



## **TURBOMECHANICA**

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Romania**

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**Trade Registry registration code J40/533/1991**

**Fiscal Code RO3156315 Sole Registration Code 3156315**

**Share capital subscribed and paid in: RON 36,944,247.50**

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### **ANNUAL REPORT OF THE BOARD OF ADMINISTRATION OF TMB FOR 2015 ACCORDING TO NSC REGULATION NO.1/2006**

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

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

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

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

The program of technical restructuring and relocation of the technological flows, started a long time ago, and realization of the assets made available further to the reorganization of the company started to produce effects and to represent the solid basis for the company's redress in a short period of time.

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

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

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

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

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

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

The 2015 results are included in the financial statements of the year, prepared in accordance with International Financial Reporting Standards (IFRS). Some of the elements are listed below:

**A. SITUATIA REZULTATULUI GLOBAL**

| DENUMIRE   | 2015             | 2014               |
|--|------------------|--------------------|
| Revenues   | 69,141,032       | 53,675,358         |
| Other revenues and (losses)                        | (14,985,665)     | (2,363,784)        |
| Variation of stocks                                | 2,529,251        | (162,517)          |
| Raw materials                                      | (15,864,137)     | (12,999,635)       |
| Expenses with employees' benefits                  | (22,301,787)     | (17,977,039)       |
| Expenses with depreciation of assets               | (5,445,365)      | (4,376,236)        |
| Net financial expenses                             | (3,385,665)      | (4,531,530)        |
| Other operating expenses                           | (6,399,707)      | (6,343,691)        |
| Gains / Loss on sales of assets available for sale | 115,948          | (12,742,291)       |
| <b>Profit/ (Loss) before tax</b>                   | <b>3,403,905</b> | <b>(7,821,365)</b> |
| Tax on profit                                      | (431,310)        |                    |
| Deferred income tax                                | 874,664          | 4,266,896          |
| <b>Profit/ (Loss) for the year</b>                 | <b>3,874,259</b> | <b>(3,554,469)</b> |
| Other comprehensive income, net of tax             | -                | -                  |
| Gains on revaluation differences                   | -                | 3,951,110          |
| Deferred income tax                                | -                | (1,058,756)        |
| Actuarial (loss) / gain on defined benefits plan   | 238,668          | -                  |
| <b>Total other comprehensive income</b>            | <b>238,668</b>   | <b>2,892,354</b>   |
| <b>Comprehensive result of the year</b>            | <b>4,085,927</b> | <b>(662,115)</b>   |

**B. STATEMENT OF FINANCIAL POSITION**

| NAME                          | 2015               | 2014               |
|-------------------------------|--------------------|--------------------|
| <b>Long-term assets</b>       |                    |                    |
| Tangible assets               | 55,047,738         | 54,924,522         |
| Intangible assets             | 8,930,542          | 10,445,422         |
| Other assets                  | 1,000              |                    |
| <b>Total long-term assets</b> | <b>63,979,280</b>  | <b>65,369,944</b>  |
| <b>Current assets</b>         |                    |                    |
| Stocks                        | 23,951,055         | 29,736,898         |
| Trade receivables             | 2,250,180          | 2,143,829          |
| Other receivables             | 2,396,696          | 1,047,431          |
| Cash and cash equivalents     | 7,118,858          | 11,903,023         |
| Assets for sale               | 10,638,705         | 11,120,396         |
| <b>Total current assets</b>   | <b>46,355,494</b>  | <b>55,951,577</b>  |
| <b>Total assets</b>           | <b>110,334,774</b> | <b>121,321,521</b> |

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| NAME                                | 2015               | 2014               |
|-------------------------------------|--------------------|--------------------|
| <b>Equity and liabilities</b>       |                    |                    |
| <b>Capital and reserves</b>         |                    |                    |
| Capital issued                      | 1,024,571,055      | 1,024,571,055      |
| Reserves                            | 80,140,683         | 80,544,931         |
| Retained earnings                   | (1,068,502,598)    | (1,072,992,773)    |
| <b>Total equity</b>                 | <b>36,209,140</b>  | <b>32,123,213</b>  |
| <b>Long-term liabilities</b>        |                    |                    |
| Loans                               | 4,905,781          | 7,997,601          |
| Deferred tax liabilities            | 3,862,833          | 4,737,497          |
| Provisions                          | 968,649            | 1,494,810          |
| Other long-term liabilities         | 3,474,291          | 5,933,564          |
| <b>Total long-term liabilities</b>  | <b>13,211,554</b>  | <b>20,163,472</b>  |
| <b>Current liabilities</b>          |                    |                    |
| Trade payables and other payables   | 4,145,741          | 6,770,404          |
| Borrowings                          | 44,518,895         | 47,643,105         |
| Current income tax                  | 431,310            |                    |
| Provisions                          | 2,558,999          | 1,565,401          |
| Deferred income                     | 515,658            | 4,953,313          |
| Other current liabilities           | 8,743,477          | 8,102,614          |
| <b>Total current liabilities</b>    | <b>60,914,080</b>  | <b>69,034,837</b>  |
| <b>Total liabilities</b>            | <b>74,125,634</b>  | <b>89,198,309</b>  |
| <b>Total equity and liabilities</b> | <b>110,334,774</b> | <b>121,321,521</b> |

**C. TURBOMECHANICA SHARES**

| NAME  | 2015        | 2014        |
|---|-------------|-------------|
| Number of shares                                | 369,442,475 | 369,442,475 |
| Nominal value per share                         | 0.10        | 0.10        |
| Book value per share                            | 0.098       | 0.08        |
| Average price per share                         | 0.031       | 0.03        |
| Net profit per share                            | 0.01        | -0.009      |
| Market value per share at the end of the period | 0.034       | 0.03        |
| Stock capitalization                            | 12,561,044  | 10,713,832  |

**D. MACRO-ECONOMIC INDICATORS**

| NAME                      | 2015 | 2014 |
|---------------------------|------|------|
| Inflation                 | -0,6 | 1,07 |
| EUR average exchange rate | 4,44 | 4,44 |
| USD average exchange rate | 4,01 | 3,35 |
| GBP average exchange rate | 6,13 | 5,51 |

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#### **E. TURNOVER ON SEGMENTS**

| NAME                          | 2015       | 2014       |
|-------------------------------|------------|------------|
| Turnover, of which:           | 69,141,032 | 53,675,358 |
| Benchmarks and aircraft parts | 8,787,712  | 9,919,690  |
| Engine repairs                | 59,646,134 | 42,815,399 |
| Others                        | 707,186    | 940,269    |

The information presented above reveals that in 2015 S.C. TURBOMECANICA S.A. registered a gross profit of RON 9.75 million and a net profit of RON 3.84 million, obtained in the context in which the Company obtained total income of RON 76.7 million for which it spent RON 73.3 million.

The highest weight of such income, i.e., 90.1%, was obtained from productive activities specific to the Company's production profile.

