



S.C. MECANICA CEHLĂU S.A.®

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1921 - 2011



MECANICA CEHLĂU

ACTION PROGRAMME AND REVENUE AND EXPENDITURE BUDGET 2012

Relying on the principle of continuing the company's operations, maintaining the current share on the domestic, intra-community, and extra-community markets, improving the performance indices for the coming years under the international economic and financial circumstances, the Board of Directors submits to the Shareholders' Ordinary General Meeting approval the Action Programme and the BVC 2012 as well as the following objectives:

1. to develop and modernise the assets from a technological point of view with respect to:
 - increasing work productivity;
 - continuously improving the products and services quality;
 - increasing revenue from real estate rentals and available buildings;
2. to apply policies suitable to increasing the employees' training level, improving the personnel's composition and structure by age groups;
3. to optimise costs with raw materials, materials, energy resources, etc. in order to maintain competitive prices;
4. to raise structural funds by submitting projects aiming at technological modernisation, modernisation of farming machines and equipment, and new products with predictable benefits for the shareholders;

PERFORMANCE INDICES YEAR 2012

Turnover	27,250,000 lei
Total revenue	26,500,000 lei
Total Expenditure	22,700,000 lei
Gross Profit	3,800,000 lei

The principles underlying the Action Programme as well as the Revenue and Expenditure Budget for 2012 rely on the company's status. Therefore, the working assumptions are:

- the trends on agricultural machinery market;
- forecasts considered for the following year;
- there are no estimates as to influences lacking reliable anticipatory information.

**THE BOARD OF DIRECTORS,
CHAIR**

Prof Dr Dumitru Bontaș PhD, engineer

**ACTION PROGRAMME
AND
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MECANICA CEAHLAU S.A.

PIATRA-NEAMT

REVENUE AND EXPENDITURE BUDGET

FOR 2012

MECANICA CEAHLAU

- JANUARY 2012 -

**ACTION PROGRAMME
AND
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1. Performance Indices 2012

In brief, the main indices of the Revenue and Expenditure Budget for 2012 as compared to those of the Revenue and Expenditure Budget for 2011 and the achievements over the last two years are detailed below:

INDICES	ACHIEVED 2009	ACHIEVED 2010	BVC 2011	BVC 2012
TURNOVER	17,394,570	22,201,451	21,500,000	27,250,000
REVENUES - TOTAL	18,852,624	22,114,935	21,275,000	26,500,000
EXPENDITURES - TOTAL	26,697,938	19,884,145	20,497,955	22,700,000
GROSS PROFIT	-7,845,314	2,230,790	777,045	3,800,000

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2. Revenue and Expenditure Budget - 2012

#	INDICES	BVC 2011	BVC 2012	% (col3/col2)
0	1	2	3	4
1	Costs with materials	8,101,400	10,060,000	124,18
2	Costs related to sales of goods	100,000	200,000	200,00
3	Costs related to personnel	5,470,000	6,440,000	117,73
4	Fixed Assets Depreciation	1,250,000	1,200,000	96,00
5	Costs related to third parties	2,881,555	3,208,500	111,35
6	Financial costs	2,300,000	1,250,000	54,35
7	Costs - duties and	260,000	230,000	88,46
8	Other exploitation costs	135,000	111,500	82,59
9	EXPENDITURES - TOTAL	20,497,955	22,700,000	110,74
10	Revenues from sales of production	20,300,000	26,000,000	128,08
11	Revenues from sales of goods	600,000	250,000	41,67
12	Revenues from services and other sales	600,000	1,000,000	166,67
13	Turnover	21,500,000	27,250,000	126,74
14	Revenues related to costs of production stock	-1,125,000	-1,550,000	137,78
15	Other revenues from exploitation	200,000	500,000	250,00
16	Financial revenues	500,000	300,000	60,00
17	Revenues projects	200,000	0	0,00
18	REVENUES - TOTAL	21,275,000	26,500,000	124,56
19	Gross Profit without provisions	777,045	3,800,000	489,03
20	Expenditure related to adjustment of provisions	0	0	0,00
21	REVENUES - TOTAL	21,275,000	26,500,000	124,56
22	EXPENDITURES - TOTAL	20,497,955	22,700,000	110,74
23	Gross Profit	777,045	3,800,000	489,03
24	<i>Manufacturing Programme</i>	<i>11,035,075</i>	<i>14,700,000</i>	<i>133,21</i>

