



**TRADE COMPANY  
MECANICA CEHLĂU INC  
- PIATRA NEAMȚ -**



Annual report according to the standard documents in force:	Legea nr. 31/1990R, Legea 297/2004, Regulamentul CNVM nr. 1/2006 , Codul BVB, Ordinul M.F.P. 3055/2009 cu modificările și completările ulterioare și a altor acte normative în vigoare.
For the financial year	2010
Report date:	23.03.2011
Name of the issuing company:	<b>Mecanica Ceahlău INC.</b>
Social head office:	Piatra Neamț, Strada Dumbravei nr.6, jud. Neamț Cod poștal 610202
Telephone/facsimile	tel: 0233/215820; 0233/211104; facsimile 0233/216069;
Web	<a href="http://www.mecanicaceahlau.ro">www.mecanicaceahlau.ro</a>
E-mail	<a href="mailto:ceahlau@mecanicaceahlau.ro">ceahlau@mecanicaceahlau.ro</a>
Fiscal identification code	RO 2045262
Trade Registry Number	J27 / 8 / 08.01.1991
Regulated market on which the issued movable values are traded	Stock Market of București MECF code
Social share subscribed and paid	23.990.846,00 lei
Main features of the movable values issued by Mecanica Ceahlău S.A.	Ordinary, common, nominal, dematerialized, and emphasized by account registration

**REPORT OF THE COUNCIL OF ADMINISTRATION OF MECANICA CEHLAU INC  
FOR THE YEAR 2010**

The Council of Administration developed its activity in 2010, according to the company's details, with the AGA decisions and its own decisions adopted based on Law no. 31/1990 R, law no. 297/2004, BVB Code, M.F.P. Order 3055/2009 modified and completed by Order 2869/2010 and Order 2870/2010, as well as the other normative documents regulating the activity of the trade companies whose shares are traded on a regulated market.

**1. ANALYSIS OF THE COMPANY'S ACTIVITY**

**1.1.a) Description of the basic activity of the trade company**

According to the company's details, Mecanica Ceahlău Inc has as main field of activity „the manufacture of machines and tools for the agriculture and forest exploitations” CAEN code 2830; *the main activity* „ the manufacture of machines and tools for the agriculture and forest exploitations” CAEN code 2830.

The manufactured machines and tools for agriculture are trade by Mecanica Ceahlău INC both on the internal and the external market. The main machines and tools manufactured and traded by Mecanica Ceahlău INC cover a large range of agricultural works, from the soil preparation for seeding until the harvesting: drills for mechanical or pneumatic straw plants, conventional and reversible ploughs, combinatory, compactors, disk harrows, agricultural mills, cultivators, irrigation plants, herbicide plants, machines for spreading fertilizers, and so on

Based on the decision of the Extraordinary General Assembly of the Shareholders no.4 from the 04.09.2009 the company implements a new field of activity (Field 2) by the approval of outfit and component manufacture in the field of tools for redeemable energetic resources, and mechatronic outfit with applications in the medical field.

By the decision of the Extraordinary General Assembly of the Shareholders no. 2 from the 28.01.2011, was updated by the Company's Details, with the completion of the field of activity with “activities of enclosed services for terrestrial transports”- CAEN code 5221.

Mecanica Ceahlău INC has in the organizational structure directions, departments and specialized departments on activities, including design, a production department structured on workshops, modern endowments and human potential with experience, that can promptly reply to the customers' orders and competition requirements in the field of machine and tools construction for agriculture; outfit and components in the field of tools for redeemable energetic resources and mechatronic equipment with applications in the medical field.

The quality management system was reviewed in 2010 for the re- certification by the external auditor TÜV SUD, the result being that the processes and products completed by Mecanica Ceahlău Inc comply with the standard requirements (ISO 9001:2008). Nowadays, the integrated management system: quality environment is in process of implementation.

**1.1.b) Specifying the set up date of the trade company**

Mecanica Ceahlău Inc becomes a share company by the Government Decision 1254 / 04.12.1990 and it is the successor of the experience accumulated by the company „Energia” set up on the 18<sup>th</sup> of July 1921.

