2228) which could not be determined to be due to errors in the repair process in TBM, they are unique and there is no probability of their repetition in the following period. If the costs of handling the 3 orders registered as complaints/reports but technically unjustified according to the maintenance documentation are excluded, then the value of the indicator is RON 681,876, which is closer to the objective of max. 600,000 ron.

- **The strategic indicator I6** (turnover achievement related to the reporting period) will be calculated on 28.02.2024 and will be reported in the next management analysis meeting; after trim. III-2023, the value reached is 80,435,146 lei, being above the target of 77,316,953 lei.

- **The strategic indicator I7** (degree of achievement of net profit margin) will be calculated on 28.02.2024 and will be reported in the next management analysis meeting; after trim. III-2023, the value reached is 4.61%, being below the target of 10%.

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

Accreditation of special processes

In 2023, the following special processes were re-accredited:

In April 2023, **Nadcap** performed a surveillance audit of the **TBM** heat treatment processes according to **AC7102 and AC7101** requirements. In the ongoing audit, **Nadcap** found 3 minor non-conformities for which 12 corrective actions were established (all completed), and the **TBM** heat treatment processes were included in the **Merit Program for 24 months, re-accreditation being granted until 31.08.2025.**

Second party process certifications

Leonardo Helicopters Certifications

In 2023, the qualifications of the special **TBM** processes previously obtained applicable to **Leonardo Helicopters** articles were maintained and the qualifications of the following special processes were extended:

- **Application of Solid Lubricants** (IT13/0153/04: valid until 31.01.2026);
- **Passivation** (IT13/0155/04: valabil până la 31.01.2026);
- **Chromate Treatment of Magnesium Alloys** (IT013/0156/04: valid until 31.01.2026);
- **Heat Treatment of Steel Alloys (Carburizing and sub-critical annealing; Hardening, deep freezing and tempering for low alloyed steels)** (IT12/0198/05: valid until 31.01.2026);
- **Cadmium Plating Electrodeposited** (IT13/0146/04: valid until 30.06.2026);
- **Copper Plating** (IT13/0157/04: valid until 30.06.2026);
- **Black Oxide Treatment of Steels** (IT13/0158/04: valid until 30.06.2026);
- **Phosphating of Steels** (IT13/0161/04: valid until 30.06.2026);
- **Shot Peening of Steel, Aluminium and Titanium Parts** (IT12/0280/04: valid until 18.09.2026);
- **Hard Chrome Plating** (IT12/0417/03: valid until 02.10.2026).

PZL Swidnik Certifications

In 2023, the qualifications of the special **TBM** processes obtained previously applicable to **PZL Swidnik** articles were maintained and no requalifications were initiated and following certificate was renewed:

- **Brush Cadmium Plating, Electrodeposited** (PL10/0050/02: valid until 31.07.2026).

General Electric Certifications

In 2023, the special process and laboratory certifications previously obtained by **TBM from General Electric Aviation** were maintained and the process certifications re-accredited by **Nadcap** were extended (for which **GT193** certificates are issued for the period during which **Nadcap** accreditation is maintained - Heat Treatments, including Vacuum Brazing).

Rolls-Royce Certifications

In 2023, the approvals previously obtained by TBM from **Rolls-Royce Civil & Defense Aerospace** were maintained in accordance with the Certificate of Approval for Quality Management System & Processes (no expiration date).

Avio Aero Certifications

In the year 2023, the qualifications of the **TBM** special processes previously obtained applicable to **Avio Aero** products were maintained; since there were no more **Avio Aero** orders, the requalification for Gas Nitriding of Steel Parts and Relevant Heat Treatments was not initiated (valid until 31.08.2023).

Introduction of new parts in production

For the client **Leonardo Helicopters** (Italy), 36 FAI files were drawn up (18 TGB benchmarks and 18 MGB benchmarks) which were approved by the client. By updating them, we continue to improve the manufacturing of the parts requested by the customer for the Rear Transmission Box and the Main Transmission Box of the AW109/AW119 helicopters.

For the **PZL Swidnik (Poland),** 10 FAI files were drawn up and approved by the client. By updating them, the improvement of the manufacturing of the benchmarks requested by this customer continues.

For the **ITP Aero (Great Britain)** 1 FAI file was drawn up and was approved by the client. By updating it, the improvement of the manufacturing of the landmark requested by this customer continues.

CLIMATE CHANGE MITIGATION BY IMPROVING ENVIRONMENTAL PERFORMANCE AND POLLUTION PREVENTION

Turbomecanica has obtained the **Integrated Environmental Authorization No. 05/2016** revised on 21.02.2020 valid until 2026 for "Surface treatment of metals or plastic materials by electrolytic or chemical processes in which the volume of the vats is greater than 30m^3",extended by annual visa no. 2184/19.12.2023 for the period 11.02.2024 – 11.02.2025.

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

The Integrated Environmental Authorization, the Water Management Authorization, as well as the Waste Water Takeover Agreement give the company the right to operate under legal conditions, through a permanent monitoring of the proper functioning of the depollution installations and the existing equipments on the company's site.

Following the controls of the National Environmental Guard carried out in 2023, the Company undertook to ensure the continuous monitoring of the operating status of the installations so that they do not generate pollutant emissions that exceed the limit values allowed by law and if this is happens to stop working until fixed.

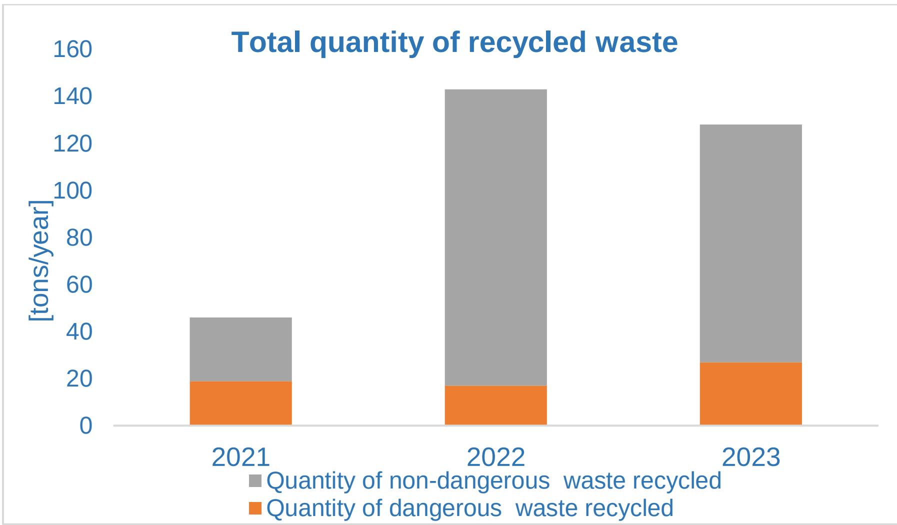
In order to prevent an emergency that may endanger the quality of the environment and the health of people, TBM has designated intervention teams for all risk areas in society. Exercises are periodically carried out to simulate possible emergencies that may result in accidental pollution. The purpose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

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

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

In 2023, Turbomecanica demonstrated that the actions regarding **the reduction of the amount of hazardous waste were effective**, even if the quantities were higher than in 2022. The increase is due to the depreciation of the chemical solutions of the surface coating processes.

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



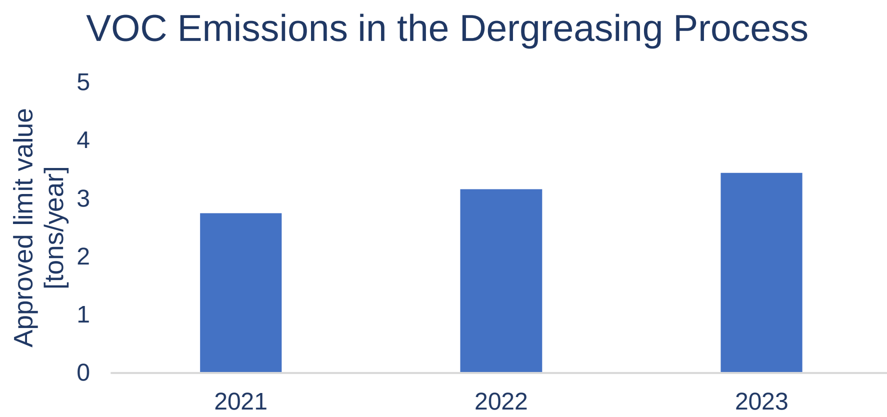
In 2023, Turbomecanica cuntinued to implement **measures with a major impact on the improvement of environmental performance** through:

- The filter system for the capture of heavy metal and dust emissions was installed on the Copper, Cadmium and Chromium lines. Following the measurement of the air emission parameters of the three lines, a large reduction in the concentration of heavy metals and dusts was found, for example, the concentration of cadmium decreased from 0.0087mg/m3 in 2022 to 0.0004mg/m3 in 2023, the concentration of chromium decreased from 0.0311mg/m3 in 2022 to 0.0085mg/m3 in 2023. Regarding the concentration of suspended dust, it is 2 times lower in 2023 compared to 2022 on all three lines.