1. Revenues from Exploitation

1.1. Revenues from sales of production

Revenues from sales of production were calculated based on expected sale price of farming machine and equipment based on the company estimates as compared to the domestic market.

The manufacturing program will record a 33.21% increase of registration prices as compared to the Revenue and Expenditure Budget for 2011.

1.2. Revenues from sales of goods

In terms of revenues from sales of goods, in 2012, we expect a decrease of such value as the company will focus on selling goods manufactured by the company, which will record a 28.08% increase. The 0.92% size of revenues from sales of goods is irrelevant to the total revenues.

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2. Expenditure from exploitation/operations

To determine the operating costs as per the Revenue and Expenditure Budget, we have considered the application of measures related to continuously improving the quality of products and services, optimising costs related to raw materials and materials as well as energy resources.

2.1. Costs with materials

Estimated for the main raw materials are based on sheets and pipes quotations on the domestic market and on contracts signed for 2012. The raw materials and materials purchased against foreign currency were valued at the average exchange rate of 4.32 lei / euro.

Estimated for the main raw materials are based on sheets and pipes quotations on the domestic market and on contracts signed for 2012. The raw materials and materials purchased against foreign currency were valued at the average exchange rate of 4.32 lei / euro.

Under the energy and water supply chapter, we have forecast a deduction owing to the effects of commissioning the investment “*Modernisation of industrial water supply ring and fire prevention.*”

2.2. Costs related to personnel

To determine personnel-related costs as per the Revenue and Expenditure Budget for 2012, we have considered the application of policies suitable for increasing the employees’ level of training, improving the composition and structure of the personnel in terms of age groups and skills.

The waging policy for 2012 aims at correlating the personnel-related costs depending on the level of the expected programme of manufacturing farming machinery and equipment, with a 3% raise of the average salary as compared to the current level.

The salary level in 2011 has recorded an 8.35% increase - explained by hiring workers and payment of overtime in order to carry out the manufacturing programme - as compared to the level under the Revenue and Expenditure Budget for 2011.

2.3. Costs related to depreciation of tangible and non-tangible assets

In 2012, the expected total expenditure related to depreciation decreases by 4% as compared to the Revenue and Expenditure Budget for 2011, owing to the full depreciation of tangible assets.

3. Financial costs

In order to carry out the operations programme, in 2012, the company will continue to contract loans to finance its working capital at a lower ceiling than in 2011. Under these circumstances, interest-related costs will decrease by 45% as compared to the Revenue and Expenditure Budget for 2011.

4. Gross results

The operation of the company based on the principle of continuity, of maintaining the share of the domestic and foreign markets will lead to recording an overall profit.

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Therefore, for 2012, we expect a gross profit amounting to 3,800,000 lei, which consists in:

- profit from exploitation operations = 4,750,000 lei
- loss from financial operations = 950,000 lei

5. Outstanding Debts

The 2012 outstanding debts will be reduced by 90% coverage with commercial effects.

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3. Sales Programme for 2012 - Draft

In designing the sales programme for 2012, we have considered the evolution of turnover over the last three years (i.e., 2009, 2010, and 2011), our own statistical data with respect to the products sold during a similar lapse of time, the trends on the farming machinery market, and the forecast considered by the authorities for 2012.

The Sales Programme Draft aims mainly at valuing our own production with a view to maintaining the company's position on the domestic and foreign markets.

