



## TURBOMECANICA

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Registry Number J40/533/1991

Fiscal Code RO3156315 Unique Registration Number 3156315

Subscribed paid up social capital 36.944.247,50 RON

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**Our Reference: 291 Date:18/07/2017**

**Subject: REPORT OF THE BORD OF DIRECTORS OF TMB FOR JUNE 2017**

**TURBOMECANICA SA** is a Romanian entity having the legal form of open a joint stock Company according to the Constitutive Act and applicable regulations, privately owned, whose shares are listed on the Bucharest Stock Exchange.

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

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

The Company has a long history of start-ups; it has experienced diversification and developments, but also restructures, falls, searches, new beginnings. However, throughout all this time, it has never stopped operating in the aviation and defence industry.

The financial results will be included in the financial statements of the year 2017, prepared in accordance with International Financial Reporting Standards (IFRS). Some of the elements are listed below:

**1. Statement of profit and loss:**

	<u>30 JUNE 2017</u>	<u>30 JUNE 2016</u>
Revenues	40.859.734	26.037.174
Other gains and loss	4.295.990	1.140.375

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Change in inventories of finished goods and work in progress	5.666.888	8.140.010
Raw materials and consumables used	(20.296.600)	(13.783.445)
Employee benefits expense	(15.142.308)	(11.696.880)
Depreciation and amortisation expense	(3.276.120)	(2.820.785)
Finance cost, net	(1.723.690)	1.333.869
Othe operating expenses	(2.428.028)	(3.139.435)
<b>Gross profit/Profit before tax</b>	<b>7.955.867</b>	<b>5.210.882</b>
Income tax expense/ benefit	1.130.791	1.075.568
<b>Net profit</b>	<b>6.825.076</b>	<b>4.135.314</b>

The Company recorded operating revenues in amount of Lei 46.536.048 and operating expenses in amount of Lei 39.100.125.

The largest share of this revenue was made through specific activities related to the production profile of the Company.

If we analyze the evolution of operating revenues we notice an increase compared to the same period of the previous year (30.06.2016) by 36,16 %, the Company recorded net profit in amount of Lei 6.825.076, at the end second Quarter.

## 2. Statement of financial position:

	<b>30 JUNE 2017</b>	
<b>Assets</b>		
<b>Fixed assets</b>		
Property, plant and equipment, net	57.096.569	
Intangible assets, net	7.792.798	
Other assets	1.000	
<b>Total fixed assets</b>	<b>64.890.368</b>	
<b>Current assets</b>		
Inventory	35.551.343	
Trade receivables	4.017.086	
Other receivables and prepayments	1.526.933	
Cash and bank balances	424.440	
Non current assets classified as held for sale	7.048.889	
<b>Total current assets</b>	<b>48.568.690</b>	
<b>Total assets</b>	<b>113.459.058</b>	
<b>Shareholder equity and liabilities</b>		
<b>Shareholder equity</b>		
Share Capital		1.024.571.055
Reserves		80.460.915
Retained earnings		(1.055.824.702)
Own shares		-
<b>Total shareholder equity</b>		<b>49.207.267</b>
<b>Long term liabilities</b>		
Borrowings LT	3.186.319	
Deferred tax liabilities	3.698.929	
Provisions LT	1.253.904	
Other liabilities LT	1.022.968	
<b>Total liabilities TL</b>	<b>9.162.120</b>	
<b>Current liabilities</b>		
Short term loans	6.817.084	
Borrowings ST	41.644.270	

Income tax expense/benefit	590.373
Provisions ST	882.178
Defferend income	209.721
Other liabilities ST	4.946.044
<b>Total current liabilities</b>	<b>55.089.669</b>
<b>Total liabilities</b>	<b>64.251.789</b>
<b>Total shareholder equity and liabilities</b>	<b>113.459.058</b>

The share capital of the Company is in amount of Lei 49.207.267.

The accounting activity was conducted in accordance with the OMFP no. 2844/2016 for the approval of accounting regulations, in accordance with the International Financial Reporting Standards and in accordance with the Accounting Law no. 82/1991 with all its subsequent amendments.

All documents regarding economic and financial operations have been recorded correctly every day.

Economic and financial operations have been recorded based on financial documents. All accounting information has been posted in the correct accounting statement (assets, liabilities and equity) and corresponds to the real situation of the Companies patrimony.

The debt towards the State Budget has been correctly registered, paid and reflected in the balance sheet.

We state that the Financial Statements at 30 JUNE 2017 are unaudited financial.

**PRESIDENT OF THE BOARD OF DIRECTORS**

**RADU VIEHMANN**

**STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2017**

	<b>30 JUNE 2017</b>	<b>31 DECEMBER 2016</b>
<b>Assets</b>		
<b>Fixed assets</b>		
Property, plant and equipment, net	57.096.569	58.036.177
Intangible assets, net	7.792.798	8.777.087
Other assets	1.000	604.960
<b>Total fixed assets</b>	<b>64.890.368</b>	<b>67.418.225</b>
<b>Current assets</b>		
Inventory	35.551.343	25.039.278
Trade receivables	4.017.086	2.684.621
Other receivables and prepayments	1.526.933	3.048.543
Cash and bank balances	424.440	11.501.493
Non current assets classified as held for sale	7.048.889	7.048.889
<b>Total current assets</b>	<b>48.568.690</b>	<b>49.322.823</b>
<b>Total assets</b>	<b>113.459.058</b>	<b>116.741.048</b>
<b>Shareholder equity and liabilities</b>		
<b>Shareholder equity</b>		
Share Capital	1.024.571.055	1.024.571.055
Reserves	80.460.915	80.520.812
Retained earnings	(1.055.824.702)	(1.058.231.12)
Own shares	-	(562.427)
<b>Total shareholder equity</b>	<b>49.207.267</b>	<b>46.298.318</b>
<b>Long term liabilities</b>		
Borrowings LT	3.186.319	3.186.319
Deferred tax liabilities	3.698.929	3.698.929
Provisions LT	1.253.904	1.382.087