*The company celebrated 90 years of existence this year.*

**1.1.c) Description of any significant fusion or reorganization of the trade company, its subsidiaries or controlled companies, during the financial exercise**

In 2010 there were no significant fusion or reorganization of the company. According to the adopted strategy, in 2010, the modernization and reorganization investment for the mechanical processing flow and the concentration of the general production activity in one location “mono-block hall” was adopted.

To improve the safety and health conditions at the place of work, we also concluded the investment for the locker in the mono-block hall with a capacity of 150 places.

To value the asset efficiency from str. Aurel Vlaicu, no. 34 , we approved the completion of the field of activity with secondary activities: additional services for road transport - CAEN code 5221.

### **1.1 d) Description of acquisitions and/or asset alienation**

#### **1.1.d.1) Acquisitions**

According to the provisions of the Investment Program 2010 we completed acquisitions and assembly construction works in a total value of 2 .094 283.11 lei (Appendage 1 ), of which costs for 2010 in the amount of 1.911 399.31 lei, grouped on the chapters below:

#### **Chapter I “ Technological investments” :**

1. Modernization and reorganization of the mechanical procession flow, in the amount of 128.025,53lei

2. Modernization of the anti- corrosion safety activity, in the amount of 1.391.170 lei

#### **Chapter IV „Environment, work protection and work conditions”:**

3. Set up and endowment of the lockers from the mono-block hall. Development of the heating system from the lockers, in the amount of 567 947,58 lei, target opened in December 2006 and finished in December 2010. The costs for 2010 are in the amount of 385.057,8 lei.

#### **Chapter “Other investments”:**

4. Copy machine Canon image (A3), in the amount of 7.140 lei.

#### **1.1.d.2) Alienations**

By the program for the redundancy and value of some tools used physically and morally, 32 tools in a total amount of 34.596,7 lei were valued by direct sale 3 tools for the amount of 10.000 lei and by valuing the waste from the tools cassation.

### **1.1.e) Description of the main results of the company’s activity assessment**

Mecanica Ceahlău Inc, as official, holds in its portfolio patterns and registered brands providing the protection of the intellectual property. The list of products for Mecanica Ceahlau Inc includes agricultural machines covering almost the entire range of specific agricultural works.

In order to manage to offer our clients new tools and machines for agriculture, according to the requirements of the agricultural development, in 2010 we focused on the development of the technical and technological innovation activity, so to increase the qualitative and reliability level of products.

To complete the turnover and the increase of the market share there was a tender of new tools and machines for agriculture and a modernization of the tools and machines for agriculture from the production list.

To vary the portfolio and to extend the offer, the company implements a new field of activity by approaching outfit and components in the field of tools, for the redeemable energetic resources and mechatronic outfit with application in the medical field.

Thus, in 2010, for the technical constructive innovation, we observed the assimilation and manufacture of the following tools and machines for agriculture

- Sower „, KLEINE” type on 6 and 8 raws with disk cutter; roller harrow; average harrow with disks, harvesting equipment Vindrover ;
- Equipment for the redeemable energetic system: wind station of 5KW;
- Mechatronic equipment with medical application: mechatronic hospital bed;

To determine the impact of these products on the market, we completed specific activities for the marketing strategies by market studies and the exposure of prototypes within various technical exhibitions, general or specific, with good results, proving market interest

The equipments were presented within the exhibitions below:

- “Alternative Energy and Technology Fair”, from Bucharest between 14-16.05.2010;

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FOR 2010**

- „DENTA EXPO „, from “Iulian Antonescu” Museum of Bacău, between 23 – 25 of September 2010.
- „ Regional Saloon for Researches” of Bacău 2010 from Central Plaza Bacău, between 16 – 19 of September 2010.

The investment objectives completed in 2010 have as aim the technological development by means of: finishing and functioning of a complete line of painting in electrostatic field; reorganization of the mechanical procession flow; improvement of the safety and health conditions in work by placing the lockers in the mono-block hall.