The Company registered turnover of 69,141,032, 28.4% higher than the program approved by the GMS for 2015 and 28.9% higher than the numbers of 2014, due to the completion at the end of the year of additional orders for the Ministry of National Defense.

The gross profit obtained by the Company in relation to the turnover determines a rate of return of 4.92%, but the gross margin rate from operations, which measures the gross result from operations independently of the financial policies, investment, taxation levels and extraordinary elements, is 14.1%.

The fact that the gross margin from operations is positive proves that the Company has recovered its ability to generate profit and increase labor productivity, which constitutes a strong basis for continuously decreasing the Company's indebtedness, recovering the financial balance and distributing dividends.

The Company established the legal reserve in amount of RON 170,195 out of the net result of 2015 in amount of RON 3,847,259, and the difference will be cover the accounting loss registered in the previous year.

#### **F. PATRIMONY STOCK COUNTING**

According to the provisions of the Accounting Law, the International Financial Reporting Standards, the Rules on the organization and conduct of assets, liabilities and equity counting, the stock counting was performed in 2015 based on Decision no. 296/22.10.2015 for the annual stock counting of fixed assets and items of inventory, on Decision no. 295/22.10.2015 for the annual stock counting of raw materials, consumables, unfinished and finished products, scraps, packaging and merchandise and Decision no. 303/26.10.2015 for the annual inventory of assets, suppliers and creditors.

The results of the annual stock counting were recorded in the Annual Stock Counting Minutes of SC TURBOMECANICA SA, registered under no. 1008/24.02.2016.

The cash and cash equivalents at banks as at December 31, 2015 were traced to the accounting documents and cash and cash equivalents in foreign currency were measured at the valid exchange rate of the NBR.

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

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

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

Cash equivalent is accounted using the permanent inventory and control is exercised in accordance with M.O.P.F.O no. 2861/09.10.2009.

a. **QUALITY**

I. In 2015, the following actions were conducted in the field of **quality assurance**:

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

- ◆ they prepared/revised **42 General Procedures** including **Independent Annexes**
- ◆ they prepared/revised **20 Company Standards** including **Independent Annexes**
- ◆ they prepared/revised **61 Working Instructions** including **Independent Annexes**
- ◆ they revised the **TMB Production Organization Presentation Memoire** that TMB required in order to receive the civil authorization from the **Romanian Civil Aeronautical Authority**, for the manufacturing of products intended for the **AgustaWestland** program, given the development of the contractual relationship with such client
  
- ◆ they revised **Quality Plan** code **PQ S-0002** related to the contractual relationship with **AgustaWestland (Finmeccanica S.p.A. - Helicopters Division)**
- ◆ they revised **Quality Plan** code **PQ S-0008** related to the contractual relationship with **Rolls-Royce**
- ◆ they prepared **3 System Quality Plans** including **Product Quality Plans** to comply with the contractual provisions of client **Ministry of National Defense**, regarding the manufacturing/repair of products produced by TMB and in accordance with the specific provisions of standards **NATO, AQAP 2120 and AQAP 2105**
- ◆ they revised the **Regulation for the Organization and Operation of TMB, the Internal Regulation of TMB and the Regulation regarding Security and Safety at Work at TMB**
- ◆ they revised the **Accounting Policy Manual**
- ◆ they prepared/revised the **Salary Policy at TMB**
- ◆ they revised **TMB's Environmental Policy**

In 2015, the **Quality System and Organization Department** acted towards constantly improving the organization and design of the Quality Management System.

**2. To prove compliance with its clients' requirements, TMB submitted itself to, and obtained qualification further to second party audits conducted thereby, as presented below:**

In May 2015, **General Electric Energy Product Europe** conducted an audit at **TMB** to supervise the manufactured products, using as reference the product technical execution documentation. Further to the audit, **General Electric Energy Product Europe** found **no inconsistencies**, continuing the collaboration with **TMB - General Electric Energy Product Europe**.

**3. To prove compliance with its clients' requirements, TMB submitted itself to, and obtained qualification further to third party audits conducted thereby, as presented below:**

In January 2015, **European Aviation Safety Agency (EASA)** together with the **Romanian Civil Aeronautical Authority (AACR)** conducted an audit at **TMB** to supervise the production organization of **Turbomecanica S.A.** in accordance with the provisions of **EU Regulation no. 748/2012, Part 21, Section A, Subpart G**. Further to the audit, **AACR** found **not inconsistencies**, maintaining the authorization granted by it.

In February 2015, the **Romanian Civil Aeronautical Authority (AACR)** conducted a spontaneous audit at **TMB** to supervise the production organization of **Turbomecanica S.A.** in accordance with the provisions of **EU Regulation no. 748/2012, Part 21, Section A, Subpart G**. Further to the audit, **AACR** found **not inconsistencies**, maintaining the authorization granted by it.



In June 2015, the **Romanian Civil Aeronautical Authority (AACR)** conducted a scheduled audit at **TMB** to supervise the production organization of **Turbomecanica S.A.** in accordance with the provisions of **EU Regulation no. 748/2012, Part 21, Section A, Subpart G**. Further to the audit, **AACR** prepared **Investigation Report no. RTI-TMB-2015-SCG-P1\_06.2015/15.06.2015** and found **1 inconsistency of level 2 and 2 inconsistencies of level 3 (recommendations)**, through **Non-compliance/recommendation reports TMB-026+TMB-028** attached to the **Investigation Report** mentioned above. For the inconsistencies found, **TMB** conducted an analysis to identify the causes of the inconsistencies, to determine the proper correction/prevention measures to remove such inconsistencies, which were accepted by **AACR**. For the inconsistencies found, 4 correction/preventive measures were set, which were finalized in September 2015.

In September 2015, **AEROQ** conducted an audit at **TMB** to supervise the quality management system, using as reference standard **ISO 9001:2008**. Further to the audit, **AEROQ** prepared the **audit report no. 3291/24.09.2015**, **AEROQ** found **no inconsistencies**, maintaining the certification granted.

In November 2015, the **Romanian Civil Aeronautical Authority (AACR)** conducted a scheduled audit at **TMB** to supervise the production organization of **Turbomecanica S.A.** in accordance with the provisions of **EU Regulation no. 748/2012, Part 21, Section A, Subpart G**. Further to the audit, **AACR** prepared **Investigation Report no. RTI-TMB-2015-SCG-P2/16.11.2015** and found **1 inconsistency of level 3 (recommendation)**, through **Non-compliance/recommendation report TMB-029** attached to the **Investigation Report** mentioned above. **TMB** conducted an analysis to identify the causes of the inconsistencies, to determine the proper correction/prevention measures to remove such inconsistencies, which were accepted by **AACR**. For the inconsistency found, 1 correction/preventive measure was set, which was finalized in December 2015.

In December 2015, **AEROQ** conducted an audit to certify the environmental management system at **TMB** in accordance with standard **ISO 14001:2005**. Further to the audit, **AEROQ** prepared the **Minutes of 15.12.2015** and found **not inconsistencies**, granting **certificate no. 811M/22.12.2015**, valid until 13.09.2018.