Other liabilities LT	1.022.968	1.022.968
<b>Total liabilities TL</b>	<b>9.162.120</b>	<b>9.290.302</b>
<b>Current liabilities</b>		
Short term loans	6.817.084	7.007.591
Borrowings ST	41.644.270	41.406.464
Income tax expense/benefit	590.373	1.252.348
Provisions ST	882.178	2.856.881
Defferend income	209.721	160.063
Other liabilities ST	4.946.044	8.469.080
<b>Total current liabilities</b>	<b>55.089.669</b>	<b>61.152.428</b>
<b>Total liabilities</b>	<b>64.251.789</b>	<b>70.442.730</b>
<b>Total shareholder equity and liabilities</b>	<b>113.459.058</b>	<b>116.741.048</b>

**GENERAL DIRECTOR,  
RADU VIEHMANN**

**FINANCIAL & COMMERCIAL DIRECTOR,  
CLAUDIA ANGHEL**

**STATEMENT OF PROFIT AND LOSS  
AT 30 JUNE 2017**

	<b>30 JUNE 2017</b>	<b>30 JUNE 2016</b>
Revenues	40.859.734	26.037.174
Other gains and loss	4.295.990	1.140.375
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Depreciation and amortisation expense	(3.276.120)	(2.820.785)
Finance cost, net	(1.723.690)	1.333.869
Othe operating expenses	(2.428.028)	(3.139.435)
<b>Gross profit/Profit before tax</b>	<b>7.955.867</b>	<b>5.210.882</b>
Income tax expense/ benefit	1.130.791	1.075.568
<b>Net profit</b>	<b>6.825.076</b>	<b>4.135.314</b>

**GENERAL DIRECTOR,  
RADU VIEHMANN**

**FINANCIAL & COMMERCIAL DIRECTOR,  
CLAUDIA ANGHEL**

## STATEMENT ON CHANGES IN OWN CAPITAL

Elements of equity capital		Balance on 1st of January 2017	Growth		Decrease		Balance on 30th of June 2017
			Total, of which	through transfer	total, of which	through transfer	
A		1	2	3	4	5	6
Subscribed capital		36.944.248					36.944.248
Adjustments of registered capital		987.626.807					987.626.807
Patrimonial assets							
Share premiums							
Revaluation reserve		33.771.624			59.897		33.711.726
Legal reserves		15.458.440					15.458.440
Statutory or contractual capital reserves							
Reserves representing revaluation reserves surplus		28.716.618	59.897				28.776.515
Other reserves		31.290.748					31.290.748
Own shares		562.427			562.427		0
Income related to own capital instruments							0
Loss related to own capital instruments		0	599.408				599.408
Profit/loss carried forward	Balance C	875.919					875.919
	Balance D						
Retained earnings due to the adoption of IAS 29 for the first time	Balance C						
	Balance D	1.008.346.916					1.008.346.916
Elements of equity capital		Balance on 1st of January 2017	Growth		Decrease		Balance on 30th of June 2017
			Total, of which	through transfer	Total, of which	through transfer	
Retained earnings due to the adoption of IAS for the first time, except for IAS 29	Balance C						
	Balance D						
Retained earnings due to	Balance C						0

the correction of accounting errors	Balance D	1.086.601					1.086.601
Retained earnings resulting from the adoption of Accounting Regulations according to the Fourth Directive of European Economic Community	Balance C	258.730					258.730
	Balance D						0
Profit or loss for the period	Balance C						0
	Balance D	77.973.837			2.270.894		75.702.942
Profit appropriation		675.036			675.036		0
<b>TOTAL OWN CAPITAL</b>		<b>46.298.318</b>	<b>659.305</b>	<b>0</b>	<b>3.568.254</b>	<b>0</b>	<b>49.207.267</b>

The legal reserves are established according to the Law 31/1991 with subsequent amendments and completions and registered in accountancy according to the OG No. 64/2001 and OMFP No. 128/2005. These reserves have not been used.

Within "Other reserves" there are recorded the sums appropriated from the net profit as own finance sources. These reserves have not been used

On 30th of June 2017 the legal reserve was 15.458.440 lei. The legal reserve is established according to Romanian Law as a transfer from the net income. The transfer can represent a maximum of 5% from gross profit to 20% of the registered capital.

**GENERAL DIRECTOR  
RADU VIEHMANN**

**FINANCIAL & COMMERCIAL DIRECTOR  
CLAUDIA ANGHEL**

**Our Reference 300 Date:19.07.2017**

**CASH FLOW STATEMENT**

	<b>EXPLANATIONS</b>	<b>NO. In.</b>	<b>Correlation with forms from the fin. St.</b>	<b>Executed 30/06/2016</b>	<b>Executed 30/06/2017</b>
+	Rate of turnover	01	F20 ln. 01 col2	26.028.150	40.859.734
+	Stocked manufacture (+;-)	02	F20 ln. 05 or 06 col2	8.140.010	5.666.888
+	Fixed manufacture	03	F20 ln. 07 col2	0	0
+	Operating grant	04	F20 ln. 04 col2	0	0
+	Other activity revenues from exploitation and provisions	05	F20 ln. 16 col2	9.023	9.426
=	Total from activity revenue	06	F20 ln. 09 col2	34.177.183	46.536.048
+	Expenses related to raw materials, supplies and goods.	07	F20 ln. (10+11+13) col.2	12.915.973	19.342.270
+	Energy, fuels, etc.	08	F20 ln. 12 col2	867.473	954.329
+	Personnel expenses	09	F20 ln. 14 col2	11.696.880	15.142.308
+	Expenses related to external labour conscriptions	10	F20 ln. 24 col2	2.283.740	2.020.800
+	Expenses with other taxes, fees and similar payments	11	F20 ln. 25 col2	174.793	181.605
+	Damping and provisions for the depreciation of fixed assets	12	F20 from ln. 17 col. 2	2.205.120	1.184.644
+	Other exploitation expenses (reimbursements, transferred assets, etc.)	13	F20 ln.20+26 col. 2	752.204	274.169
	<b>EXPLANATIONS</b>	<b>NO. In.</b>	<b>Correlation with forms from the fin. St.</b>	<b>Executed 30/06/2016</b>	<b>Executed 30/06/2017</b>
=	Total exploitation expenses	14	F20 from ln. 30 col. 2	30.896.182	39.100.125
	Exploitation results (+/-)	15	F20 ln.31 or 32 col 2	3.218.001	7.435.923
+	Financial revenues	16	F20 ln.40 col.2	4.679.226	2.870.950