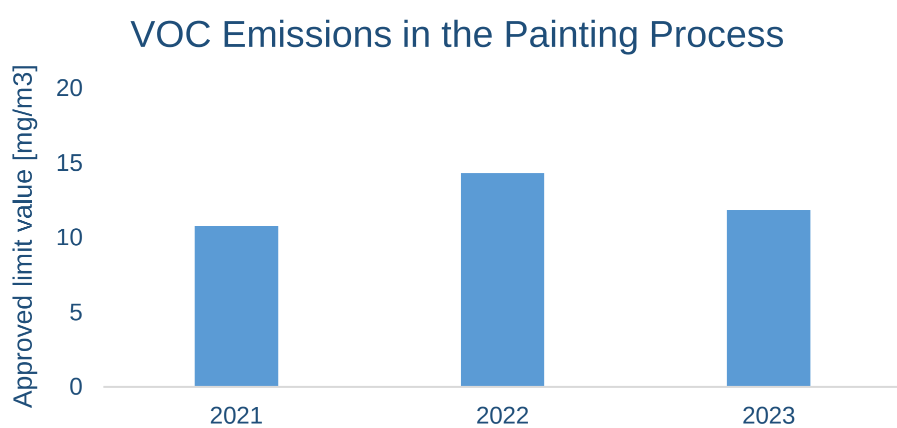
- It was decided to purchase and install a system of filters with the efficiency of capturing heavy metal emissions (Phosphating, Pickling, Viper Pickling) and the dust removed in the special processes.

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

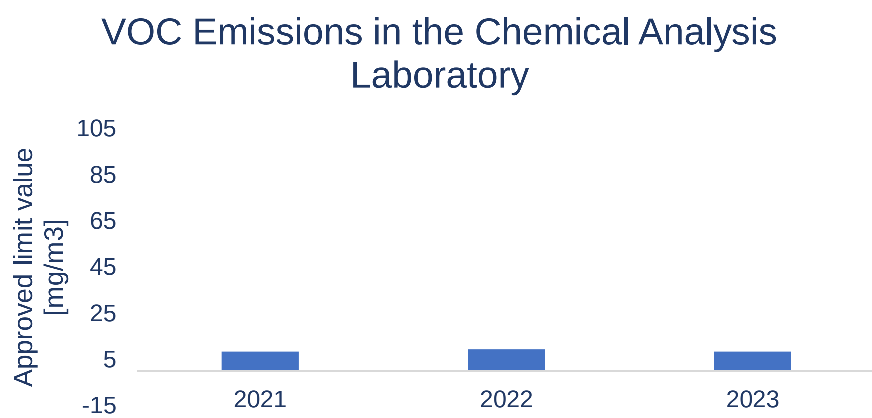
After calculating the consumption of VOC emissions, it turns out that it is below the limit allowed by law as follows:



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



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



The **decrease** in the concentration of VOC emissions from 2023 compared to 2022 is due to the fact that at the beginning of 2023, the exhaust chimney related to the paint shop was cleaned, thus eliminating the surplus of powder with VOC content retained on the piping during the process of painting parts.

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

The increase in the value of VOC emissions, as well as the increase in the consumption of organic solvents (Tetrachloroethylene), in 2023 compared to 2022 was due to the increase in production volume.

The overall VOC level trend was decreasing.

NUCLEAR PROTECTION

In the first semester of 2023, the file was submitted to **CNCAN** for the **reauthorization** from the point of view of radiological security of the laboratory of non-destructive examinations with penetrating radiation and in July 2023 **CNCAN issued the new Authorization for Activities in the Nuclear Field GM1398/ 2023, valid until 11.07.2028.**

On July 3, 2023, a joint **EURATOM, IAEA and CNCAN inspection** was carried out in **TBM**, through the physical verification of the inventory of nuclear materials manufactured from MSRR 8014 material, magnesium with Th 241 content, in a percentage of 2.5÷4%, held according to CNCAN authorization TS/116/2021. Full compliance with the inventory declared by TBM and the conditions for keeping the nuclear materials in full physical and radiological security were found.

On August 23, 2023, the **National Commission for the Control of Nuclear Activities (CNCAN)** carried out an inspection at the **TBM** headquarters to check how the **Non-Destructive Control** (**NDT**) activities with penetrating radiation are carried out within the **DTC-SCPL**. According to the Verbal Control Process no. 6401/23.08.2023 it was established that the **CND** activities with penetrating radiation are carried out in conditions of full compliance with the requirements established in the authorization process.

COMPLIANCE WITH THE REACH REGULATION

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

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

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

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

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

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

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

In 2023 TBM continued to comply with REACH requirements

HUMAN RESOURCE

CODE OF CONDUCT AND ETHICS – PRINCIPLES AND VALUES

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

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

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

The rules of procedure provide for separate and specific chapters on the Company's position in relation to the principles listed.

The Collective Labour Agreement 2022-2023, extended by 6 months by agreement of both parties provides guidelines on the Company's standards regarding the code of conduct and ethics.

The Company discourages conflicts of interest and requires employees to avoid any situation that may affect their ability to act in the best interests of the company.

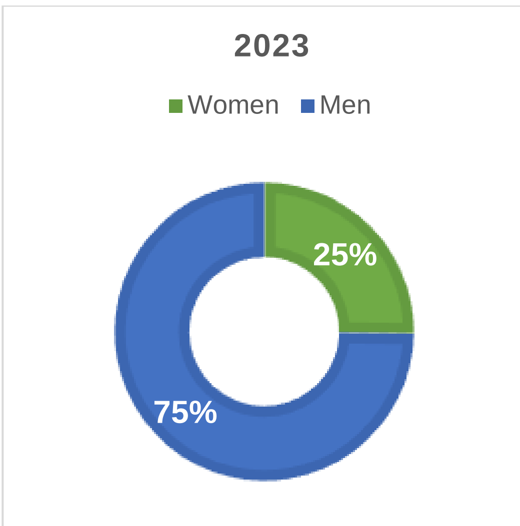
Due to its international exposure, Turbomecanica takes into account **existing anti-corruption policies at the international level and also imposed or recommended by business partners**. In 2023, Turbomecanica did not record any cases of corruption, money laundering, and bribery and was not a party to any lawsuits for unethical or corrupt behavior.

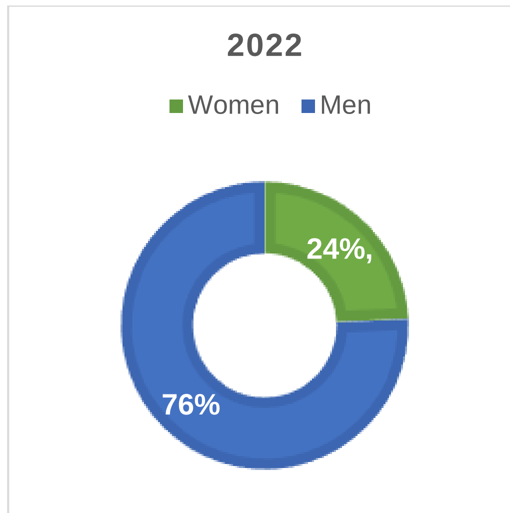
In this regard, in October 2023, the policy regarding warnings in the public interest was developed. It was developed on the basis of Law no. 361/2022 which transposes the **Directive (EU) 2019/1937 of the European Parliament** and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law, also known as **whistleblower protection framework.**

OUR STAFF

The resource assurance strategy adopted by the company has ensured the development of Production, Technical and Compliance, Quality and Organization, Human Resources, Financial - Accounting, Legal, Marketing and Sales activities in efficient conditions even if the labor market does not offer the range of necessary specializations the aeronautical industry.
The total TBM staff on 31.12.2023 was 484 employees, an increase of 16 people compared to last year.
The average age of the staff on 31.12.2023 was 48 years, the same as in 2022.

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





Between January and December 2023, a number of 85 employees left the company (including 7 retirees) and 106 people were hired (2022 - 93 employees left and 53 employed).

Total expenses with salaries and employee benefits (excluding the variance in provisions for employee benefits), made in 2023, amounted to 55.946.744 lei, of which:

COSTS	2023	2022	2021
salary expenses:	49,014,633	46,181,218	47,034,576
spending on vouchers granted to employees	4,607,980	4,310,600	4,091,470
expenses regarding the labor insurance contribution	1,102,826	1,039,566	1,058,426
other expenditure on insurance and social protection (aid)	245,888	254,850	253,900
expenses with the company's contribution to health insurance other expenses (CCM)	975,416	936,689	970,196

Compared to 2022, personnel expenses in 2023 registered an increase of 3,204,145 lei, but reach comparative values with those recorded in 2021.

The costs involved in the recruitment process were approximately 250,000 lei, representing the costs of purchasing recruitment services and subscriptions to specialized websites (2022: 63,695 lei) The need for recruitment services has increased due to the low quality of the workforce addressed by recruitment platforms recruitment (ex: BestJobs). Moreover, recruitment platforms do not offer a comprehensive range of specialists.

Regarding the degree of unionization of the company, **49,58%** (2022: **55.74%)** of the company's employees are union members.