By completing the target: complete line of painting in electrostatic field we will get the internal increase of the work output and the reduction of the contaminants removed from the technological process, as well as improvement of the quality of manufactured product painting, the finishing degree and the period of use.

The reorganization of mechanical procession flow was done by changing the location of the technological flow of mechanical processing, in a new location, providing a proper microclimate according to the European standards.

The reorganization allows an increase in the future of the degree of using current capacities.

The set up and endowment of the lockers from the mono-block and the development of the heating system in the lockers, led to the improvement of the safety and health conditions in work.

The objectives of the investment plan for 2011 and future plans, are the modernization and implementation of new technologies and reduction of the consumption of non redeemable energies.

The main investments and endowments are:

- the endowment with 2 centers for the automatic mechanical procession “CNC”;
- the endowment with modern equipment for the optimization of non redeemable facility consumption.

The modernization of mechanical processing by splitting and the replacement (most part) of the classical machines with lathes and processing centers with CNC will lead to the increase of work output.

**1.1.1. Elements of general assessment**

Nr crt	Indicators	Done 2009	Foreseen BVC 2010	Done 2010	% col.4/col.2	% col.4/col.3
0	1	2	3	4	5	6
1	Turnover	17.394.570	20.490.000	22.201.451	127,64	108,36
2	Total incomes	18.852.624	21.280.644	22.114.935	117,31	103,92
3	Total expenses	26.697.938	21.063.149	19.884.145	74,48	94,41
4	Gross profit	(7.845.314)	217.495	2.230.790	-	1025,68
5	Net profit	(7.859.981)	217.495	2.222.540	-	1021,88
6	Exploitation incomes	18.624.978	21.130.644	21.487.270	115,37	101,69
7	Exploitation expenses	24.022.303	18.413.149	17.407.214	72,47	94,54
8	Exploitation result	(5.397.325)	2.717.495	4.080.056	-	150,14
9	Average number of employees	210	186	186	88,57	100,00

**a) profit / loss**

In the financial year 2010 Mecanica Ceahlău Inc registered a gross profit of 2.230.790 lei, there is a profit from exploitation of 4.080.056 lei, and the financial result is a loss in the amount of 1.849.266 lei.

**b) Turnover**

The turnover in 2010 is of 22.201.451 lei registering an increase of 27,64 % as compared to the achievements from 2009 and 8,36 % as compared to the level settled by the Incomes and Costs Budget for 2010, approved by the H.G.O.A no.2 from the 29.01.2010. This level of turnover was achieved by selling the self production made in 2010 and by selling from the stock of finished products and goods from 2009. Thus, self products and goods contributed with 94,4% to the achievement of the turnover and the completed services and other sales represented 4,86%.

**c) export**

Sales from the export were of 1.286.057 lei, registering an increase of 14,20% as compared to 2009. The percentage for the export sales in the turnover is of 5,8%.

**d) costs**

The costs of the sold goods and completed services were of 11.707.372 lei, 779.474 lei less than 2009, including the costs of the basic activity, additional activities and indirect production costs.

**e) market percentage held**

The company's main aim in 2010 was to maintain the internal market ratio of agricultural machines complying with the conditions of the economic- financial crisis generating the activity reduction to the companies producing agricultural machines.

Applying a sale strategy proper for the economic situation and the improper business environment from the agriculture, the company managed to attract an important number of clients and get a slight increase of the market share to the agricultural machines carried or trailed as compared to 2009 in detriment of competition. We appreciate that in 2010, the market share for these types of agricultural machines was of about 20%.

**f) Liquidity (available in the account, and so on.)**

On the 31<sup>st</sup> of December 2010 Mecanica Ceahlău Inc. terminated the activity with a treasury positive balance of 3.522.721 lei. The treasury net increase is presented in details in appendage no. 3.