-	Financial expenses	17	F20 ln.47 col.2	2.749.346	2.351.006
=	Financial result (+/-)	18	F20 ln.48 or 49 col 2	1.929.881	519.945
+	Extraordinary income	19	F20 ln.52 col.2		
-	Extraordinary expenses	20	F20 ln.53 col.2		
=	Exceptional result (+/-)	21	F20 ln.54 or 55 col 2		
	Gross result (+/-)	22	F20 ln.58 or 59 col 2	5.210.882	7.955.867
	Deferred tax	23	F20 ln.60 col.2		
	Net result (+/-)	24	F20 ln.65 or 66 col 2	5.210.882	7.955.867
	<b>CASH FLOW</b>	25			
+	Profit or loss (+/-)\	26	F20 ln.65 or 66 col 2	5.210.882	7.955.867
+	Damping included in cost	27	F20 ln. 17 col 2	2.820.785	3.287.530
-	Stock variation (+/-)	28	F10 ln. 25(s2-s1)	-3.199.732	10.512.065
-	Receivables variation (+/-)	29	F10 ln. 31 (s2-s1)	2.075.540	-134.981
+	Variation of providers and creditors (+/-)	30	F10 ln.(41+42)(s2-s1)	-1.768.811	-457.735
=	<b>Cash flow from exploitation ( A )</b>	<b>33</b>		<b>9.778.287</b>	<b>-13.605.015</b>
+	Income from selling assets and fixed assets	34		190.441	4.554
-	Purchase of tangible assets	35	Turnover D CT 231+232+233	4.243.256	1.611.007
-	Expenses for tangible and intangible assets	36	F20 ln. 07 col2	0	0
=	<b>Cash Flow from investments activity ( B )</b>	<b>37</b>		<b>-4.052.816</b>	<b>-1.606.453</b>
+	Loans variation (+/-), of wich :	38	F10 ln. 39+40 (s2-s1)	-5.751.988	255.311
	<b>EXPLANATIONS</b>	<b>NO.</b>	<b>Correlation with</b>	<b>Executed</b>	<b>Executed</b>
+	recievable short-term credits	39	<b>forms from the fin. St.</b>	<b>30/06/2016</b>	<b>30/06/2017</b>
-	refunds of short-term credits	40			
+	receivable medium and long-term credits	41			

-	refunds of medium and long-term credits	42			
+	Investment grants	43	F10 ln.63 col.2		
+	Payable dividends	44			
=	<b>Cash flow from financial activity (C)</b>	<b>45</b>		<b>-5.751.988</b>	<b>255.311</b>
	Cash reserves at the beginning of the period	46	F10 ln. 36 col. 1	173.588	147.071
	<b>Net cash flow (A+B+C)</b>	<b>47</b>		<b>-26.517</b>	<b>277.411</b>
	<b>Cash reserves by the end of period</b>	<b>48</b>	F10 ln. 365 col. 2	<b>147.071</b>	<b>424.482</b>

**GENERAL DIRECTOR  
RADU VIEHMANN**

**FINANCIAL & COMMERCIAL DIRECTOR  
CLAUDIA ANGHEL**

**EXPLANATORY NOTES**  
**30 JUNE 2017**

**1. FIXED ASSETS STATEMENT**

Gross values						
Asset elements	No.	Initial balance	Accrual	Degression		Final balance (col 5=1+2-3)
				total	of which: dismantling and rescission	
A	B	1	2	3	4	5
<b>Intangible assets</b>						
Development expenses	01				<b>X</b>	
Other non-current assets	02	18.453.125	422.696		<b>X</b>	18.875.821
Intangible assets in progress	03	237.257		237.257	<b>X</b>	0
<b>TOTAL (ln. 01 to 03)</b>	<b>04</b>	<b>18.690.382</b>	<b>422.696</b>	<b>237.257</b>	<b>X</b>	<b>18.875.821</b>
<b>Tangible assets</b>						
Lands	05	21.296.400			<b>X</b>	21.296.400
Buildings	06	14.044.055	64.001			14.108.056
Technical equipment and machinery	07	30.116.968	940.615	6.749	6.749	31.050.834
Other equipment, installations and furniture	08	136.036	25.659			161.694
Investment securities	09					
Intangible assets in progress	10	109.683	1.178.194	1.030.273		257.604
Investitii imobiliare in curs de executie	11					0
<b>TOTAL (ln. 05 to 09)</b>	<b>12</b>	<b>65.703.142</b>	<b>2.208.468</b>	<b>1.037.022</b>	<b>6.749</b>	<b>66.874.588</b>
<b>Biological assets</b>	13				<b>X</b>	
<b>Financial assets</b>	14	1.000			<b>X</b>	1.000
<b>FIXED ASSETS-TOTAL</b>	<b>15</b>	<b>84.394.524</b>	<b>2.631.164</b>	<b>1.274.279</b>	<b>6.749</b>	<b>85.751.409</b>

**1.1 FIXED ASSETS AMORTIZATION STATEMENT**

Asset elements	No.	Initial balance	Amortization during the year	Ammortization of derecognized assets	Amortization by the end of the year (col.9=6+7-8)
A	B	6	7	8	9
<b>Intangible assets</b>					
Development expenses	16				