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

EMPLOYEE TRAINING	2023	2022	2021
Higher education	30,78%	31,02 %	31,34 %
Employees with high school and post-high school education	38,02%	39,91 %	40,32 %
Employees graduating from vocational school	26,66%	23,86 %	23,35 %
General school graduate employees	4,54%	5,21 %	4,99 %

The relation between the manangment and the employees is regulated based on the Collective Labor Agreement for the years 2022-2023 extended by 6 months by agreement of both parties. The socio-professional climate is constantly monitored, there is a system of communication between the social partners that does not allow the emergence of conflict situations, which in fact were non-existent in 2022.

PERSONAL TRAINING

The company's personnel policy on staff training has been well supported in terms of internal training. The trainings took place in accordance with the Periodic Staff Training Plan approved for 2023.

Turbomechanics has certified staff to carry out the courses.

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

The specific training was carried our in accordance to the Anual Proffesional Training Plan. In this respect, the courses for Certification/Autorization, Professional Qulification assured both inside and putside the Company, a number of 438 employees were trained, amounting a total of 12.845 hours. Some of the specific trainings, due to the duration will be continued in 2024.

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

For the external training and certification courses, the Company has invested the amount of 102,532 lei.

The specific training to ensure the maintenance of the necessary skills of operators, inspectors and laboratory technicians for special processes and laboratories, carried out according to the annual Professional Training Plan in 2023, is structured as follows:

COURSE TYPE	2023		2022	
	No. of hours	No. Participants	No. of houres	No. Participants
Certification courses	1,430	320	810	340
Internal qualification	11,085	37	9,460	20
External training	-	-	143	13
External qualification	330	81	246	5
TOTAL	**12,845**	**438**	**10,659**	**378**

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

Turbomecanica concluded partnerships with 3 technical colleges for this form of education and publicized the company's offer in Bucharest and its surroundings in order to stimulate the interest of 8th grade graduates and their parents for the field of activity in which it operates and to generate the desire to become part of the Turbomecanica team

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

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

- the premium of 800 lei if they obtain an average above 7 in the examinations during the practice and have 100% attendance.

- Performance premium 300 lei if they have a general annual average of at least 8.50

- transport settlement for periods of combined practice and the equivalent of a hot meal during the practical training sessions,

- employment in TBM at the end of the 3 years if they obtain the qualification diploma with grades above 7.

The total number of students enrolled at TBM in dual education in 2023 was 85 students and will continue to grow in the next school year.

Following the completion of the first complete cycle of dual education, the Company hired in 2023: 19 PM operators, 2 Warehousekeeper, 2 Metrologist and 2 conformity controller;

The total expenses for dual education carried out in 2023 were in the amount of **385.475** lei.

ASSESSMENT OF SAFETY AND HEALTH ISSUES

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

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

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

In 2023, the investments started in the previous period in the direction of improving working conditions and refurbishment were continued, as follows:

Production and storage hall Building C1:

- Within the Mechanical Processing Section - Pinions and CLIMO, working conditions and productivity were improved by dismantling some technologically outdated work equipment and replacing them with more efficient ones. Also, new welding cells were set up in the SPMG - Presaj section.
- Within the SPSP special processes section (with the production areas: Heat Treatments (TT), Surface Coatings (AS) and Painting) the works continued to improve the production conditions/working microclimate, by carrying out the following works:
- Modernization of the sandblasting/crushing machine within the TT section, including related installations;
- Consolidation/repair of TT furnace jacket;
- Works to bring some installations within the Special Processes section (SPSP-AS) to normal operating parameters, such as cleaning the smoke exhaust pipe within the section and replacing filters.

Production and storage hall Building C2:

- Within the SPM Mechanical Processing section, the redevelopment of the production space was carried out by disassembling and evacuating decommissioned machines.
- Also, in the area dedicated to the chemistry, metrology, metallography laboratories, a classroom was created for training and technical meetings.

Production and storage hall Building C3:

Within the Trial Assembly section (SMI) - modernization and expansion of the production spaces were carried out, namely:

- Redevelopment of production spaces for the location of the Metallization Plant: technological equipment and utility installations related to it - new investment, fully realized in 2023.
- The modernization works of the existing fire extinguishing installation with CO2 cylinders are underway, by replacing it in its entirety - the necessary measure to align with the ISU requirements, in order to obtain the fire safety authorization.
- Also, new compartments were made in the existing spaces of the Probe Assembly section: Precision planing, FOD control areas (eg transmission shaft balancing workshop).

Prior to the start of periods of extreme temperatures, appropriate measures have been taken to ensure a proper working environment, by controlling and maintaining water-drainage and air conditioning systems, ensuring normal operation.
In all the spaces of the Company - production spaces, administrative spaces, warehouses, etc., periodic verifications were performed regarding the operation in optimal conditions of the fire detection and alarm systems.

Through the occupational safety and health program for the year 2022, all the activities necessary for the observance of the requirements provided by the Occupational Safety and Health Law no. 319/2006 and the methodological norms of application, as well as of the other legislative acts in the field.

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

- occupational safety and health risk assessment at all workplaces;
- on the basis of a risk assessment, preventive measures have been taken to ensure that the level of safety and health protection of workers is improved;

- the OSH materials have been permanently supplemented, according to the current legislation, which is used to carry out regular OSH training for TBM employees as well as to establish the necessary measures for the safe conduct of technological processes;
- the purchase of work equipment was continued for all TBM staff, both for the existing one and for the new employee;
- the supply of hygienic-sanitary materials (protection creams, hand cleaning paste, etc.) was ensured in accordance with the provisions of the Internal Regulations;
- new medical kits were purchased for the replacement of the damaged ones from the existing work areas / workspaces as well as for the endowment of the workspaces from the extension made to the C3 building - Mechanical Assemblies section. Materials for completing first aid kits were also purchased and general-purpose medicines were provided for first aid (including anti-burn spray for high-temperature workstations: plasma jet welding and cutting, etc.). ;
- Urgent eye wash solutions were periodically purchased for SPSP staff: Galvanizing, Storage-Packing and Painting and respiratory protection masks for SPSP staff, Non-Destructive Testing Laboratory, Plasma Cutting team, as well as for staff carrying out sanding and grinding activities;
- continued the purchase of new masks, in accordance with the latest requirements in the field, for welders;
- hoods/caps for head protection were provided for SPM personnel who carry out activities in areas with low temperatures
- protective gloves (chemical, mechanical, etc.) were periodically purchased for the salaried staff, as well as abdominal and/or lumbar protection belts for the staff from the SPM-presaj, SPSP and partially ATD sections.

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

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

MONITORING HEALTH CONDITION AND WORK SKILLS OF EMPLOYEES

The mandatory annual occupational medicine investigations/periodic medical check-ups for TBM staff were carried out at the TBM headquarters, in two stages, by the mobile medical team of the provider of occupational medicine medical services: in March for part of the employees, and respectively , between September and October 2023 for most employees.

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

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

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

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

During 2023, no work accident was registered in TBM.

Occupational Safety and Health (OSH) and Emergency Training (SU):
1. General introductory training in the fields of OSH and SU of new employees
2. Regular training of staff in the fields of OSH and SU;
3. Collective training (SSM + SU) for collaborators and visitors;
4. Training of students doing the internship in TBM, starting with March 2023, from the following educational institutions:
   - Carol I Technical College, specialization: Lathes;
   - I.C. Technological High School Bratianu, specializations: Milling and Mechanic of Fine Mechanics;
   - Dinicu Golescu Technological High School, specialization: Numerical control machine operator;
   - Henri Coandă Aeronautical Technical College, specialization: Aircraft mechanic.

Starting from December 2022, the TBM PSI authorization process is underway. In 2023, the works began to implement the measures regarding compliance with PSI requirements, in order to obtain the Fire Safety Authorization.

The technical documentation was drawn up for buildings C1 and C2. The technical documentation for the C3 building is being developed.

The established activities regarding safety lighting, emergency evacuation and metal door replacement are also ongoing.

INTERNAL ORGANIZATION & ORGANIZATIONAL STRUCTURE
TURBOMECANICA MANAGEMENT

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

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

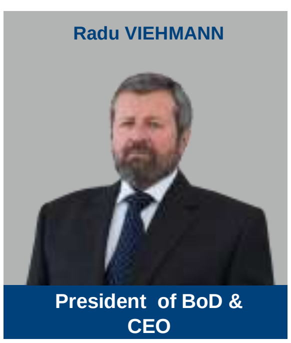
The management at operational level is ensured by the Directors of the 4 departments, which form the Managing Board.

Each operational department has specific structures under it.