The structure of the treasury flows is as follows:

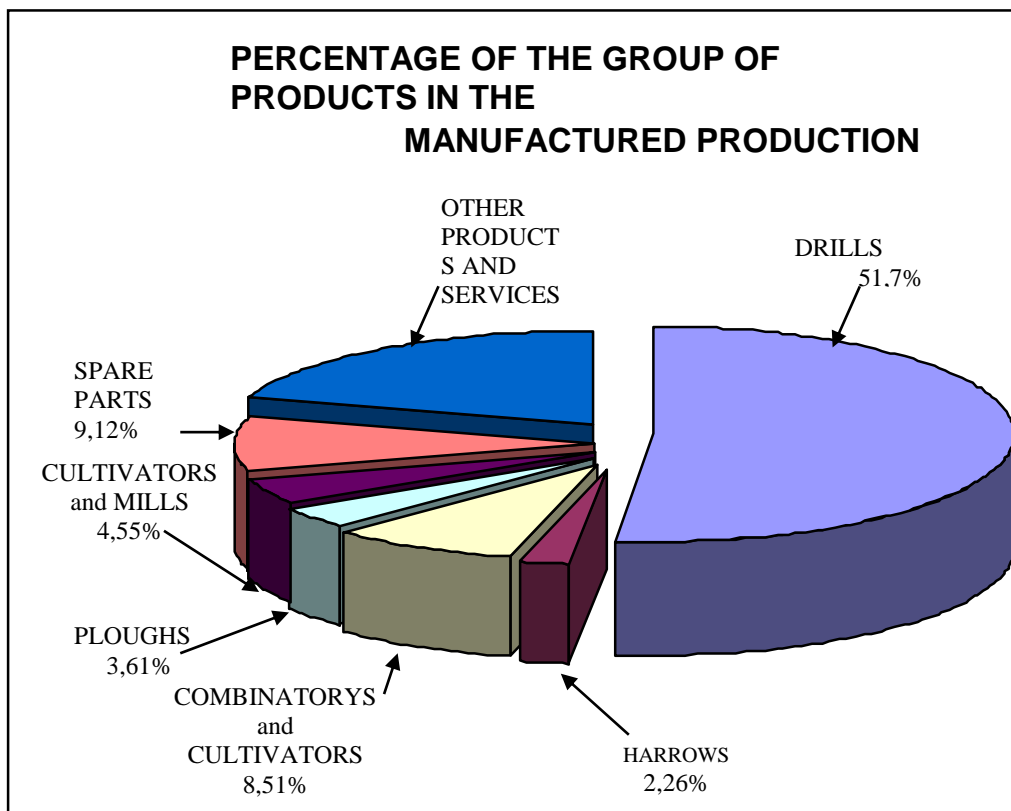
Net treasury at the beginning of the exercise	6.600.282lei
Net treasury of the exploitation activity	6.096.613 lei
Net treasury of investment activities	(604.716) lei
Net treasury of financing activities	(8.569.458) lei
Net treasury at the end of the exercise	3.522.721 lei

**1.1.2. Assessment of the technical level of the trade company**

**Description of the main products and/or services completed**

To set the production program, we permanently observed the correlation with the stock level of finished products existent in the previous period and sustaining the sale program agreed by the Incomes and Cost Budget for 2010. thus, at the end of 2010, stocks of finished products and goods decrease with over 20% as compared to 2009.

The percentage of the production groups in the production from 2010:



#### **1.1.2.a) The main sale markets and distribution methods**

The internal market of agricultural machines registered a negative impact especially in the 1<sup>st</sup> semester of 2010, because:

- Non-involvement in the „bank system” granting credits for investments in agriculture;
- Lack of budgetary resources to support the activity in agriculture;
- Decreasing the request of agricultural machines caused by the lack of liquidities;
- Inexistence of the regulatory market of the agricultural products;

In the second semester of 2010 the market of agricultural products (especially cereals) knew a revival allowing farmers to also invest in the endowment with machines and agricultural outfit. Thus, the main market remained in 2010 the internal market contributing with 94,2% in the entire turnover of the company.

The main machines and agricultural outfit, products and services sold in 2010 are the agricultural machines trailed or carried, spare parts for agricultural machines, products for the activity of prevention and extinction of fires, as well as different services.