Other non-current assets	17	9.913.294	1.169.729		11.083.023
<b>TOTAL (rd. 16 la 17)</b>	18	<b>9.913.294</b>	<b>1.169.729</b>		<b>11.083.023</b>
<b>Tangible assets</b>					
Lands	19				
Buildings	20	813.495	276.120		1.089.615
Technical equipment and machinery	21	6.816.596	1.825.667		8.642.263
Other equipment, installations and furniture	22	36.874	9.267		46.140
Investment securities	23				
<b>TOTAL (rd. 19 la 23)</b>	24	<b>7.666.965</b>	<b>2.111.054</b>		<b>9.778.019</b>
<b>Biological assets</b>	25				
<b>AMORTIZATIONS</b>	-				
<b>TOTAL</b>	26	<b>17.580.259</b>	<b>3.280.783</b>		<b>20.861.042</b>

## 1.2 ADJUSTMENT FOR DEPRECIATION STATEMENT

Asset elements	No.	Initial balance	Provisions set during the year	Provisions	Final balance (col.13 = 10+11-12)
A	B	10	11	12	13
<b>Intangible assets</b>					
Building and development expenses	22	0	0	0	-
Other non-current assets	23	0	0	0	-
Advancements and intangible assets in progress	24	0	0	0	-
<b>TOTAL</b>	25	0	0	0	-
<b>Tangible assets</b>					
Lands	26	3.501.595	0	0	3.501.595
Buildings	27	0	0	0	0
Technical equipment and machinery	28	0	0	0	0
Other equipment, installations and furniture	29	0	0	0	0
<b>TOTAL</b>	30	3.501.595	0	0	3.501.595
<b>Financial assets</b>	31	0	0	0	0
<b>PROVISIONS FOR DEPRECIATION-TOTAL (ln.25+31+32)</b>	33	<b>3.501.595</b>	<b>0</b>	<b>0</b>	<b>3.501.595</b>

The assets record is kept considering their net value.

All purchased fixed assets are recorded within the debit account 231 "TANGIBLE ASSETS IN PROGRESS". They are amortized during the month after their purchase.

## 2. PROVISIONS FOR RISKS AND EXPENSES

<b>Title of the provision</b>	<b>Balance on 1<sup>st</sup> ianuarie 2017</b>	<b>Growth</b>	<b>Decrease</b>	<b>Balance on 30th of June 2017</b>
0	1	2	3	4=1+2-3
Adjustment for customer receivables impairment	97.386	86.556	75.145	108.797
Adjustment for debtors receivables impairment	0			0
Adjustment for raw materials stocks impairment	10.200.823			10.200.823
Adjustment for supplies stocks impairment	155.912			155.912
Impairment of stocks in progress	712.022			712.022
Adjustment of materials and stocks at other partners	0			0
Adjustment for packaging material impairment	19.419			19.419
Adjustment for manufactured items impairment	951.683			951.683
Impairment of residual products	22.922			22.922
Provisions for restructuring costs	450.992		16.215	434.777
Provisions for retirement and similar obligations	1.382.087		128.183	1.253.904
Provisions for employees' obligations	2.405.889		1.958.488	447.401
<b>TOTAL</b>	<b>16.399.136</b>	<b>86.556</b>	<b>2.178.031</b>	<b>14.307.661</b>

The company has established provisions for debts towards employees as a result of retirements and annual leave provided by Collective Labor Agreement(CCM).

The fair value of the debts regarding with the retirement of the personnel where calculated from an independent valuer. To the value a coefficient of 30% was applied, represented expenses with social security

### 3. TAX PROFIT

The calculation of fiscal loss is according with methodological Norms of application of Law 227/2015 (with all subsequent amendments).

The gross profit or loss is defined according to the form "Profit and loss account" and we apply the stipulations of Law No. 227/2015 (with all subsequent amendments). All sums are expressed in LEI.

Gross profit 7.415.449

To establish the tax profit, the expenses that have overpassed the admitted deductibility limit are added to the non-deductible expenses, according from the Law 227/2015

Non taxable income	2.178.581
Non-deductible expenses	4.630.784
Deductions (tax amortization)	1.912.133
Elements similar to income (revaluation account 105 surplus)	40.430

The non taxable income results from the reverse provisions for restructuring.

The non deductible expenses are mostly represented by amortization the fixed assets revalueate.

The similar elements income are constituted from the revaluation surplus reserve, taxed by the exit of the asset (cf. Ord 34/2009).

**TAX PROFIT: 7.995.949**

#### 4. REVIEW OF EXPLOITATION RESULTS

No.	Indicator	Period	Period
		30.06.2016	30.06.2017
1.	Net turnover	26.028.150	40.859.734
2.	The costs of goods and services provided	14.155.388	24.734.345
3.	Expenses of the basic activities	6.623.715	15.696.608
4.	Expenses of auxiliary activity	1.252.891	1.846.974
5.	Indirect manufacture expenses	6.278.782	7.190.763
6.	Gross result related to net turnover (1-2)	11.872.762	16.125.389
7.	Retail expenses	520.126	582.422
8.	General administration expenses	8.080.658	8.116.470
9.	Other exploitation expenses	9.023	9.426
10.	Exploitation results (6-7-8+9)	3.281.001	7.435.923

#### 5. STATEMENT OF RECEIVABLES AND DEBTS

Receivables	Balance on	Liquidity term	
	30th of June (col.2+3)	under 1 year	over 1 year
0	1	2	3
<b>Total, of which:</b>	<b>5.492.390</b>	<b>5.492.390</b>	
Suppliers debtors-debtors	1.192.026	1.192.026	

Customers	4.017.086	4.017.086	
Personnel and social security receivables	35.367	35.367	
VAT under settlement	1.725	1.725	
Other receivables regarding state and public institutions receivables	1.921	1.921	
Debtors	255.096	255.096	
Provision for customer receivables impairment	10.830	10.830	