**4. To guarantee the TMB management, clients and certification bodies that the company properly implements the requirements of the quality management/environmental management system and keeps them efficient and effective, in 2015, the Department of Quality System and Organization conducted internal/external audits as follows:**

#### **4.1 Internal system audits**

The internal audits on the quality management system were conducted in accordance with **Audit Plan PA-TMB 2015**, approved by the **General Director**.

In 2015, **52 audits** were conducted that found **19 inconsistencies** for which the company established **46 correction measures**, which were 83% completed, some of which were scheduled in 2016.

The internal audits on the environmental management system were conducted in accordance with **Audit Plan PA-TMB 2015**, approved by the **General Director**.

In 2015, **2 audits** were conducted that found **5 inconsistencies** for which the company established **5 correction measures**, which were 100% completed.

#### **4.2. Internal product audits**

The internal product audits were conducted in accordance with **Audit Plan PA-TMB 2015**, approved by the **General Director**.

In 2015, **0 audits** were conducted that found **14 inconsistencies** for which the company established **33 correction measures**, which were 100% completed.

#### 4.3. Internal process audits

The internal process audits were conducted in accordance with **Audit Plan PA-TMB 2015**, approved by the **General Director**.

In 2015, **15 audits** were conducted that found **20 Inconsistencies** for which the company established **29 correction measures**, which were 83% completed, some of which were scheduled in 2016.

#### 4.4. External audits at suppliers

The external audits at supplies were conducted in accordance with **Audit Plan PA-TMB 2015**, approved by the **General Director** as follows:

In March 2015, TMB conducted a scheduled audit at **Molle Industriali Conte** to supervise supplies for the **AgustaWestland** program in accordance with the provisions of **EU Regulation no. 748/2012, Part 21, Section A, Subpart G**. Further to the audit, TMB prepared **Audit Report no. B1.1F/27.03.2015** whereby it made **2 comments** indicated **5 proposals for improvement**, accepted by the supplier's representative. As no inconsistencies were found, the TMB audit team proposed to maintain supplier **Molle Industriali Conte** (code IT-0331) in the **List of Approved Suppliers of TMB**, with the status "Unconditionally accepted".

**5. To ensure the monitoring of the performance of TMB's processes with a view to increasing customer satisfaction as regards the quality of the products/services delivered and increase the attractiveness of such products/processes on the aeronautical market, the following actions were conducted in 2015:**

**5.1 Under the general procedure PG SMQ-05 "Management analysis", the key process indicators were set, which are required to reach the strategic and quality objectives and which influence the customer satisfaction level. Such indicators are:**

- **Indicator I1 (compliance of delivery terms)** is increasing and meets the objective set ( $100\pm 3\%$ ), having an aggregate value of 99.00%;
- **Indicator I2 (compliance of quantities requested by TMB customer)** is decreasing and meets the objective set ( $100\pm 3\%$ ), having an aggregate value of 97.46%;
- **Indicator I3 (non-compliance of the requirements of the technical execution documentation – non-compliance and scraps)** is increasing and meets the objective set ( $\leq 0.75\%$ ), having an aggregate value of 0.35%;
- **Indicator I4 (non-compliance of products delivered – customer complains)** is increasing and meets the objective set ( $\leq 0.5\%$ ), having an aggregate value of 0.47%;
- **Indicator I5 (quality costs)** is decreasing and meets the objective set ( $\leq 5\%$  of the value of the prior computation of internal orders affected production), having an aggregate value of 1.74%.

**5.2 As regards special processes and the activity of quality laboratories, in 2015 the Company continued its policy of meeting the customers' needs, and increasing the attractiveness of the Company for potential active customers in the aeronautical industry by the following actions:**

##### 5.2.1. Accreditation of special processes

##### NADCAP third party accreditation of special processes

The most significant events as regards the growth of the level of attractiveness of TMB in the aeronautical industry remain the accreditations and re-accreditations from the NADCAP.

In 2015, the following special processes were re-accredited:

In April 2015, NADCAP conducted a re-accreditation audit at TMB on the non-destructive control processes at TMB according to the AC7114 requirements. Further to the audit, 1 minor inconsistency was found, which was corrected by the end of the audit. Therefore, the process received re-accreditation for 24 months (Merit Program) (certificate expiry: April 30, 2017).

In June 2015, NADCAP conducted a re-accreditation audit at TMB on the composite processes (adhesive gluing) installed at TMB according to the AC7118 requirements. The audit found no inconsistencies. Therefore, the process received re-accreditation for 24 months (Merit Program) (certificate expiry: October 31, 2017).

In June 2015, NADCAP conducted a re-accreditation audit at TMB on the surface improvement processes (cold-hammering) installed at TMB according to the AC7117 requirements. Further to the audit, 1 minor inconsistency was found, for which the required corrections and corrective/preventive actions were set, which were completed and accepted by NADCAP. Therefore, the process received re-accreditation for 24 months (Merit Program) (certificate expiry: October 31, 2017).

In June 2015, NADCAP conducted a re-accreditation audit at TMB on the chemical processing processes installed at TMB according to the AC7108 requirements. Further to the audit, 1 minor inconsistency was found, for which the required corrections and corrective/preventive actions were set, which were completed and accepted by NADCAP. Therefore, the process received re-accreditation for 24 months (Merit Program) (certificate expiry: October 31, 2017).

In October 2015, NADCAP conducted a re-accreditation audit at TMB on the heat treatment processes installed at TMB according to the AC7101 and AC7102 requirements. Further to the audit, 2 inconsistencies (1 major and 1 minor) were found, for which the required corrections and corrective/preventive actions were set, which were completed and accepted by NADCAP. Therefore, the process received re-accreditation for 18 months (Merit Program) (certificate expiry: July 31, 2017).

#### 5.2.2. Second-party process certifications

##### 5.2.2.1. AgustaWestland certifications (Finmeccanica S.p.A. - Helicopters Division)

This year, all the special process and laboratory certifications previously obtained were maintained.

The requalification files were sent to the client and re-qualifications were obtained for the following processes:

- magnetic non-destructive examination according to IT12/ 0199/02 (validity: 03.08.2018);
- steel heat treatment (5025) according to IT 12/0271/02 (validity: 31.08.2018);
- steel heat treatment (CEMCALIR) according to IT 12/0194/02 (validity: 29.09.2018);
- steel alloys heat treatment according to IT 12/0200/02 (validity: 29.09.2018);
- steel heat treatment (5015) according to IT 12/0274/02 (validity: 29.09.2018);
- roll threading according to DQP IT12/0256/02 (validity: 20.09.2018);
- non-destructive examination by penetrating liquids according to DQP IT12/193/02 (validity: 11.01.2019);
- verification of contact surface (Green Run Test) according to DQP 1854 (validity: 22.01.2019).