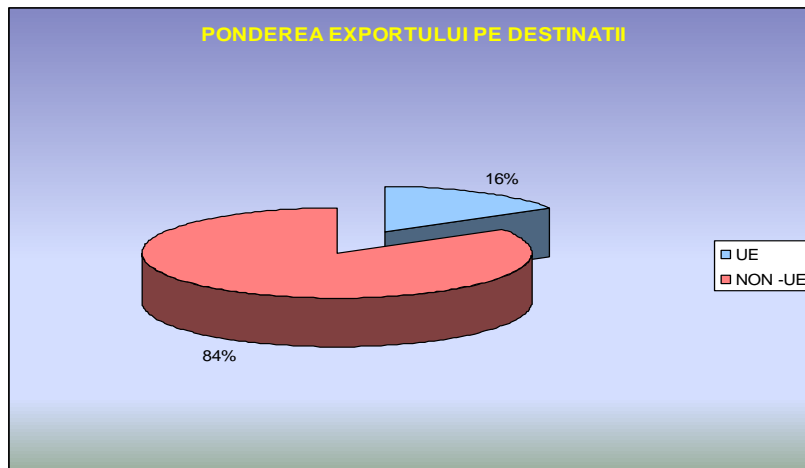
The sale percentage in the previous year achievements and in 2010 is formed of the agricultural machines from the drill category. These are the most important products of the company, in all aspects: contribution to the income completion, special quality, brand and so on. In the turnover, the drills have an important percentage of 51,7%, being followed by combinatory and compactors 8,51%, cultivators and mills 4,55%, spare parts 9,12%, disk harrows 2,26%, and other products.

Agricultural machines and equipments made by the company covers almost the entire range of specific agricultural works that is: soil processing, seeding, cultivation maintenance.

Sales on the internal market were completed in a percentage of 50% by means of the concluded contracts, with a number of 20 commissions and by contracts concluded with directly contacted clients.

In 2010 sales on the external market were completed by our traditional partners to whom we are permanently in contact and permanently promote the company's products. The turnover for export was

achieved in a percentage of 84% in extra-community countries (especially in the Russian Federation) and 16% in the intra-community countries (Hungary, Poland)



**1.1.2.b) percentage of each category of products in the total turnover for the past 3 years**

Product percentage in the turnover Categories of products	2008 (%)	2009 (%)	2010 (%)
Drills	44,5	41,73	53,28
Harrows	6,5	6,51	5,0
Combinatory and compactors	1	5,09	9,64
Ploughs	1,5	1,55	1,8
Cultivators and mills	8,5	6,79	9,12
Spare parts	9	9,02	8,8
Other products	29	29,31	12,36

**1.1.2 c New products considered, for affecting a substantial volume of assets in the future financial year as well as the development stage of these products**

To continue the projects started in the previous years proper for the variation of the portfolio of agricultural machines, in 2011 the financial resources will be in the amount of 351.000 lei. The projects of new products will be finished and certified so to be put on the market and trade.

To implement the 2<sup>nd</sup> field of activity, the financial resources are in the amount of 605.000 lei to finish the execution of prototypes for the equipment started in 2010 and the technical documentation series 0 will be designed.

**1.1.3. Assessment of the technical material supply activity  
(indigene sources, import sources)**

The supply activity developed without major problems. Acquisitions completed together with the internal production problems, investment, and so on, observing the maintenance of a minimum stock of raw materials allowing the permanent unfurling of the manufacture program. The internal supply sources were formed of traders and the internal producers, the decision regarding the acquisition being taken after the attentive analysis of at least three offers, selecting the best one, from the point of view of the price, delivery term and the means of payment. Mention that the number of internal producers diminished a lot and therefore, the materials and raw materials purchased from traders come mostly from imports. During 2010 a constant level for the material prices maintained, except the end of the year when there were slight increases, the tendency being the same for the beginning of 2011.