Debts	Balance on 30th of June	Chargeability term		
	(col.2+3+4)	under 1 year	1-5 years	over 5 years
0	1	2	3	4
<b>Total, of which:</b>	<b>61.916.649</b>	<b>54.007.652</b>	<b>7.908.997</b>	<b>0</b>
Short term bank loans	35.904.538	35.904.538		
Long term loans	4.046.049	859.731	3.186.318	
Suppliers	6.434.097	6.434.097		
Creditors	22.845	22.845		
Expenses regarding with personnel and social security	3.920.023	3.211.710	708.313	
Tax for non-residents	0	0		
Tax of interest revenues	882.995	816.294	66.701	
VAT to pay	1.371.709	1.122.973	248.736	
Other debts regarding state and public institutions	3.698.929		3.698.929	
Deferred tax	755.463	755.463		
Other debts	4.880.000	4.880.000	0	
Other creditors	218.891	218.891		

Bank loans	Balance on 30th of June
	2017
BRD – GSG	26.931.480
Bank Transilvania	9.832.789
Short term loans from Shareholders	4.880.000

<b>Short term loans from Shareholders</b>	<b>41.644.269</b>
Loans from Shareholders	
BRD – GSG	0
Bank Transilvania	3.186.318
<b>Long term loans</b>	<b>3.186.318</b>
<b>Total</b>	<b>44.830.587</b>

## **6. PRINCIPLES, POLICIES AND ACCOUNTING METHODS**

### **General provisions**

The financial statements are set up according to the O.M.F.P. 2844/2016 (IFRS), to the Law of Accountancy No. 82/1991, amended and completed through the Law No. 259/2007.

The financial statements have been set according to the historic cost and presented in lei.

The costs of indebtedness and the expenses related to maintenance of a state of functioning at projected parameters of fixed assets, do not capitalize.

### **The grounds for setting up financial statements**

These are individual financial statements of TURBOMECANICA S.A. Company. These financial statements are the responsibility of the Company's management and are set up according to the accountancy norms of Romania, that is the Accountancy Law No. 82/1991, republished, the Order of the Ministry of Public Finance 2844/2016 (IFRS)

### **The use of estimations**

The setting up of financial statements according to accountancy norms of Romania require management to make some estimations and presumption that affect the value of assets and debts, and the description of assets and potential debts on the date of setting up the financial statements, as well as the value of income and expenses related to the accounting period. The actual results may be different from these estimations. These estimations are periodically reviewed and, if the need arises for adjustments, the latter are recorded in profit and loss account within the period they become known. Even if these estimations are somehow imprecise, the cumulated effect of the imprecision on financial statements is considered to be insignificant.

### **The operating continuity**

These unconsolidated financial statements have been set up based on the principle of operating continuity, which states that the Company would continue its normal functioning in a predictable future, without confronting the impossibility to continue its operation or to significantly reduce its activity

## **Tangible assets**

The tangible and intangible assets are recorded in accountancy according to the Accountancy Law 82/1991, with subsequent amendments and completions.

Following the revaluation applied in compliance with HG 1553/18.12.2003, O.M.F.P. 2844/2016 tangible and intangible assets are registered at their net value.

The last revaluation unfolded according to the International Standards for Evaluation and Regulation of International Standards of Financial Reporting, by an independent evaluator, authorized S.C. NEOCONSULT VALUATION S.A., based on the agreement No. 3402 from 14.11.2014

The ledgers containing records on fixed assets are regularly updated both on net value, as well as on the historical costs (prior to revaluation). The historical costs prior to the year 2000 may be found only on paper. From 2000 the data on fixed assets from the patrimony may be found in the application "TURBOINF", in the FOX system until the 1st of January 2009, when the data were transferred to an integrated IT platform SAP.

As intangible assets, the accountancy only registers licenses and IT programs purchased from external providers.

Within the profit and loss account, the amortization of intangible assets is included at "Amortizations and provisions for tangible and intangible assets impairment" and "Expenses" respectively.

The amortization related to the fixed assets revaluated in December 2009, 2012 and December 2014 is mentioned within the "non-deductible expenses" according to the methodological Norms for application of Law NO. 227/2015 and OUG 34/2009

Tangible and intangible assets are subject to amortization in compliance with Law 15/1994. The amortization method is the linear one.

The classification of fixed assets and their normal terms of functioning are established by the committee for the reception and commissioning of fixed assets according to H.G. 2139/2004 for the approval of the Catalogue for the classification and normal functioning terms of fixed assets.

The expenses that occur once the fixed asset is commissioned, such as repair and maintenance and administrative costs, are registered within the profit and loss account for the period of their occurrence. If it's possible to demonstrate that these expenses resulted in a future growth of economic benefits expected to be obtained through the use of an element of fixed asset over the performance standards initially evaluated, the expense is capitalized as additional cost.

The tangible and intangible assets are subject to amortization in conformity with the Law 15/1994. The amortization method is the linear one, based on the estimated useful lifespan, from the moment of the commissioning, so as the cost shall decrease to the residual value estimated during the considered functional period.

Within the profit and loss account, the amortization of intangible assets is included at "Amortizations and provisions for tangible and intangible assets impairment" and "Expenses" respectively. The amortization related to the fixed assets integrally amortized and revaluated in December 2006, 2009, 2012, 2014 is mentioned within the "non-deductible expenses" according to the methodological Norms for application of the Law NO. 227/2015

The main lifespans used with different categories of tangible assets are:

	Years
Buildings	10 - 50
Plants and machinery	3 - 15
Other equipment and furniture	3 - 15

The tangible assets that are scrapped or sold are cancelled from the balance together with corresponding cumulative amortization. Any profit or loss resulted from such an operation is included in the current profit and loss account.

According to the provisions of HG 2139/2004 related to the approval of the Catalogue for classification and normal durations of fixed assets' functioning, the Company has chosen to apply the minimal duration of fixed assets' functioning.

Any growth resulted from the revaluation of tangible assets is included in own capitals under reserves from revaluation, with the exception of those cases when such a growth compensates a decrease from the revaluation of the same asset, priory registered within the profit and loss account, in which case the growth is registered in the profit and loss account at the level of the previous decrease. A decrease of accounting value of the lands and buildings is registered in the profit and loss account as long as it exceeds the value, if it is the case, of the revaluation reserve, related to the previous revaluation of the relative asset.