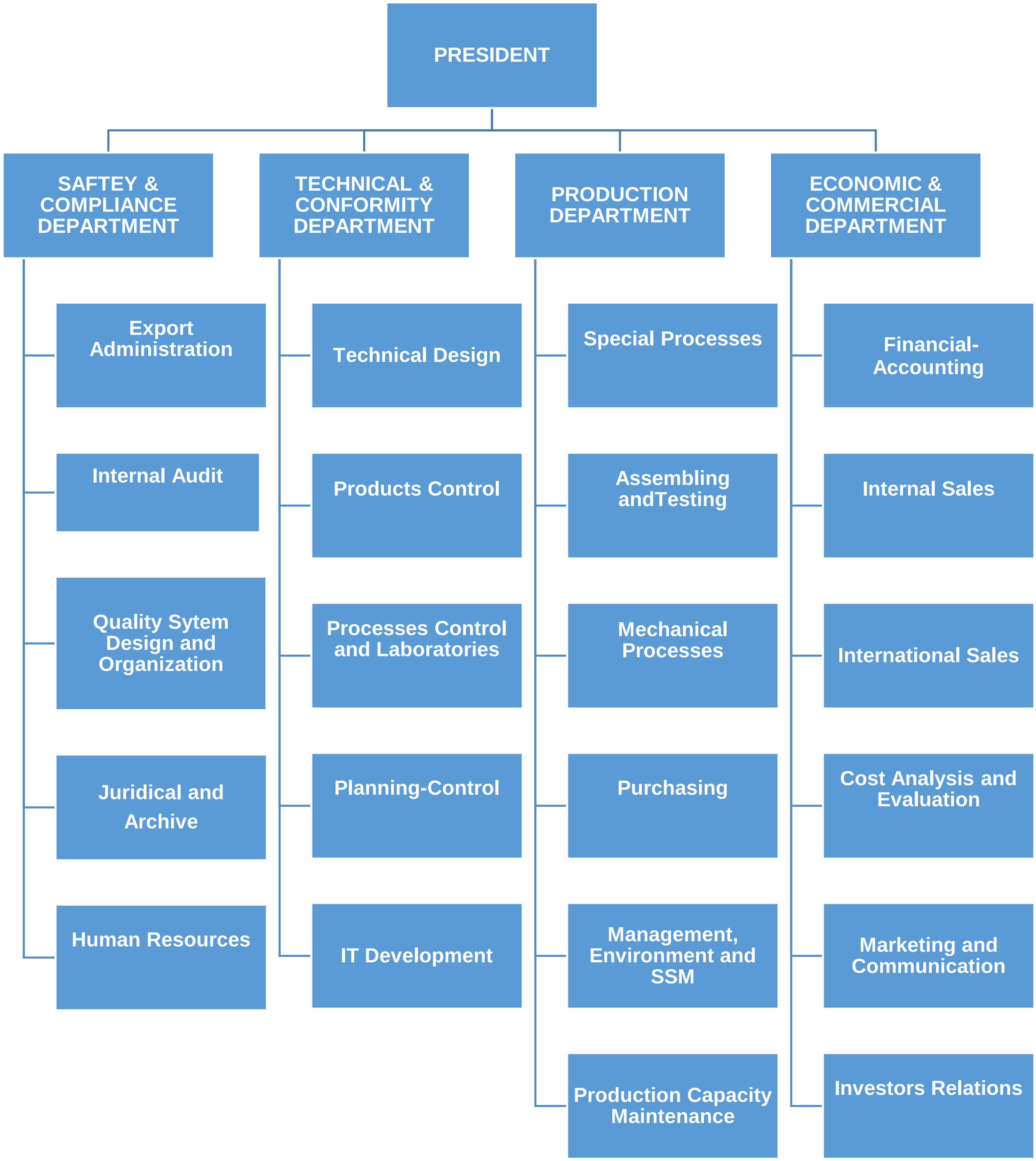
There were no changes in this structure in 2023.

As at 31.12.2023, the non-executive management structure that ensures the current development of the activities has the following composition:

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



ORGANIZATIONAL CHART



TURBOMECANICA SHAREHOLDERS

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

As an issuer, the Company complies with the provisions of Law 24/2017, on the capital market, and the specific regulations issued by the Financial Surveillance Authority (ASF) based on the said law.

The nominal value of a share is 0.1 Lei.

MAIN SHAREHOLDERS

The shareholding structure includes at the end of 2023 a total number of 6.569 shareholders (2022: 6.127 shareholders), individuals and legal entities.

The synthetic structure of the Turbomecanica shareholding published on 31.12.2023 on the website of the Bucharest Stock Exchange in accordance with the data received from the Central Depository presents the main shareholders as follows:

	Number of shares held	% Equity
Viehmann Radu	95,758,800	25.9198 %
Ciorapciu Dana Maria	56,003,876	15.1590 %
Other Shareholders	217,679,799	58.9211 %

In 2023, TBM distributed dividends related to the financial year 2022, offering investors a yield per share of approximately 8.8%.

CORPORATE GOVERNANCE

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

As an issuer, the Company complies with the provisions of Law 24/2017, on the capital market, and the specific regulations issued by the Financial Surveillance Authority (ASF) based on the said law.

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

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

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

The administrators in office on 31.12.2023:

Name	**Position**	**The year of first election**	**The year of expiry of this term**
Radu Viehmann	President, General Manager	2000	2024
Dana Maria Ciorapciu	Non-executive administrator	2006	2024
Radu Ovidiu Sârbu	Independent, non-executiv administrator	2016	2024
Niculae Havrilet	Independent, non-executive administrator	2021	2024
Henriette Spinka	Non-executive administrator *whose mandate ceased according to the decision of the CA dated 15.06.2023 by death. position left vacant until the next Ordinary General Meeting of Shareholders*	2008	2024

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

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

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

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

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

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

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

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

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

ADMINISTRATORS' PARTICIPATION IN TBM SHARE CAPITAL ON 31.12.2022

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

During 2023, the Managing Board met in 7 meetings, at least 1 meeting per quarter, in the presence of 4-5 of its members - and adopted decisions that allow it to carry out its duties in an effective and efficient manner.
Thus, at its meetings, the Managing Board analyzed the financial results obtained during the reporting period and cumulated from the beginning of the year, as well as the economic performance in relation to the budget and the similar period last year.

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

MANAGEMENT SYSTEM AND INTERNAL CONTROL

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

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

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

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

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

FAIR MOTIVATION AND REWARDS

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

ADDING VALUE TO INVESTOR RELATIONS

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

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

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

NON-FINANCIAL STATEMENT

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

Turbomecanica, registered during the year 2023 an average number of 466 (2022: 457) employees, consequently the company does not have the obligation to report the non-financial statement.
However, the Company's Board of Directors decided to present non-financial information for the year 2023 in the form of a non-financial statement, attached to the Report of the Board of Directors, **in order to ensure a comprehensive, detailed and transparent reporting to investors and interested parties.**

COMPLIANCE WITH NON-FINANCIAL REPORTING REQUIREMENTS

COMPLIANCE REQUIREMENTS	CHAPTER FROM THE ANNUAL REPORT 2023	
Business model, Organizational context and stakeholders	Context of the organization & stakeholders	10
Quality policy and environment	Integrated quality and environmental assurance system	16
Improving environmental performance	Climate change mitigation by improving environmental performance and preventing pollution	22-26
Improving performance in the field of pollution prevention	Climate change mitigation by improving environmental performance and preventing pollution	22-26
Climate change mitigation	Climate change mitigation by improving environmental performance and preventing pollution	22-26
Sustainable use of resources	Sustainable development and sustainable use of resources	40
Principles and values of Turbomecanica Code of conduct and ethics	Code of conduct and ethics - principles and values	26
Sustainable Development	Non-financial statement Sustainable development and sustainable use of resources	39
Social responsability	Social Responsability	42
Social and personnel issues	Human resource	26
Promoting diversity	Human resource	27
Human rights and the fight against corruption and money laundering	Human resource Corporate governance	26 35
Corporate governance	Corporate governance	35
Risk management and opportunities	Risk and opportunity management	43

COMPLIANCE WITH REGULATION REQUIREMENTS

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

- ✓ the documents of the Quality and Environmental Management System (SMQ&M) which in 2022 was recertified by the competent state authorities in accordance with ISO 9001, ISO 14001 AS EN 9100, AQAP 2110, documents that are the basis for obtaining TBM authorization by AACR (Romanian Civil Aviation Authority) and by AAMN (National Aeronautical Military Authority) as MRO in accordance with Regulation (EU) no. 1321/2014 part 145 and with RMAR 145
- ✓ Implementation of the specific requirements of Turbomecanica customers
- ✓ Accounting Policy Manual prepared in accordance with the National Accounting Regulatory Framework and International Financial Reporting Standards ("IFRS")
- ✓ Corporate governance regulations
- ✓ European Commission Guidance on non-financial reporting (2017 / C215 / 01)
- ✓ ISO 26000 principles and recommendations
- ✓ CNVM Regulation no. 1 on issuers and securities transactions

Regarding the requirements of the European regulation (EU) no. 748/2012, Annex 1, Part 21, Section A, Subpart G amended by Regulations (EU) 2022/201 and with the requirements of European Regulation (EU) no. 1321/2014, Annex II - PART 145, Section A, amended by Regulation (EU) 2021/1963, Turbomecanica undertakes to implement a Safety Management System (SMS) by the end of 2024 at the latest.

The transition process for the implementation of the new requirements began in 2023 when the SMS implementation plan was created, the safety policy was issued, the training of the organization's staff on safety management began and the Safety Manager was identified.

Safety management aims to proactively identify hazards and mitigate safety risks before they lead to aviation accidents and incidents.

The objective of a safety management system is to provide a structured approach to the control of safety risks within the organization.

Turbomecanica complies with all regulatory and reporting requirements, always adopting best practices in the field, in order to ensure the correct, complete and transparent information of all stakeholders.