To achieve the „Lemken” type products, but also for the acquisition of some specific components, necessary for the product manufacture in the company’s portfolio, we made imports from

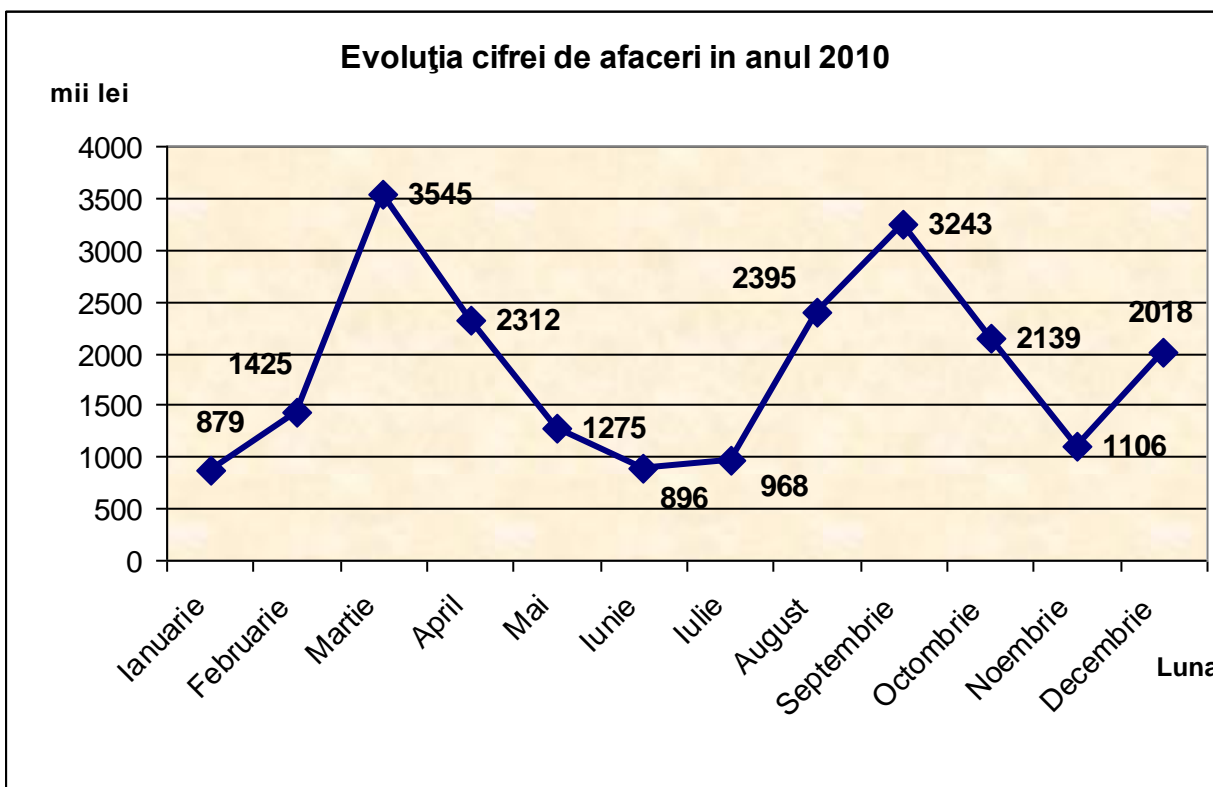
well known producers from the European Union. The total value of the achievement imports, in 2010, was of 408.936 lei (about 30% of the turnover value from export).

**1.1.4. Assessment of the sale activity**

**1.1.4.a) Description of the sale evolution, on sequences, on the internal and/or external market and the sale perspectives on average and long term**

During the financial year 2010 the sale activity was characterized by seasons, according to the agricultural seasons, with top sales in February, March, April and August, September, October.

TURNOVER IN 2010



The sale evolution presented in the graphic is for the internal and external market and it is strictly related to the agricultural season and to the financing possibilities and financial support granted to farmers.

On the agricultural machine market, in the first part of 2010 there were the same causes of the lack of demand as the previous year, continued the lack of financing for the agricultural activities, motivated, by the economic financial crisis. A significant increase of sales took place in the second part of the year, because of the opportunities appeared by the valuation at a better price of the agricultural products.