Amortization of tangible assets is registered in the profit and loss account. In case of subsequent selling or scrapping the revaluated tangible assets, the surplus from the revaluation left within the revaluation reserve is transferred directly to the retained result. There won't be made any transfer from the revaluation reserve to the retained result, except for the case of derecognized asset. However, a part of the surplus may be transferred as long as the asset is used by the entity. In this case, the value of transferred surplus shall represent the difference between the amortization calculated based on revaluated accounting value and the value of amortization calculated based on the initial cost of the asset.

### **Intangible assets**

An intangible asset must be recognized if, and only if, it is estimated that the future economic benefits attributable to the asset shall be obtained by the Company and the cost of the asset may be precisely evaluated.

The costs related to the purchase of software are capitalized and amortized based on the linear method. If the asset is retained as necessary, the accounting value of each intangible asset is annually reviewed and adjusted for the decrease of its value.

### **Inventories**

The record keeping of materials is organized based on quantities and values, grouped by manufacturing technology administrations, depending on the product for which they are designated within the manufacturing technology.

By their entrance in the patrimony, the inventories (raw material, material, goods) are registered by their purchase prices. For imported materials, the acquisition price includes only expenses mentioned in Import Customs Declarations. For the materials purchased within the EU, the acquisition price includes the expenses recorded on the provider's invoice (or in an equivalent document) as well as expenses for transportation recorded in invoices issued by the transporter. The expenses related to the manipulation, deposit, etc. are registered in the account 308.1 "Differences in prices and materials" and is distributed upon materials consumed in the following period.

The record keeping of materials from own production is made by the planned cost. The cost does not include administrative and distribution expenses. The differences between actual and planned costs is registered in account 308.2 "Price differences of unfinished goods" and 308.3 "Price difference of materials and inventories from own production" and are distributed upon materials of own production consumed in the following period.

The record keeping of manufacture in progress is made by the actual production costs. To distribute the expenses to the orders method is being used. The indirect manufacture expenses are summarized monthly and distributed upon the expenses related to direct workmanship, including related expenses registered within that month.

For inventories of finished goods, the cost does not include administration and distribution costs. The finished goods are registered by the ante calculation cost. The differences between the actual cost and the ante calculation cost one by the closure of the order is registered in account 348 "Price differences of finished goods" and are set off simultaneously with the finished goods.

By the exit of the inventories from administration, there has been used the method of "Weighted Average Cost" which supposes the calculation of costs of each element based on weighted average costs of similar elements from within inventory at the beginning of the period and costs of similar elements manufactured or purchased during the period. The average cost is calculated at the exit of inventories.

### **Receivables and debts**

The record keeping of customers and providers, of other receivables and bonds is organized by categories, as well as by each legal entity or natural persons.

The commercial receivables are recorded by their nominal value.

The debts registered within the accountancy are current debts and are recorded by their nominal value.

### **The IT system**

From the IT point of view, the accounting system is registered within the IT System SAP.

### **Availabilities and availability equivalents**

To prepare the cash flow statements, the availabilities and availability equivalents include: cash at cash-desks, bank cash available any time, financial instruments in cash, without overdraft.

The treasury and treasury equivalents include liquidity assets and other equivalent values that include cash at cash-desks, current bank accounts and visible short-term bank deposits, with a three months maturity.

### **Revenues and expenses**

The revenues have been evaluated and registered at the just value of the received means of payment. The company has not performed transactions that might provide commercial decrease.

There have been registered as revenues only transactions that have generated benefits to the company. Because the delivered products have different manufacture cycles for more than a month, the related expenses have been registered for the whole period related to the manufacture cycle and recognized simultaneously with the delivery of the products, and the registration of the revenues respectively.

The revenues are registered based on the "issued invoices" subsequently to the delivery of the products according to the "delivery notes". In special situations, if the client requires the deposit of the products within the plant until their delivery at a later reciprocally convenient date, a "minutes of custody" is being prepared, in which the customer recognizes that the property rights have been transferred to him.

The revenue registered in advance represent the consideration of transactions evaluated by the just value of the means of payment provided in the agreement, but for which the property rights have not been transferred through the transfer of goods in customer's property.

The record keeping of revenues and expenses is organized by types and nature of revenues and expenses.

The record keeping of expenses by destination is organized in administration accountancy.

### **Exchange rate differences**

The differences in exchange rate are registered in the profit and loss account and are considered revenues or expenses of the period. Exchange rate differences are calculated according to BNR rate for debts, receivables, liquidity, and by the rate recorded in Customs Declarations for goods.

In 2017 on 30th of June the following differences of exchange rates have been registered:

at revenues (account 765)	2.870.154
at expenses (account 665)	752.196

### **Profit tax**

The tax is calculated according to the Romanian Law and is based on the results retained in financial statements prepared by the Company, prepared in compliance with the Order of the Ministry Public Finances 2844/2016 (IFRS) after the corresponding deductions.

The current profit tax is calculated as a percentage applied to the obtained profit, according to Romanian Law, adjusted for some positions in compliance with fiscal legislation, at a 16% rate for 2017. The loss registered in previous years may be covered in following periods.

### **Value Added Tax**

The Value Added Tax (VAT) related to the sales must be paid to fiscal authorities to the 25th of the next month based on a declaration on VAT, regardless the collection of receivables from the clients. When the VAT related to the purchase is larger than the VAT related to sales, the difference shall be retrieved, on a request basis, from fiscal authorities and is object to a prior verification executed by these authorities. The VAT related to sales of purchase transactions unfinished by the date of balance, must be recognized on gross basis and presented separately as current asset or current liability. In case of depreciation adjustments for irrecoverable receivables they are registered as related expenses, including VAT. The VAT collected is maintained in accountancy until the elimination of receivable for fiscal reasons.

### Foreign currency transactions

The transactions expressed in foreign currency are registered in accountancy at the exchange rate on the date of the transaction. The cash assets and liabilities expressed in foreign currency shall be converted in lei by the exchange rate from the date of accounting balance. The exchange rate on 30th of June 2017 has been of 3,9915 for 1 USD and 4,5539 for 1 Euro.