The company has been reporting for at least 5 years a significant part of the recommendations on the information reported in the Non-Financial Statement, as an integral part of the Annual Report of the Board of Directors.

Regarding the reporting requirements of Commission Delegated Regulation (EU) 2021/2139, the Company has not identified economic activities eligible for the EU Taxonomy.

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

SUSTAINABLE DEVELOPMENT & SUSTAINABLE USE OF RESOURCES

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

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

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

Responsibilities are divided according to the organizational structure as follows:

- Activities dedicated to the business relationship, ensuring fair business practices, ensuring financial resources and analysis of development opportunities, **ensuring transparent communication with stakeholders, avoiding money laundering, compliance with corporate governance** regulations are the responsibility of the Economic and Commercial Department.
- Activities dedicated to the analysis of customer requirements, the development of technologies, production planning, the development of ERP software for the planning of production resources, the management of the technical archive are the responsibility of the Technical and Compliance Department.
- Activities dedicated to the **environment, health and safety at work, sustainable use of resources** by reducing the consumption of utilities, maintenance of equipment, ensuring supply are the responsibility of the Production Department.
- Dedicated activities to comply with the **quality and environment management system with specific standards and customer requirements, social responsibility, personnel activities, anti-discrimination, risk management,** process and product audit activities, **legal compliance aspects of human rights, the fight against corruption and bribery**, archiving activities in accordance with the law on national archives are the responsibility of the Quality and Organization Department.

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

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

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

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

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

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

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

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

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

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

- ➢ Communicating quality and environment policy to all stakeholders;
- ➢ Applying all legal and regulatory requirements;
- ➢ Ensuring the disposal of hazardous waste by certified means;
- ➢ Increasing the proportion of reusable waste;
- ➢ Reducing the amount of hazardous waste;
- ➢ Reducing greenhouse gas emissions;

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

SOCIAL RESPONSABILITY

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

From the point of view of communication with the local community, and with secondary and university education institutions, TBM is represented by the Saftey & Conformity Director who dedicates time and effort to organizing and monitoring the training of young generations of specialists in the aeronautical industry.

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

This initiative reflects TBM's ongoing commitment to training and integrating young people into the industrial sector, thus contributing to the sustainable development of a skilled workforce in the aeronautical field. Through these efforts, the company not only ensures an efficient transition from theoretical education to practical application, but also strengthens the connection between industry and the educational system, providing valuable opportunities for young professionals.

In July 2023 TBM successfully completed the second cycle of professional training carried out during 3 school years and organized, in collaboration with the educational units. The certification exam of the professional qualification in the MECHANIC field (level 3 of qualification according to the National Framework of Qualifications) for the specialization of 12 students with the professional qualification of aircraft mechanic, as well as of 24 students with the professional qualification of operator of numerical control machines, 16 students with the professional qualification of miller-turner, 18 students with the professional qualification of fine mechanics, as well as 12 students with the professional qualification of turner.

All the examined students obtained graduation diplomas. This training had a significant impact on the professional career of these students, so that a number of 26 graduates were employed after completing the practice in the following positions in TBM: 19 PM Operators, 3 Managers, 2 Metrologists, 2 Compliance Controllers the product.

In this sense, TURBOMECANICA has allocated a wide range of resources to support professional training, including educational materials such as textbooks and course materials, logistical facilities by providing access to production lines and a specially designed workshop-school, as well as resources human by involving specialists in the teaching process of specific theoretical notions. These initiatives aim to develop the necessary skills and abilities to prepare students for integration into the workforce after completing their studies.

In September 2023, TBM continued to strengthen its involvement in the development of young generations of specialists in the aeronautical industry, concluding new partnership contracts with educational institutions, for a new professional training cycle.

In December 2023, TURBOMECANICA formulated a series of tuition offers in dual education for the 2024-2025 school year for an additional number of 94 students who will be enrolled in the 9th grade with the following professional qualifications: command machine operator numerical, aircraft mechanic, fine mechanics mechanic and turner.

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

The financial aid distributed to the community in 2023 through the sponsorship strategy took into account 3 main objectives: Education & Social, Environment and Medical. Among the largest projects continue to be, the contribution to the renovation of rural schools to support education, the fight against school dropout followed by the afforestation project, where even if we did not contribute volunteers for planting activities due to the health crisis, we managed to ensure planting of 100 seedlings.

RISK AND OPPORTUNITY MANAGEMENT

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

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

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

In this context, the Company plans the actions related to the monitoring of these risks and opportunities and monitors both the implementation of these actions in its processes / sub-processes / activities, as well as the effectiveness of the established actions. The established actions are, as a rule, proportionate to the impact on the conformity and saftely of the products / services delivered by the Company.

The planning of the treatment of risks and opportunities is done based on the Business Continuity Plan. This Plan creates a complete picture of the estimated manifestation of the identified risk factors and sets out the actions needed to reduce / use them and the functions responsible.
The **Business Continuity Plan** identifies, analyzes, evaluates and establishes / updates / updates annually, action / intervention plans to reduce the effects of risk factors acting on **TBM** such as:

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

⇒ communication systems (telephone, e-mail, fax, etc.).

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

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

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

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

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

Managing the identified risk in environmental management

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

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

TBM also demonstrates in the period 2022-2023 the compliance of the activity with the legal requirements by extending the Integrated Environmental Authorization No. 05/2016 revised on 21.02.2020 valid until 2026, through the annual visa no. 2184/19.12.2023 for the period 11.02.2024 – 11.02.2025.

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

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

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

EXTERNAL RISKS

These risks are related to external factors and affect he Company by changing the demand for services offered by it, the competitive environment or the cost of some products, which cannot be controlled by the Company such as, for example, prices for raw materials (steel, nickel, magnesium, aluminum, etc.)
The global macoeconomic issues (energy crisis, continued unpredictable evolution of prices for raw materials and dysfunctions in supply chains, etc.) and European (euro inflation, economic imbalances in the European Union,

especially in the Eurozone, etc.), combined with the geopolitical problems in the area (the war in Ukraine, the topic of migration and protectionism in the EU, the problems in the Middle East, etc.) create additional pressures on the aviation industry and those related to it.

IATA anticipates a continuation of the recovery process of the aviation industry in the year 2024. Total airline revenues are expected to approach pre-COVID levels, with a recovery to approximately 97% of pre-pandemic levels by 2024. It is noted that the recovery of passenger and cargo traffic is expected to be strong in 2024, with passenger traffic expected to return to 95% of pre-pandemic levels and cargo traffic to 145% of 2019 levels. Total revenues in 2024 are expected to grow 7.6% year-over-year to a record $964 billion.

Economic risk

At the beginning of this year, the International Monetary Fund updated its "World Economic Outlook" report, increasing the global economic growth forecast to 3.1% for this year compared to 2.9% in the previous report. The IMF maintained its growth forecast for 2025 at 3.2%, which is below the historical average of 3.8% for the period 2000-2019. The IMF report points out that the global outlook reflects a more balanced balance of risks compared to previous years, as the risk of a wider conflict in the Middle East is counterbalanced by the prospect of lower fuel prices, which would help to reduce the inflation than was initially estimated.

As far as Romania is concerned, in the autumn forecast published in February 2024, the National Strategy and Forecasting Commission estimates for this year an economic growth of 3.4%, given that the unfavorable effects of the current economic and geopolitical context are accentuated at the level European. It is estimated that the gross value added of the industry will increase by 0.8% in 2024, after experiencing decreases of 2.6% in 2023 and 4.6% in 2022. The gradual recovery, starting from 2024, will be sustained investment and external demand.

The risks related to the current economic forecasts remain high in the current geopolitical context regarding the war in Ukraine and the sanctions associated with it. At the same time, the distortions on the supply chains are expected to continue throughout 2024, in the context of the situation recently generated by the Houthis from Yemen in the Red Sea, several important shipping lines have suspended their Suez Canal services, the alternative being much longer and more expensive through the south of the African continent. Also, maintaining for a long period of time high prices for raw materials leads to the risk of reducing the pace of economic growth, diminishing profit margins and eroding purchasing power.

In the medium term, Romania's economy is forecast to return to a potential growth of 3.75%, as consumption recovers and investments will remain solid, also supported by the PNRR. There are still premises for economic growth beyond expectations as a result of strong investments in industry.

Market development risk

In 2023, the global civil air transport industry continued to recover, with IATA forecasting a return to pre-pandemic traffic values in 2024. Europe performed stronger than IATA initially anticipated, despite multiple issues of capacity and market constraints. Given that demand for air transport will continue in 2024, net profit is expected to increase in turn. The key risks to the performance of this industry in Europe are related to the labor market and the wars in Ukraine and the Middle East.

The global civil aviation MRO market is valued at USD 78.5 billion in 2023 and is expected to grow at a CAGR of 5.1% during the forecast period 2024-2034. In terms of civil engine MROs, in 2023 there were approximately 7,700 engine overhauls, and forecasts are for 8,800 in 2024 and 9,000 in 2025, representing approximately 45% of the total MRO market.