In addition, the Company sent to the customer the qualification file and obtained qualification for the following new processes:

- binding assembly according to DQP IT12/0458/00 (validity: 29.09.2018).

##### 5.2.2.2. General Electric certifications

This year, all the special process and equipment certifications previously obtained were maintained.



### 5.2.2.3. Introducing new benchmarks in production

In 2015, 27 new benchmarks were introduced in production, part of 3 distinct assemblies for client **General Electric Power and Water (GEPW) Hungary**. For such benchmarks, 27 external FAI files were created, 25 of which are approved and 2 are pending approval. The files were sent to CLT. With the closing of such files, the production technological conditions and the criteria for acceptance of such benchmarks are homologated, which enables series production. (Attached the table of FAI 2015 status).

For customer **Finmeccanica Italy (Agusta-Westland)**, 4 new benchmarks were introduced in production, for which 4 FAI external files were created, 3 of which are approved, and 1 is pending approval. The file was sent to CLT. Through the integration of such benchmarks at TMB, the Company continues the assimilation of the new package of benchmarks for the Master Transmission Box for the **FNM Italy** helicopters. In addition, for this customer, for 26 benchmarks included in the current production, 8 internal FAI files were created (administrative changes) and 18 external FAI files due to technological changes.

In this period, 2 IAR 330 Mechanical Assemblies and 2 TURMO IV CA benchmarks were introduced in production, for which internal FAI files were created. The continuous assimilation at TMB of the various repair solutions related to benchmarks in licensed products offers extended possibilities of maintenance thereof through the repairs performed at TMB.

The status of the benchmarks mentioned above is presented in the table below:

| GEPW Hungary |                   |         |                     |              |
|--------------|-------------------|---------|---------------------|--------------|
| No.          | Benchmark no.     | FAI no. | Status              | Approval no. |
| 1            | 117E4036G005 ASSY | CQ-0221 | Approved            | SQ-03244.1   |
| 2            | 117E4037G005      | CQ-0220 | Approved            | SQ-03244.1   |
| 3            | 154D7501P001      | CQ-0180 | Approved            | SQ-03244.1   |
| 4            | 188C9446P001      | CQ-0208 | Approved            | SQ-03244.1   |
| 5            | 188C9447P001      | CQ-0159 | Approved            | SQ-03244.1   |
| 6            | 188C9448P001      | CQ-0207 | Approved            | SQ-03244.1   |
| 7            | 237C5401P001      | CQ-0211 | Approved            | SQ-03244.1   |
| 8            | 314A5157P001      | CQ-0209 | Approved            | SQ-03244.1   |
| 9            | 314A5157P002      | CQ-0210 | Approved            | SQ-03244.1   |
| 10           | 355B6447P001      | CQ-0160 | Approved            | SQ-03244.1   |
| 11           | 355B6447P002      | CQ-0161 | Approved            | SQ-03244.1   |
| 12           | 40988             | CQ-0206 | Approved            | SQ-03244.1   |
| 13           | 40989             | CQ-0166 | Approved            | SQ-03244.1   |
| 14           | 129E9007G001 ASSY | CQ-0495 | Approved            | SQ-076023    |
| 15           | 129E9006G001      | CQ-0496 | Approved            | SQ-076023    |
| 16           | 101E2244P001      | CQ-0497 | Approved            | SQ-076023    |
| 17           | 166D1604P001      | CQ-0499 | Approved            | SQ-076023    |
| 18           | 166D1604P002      | CQ-0500 | Approved            | SQ-076023    |
| 19           | 166D1630G001      | CQ-0498 | Approved            | SQ-076023    |
| 20           | 188C9446P002      | CQ-0501 | Approved            | SQ-076023    |
| 21           | 314A5157P003      | CQ-0502 | Approved            | SQ-076023    |
| 22           | 314A5157P004      | CQ-0503 | Approved            | SQ-076023    |
| 23           | 201E3031G001 ASSY | CQ-0504 | Approved            | SQ-076025    |
| 24           | 201E3032G002      | CQ-0505 | Approved            | SQ-076025    |
| 25           | 154D7500P001      | CQ-0713 | Approved            | SQ-003231    |
| 26           | 203D2114P001      | CQ-1037 | Subject to approval |              |
| 27           | 117E8221E         | CQ-1156 | Subject to approval |              |

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| <b>FINMECANICCA (AGUSTA)</b> |                      |                |                     |                               |
|------------------------------|----------------------|----------------|---------------------|-------------------------------|
| <b>No.</b>                   | <b>Benchmark no.</b> | <b>FAI no.</b> | <b>Status</b>       | <b>Approval no.</b>           |
| 1                            | 109-0435-31-1        | 0380           | Approved            | 109-0435-31-1_IT1212          |
| 2                            | 109-0435-31-1        | 0390           | Approved            | 0390                          |
| 3                            | 109-0442-01-123      | 0160           | Approved            | 109-0442-01-123_IT1211        |
| 4                            | 109-0442-01-131      | 0780           | Approved            | 109-0442-01-131_IT1211        |
| 5                            | 109-0442-03-105      | 0620           | Approved            | 0620                          |
| 6                            | 109-0442-03-105      | CQ-1280        | Approved            | CQ-1280                       |
| 7                            | 109-0443-01-103      | CQ-1282        | Approved            | CQ-1282                       |
| 8                            | 109-0445-02-103      | 0260           | Approved            | 109-0445-02-103_IT1213        |
| 9                            | 109-0445-03-1        | 0045           | Approved            | 0045                          |
| 10                           | 109-0445-08-117      |                | Approved            | 109-0445-08-117_IT1214        |
| 11                           | 109-0445-09-1        | 0047           | Approved            | 0047                          |
| 12                           | 109-0403-14-1        | CQ-0289        | Approved            | 109-0403-14-1_12_10/CQ-0289   |
| 13                           | 109-0403-14-3        | CQ-0668        | Approved            | 109-0403-14-3_12_10/CQ-0668   |
| 14                           | 109-0403-18-1        | CQ-0425        | Approved            | 109-0403-18-1_12_11/CQ-0425   |
| 15                           | 109-0403-19-1        | CQ-0426        | Approved            | 109-0403-19-1_12_10/CQ-0426   |
| 16                           | 109-0405-05-1        | 0060           | Approved            | 109-0405-05-1_IT1214          |
| 17                           | 109-0405-72-1        | 0050           | Approved            | 109-0405-72-1_IT1211          |
| 18                           | 109-0405-72-1        | CQ-0232        | Approved            | CQ-0232                       |
| 19                           | 109-0406-51-103      | CQ-0344        | Approved            | 109-0406-51-103_12_11/CQ-0344 |
| 20                           | 109-0406-53-1        | 0050           | Approved            | 109-0406-53-1_12_11           |
| 21                           | 109-0406-54-1        | 0040           | Approved            | 109-0406-54-1_12_10           |
| 22                           | 109-0406-55-1        | 0050           | Approved            | 109-0406-55-1_12_11           |
| 23                           | 109-0406-55-1        | CQ-1286        | Approved            | CQ-1286                       |
| 24                           | 109-0406-57-1        | CQ-0339        | Approved            | 109-0406-57-1_12_11           |
| 25                           | 109-0406-70-1        | 0050           | Approved            | 109-0406-70-1_12_11           |
| 26                           | 109-0406-72-105      | 0060           | Approved            | 109-0406-72-105_12_13         |
| 27                           | 109G6320A25-101      | 1049744        | Approved            | 109G6320A25-101_IT1212        |
| 28                           | 109G6320A44-101      | 0010           | Approved            | 109G6320A44-101_IT1211        |
| 29                           | 109G6320A45-101      | 0010           | Approved            | 109G6320A45-101_IT1211        |
| 30                           | 109-0403-04-3        | CQ-1131        | Subject to approval |                               |
| <b>SNIAS</b>                 |                      |                |                     |                               |
| 1                            | 330A31329921         | CQ-1174        | Approved            | CQ-1174                       |
| 2                            | 330A34411321         | CQ-1305        | Approved            | CQ-1305                       |
| <b>TURMO</b>                 |                      |                |                     |                               |
| 1                            | 0044130080           | CQ-1264        | Approved            | CQ-1264                       |
| 2                            | 0044130120           | CQ-1017        | Approved            | CQ-1017                       |