All the resulted differences on the discount and conversion of the sums in foreign currency are recognized with the profit and loss account for the year in which they have been executed. The loss realized and non-realized are registered as expenses, including those related to loans, and the profits from currency exchange or cash deposits are included in the profit and loss account for that year.

### Subsequent events

There has not been registered any subsequent event.

## 7. SHARES AND BONDS

Nr. crt		U.M.	30.06.2016	30.06.2017
1.	Share capital subscribed	lei	36.944.248	36.944.248
	The effects of inflation on share capital	lei	987.626.807	987.626.807
2.	Issued shares (by types)			
	number		369.442.475	369.442.480
	total value	lei	1.024.571.055	1.024.571.055
3.	Redeemable shares	number	36.944.240,5	
	the closest date or the deadline for ransom		18.06.2017	
	mandatory or non-mandatory nature of ransom		-	-
	the value of an eventual ransom premium	lei	-	-
4.	Shares issued during the period		-	-
	type of shares		-	-
	number of issued shares		-	-
	total nominal value and the value collected at appropriation	lei	-	-
	legal appropriation rights		-	-
	number, description and value of corresponding shares		-	-
	rights exercise period		-	-

	price paid for appropriated shares	lei	-	-
<b>5.</b>	Issued bonds		-	-
	type of issued bonds		-	-
	issued value and sum collected for each type of bond	lei	-	-
	bonds issued by the company, held by a nominated or authorized person		-	-
	nominal value	lei	-	-
	value recorded by the time of payment	lei	-	-

Turbomecanica is a joint-stock company with private capital, with shares traded within the Bucharest Stock Exchange, under the TBM sign.

The registered capital of the company has been inflated to the 31st of December 2003; until the economy of Romania has no longer been considered to be inflationist.

## 8. INFORMATION ON EMPLOYEES, ADMINISTRATORS AND MANAGERS

Nr. crt.		U.M.	30.06.2016	30.06.2017
1.	Employees			
	medium number related to the period-total, of which:	no	410	454
	operators	no	252	294
	TESA	no	153	156
	management	no	5	4
	paid or payable salaries related to the period	ron	9.511.143	12.371.302
	expenses on social security	ron	2.185.737	2.771.006

The company has not granted loans to managers and administrators in 2017.

According to the provisions of Law no. 142/1998, the employees receive the legal amount of meal tickets.

## 9. INFORMATIVE DATA

### a) Data presenting the company:

- legal form of the company: joint-stock company ;
- address of headquarters: Bd. IULIU MANIU no. 244, sector 6, BUCHAREST ;
- registered capital: 36.944.248 ron;
- the effects of inflation on registered capital 987.626.807 ron;
- amount of shares: 369.442.475 ron;
- shareholder structure:

VIEHMANN RADU (25,92 %), CIORAPCIU DANA MARIA (15,16%), CIORAPCIU SORIN TUDOR (9,57%), ANGHEL CLAUDIA ( 6,98 %), OTHER SHAREHOLDERS (42,37%).

- b) Main activity:
- manufacture of engines and mechanical assemblies for aircrafts and helicopters ;
- c) The modality used to express in national currency the patrimonial elements, revenues and expenses that initially appear in a foreign currency:
- BNR rate (for receivables, debts and cash);
  - the rate recorded within the customs declaration (for goods)
- d) **Net turnover, total** **40.859.734 lei ;**
- of which : export **10.096.315 lei ;**

The structure of turnover on main manufactures is the following:

	<b>lei</b>	<b>euro</b>	<b>usd</b>
Engine Turmo IV C RK+ PSD	8.411.159	1.854.230	2.006.144
Main rotor hub RK+ PSD	7.496.249	1.652.539	1.787.929
Main transmission case RK+PSD	10.240.524	2.257.512	2.442.465
Repair Gearbox Assy, tail rotor RK+PSD	900.000	198.404	214.659
Repair Gearbox Assy Intermediate RK+ PSD	724.120	159.631	172.710
Current repair of engines, components, parts and spare parts for aircrafts	140.302	30.929	33.463
Repair transsmition shafts	912.242	201.103	217.579
Repair Fan Bearings, RK	903.425	199.159	215.476
Repair silenced streaks	24.216	5.338	5.776
Aggregate repair	309.669	68.266	73.859
<b>TOTAL IAR + MApN</b>	<b>30.061.906</b>	<b>6.627.112</b>	<b>7.170.059</b>
Aeroteh parts repair	56.077	12.362	13.375
Unison components and parts	419.518	92.482	100.059
Export aviation	1.325.891	292.291	316.238
Industrial components	8.823.777	1.945.191	2.104.557
Other	172.565	38.042	41.158
<b>TOTAL SALES</b>	<b>40.859.734</b>	<b>9.007.481</b>	<b>9.745.447</b>

On geographical zones, the turnover is distributed as follows:

EUROPE	8.477.920	1.868.948	2.022.067
USA	122.258	26.952	29.160
ASIA	1.496.137	329.822	356.843
<b>TOTAL EXPORT</b>	<b>10.096.315</b>	<b>2.225.721</b>	<b>2.408.070</b>
<b>ROMANIA</b>	<b>30.763.418</b>	<b>6.781.760</b>	<b>7.337.376</b>
<b>NET TURNOVER</b>	<b>40.859.734</b>	<b>9.007.481</b>	<b>9.745.447</b>

- e) The net result for the period: 6.825.076 lei;  
- there haven't been recorded any extraordinary revenues or expenses;

**GENERAL DIRECTOR,  
RADU VIEHMANN**

**FINANCIAL & COMMERCIAL  
DIRECTOR  
CLAUDIA ANGHEL**

**Our Reference: 292    Date: 18/07/2017**

**Subject: Statement**

I, Radu Viehmann, Engineer, Chairman and General Manager, herewith undertakes the responsibility for the drafting of the accounting reports at 30 June 2017.