As for the military aviation MRO market, it has had different developments from one country to another in the context of the pandemic. This market was estimated at USD 22.9 billion in 2018 and is expected to grow at a CAGR of 2.60% by 2028 to USD 29.6 billion. The military MRO market consists of five segments: Multi-role Aircraft MRO, Transport Aircraft MRO, Multi-mission Helicopter MRO, UAV MRO and Transport Helicopter MRO, and estimates indicate a 10.4% MRO market share for multi-mission helicopters -role.

TBM operates without competition on the domestic MRO market of military helicopter engines.
At the same time, the gradual transition was started for civil MRO addressed to both the domestic and the international market, on which several big players (Safran, MTU, Lufthansa Technik, etc.) and medium-sized companies (Aero Norway, GA Telesis) are active , etc.).

In terms of the manufacturing market for civil and military aviation components, the competition is strong, being influenced by the diversity of players in the market. TURBOMECANICA performs successfully on this market, becoming a supplier for decades for major manufacturers of engines and mechanical assemblies such as Rolls Royce, Leonardo, GE, etc.

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

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

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

IT risk / data control is managed through continuous analysis of the performance of data processing and storage systems. In this sense, according to the investment plan approved for the year 2023, the upgrade of the cluster of servers in the Data Center was carried out, the servers being worn, both physically and morally, out of warranty and no longer having support from the manufacturer, through the purchase of 3 servers and 1 storage to eliminate the risk of production process interruption.

Performed SAP migration from physical servers to virtual machines.

As a result of the repeated entry into the blacklist of the IP of the mail server, email communication being disrupted, the Board of Directors, based on Memo no. 11/15.04.2022, made the decision to acquire a class of public-property IPs TURBOMECANICA, specific equipment for their management and redundancy to internet access by providing a secondary internet connection from another provider.

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

In 2020, the risk related to emergencies was addressed by starting the necessary activities in order to align the TBM with the updated ISU requirements and obtaining the new ISU authorization. With regard to the risk of power outages, TBM has started work on commissioning the second connection to the electricity supplier. This work, which involves the realization of the entire network (routes, transformers...etc...) was offered at a value of approximately 3 million lei. Consequently, TBM will execute this objective in stages to control the impact in the financial statements of this investment

From a financial point of view, the following main risks are identified and monitored:

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

The company's policy is to periodically monitor the balances of receivables, resulting in an insignificant exposure of the company to the risk of uncollectible receivables.

In order to minimize the risk, the company constantly analyzes and monitors customers through specific means of competitive intelligence and has a strict policy regarding the delivery of goods and services to customers and regarding the commercial credit granted to them.

When assessing credit risk, TBM considers both quantitative and qualitative information that is reasonable and acceptable, including historical experience and forward-looking information, available without undue cost or effort.

Price risk

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

The price of raw materials is the most difficult element to forecast among all the Company's costs. TBM has not been involved in hedging operations on the price of raw materials, the manufacture being based on customer orders, which can be for components produced from different raw materials (nickel, steel, aluminum, etc.), but the possibility of using this type of tool is analyzed. financially in the future, if this option becomes viable.

Until now, in TBM the method by which the effect of increasing the price of raw materials was mainly counteracted by the continuous analysis of the customer's requirements in order to quantify the price changes of the supplied materials and the improvements to the technological process, in order to revise the prices agreed.

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

The risk of exchange rate variations did not have a significant impact in 2023, despite a deterioration of the leu / euro exchange rate, as a result of active financial management and situation monitoring. In relation to the US dollar, the leu appreciated at the end of 2023, as a result of the gradual weakening of the US currency on the international financial markets during this period.

The company did not use derivative financial instruments to protect against exchange rate fluctuations.

Inflation risk

In the context of the available data and the regulations in force, the BNR estimates a decrease in inflation from 6.6% in 2023 to 4.7% for the end of 2024, respectively 3.5% for 2025.

According to the National Bank, the recent amplification of geopolitical tensions is the determining factor of the increase in annual inflation dynamics, but it is expected that the slowdown in global economic activity will exert a disinflationary influence.

In an attempt to control inflation, the BNR continued in the January-February 2024 meetings to maintain the monetary policy interest rate at the level of 7% per annum, maintaining the interest rate for the credit facility (Lombard) at 8.00 percent per annum and the interest rate on the deposit facility at 6.00 percent per year, respectively maintaining the current levels of the mandatory minimum reserve rates for liabilities in lei and in foreign currency of credit institutions.

Interest rate risk

The risk generated by the interest rate is the risk of variation in interest costs over time. This risk corresponds to an increase in the costs of financing the company through credit lines, being determined by the ROBOR evolution on the market.

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

3M-12M ROBOR quotes have seen a significant increase in the current decade, but after a peak of 8.2% in October 2022, they have fallen slightly, and during the fourth quarter of 2023 they have shown a tendency to remain constant.

The 3-month ROBOR index, used to calculate variable interest rates for most loans granted in lei, fell at the end of February 2024 to 6.09%. 3-month ROBOR started 2024 at 6.21%, while at the beginning of 2023 it was at 7.56%. 6-month ROBOR stagnated at 6.11%, while 12-month ROBOR stagnated at 6.12%.

INTERNAL RISKS

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

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

Operational risk is the risk of recording losses or not achieving sales and profits as a result of risks from a wide range of causes associated with the Company's processes, personnel, technology and infrastructure, as well as from external factors other than credit, market and liquidity risk , such as those arising from legal and regulatory requirements, as well as from generally accepted standards of organizational behavior.

The main responsibility for the development of controls related to operational risk rests with the Company's management. The responsibility is supported by the development of the company's general standards for operational risk management, taking into account the following:

- segregation of duties requirements
- transaction monitoring and reconciliation requirements
- alignment with regulatory and legal requirements
- documentation of controls and procedures

- requirements for periodic analysis of the operational risk to which the company is exposed and the adequacy of controls and procedures to prevent the identified risks
- operational loss reporting requirements and proposals to remedy the causes that generated them
- development of operational continuity plans
- professional development and training
- establishing ethical standards
- prevention of litigation risk, including insurance where applicable
- risk mitigation, including effective use of insurance where appropriate

FINANCIAL STATEMENT FOR 2023

	2023	2022
Equity	36,944,248	36,944,248
Turnover	131,363,429	139,161,607
Sales Export	19,328,116	18,870,042
% Export sales in turnover	14,71%	13.56%
Average staff	466	457
Gross profit	14,027,400	13,439,082
NET INCOME	11,146,661	12,189,143
Cash and financial assets	18,782,914	17,923,696
General liquidity	1,47	1,84
Investments	14,578,829	2,233,352
% Investments in turnover	11,10%	1,60%

DESCRIPTION OF THE FINANCIAL PROCESS

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

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

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

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

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

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

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

- fixed assets are organized quantitatively - in value;

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

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

SITUATION OF TANGIBLE ASSETS

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

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

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

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

As of December 31, 2023, Turbomecanica owns tangible assets in gross value of 86,418,848 lei, which include: land, buildings, special constructions, installations, technological equipment, means of transport:

TANGIBLE ASSETS	Gross Value (Lei)	Degree of wear (%)	Estimated useful life (years)
Land	27,130,722	0%	
Buildings	13,698,774	12,72%	3- 50 ani
Technical equipment, of which:	45,287,345	44,51%	1–15 ani
- Technological equipment	37,490,338	43.74%	1 -15 ani
- Measurement devices and equip.	5,694,208	54,35 %	1 – 8 ani
- Means of transport	2,102,799	47,87%	1 –10ani
Other tangible assets	302,044	50,66%	1 - 8ani
TOTAL	**86,418,847**		

ANNUAL INVENTORY OF PATRIMONY

Taking into account the provisions of the Accounting Law, the International Financial Reporting Standards, the Norms regarding the organization and performance of the inventory of assets, liabilities and equity, the inventory was carried out in 2023 based on Decisions no. 357/20.10.2023, for the annual inventory of fixed assets and inventory items, raw materials, materials, unfinished production, finished products, waste, packaging, goods and Decision no. 356/20.10.2023, for the annual inventory of assets, suppliers and creditors.

The results of the annual inventory were recorded in the Annual Inventory Minutes of TURBOMECANICA SA, registered under no. 86/31.01.2024.

The availabilities in bank accounts on 31.12.2023 were reconciled with the accounting record documents, and the availabilities in currencies were valued at the NBR exchange rate on that date.