## 6. Central Laboratory Accreditations

In 2015, TMB took part in **Round-Robin** Inter-laboratory Cross-testing Program organized at the **EXOVA Toulouse - France Institute**, supported by **Airbus, General Electric Aero, Safrane Grup, Eurocopter, MTU** and **GKN**. The laboratory procedures subject by TMB to cross-testing were as follows:

- steel Rockwell / Vickers, kit 6-1 hardness
- aluminum Brinell / Rockwell B, kit 6-2 hardness
- cemented steel kit 6-3 micro-hardness
- aluminum kit 10-7 electrical conductivity.
- salt spray, kit 7-1

All the kits presented herein above and processed in TMB laboratories yielded results falling under **performance categories 1 and 2**. Thus, **TMB** further complies with the requirements of NADCAP and customers GEAE, Rolls Royce and Finmeccanica Spa, regarding the laboratory procedures mentioned.

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## 7. Complaints / Notifications

In 2015, TMB received 34 complaints from clients, of which:

- **6 from external customers** (2 complaints from **FINEMECCANICA (AGUSTA-WESTLAND)**, 3 complaints from **ROLLS-ROYCE** and 1 complaint from **GEAE**; the status thereof is presented in table 7.1 herein below:

- **28 from domestic customers** (18 complaints from military units of the Ministry of National Defense and 10 complaints from **IAR Brasov**); the status thereof is presented in table 7.2 herein below.

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

### 7.1. Complaints/notifications for parts filed by external customers

|  |   |            |
|--|---|------------|
| Total C/N:                                       | 6 | Complaints |
| Client - benchmark C/N (no. of affected pieces): |   |            |
| - AW - 109-0403-14-3 (1 piece)                   | 1 | Complaint  |
| - AW - 109-0403-14-1 (1 piece)                   | 1 | Complaint  |
| - RR - FW73730 (80 pieces)                       | 2 | Complaints |
| - RR - V926368 (27 pieces)                       | 1 | Complaint  |
| - GEAE - 5023T70P01 (1 pieces)                   | 1 | Complaint  |

The status of correction and preventive measures is indicated below:

|                     |   |
|---------------------|---|
| Total ACP:          | 6 |
| Total C/N rejected: | 1 |
| Total CPA closed:   | 5 |
| Total CPA opened:   | 0 |

### 7.2 Complaints/notifications for products filed by domestic customers

|                                      |    |                               |
|--------------------------------------|----|-------------------------------|
| Total C/N:                           | 34 | Complaints / Notifications    |
| Total C/N per category of products:  |    |                               |
| - TURMO engine                       | 2  | Complaints                    |
| - motor VIPER                        | 3  | Complaints                    |
| - ventilating level                  | 2  | 1 Complaint / 1 Notification  |
| - Allison thermocouple               | 2  | Complaints                    |
| - steering knuckle - collar          | 2  | Complaints                    |
| - control block                      | 4  | Complaints                    |
| - VIPER engine thermocouple platform | 1  | Complaint                     |
| - oil pressure transmitter           | 1  | Complaint                     |
| - micro-pump                         | 1  | Complaint                     |
| - TGB AW                             | 6  | 4 Complaints / 1 Notification |
| - start-up block                     | 5  | Complaints                    |
| - rear transmission                  | 1  | Complaint                     |
| - rear transmission tree             | 1  | Complaint                     |
| - main transmission                  | 2  | Complaints                    |
| - other                              | 1  | Complaint                     |

|                                  |           |
|----------------------------------|-----------|
| Total C/N from domestic clients: | <b>28</b> |
| UM 01836                         | <b>7</b>  |
| UM 01838 Bobocu                  | <b>2</b>  |
| UM 01945 E Timisoara             | <b>4</b>  |
| UM 01961 Otopeni                 | <b>5</b>  |
| IAR Brasov                       | <b>10</b> |
| Total closed C/N:                | <b>26</b> |
| Total open C/N:                  | <b>8</b>  |

## 8. Nuclear protection

In 2015, as far as nuclear protection is concerned, the Company sent to **CNCAN applications and files** to obtain the permits required to hold **Eresco MF42** X-ray generator and 19 benchmarks of **Viper** engine, made from **MSRR 8014** containing thorium. The following permits were obtained, valid as follows:

- **Permit VI 926/2015** for holding Eresco MF42 X-ray generator valid until 09.06.2017;
- **Permit VI 070/2016**, for holding Viper pieces made from MSRR 8014, valid until 17.01.2018.

The permits authorize CND activities with penetrating radiation and the legal safekeeping of radioactive materials made from magnesium alloy containing between 2.5 and 4% Thorium.

## 9. Environmental protection

### 9.1 Integrated environmental permit

Through the environmental program for 2015, TMB prepared and sent the evaluation and authorization applications and files for:

- the integrated environmental permit, according to **Law 273/2013 on industrial emissions and Minister Order 818/2003 on the approval of the procedure to issue the integrated environmental permit** (the current permit expires at the end of 2015);
- the water management permit, according to **Law 107/1996 on water and Order no. 662/2006 of the Ministry of Environment and Water Management on the procedure and competences to issue the water management permit** (the current permit expires at the end of 2015);
- energy audit according to **Law 121/2014 on energy efficiency**.

TMB has obtained from the republican regulatory authorities the following permits/evaluations:

- **Integrated Environmental Permit no. 5/11.02.2016** for the entire company and the sector of metallic covers valid for 10 years; issued by the **Bucharest Environmental Protection Agency**;
- **Water Management Permit no. 507/B of 28.12.2015**, valid for 2 years, issued by **National Administration "Apele Romane"**.
- The energy evaluation of December 2015 requested by SC TMB SA, according to order 6583/07.09.2015, conducted by SC QURTZ MATRIX SRL, whose results were favorable, and filed with **SC TMB SA** by delivery-receipt minutes no. **34507/28.01.2016**.