In establishing this programme, the following were not included in the estimates: the unfavourable influences likely to occur due to weather conditions, the evolution of produce prices or the lack of financing sources for agriculture.

Indices	BVC 2011	BVC 2012	%
Revenues from production	20,300,000	26,000,000	128.08
Revenues from sales of goods	600,000	250,000	41.67
Revenues from services and other sales	600,000	1,000,000	166.67
Turnover	21,500,000	27,250,000	126.74

4. BACKGROUND NOTE for the 2012 Investment Programme

The total value of the investments that are to be carried out in 2012 amounts to 3,761,250 lei, including a total of 10 objectives, of which expenditure have been recorded since 2011 and the other seven objectives will be launched in 2012.

The investment objectives for 2012 will be funded as follows: spare funds from the 3,507,160 lei increase of share capital, i.e., the company's own sources, and 875,000 lei, i.e., OSCCE Programme grants.

The investment objectives in the programme aim at:

- modernising and upgrading production flows, improving product quality and decreasing production costs;
- modernising utilities consumption;
- carrying out objectives that will meet the strategy of reducing pollution, environmental protection, health and safety and working conditions;
- developing and modernising the assets at the Aurel Vlaicu location with a view to obtaining supplementary revenues.

The objectives referred to in the 2012 investment programme are presented below:

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Investment Project for 2012 - Draft

#	Objective	Total value of work (lei)	Programme value in 2012 (lei)	Possible grants (lei)	Notes
0	1	2	3	4	6
1	CHAPTER I - TECHNOLOGICAL DEVELOPMENT	2 941 750	2 066 750	875 000	
1.1	<i>Modernisation of mechanical processing flow</i>	1 750 000	875 000	875 000	
1.2	<i>Modernisation thermal treatment flow</i>	506 000	506 000		
1.3	<i>Setting up plastic mass injection workshop</i>	582 000	582 000		
1.4	<i>Modernisation of SPC spray-painting installation</i>	11 250	11 250		
1.5	<i>Modernisation of quality technical control</i>	92 500	92 500		
2	CHAPTER II - ENERGY, UTILITIES, SERVITUDES	500 000	500 000		
2.1	<i>Modernisation of industrial water and Fire Prevention "Supply Ring"</i>	400 000	400 000		<i>To be continued from 2011</i>
2.2	<i>Modernisation of Transformation Units</i>	100 000	100 000		<i>To be continued from 2011</i>
3	CHAPTER III - ENVIRONMENT, HEALTH & SAFETY AND WORKING CONDITIONS	139 500	139 500		
3.1	<i>Exhaust systems for aluminium melting kilns</i>	139 500	139 500		
4	CHAPTER IV - MODERNISATION OF ASSETS in Str. Aurel Vlaicu No 34	150 000	150 000		
5	CHAPTER V - ENDOWMENTS with computers, office equipment, and communications	30 000	30 000		<i>To be continued from 2011</i>
	TOTAL GENERAL AN 2012 (lei)	3 761 250	2 886 250	875 000	

NOTE:

1) Values included in the table above do not include VAT.

2) Funds needed to cover the investment objectives will be secured from the following sources:

- a) spare capital from shares capital increase;
- b) own sources ;
- c) grants under the POS CCE Programme.

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5. 2012 Research-design Programme - Draft

In order to be able to offer our customers upgraded machines and equipment that meet the requirements of agricultural development, in 2012, we will continue to develop technical and technological innovation in order to increase the quality and reliability of our products as well as to offer a diverse portfolio.

The funds needed to meet the objectives of the research and design programme mount to 312,770 lei of which:

- Objectives to diversify Domain I of operations, i.e., a total of 100,000 lei;
- Objectives to implement Domain II of operations, i.e., a total of 127,770 lei;
- Objectives funded from government funds and structural grants, i.e., a total of 85,000 lei.

Director General,
Timaru Neculai, engineer

Director of Finance,
Marian Gabriela, economist