SUMMARY OF FINANCIAL POSITION

	2023	2022
Tangible assets	99,927,813	61,816,980
Current assets	146,017,884	119,606,959
TOTAL ASSETS	**245,945,698**	**181,423,939**
Equity	146,018,653	122,751,280
Liabilities	99,927,045	58,672,659
TOTAL EQUITY AND DEBT	**245,945,698**	**181,423,939**

SUMMARY OF COMPREHENSIVE INCOME	2023	2022
Revenues from contracts with clients	131,363,429	139,161,607
Changes in inventories of finished goods and work in progress	5,989,633	(1,397,289)
Raw materials, consumables and utilities	(49,106,751)	(48,016,004)
Employee benefits and salaries	(55,661,491)	(52,614,460)
Depreciation and amortization expenses	(7,742,702)	(11,154,177)
Other operating expenses	(11,453,507)	(10,744,195)
Other operating income	1,149,640	2,144,011
Financial expenses	(2,619,428)	(3,000,113)
Finance income	1,518,037	824,690
Other gains and losses, net	590,540	(1,764,988)
Profit before taxation	**14,027,400**	**13,439,082**
Income tax	(2,880,739)	(1,249,939)
Profit for the year	**11,146,661**	**12,189,143**
Other comprehensive income for the year, out of which	**20,620,711**	**67,444**
Revaluation of tangible assets, net of tax	*20,602,623*	-
Actuarial gain/ (loss) on defined benefits plan, net of tax	*18,089*	*67,444*
Total comprehensive income	**31,767,372**	**12,256,587**

The results for 2023 are presented in detail in the audited financial statements for the year, prepared in accordance with Minister of Finance no. 2844/2016, with subsequent amendments, is in accordance with the International Financial Reporting Standards (IFRS).

ANNEX - DECLARATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
Section A - Responsibilities of the Managing Board			
A.1 Does the company have internal regulations of the Managing Board that include the terms of reference regarding the Managing Board and the company's management functions?	✓		The company has adopted operating regulations for Managing Board. The responsibilities of the Managing Board, the key functions and the mode of operation are those provided by the articles of association and the legal provisions.
A.2 Provisions for the management of conflicts of interest are included in the CA regulations ?	✓		The company has adopted operating regulations for the Managing Board, which contain provisions on the management of conflicts of interest. The Managing Board will oversee the implementation and compliance with the applicable legal provisions as well as the policies approved at the level of the Board regarding non-competition and conflicts of interest.
A.3 The Managing Board or the Supervisory Board shall be composed of at least five members.	✓		The Managing Board consists of 5 members.
A.4 The majority of the members of the Managing Board must not hold executive office. At least one member of the Managing Board or the Supervisory Board must be independent in the case of Standard Class companies. Each independent member of the Managing Board or the Supervisory Board, as the case may be, shall submit a statement at the time of his nomination for election or re-election, as well as when any change in his status occurs, indicating the elements on the basis of which he is independent in his character and judgment.	✓		The composition of the Managing Board is as follows: Radu Viehmann - President, General Manager Dana Maria Ciorapciu - Non-executive director Radu Ovidiu Sârbu - Independent non-executive director Niculae Havrilet - Independent non-Executive Director Henriette Spinka - Non-Executive Director whose mandate ceased according to the decision of the CA dated 15.06.2023 by death. position left vacant until the next Ordinary General Meeting of Shareholders Of the 5 members of the Managing Board, one is also the executive director - the chairman of the General Manager - and the rest are non-executive. Mr. Radu Ovidiu Sârbu and Mr. Niculae Havrileț declared themselves as independent administrator fulfilling the criteria specified by the CGC of BVB at points A41-A49.

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
A.5 Other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions on the Board of non-profit corporations and institutions, must be disclosed to potential shareholders and investors prior to appointment and during his term of office.	✓		The members of the Managing Board have submitted the declarations related to their relatively permanent professional commitments and obligations.
A.6 Any member of the Managing Board must submit to the Managing Board information on any relationship with a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights. This obligation refers to any report that may affect the member's position on matters decided by the Board.	✓		The members of the Managing Board have submitted the statements related to the relations with the shareholders who directly or indirectly hold more than 5% of all voting rights in addition to the provisions of the articles of association and the applicable legal provisions. refrain from any attitude which might affect the member's position on matters decided by the Council.
A.7 The company must appoint a secretary of the Board responsible for supporting the work of the Board.	✓		The Managing Board confirmed Ms. Claudia Anghel as Secretary of the Board of Directors.
A.8 The annual report shall indicate whether an evaluation of the Board has been carried out under management.		✓	Annually, the Managing Board presents the activity report in the first Ordinary General Meeting of Shareholders. The company is in the process of implementing the evaluation policies of the Managing Board, the activity of the Managing Board being analyzed mainly by the GMS.
A.9 The corporate governance statement must contain information on the number of meetings of the Board and the committees during the last year, the participation of the directors (in person and in absentia) and a report by the Board and the committees on their activities.	✓		During 2023, the Council met 7 times, with all its members present in person. The Audit Committee operates in accordance with the adopted operating regulations.
A.10 The annual report must include information on the exact number of independent members of the Board.	✓		Among the appointed members of the Managing Board, Mr. Radu Ovidiu Sârbu and Mr. Niculae Havrileț stated that they meet the conditions provided by the applicable regulations to be an independent member of the Board.
A.11 The company has a nomination committee of non-executive officers, which will lead the procedure for nominating new members to the Board and make recommendations to the Board.	✓		According to the provisions of the operating regulations of the Managing Board, in case of appointment of a new member of the Managing Board / renewal of the mandates, the Managing Board will set up a nomination committee.
Section B - Risk Management and Internal Control System			

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
B.1 The Managing Board must set up an audit committee in which at least one member must be an independent non-executive director. A majority of the members, including the chairperson, must have demonstrated that they have the appropriate qualifications relevant to the functions and responsibilities of the committee. At least one member of the audit committee must have proven and appropriate auditing or accounting experience.	✓		The Audit Committee is composed of directors with appropriate audit or accounting experience.
B.2 The chairman of the audit committee must be an independent non-executive member.	✓		Mr. Radu Ovidiu Sârbu is an independent director and was appointed chairman of the Audit Committee of the Board.
B.3 Within its responsibilities, the audit committee must carry out an annual evaluation of the internal control system.	✓		The Audit Committee shall carry out its activities in accordance with the rules adopted, including the evaluation of the internal control system.
B.4 The evaluation should consider the effectiveness and comprehensiveness of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Board's audit committee, the promptness and effectiveness with which the management addresses the deficiencies or weaknesses identified as a result of the audit. internal and the presentation of relevant reports to the attention of the Board.	✓		The Audit Committee has been set up and operates in accordance with the rules adopted, including the evaluation of the internal control system and internal control.
B.5 The audit committee must assess the conflicts of interest in relation to the transactions of the company and its subsidiaries with related parties.	✓		The Audit Committee has been set up and operates in accordance with the rules adopted, including the assessment of conflicts of interest in relation to the transactions of the company and its subsidiaries with related parties.
B.6 The audit committee must evaluate the effectiveness of the internal control system and the risk management system.	✓		The Audit Committee has been set up and operates in accordance with the rules adopted, including the analysis of the effectiveness of the internal control system and the risk management system.
B.7 The Audit Committee should monitor the application of generally accepted legal and internal auditing standards. The audit	✓		The Audit Committee has been set up and operates in accordance with the adopted regulations, including the evaluation of the application and compliance with the

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
committee must receive and evaluate the reports of the internal audit team.			generally accepted standards, a function characteristic of the audit committee.
B.8 Whenever the Code mentions reports or analyzes initiated by the Audit Committee, they should be followed by periodic (at least annually) or ad hoc reports to be subsequently submitted to the Board.	✓		The Audit Committee has been set up and operates in accordance with the adopted regulations, including the reporting to the Board of Directors in accordance with the provisions of the Corporate Governance Code of the BVB.
B.9 No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements entered into by the company with shareholders and their affiliates.	✓		The company applies the regulations in force established both by the Articles of Incorporation and by other derived corporate regulations.
B.10 The Board must adopt a policy to ensure that any transaction of the company with any of the closely related companies whose value is equal to or greater than 5% of the company's net assets (according to the latest financial report) is approved. following a binding opinion of the Board's audit committee and correctly disclosed to shareholders and potential investors, insofar as these transactions fall into the category of events subject to reporting requirements.	✓		The Audit Committee has been set up and operates in accordance with the adopted regulations, including the issuance of opinions on the company's transactions with closely related companies, transactions with a value of more than 5% of the company's net assets. The legal provisions for reporting transactions of over 50,000 Euros concluded with persons in close relations with the company are considered sufficient, being covering the criterion of 5% of the company's net assets.
B.11. The internal audit must be performed by a structurally separate division (internal audit department) within the company or by hiring an independent third party entity.	✓		The company has an internal audit structure.
B.12 In order to ensure the performance of the main functions of the internal audit department, it must report functionally to the Board of Directors through the audit committee. For administrative purposes and as part of the management's obligations to monitor and reduce risks, he must report directly to the general manager.	✓		The Internal Audit Division is required to report to the Audit Committee and the Board.
Section C - Fair Reward and Motivation			
C.1 The company must publish the remuneration policy on its website and include in the annual report a statement on the implementation of the remuneration policy during the annual period under review.	✓		The remuneration of the members of the Managing Board is established at the appointment of the members by the GMS, and the related decisions are published both on the Company's website, on the BVB and in the Official Gazette. Also, the Company has a remuneration policy in force and annually publishes the remuneration