To fully comply with the provisions in the permits and the energy evaluation, the Company has laid down objectives and actions, included in the Environmental Management System Program of TMB and the 2016 Investment Plan, which are in progress.

The permits mentioned above and the energy evaluation allow the legal operation of facilities, equipment and processes existing at SC TMB SA.

In 2015, there were no environment related incidents or used water or air pollution above the maximum values admitted by the legislation in force.

Upon the control conducted by the National Environmental Guard concluded by Minutes no. 229/25.06.2015, delays in preparing certain documents for the authorization were found, as well as failure to initiate the energy evaluation already previously requested. Such deficiencies were solved, and their settlement was reported to the regulatory and control authorities.

## **9.2. Certification of Environment Management System**

Based on Application no. 009 of 13.07.2015 for the certification, re-certification and supervision of Management System, **SC TMB SA** was audited by **SC AEROQ SA**, in order to receive accreditation for the Environment Management System according to standard SR EN ISO 14001:2005 – Environment Management System. Further to such audit, **SC TMB SA** was issued certificate 811M/22.12.2015, valid for 3 years until 13.09.2018.

## **10. Personnel training**

In 2015, in accordance with the provisions of the **TMB Periodical Personnel Training Plan**, through specific training and certification sessions, the company provided and maintained the required competences of the 116 operators, inspector and laboratory technicians for special processes and laboratories. 33 specific trainings were actually delivered.

## **H. HUMAN RESOURCES**

Through the specialized departments, the company management ensured the operation of Production, Quality Assurance, Financial - Accounting, Marketing – Sales and Human Resources.

As at December 31, 2015, **TMB** had a total of **404** employees.

The personnel's average age as at such date was **48.64** years, as compared to **49.5** years in 2014.

Between January and December 2015, 50 employees left the company and 135 were employed.

In 2015, the expenses with employees' benefits totaled RON 22,301,787 of which:

|                          |                 |
|--------------------------|-----------------|
| - salaries:              | RON 16,667,206; |
| - compensatory salaries: | RON 528,176;    |
| - meal vouchers:         | RON 759,452;    |
| - gift vouchers:         | RON 211,240;    |
| - social security:       | RON 4,135,713.  |

The company's personnel policy regarding the education, improvement and certification of its personnel was well implemented as regards internal trainings, and the budget allocated to external trainings was increased. Trainings were delivered in accordance with the plan approved for 2015.

According to it, the company invested RON 20,733 in improving the competences and skills of the **TESA** personnel and the management and approximately RON 56,852 for training and certification courses outside the company.

Improvement and certification courses were delivered in the company, which totaled approximately 3,033 hours for **154** employees.

During the period under review, only 38 employees attended educational courses and various courses, qualifications/poly-qualifications totaling 2,551 hours.

The recruitment cost were RON 445 in 2015.

Personnel expenses totaled 32.26% of the turnover obtained in 2015.

64.26% of the company employees are trade union members.



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

- 25.18% employees with higher education – 105 persons, of which:
  - PhD: 1 employee
  - Post-university studies: 4 EMBA employees
- 47.48% of employees with secondary and post-secondary studies - 198 persons
- 23.02% of employees with vocational studies - 96 persons
- 4.31% of employees with primary studies - 18 persons

The relationship between the management and employees is regulated under the Collective Labor Agreement for 2015-2016. The social and professional environment is permanently monitored, through a communication system between social partners, which prevents conflicts, which were non-existent in 2015.

#### **Assessment of labor protection and occupational safety**

Issues that are directly and indirectly related to labor protection and security at **TMB** represent a priority in the Company's policy and are treated in close correlation with the priorities regarding economic growth, health and training.

Therefore, the company management is preoccupied with monitoring, providing all its employees with the best conditions to conduct the production activity, observing the safety conditions for all employees.

Thus, in 2015, the revamping of Special Processes Workshop was a priority investment.

This purpose of this activity was both to revamp the equipment, and improve working conditions, by building a modern heating installation, cleaning the entire shop-floor, and replacing the entire old metal carpentry by double glazing and heatproof panels.

In addition, the Company revamped the working premises for all TESA employees working on this shop-floor.

The Company also started the revamping of ventilations and exhaust installations, so as to ensure enhanced protection both to employees, and the environment.

The investment program for 2015 also included the modernization of the space intended for welding, both automatic and manual.

The new modernized warehouse was equipped with dining room, sanitary facilities and locker rooms for the employees working here.

Under the labor protection and security program for 2014, the company carried out all the activities required to comply with Law no. 319/2006 on Occupational Safety and Health and the application rules thereof, as well as the other acts of legislation in the field, by taking the following measures:

- assessed the risks for occupational safety and health in all the working locations;
  - based on the risk assessment, it took preventive measures to ensure the improvement of the level of safety and health protection of its workers;
- it filled in the occupational safety and health materials, according to the current legislation, which are used in delivering the periodical occupational safety and health trainings to **TMB** employees and it established the measures required to operate the technological processes under safe conditions;
- it purchased working equipment for all TESA employees,
  - it provided cleaning and sanitary materials (protection creams, etc.) in compliance with the provisions of the Internal Regulations;
  - it completed the purchase of protection shoes for the personnel working outside the shop floors;
  - it purchased emergency eye cleaning solutions for the personnel working in the Galvanizing, Storing-Packaging and Painting Workshops and safety masks for the personnel working in the Non-destructive Testing Laboratory, as well as new masks according to the latest requirements in the field for welders;

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- for personnel whose activity is carried out in a toxic environment, it purchased an antidote consisting of powder milk and sparkling water, according to the regulations in force;
- it performed maintenance and repair works on sanitary groups, locker rooms, washing areas, showers, etc., on all shop floors;
- it extended the permits for the hoisting machines and pressurized installations held by **TMB** (in accordance with the CNCIR instructions);
- it performed the mandatory annual occupational medicine investigations for employees; the Medical Supervisory Report concluded that the employees examined did not suffer from any professional illness, and none of them had to change their working locations.

In 2015, no labor accidents or professional illnesses were found at **TMB**.

## **I. SALES - MARKETING**

In 2015, the foreign market represented mainly by components and subparts for aircraft engines, is making efforts to regain its stability, through the Company's re-branding and attendance in Paris Airshow and Dubai Airshow international fairs.

The re-branding process aimed at growing **TMB**'s visibility at international level by creating a new image, based on the restructuring of the Company's website, change of logo and drawing up of promotion materials based on the Company's new image principles, which comprise the current capabilities, certifications and achievements.

Consequently, in 2015, **TMB** changed:

The Company's brochure  
 The Company's leaflet  
 The Company's website  
 The Company's logo  
 The Company's .ppt presentation  
 The Company's presentation video

The materials were successfully presented at the 2015 fairs where **TMB** was present with its own stand to regain the attention of large companies in the field.