We hereby declare, that all accounting policies used by Turbomecanica S.A. in drafting the accounting reports at 30 June 2017 are in compliance with the Accounting Regulations, for companies whose securities are admitted for trading on a regulated market, with OMFP no. 2844/2016 for the approval of the International Standards for Financial Reporting, and with the Accounting Law no. 82/1991 with its subsequent amendments.

We hereby confirm that in half-year of 2017 the company did not record any cases of non-compliance with laws or regulations that could significantly influence the accounting reports.

We declare that the accounting reports as at 30 June 2017 of Turbomecanica S.A. provide an accurate image of the financial position, financial performance and other information related to the work carried out between 01.01.2017 - 30.06.2017.

We declare that Turbomecanica S.A. carries out its activity in terms of continuity and does not intend nor needs to liquidate or reduce its business volume as a result of:

- loss of important clients
- applying a reorganization plan
- outstanding payments
- failure to observe the rescheduling agreements
- liquidity problems, litigation as a defendant and plaintiff with shareholders, debtors, significant
- market risk sector
- other factors

We hereby declare that the Board Members are not aware of material uncertainties related to events or conditions that may cause significant doubts on the ability of the company to continue its operations.

We hereby mention the fact that the accounting reports drafted at 30 June 2017 have not been audited.

**GENERAL DIRECTOR  
RADU VIEHMANN**

**FINANCIAL & COMMERCIAL DIRECTOR  
CLAUDIA ANGHEL**

Our Reference: 29 Date: 25/07/2017

**SEMESTRIAL REPORT**  
**ACCORDING TO THE LAW 24/2017**  
**REGULATION NO. 1/2017**

**REPORT NO:      DATE : 30/06/2017**

**COMPANY TURBOMECHANICA SA**

**REGISTERED OFFICE:** 244 Iuliu Maniu Blv., District 6, Bucharest ROMANIA.

**TRADE REGISTRY NUMBER AND INCORPORATION DATE:** J40 /533 /1991 ;

**FORM OF OWNERSHIP:** Majority private;

**MAIN ACTIVITY:** 3030 Manufacturing of Aircrafts and Spaceships;

**OLE REGISTRATION CODE:** RO3156315;

**REGULATED MARKET ON WHICH THE SECURITIES ISSUED ARE TRADED:**

Bucharest Stock Exchange;

**VALUED-UP AND PAID IN SHARE CAPITAL:** 36.944.247,50 RON

**1. ECONOMIC AND FINANCIAL SITUATION**

**1.1 Balance Sheet Statement:** assets that represent at least 10 % of total assets; cash and other liquid capabilities; they are shown in semestrial reporting forms, balance sheet at 30 June 2017, attached to this report.

**1.2 Financial Results Report ( profit and loss):** net sales; gross sales; items of expenditure with a percentage difference to any sale or closing for a field of activity within the past six months or which follows to be carried over.

**1.3 Cash flow:** all changes in the level of cash within the core business, of investments and financial activities are attached financial statements.

The financial statements at 30 June 2017 above-mentioned are financially un-audited.

**2. COMPANY'S ACTIVITY ANALYSIS**

**2.1 Tendencies, elements, events or uncertainty factors that affect or could affect liquidity:**

There were no trends, items, events or significant uncertainty factors that could affect the liquidity of the manufacturing market.

**2.2 The effects on the financial statements of all capital expenditures, current or anticipated, over the period:**

In the first six months of 2017 Turbomecanica S.A. has achieved an operating income in the amount of 46.5 million RON.

If we analyze the evolution of operating revenues we notice an increase in comparison to the same period of 6.825.076 RON, at the end of the first half of 2016.

The shared Capital of the company is 49.207.267 RON

**2.3 Events, transactions, economic changes that significantly affect the revenues generated by the company:**

The company does not intend to liquidate its activities.

This result was achieved given that the company realized and operating income in the amount of 46.5 million RON.

The highest percentage of this revenue has been achieved from manufacturing activities specific to the company.

## 3. CHANGES AFFECTING CAPITAL AND MANAGEMENT OF THE COMPANY

**3.1 Cases in which Company TURBOMECHANICA S.A. was unable to respect its financial obligations** regarding the payment terms to suppliers and significant creditors.

**3.2 Amendments to the rights of the securities holders issued by Company TURBOMECHANICA S.A.**

**3.3 Issues that were discussed, by the security holders :** In the period under review the Company has adopted the decision no.1 /25 April 2017.

The issues debated as well as the decisions adopted have been recorded in this year's current reports.

## 4. SIGNIFICANT TRANSACTIONS

**4.1 Major transactions concluded by the issuer with persons acting in concert with or involving these persons in the relevant time period:** not applicable

## 5 ANNEXES:

- Management report as at 30 June 2017 ;
- Financial statement report as at 30 June 2017;
- Financial results report as at 30 June 2017;
- Economic and financial indicators as at 30 June 2017;
- Explanatory notes 30 June 2017;
- Management statement;

The H1 2017 Financial Results Report is available on Company's website [www.turbomecanica.ro](http://www.turbomecanica.ro) and at the following link:

PRESIDENT- GENERAL MANAGER  
VIEHMANN RADU

FINANCIAL & COMMERCIAL DIRECTOR  
ANGHEL CLAUDIA

No.:290 Date:18/07/2017

**FINANCIAL-ECONOMIC INDICATORS**  
**30 JUNE 2017**

<b>No.</b>	<b>Economic indicators</b>	<b>Formula</b>	<b>30 JUNE 2017</b>	<b>30 JUNE 2016</b>
1	Current liquidity ratio	current assets / current liabilities	0,88	0,83
2	Total debt ratio	(Borrowed capital-Deferred tax liabilities /Share Capital )	8,55	21,02
3	Receivable turnover ratio	( Accounts Receivable / Turnover ) * 180 days	14,76	10,47
4	Fixed assets turnover ratio	Turnover / Fixed assets	0,63	0,40

**GENERAL DIRECTOR**  
**RADU VIEHMANN**

**FINANCIAL & COMMERCIAL DIRECTOR**  
**CLAUDIA ANGHEL**