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
			reports provided by the applicable legislation.
Section D - Adding value through investor relations			
D.1 The company must organize an Investor Relations service - made known to the general public through the responsible person or as an organizational unit. In addition to the information required by law, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all relevant information of interest to investors, including:	✓		The company has organized the investor relations service coordinated by the Specialized Advisor who manages the investor relations. There is a dedicated section on the company's website: www.turbomecanica.ro which includes various information about investors, structured according to the nature of that information.
D.1.1 The main corporate regulations: the articles of incorporation, the procedures regarding the general meetings of shareholders;	✓		
D.1.2 Professional CVs of members of the company's governing bodies, other professional commitments of members of the Board, including executive and non-executive positions on boards of directors of companies or non-profit institutions;	✓		Currently, there is an updated CV for each member of the Managing Board and the executive management on the company's website.
D.1.3 Current and periodic reports (quarterly, half-yearly and annual) - at least those provided for in point D.8 - including current reports with detailed information on non-compliance with this Code;	✓		
D.1.4 Information on general meetings of shareholders: agenda and information materials; the procedure for electing the members of the Council, including the decisions adopted;	✓		The information required by law is published on the Company's website. The necessary steps are to be implemented according to the Board Regulations regarding the issues related to: the procedure for electing the members of the Board; the arguments in support of the candidates' proposals for election to the Council, together with their professional CVs.
D.1.5 Information about corporate events, such as the payment of dividends and other distributions to shareholders, or other events that lead to the acquisition or limitation of a shareholder's rights, including deadlines and principles applied to such transactions. That information will be published in a timeframe that allows investors to make investment decisions;	✓		All information regarding the payment of dividends is published on the company's website as well as in the current reports.
D.1.6 Name and contact details of a person who will be able to provide relevant information upon request;	✓		
D.1.7 Company presentations (eg, investor presentations, quarterly earnings	✓		The Company publishes all the information required by law, including the reports in the

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
presentations, etc.), financial statements (quarterly, half-yearly, annual), audit reports and annual reports.			dedicated section on the BVB website and on its own website.
D.2 The company will have a policy on the annual distribution of dividends or other benefits to shareholders, proposed by the General Director or the Management Board and adopted by the Board, in the form of a set of guidelines that the company intends to follow regarding the distribution of net profit. The principles of the annual distribution policy to shareholders will be published on the company's website.	✓		The Company has adopted a dividend distribution policy and procedures for each dividend distribution, but due to the fluctuating economic situation and especially the uncertainties related to the defense and / or aeronautical field, it is difficult to establish a long-term policy regarding the annual distribution of dividends. To the extent that net income distributable in the form of a dividend was recorded and to the extent that losses from previous financial years were covered, the company demonstrated consistency and predictability in the allocation of dividends when the company's profit so allowed.
D.3 The company will adopt a policy on forecasts, whether they are made public or not. The forecast policy will set the frequency, the period considered and the content of the forecast. If published, forecasts can only be included in annual, half-yearly or quarterly reports.		✓	The Company could not objectively adopt a policy on forecasts setting out their frequency, duration and content, whether public or not, due to the fluctuating economic situation and especially the uncertainties related to defense and / or aeronautics. The annual reports of the directors and published annually in the revenue and expenditure budget contain the forecasts and estimates of the company's governing bodies in this regard.
D.4 The rules of general meeting of shareholders must not limit the participation of shareholders in general meetings and the exercise of their rights. The changes to the rules will take effect at the earliest, starting with the next shareholders' meeting.	✓		
D.5 The external auditors will be present at the general meeting of shareholders when their reports are presented at these meetings.	✓		
D.6 The Board will present a brief assessment of the internal control and significant risk management systems to the annual general meeting of shareholders, as well as opinions on issues subject to the decision of the general meeting.	✓		According to the BoD regulation, the annual report contains a brief assessment of the internal control and significant risk management systems.
D.7 Any specialist, consultant, expert or financial analyst may attend the shareholders' meeting at the prior invitation of the Board. Accredited journalists may also attend the	✓		

The provisions of the code on CORPORATE GOVERNANCE	YES	NO	Reason for non-compliance / Details
general meeting of shareholders, unless the Chairman of the Board decides otherwise.			
D.8 The quarterly and half-yearly financial reports will include information in both Romanian and English on key factors influencing changes in sales, operating profit, net profit and other relevant financial indicators, both quarterly and from one year to the next.	✓		All financial reports are published in both Romanian and English.
D.9 A company will hold at least two meetings / teleconferences with analysts and investors each year. The information presented on these occasions will be published in the investor relations section of the company's website at the date of the meetings / teleconferences.	✓		The financial calendar provides for the organization of meetings with analysts and investors, especially on the occasion of the publication of the annual financial statements (as material for the OGMS) and the half-yearly financial statements.
D.10 If a company supports various forms of artistic and cultural expression, sports activities, educational or scientific activities and considers that their impact on the innovative nature and competitiveness of the company are part of its development mission and strategy, it will publish the policy on the activity in this area.		✓	The Company could not adopt and publish a policy to support the forms of artistic and cultural expression, sports, educational and scientific activities, due to the fluctuating economic situation and especially the uncertainties related to the field of defense and / or aeronautics. However, the Company develops a constant program of involvement in educational activities by supporting a complete cycle (grades 9-11) of high school dual education with following insitutions : Carol I Technical College, specialization: Lathes; I.C. High School of Technology Bratianu, specializations: Milling-Planer-Mortar and Fine Mechanics Mechanic; Dinicu Golescu Technological High School, specialization: Numerical control machine operator; Henri Coandă Aeronautical Technical College, specialization: Aircraft mechanic Furthermore TBM is involved in research and development activities with the Faculty of Materials Science and Engineering within the Polytechnic University of Bucharest.

INDIVIDUAL FINANCIAL STATEMENTS FOR 2023

Individual statement of financial position

The value of Tangible Fixed Assets increased with the value of the following equipment:

a) OKK VCX350 machining center
b) Modernization of the ecruisation installation
c) CFM oil pump test stand
d) KELLENBERGER grinding machine
e) OERLIKON metallization installation.

The significant increase in the value of tangible assets comes from the revaluation of fixed assets.

At 31.12.2023, following the revaluation carried out by the company NEOCONSULT, an independent evaluator member of ANEVAR, all the land, buildings, and machinery/equipment from TBM's heritage was revalued, and they were reflected in the accounting at fair value.

Details regarding the values of fixed assets reassessed can be found in the Financial Statements.

Depreciation expenses decreased by 3,411,475 lei compared to 31.12.2022, as a result of the complete depreciation of some equipment needed in the production process.

The value of stocks has increased compared to the previous period - a significant impact was also had by the increase in the prices of raw materials and materials for aviation, with which TBM supplies itself, also in 2023, we have also supplied raw materials and materials for the related orders to the client IAR Brasov for the year 2024.

TBM continuously analyzes slow-moving and non-moving stocks, but this year there was an impact on expenses.

Loans and leasing debts reflect the leasing contracts that the company has concluded in order to secure the Investment Plan, and the short-term loans include the amounts related to the working capital, as well as the part related to the leasing contracts on TS

Regarding the commercial receivables, these represent the advances invoiced to the client IAR, Program 1 Helicopter VIP, Program Helicopters L, as well as invoices issued in December 2023, to clients and not yet collected.

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

In accordance with AGEA Decision no. 2/28.04.2022 TBM in TRIM II, purchased state securities (safe investments) worth 5,880,000 lei, they reached maturity in June 2023, the company collecting the nominal value.

In 2023, the company did not purchase such securities.

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

Individual profit and loss statement

Turnover recorded at 31.12.2023 is amounting 131,363,429 RON (including the expected impact of IFRS15) below the budgeted level of 157,023,378 RON

Our business model continuously records a volatility of production, especially regarding the delivery schedule related to the maintenance of engines and mechanical assemblies. Most of the time, these appear as a result of changes requested by clients following operational emergencies, without changing the contracted values. Specifically, in 2023 there were several such requests from our partners, which generated changes in the financial indicators, both in terms of income and expenses.

It is necessary to always have in mind several influencing factors specific to society, which determine the evolution of income and expenses - the maintenance of engines and mechanical assemblies are long-term production processes, the manufacture of aviation products is a small series and also with a cycle long manufacturing time, ad hoc requests from customers, especially regarding the addition of some orders or advance delivery requests.

The variation in stocks of finished products and work in progress increased compared to last year, primarily due to the increase in work in progress.

The financial income has doubled compared to the previous period - through the interest that the company collected from the established deposits, including the interest collected from the securities.

The company improved its policy regarding provisions, the result being their reduction.

In 2023, there was a total increase in the salary fund of 6.08%, which resulted from the decrease in the number of employees and the granting of bonuses or salary increases according to the performance evaluation process.

The expenses with raw materials and materials, as well as services, remained at a value comparable to that of last year.

Other elements of the comprehensive income

The variation on this element being given mainly by the revaluation of tangible assets, net of tax, in the amount of 20,602,623 Leo and by the actuarial gain afferent to the determined benefits plan, in the amount of 18,089 Lei (2022: 67,444 Lei).

Individual statement of changes in equity

Equity on 31.12.2023 increased by 18,95%, compared to the same period last year (2022: 1,78%).

Individual cash flow statement

In 2023, the Company deposited with BRD - Groupe Societe Generale and Banca Transilvania, as deposits, sums worth 18,000,000 lei. This amount is likely to be used to ensure own funds in order to start the development project in the maintenance of civil engines. In 2024, it is desired to continue providing these funds up to the equivalent of 6,000,000 Eur.

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