The participation at Paris Airshow was supported by the presence of representatives of the Ministry of National Defense who aided **TMB** to resume the talks with AIRBUS Helicopters and Turbomeca in view of a potential collaboration in the field of production, but also as regards the supply of **TMB** with benchmarks specific for repairs of gas turbine engines for aircraft and helicopter mechanical parts.

The main purpose of the participation at Dubai Airshow was to increase visibility and resume the presentation of **TMB**'s capacities at international level.

Using the new promotion materials, **TMB** managed to regain the trust of **GE Power & Water - Hungary**, with which **TMB** negotiated in mid-2015 a collaboration program that took the shape of firm orders totaling EUR 3,890,350.00 (of which EUR 2,938,800.00 relates to 2016, which will be further supplemented). It is certain that the program will extend in the following years, through the execution of an LTA by the end of 2016. The program's extension aims at supplementing the heat treatment capacities, objective included in the investment plan for 2016.

It is important to notice that the Company has successfully maintained its permit granted by the **Romanian Civil Aeronautical Authority** for the production of products/components/equipment to fit out **AW109** and **AW119** helicopters – **FINMECCANICA (AGUSTA WESTLAND) ITALY** (according to Certificate no. **RO.21G.0008/02.12.2014**).

Based on such permit, **TMB** continued in 2015 to deliver full subsets for rear transmission for helicopters (production, mounting, trial) and will continue to develop cooperation programs with **FINMECCANICA ITALIA** in 2016, too.

In addition, **TMB** managed to consolidate and develop the relationship with **AGUSTA WESTLAND – FINMECCANICA** by including the Demo lots in the production process for 13 benchmarks to be assimilated in 2016.

On the domestic market, for aeronautical products, **TMB** is the only manufacturer and repairer in Romania of gas turbine engines for aircraft and mechanical assemblies for helicopters, its main clients being the Ministry of National Defense (S.M.F.A., S.M.F.N.), S.C. IAR S.A. Braşov and S.R.I.

The budget expenditure for 2015 were significantly influenced by global politics and in particular the political situation close to Romania determined by the crisis in Ukraine, which forced the Government to considerably increase the number of firm orders/contracts awarded to **TMB** to repair the aircraft owned by the **Ministry of National Defense** and **S.R.I.**

Given the circumstances, where the crisis in the area prevails and where the international political situation is not at harm's way from conflict, in 2016 the domestic market still represents an opportunity to consolidate the company's turnover, by continuing the equipment programs of the **Ministry of National Defense** both in terms of maintaining the existing fighting technique at optimum parameters and in particular by continuing the upgrading of helicopters with **SOCAT** systems, as well as the maintenance programs for the IAR 99 SOIM aircraft fleet (by bringing a considerable number of VIPER 632-41M engines equipping such aircraft to the optimum operation parameters).

**TMB** continues to focus to a great extent in 2016 on efficiently loading the production capacity in the field of mechanical processing along with maintaining flexibility in meeting the specific needs of each customer (such as *just in time* deliveries, accepting the reasonable variation of customers' needs, the existence of a reasonable back-up stock of finished products, etc.). Correlated with the policy of expanding its production of parts across the global market, a policy applied by the big companies, this strategy of the company aims at increasing the turnover in 2016 by 16.6% compared to the numbers targeted in 2015, and achieve the RON 70,000,000 target corresponding to a 12% increase of the EBITDA share compared to 2015.

Another strategy of the company is to regain its business relationship with **General Electric Aircraft Engines US** and its customers, as well as with **Rolls-Royce**, while widely developing the programs with **GE Power & Water – Hungary**.

In addition to the matters presented, **TMB** envisages for 2016 an aggressive marketing policy, including in the marketing budget for 2016 the Company's participation in six domestic and international promotional events (fairs/exhibitions) such as:

Aerospace Meetings Romania (14-16 March 2016),  
Black Sea Defense and Aerospace – BSDA (18-20 May 2016),  
ASD DAYS UK (3-4 May 2016),  
ILA BERLIN AIRSHOW (1-3 June 2016),  
FARNBOROUGH AIRSHOW (11-17 July 2016),  
AIRTEC MUNICH AIRSHOW (25-27 October 2016).

The Company will take this opportunity to present on the domestic and foreign market its capabilities, the programs that we wish to develop in the future, hoping that these activities will be followed by requests for offer and will take the shape of businesses beneficial for the Company both in 2016 and in the future.

## **J. CORPORATE GOVERNANCE**

Corporate governance means responsible management and control over a commercial company. Two elements are extremely important for **TMB** when it comes to corporate governance: increasing the confidence of investors, business partners, clients and employees in the management and control bodies of the company, as well as balancing the economic situation and then increasing the company's value. The adoption of good practices and corporate governance policies must represent for **TMB** strong grounds for a solid development, after a difficult and costly restructuring process.

## **Compliance with the provisions of the Corporate Governance Code of the Bucharest Stock Exchange**

The company's board of administration has adopted the Corporate Governance Regulation (CGR) of **TMB**, in compliance with Recommendation 3 of the Corporate Governance Code of the Bucharest Stock Exchange (CGC). The CGR includes the structures, responsibilities and practices provided in the CGC, which arise from the constitutive acts of **TMB** supplemented by the legislative provisions in force and the recommendations in the CGC.

The Corporate Governance Regulation is available on the website of **TMB** [www.turbomecanica.ro](http://www.turbomecanica.ro). The implementation by **TMB** of the principles and recommendations of the CGC are reported in the Annex on the status of compliance with the Corporate Governance Code of the Bucharest Stock Exchange, which will be communicated to the **BSE** along with the Annual Report and posted on the Company's website, [www.turbomecanica.ro](http://www.turbomecanica.ro).

In September 2015, the Bucharest Stock Exchange issued a new Corporate Governance Code. In accordance with the provisions of art. 87, paragraphs 1 and 2 of the Bucharest Stock Exchange Code, Book I – Title II issuers and Financial Instruments. **TMB** informed investors through the Current Report sent on 15.01.2016 on the status of the compliance with the Corporate Governance Code of the Bucharest Stock Exchange as at December 31, 2015.

In the Current Report sent on 16.01.2016, **TMB** complied with 23 provisions of which 4 were partly enforced.

The Company could not align entirely to 9 provisions, for which the management will decide upon and will implement the required measures in order to observe them. Please find below the provisions that were not complied with and the reason for non-compliance:

A. 1 All companies must have an internal regulation of the Board which includes reference terms and the Board's responsibilities and the Company's key management roles and which applies, among others, the General Principles in Section A.

Reason for non-compliance: **TMB** failed to comply with this provision since it does not have an Internal Regulation of the Board of Administration, but the Constitutive Act, the Organization and Operation Regulation and the Corporate Governance Regulation lay down the rules of organization, operation and structure of the Board of Administration.

A.2 The provisions regarding the management of conflict of interest must be included in the Board's Regulation, at any rate, the Board members must notify the Board of any conflict of interest that occurred or may occur.

Reason for non-compliance: **TMB** failed to comply with this provision since it does not have an Internal Regulation of the Board of Administration, but the Corporate Governance Regulation provides rules on the conflict of interest related to the members of the Board of Administration.

A. 5 Other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions in the Board of non-profit companies and institutions must be disclosed to shareholders and potential investors prior to appointment and during their mandate. This requirement will be implemented in 2016 by supplementing the Corporate Governance Regulation and by the Regulation of the Board of Administration.

A.6 Any Board member must submit to the Board information on any relationship with a shareholder holding directly or indirectly more than 5% of all voting rights. This obligation refers to any relationship that may affect the member's position regarding matters by the board.

The requirement will be implemented in 2016 by supplementing the Corporate Governance Regulation and by the Regulation of the Board of Administration.

A.8 The Statement on Corporate Governance must contain information on the evaluation of the Board lead by the President or the Appointment Committee, will summarize the key measures and the resulting changes. The Company must have a policy/guideline regarding the evaluation of the Board, which includes the purpose, criteria and frequency of the evaluation process.

The requirement will be implemented in 2016.

A.9 The Statement on Corporate Governance must contain information on the number of meetings of the Board and committees during the last year, the administrators' participation (in person and in absentia) and a report of the Board and committees on their activities.

The requirement will be complied with when the statement for 2016 is prepared, i.e., January 2017.

A.10 The Statement on Corporate Governance must contain information on the exact number of independent members in the Board of Administration or the Supervisory Committee.

The requirement will be complied with when the statement for 2016 is prepared, i.e., January 2017.

B. 3 As part of its responsibilities, the Audit Committee must conduct an annual evaluation of the internal control system.

The requirement will be implemented in 2016, upon the annual evaluation of the internal control system.

B.4. The evaluation must consider the efficacy and extent of the internal control function, the adequacy of the management reports on the internal control risk submitted to the Board's audit committee, the executive management's diligence and efficacy in settling deficiencies or weaknesses identified during internal control and the submission of relevant reports to the Board.

The requirement will be implemented in 2016.

B.5 The audit committee must assess conflicts of interest in relation to the Company's and its subsidiaries' transactions with affiliates.

The requirement will be implemented in 2016.

B.6 The audit committee must assess the efficiency of the internal control system and risk management system.

The requirement will be implemented in 2016.

B.7 The audit committee must monitor the application of the generally accepted legal standards and internal audit standards. The audit committee must receive and assess the reports of the internal audit team.

The requirement will be implemented in 2016.

B.8 Anytime the Code makes reference to reports or analyses initiated by the Audit Committee, they must be followed by periodic reports (at least annually) or ad-hoc reports which must then be submitted to the Board.

The requirement will be implemented in 2016.

B.9 No shareholder may be given preferential treatment from any shareholder in relation to transactions and agreements concluded by the company with their shareholders and affiliates.

The requirement will be implemented in 2016 by supplementing the Regulation of Corporate Governance with provisions on their shareholders and affiliates.

B.10 The Board must have a policy that would make sure that any of the Company's transactions with any of the related companies whose value is equal to or higher than 5% of the Company's net assets (according to the last financial report) is approved by the Council based on a mandatory opinion of the Board's Audit Committee and disclosed properly to shareholders and potential investors, to the extent such transactions fall under the category of events subject to reporting requirements.

This item is not applicable to **TMB** because the Company does not have close relations with other companies holding 5% or more of **TMB's** net assets.

C.1 The Company must publish on its website the remuneration policy and must include in the Annual Report a statement on the remuneration policy during the annual period under review.

Reason for non-compliance: The remuneration policy of administrator and the CEO is included in the Administration Contract.

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D.2 The Company will have a policy on the annual distribution of dividends or other benefits awarded to shareholders, proposed by the CEO or the Management Board and adopted by the Board, in the form a guidelines that the Company will follow as regards the distribution of net profit.

The requirement will be implemented in the upcoming period through a regulation in this respect.

D.3 The Company will adopt a policy on forecasts, regardless whether they are made public or not. The requirement will be implemented in the upcoming period through a policy prepared in relation to the forecasts.

#### **Corporate governance structures and Membership of the BoA**

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

As issuer, the Company complies with the provisions of Law no. 297/2004 on the capital market, and of the specific regulations issued by the **National Securities Commission (NSC)** based on such law.

TMB is managed under a monistic system by a Board of Administration (BoA), formed of 5 members elected by the general meeting of shareholders of 14.05.2012 for a 4-year term, with possibility of re-election.

#### **Administrators in office as at December 31, 2015**

| Name                 | Position                                | Year of first election | Expiry of current mandate |
|----------------------|---|------------------------|---------------------------|
| Radu Viehmann        | President, General Director             | 2000                   | 2016                      |
| Dana Maria Ciorapciu | Non-executive Administrator             | 2006                   | 2016                      |
| Emilia Manta         | Non-executive Administrator             | 2006                   | 2016                      |
| Grigore Florescu     | Non-executive Administrator             | 2006                   | 2016                      |
| Henriette Spinka     | Independent Non-executive Administrator | 2008                   | 2016                      |

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

The powers and responsibilities of the BoA are provided in the CGR. The president of the BoA is also the Company's general director.

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

The administrators' professional training and experience is presented in the CVs which are available on the Company's website [www.turbomecanica.ro](http://www.turbomecanica.ro).

The administrators who also hold similar positions in other issuing companies in the country or abroad are:

- Henriette Spinka – administrator at SC Anteco SA Ploiești since 2008;

**The administrators' participation in the share capital of TMB as at December 31, 2015**

| <b>Name</b>                 | <b>Position</b>                         | <b>No. of shares</b> | <b>% of share capital</b> |
|-----------------------------|---|----------------------|---------------------------|
| <b>Radu Viehmann</b>        | President, General Director             | 95,758,800           | 25.9198                   |
| <b>Dana Maria Clorapclu</b> | Non-executive Administrator             | 56,003,876           | 15.16                     |
| <b>Emilia Manta</b>         | Non-executive Administrator             | 0                    | 0                         |
| <b>Grigore Florescu</b>     | Non-executive Administrator             | 0                    | 0                         |
| <b>Henriette Spinka</b>     | Independent Non-executive Administrator | 285,000              | 0.0771                    |

In 2015, the BoA convened in 11 meetings, at least two meetings per quarter, which were attended by 4 to 5 of its members – and adopted decisions which enable it to fulfil its duties efficiently and effectively. Therefore, in its meetings, the BoA has analyzed the financial results obtained during the reporting period and cumulated from the beginning of the year, as well as its economic performance by reference to the budget and the similar period of the previous year.

**PRESIDENT OF THE BOARD OF ADMINISTRATION  
GENERAL DIRECTOR**

  
**Eng. RADU VIEHMANN**