For perspective, we appreciate that there are conditions that, by means of government programs for financing agricultural productions, together with the access in significant percentage of European funds, and because of the increase potential (induced by the very low level of endowment with agricultural technique), to achieve on average and long term and in good ratios, the sale increase for the producers of agricultural machines, actives on the Romanian markets.

**1.1.4.b) Description of the competition situation in the company's field of activity and the main competitors**

The competition in the field of agricultural machines can be classified as follows:

- *well known companies*, known in the area, practicing relatively big costs and mainly want to support the investment projects completed by the big farms with the help of European funds. These



companies (Maschio- Gaspardo, Class, Lemken, New Holand, John Deer) have a self financial support allowing the financing of some important levels of stocks, anytime at the market disposal and at the same time allowing to grant important facilities to clients (big discounts, grace periods, included transport and so on)

- *the traders of agricultural machines in the extra-community space* (Turkey, China) practicing small prices, agreed by a big market segment, because of the lack of liquidities generated by the economic- financial crisis;

- *traders of second hand tools* mainly from the European Community in terms of extremely convenient price in this crisis situation;

- *internal producers*, the most important to Mecanica Ceahlau Inc, is MAT Craiova which is a competition for similar products to those from the company's demand list.

**1.1.4.c) The description of any significant dependence of the company to a single client or to a group of clients whose loss would have a negative impact upon the company's incomes.**

According to the information from the source called „Structural investigation in agriculture”, the number of agricultural exploitations including an arable surface of the country of about 3.000.000 ha. Among these, about 80.000 of farms have between 10 and 50 ha, about 4.500 farms have between 50 and 100 ha and about 8.000 farms work over 100 ha. In these conditions, we cannot reach to the conclusion that the company depend on one client or a limited group of clients.

**1.1.5. Assessment of aspects related to employees/ company's staff**

**1.1.5.a) Mention the number and level of preparation of the company's employees as well as the union degree for the work force.**

The average number of the staff, registered in 2010 is presented as follows:

<b>Staff categories</b>	<b>Average number</b>
- directly productive workers	117
- indirectly productive workers	13
- TESA staff	56
<b>TOTAL employees</b>	<b>186</b>

Of a total of 186 employees, 50 employees have university specialty studies, 27 employees are high school graduates, 109 employees are professional school graduates, or qualified at the place of work in the company's specific jobs: locksmith, welders, turners, painters and so on.

To improve the professional preparation they did training and brushing up courses in: welding, splitting processing, locksmith, where 92 employees attended, in a total amount of 1.804 lei.

The trade union employees are grouped in 2 union organizations:

- Free trade union " Ceahlău" has 78 members, production employees;
- Free trade union „TESA" has 96 members, employees from production and functional departments;

According to the provisions of the Collective Work Contract the employees benefit of work and safety equipment, antidote, social supports for serious illnesses, and other helps, meal tickets.

The employees, ex employees and their families can benefit of financial supports and medical treatments directly granted by „ *Mecanica Ceahlău Humanitarian Foundation*", financial and organizational independence.

**1.1.5.b) The description of the reports between managers and employees as well as any conflict elements characterizing these reports**

The relations between the executive management and employees are relations regulated by the Wrok Collective Contract and internal standards. In 2010 and the previous years, there were no collective and individual work conflicts.

**1.1.6. Assessment of the aspects related to the impact of the basic activity of the issuer upon the environment.**

Mecanica Ceahlău Inc holds the environment approval no. 159 from the 17.06.2010 elaborated based on the presentation of the activity and environment balance, valid until the 17.06.2020.

The polluting agents, specific to the technological products, are under the maximum admissible limits, leading to non significant pollutions. The noise levels measured outside the production workshop are in normal limits.

Mecanica Ceahlău Inc has not have any litigations regarding the breach of the proper legislation for the environment. There is a measurement plan so to prevent accidental pollutions, with terms and responsibilities.

Nowadays, the integrated management system is in process of implementation: quality-environment.

**1.1.7. Assessment of the research and development activity  
Mentioning the expenses for 2010**

In2010, the costs for research development activities were in the amount of 188. 600 lei. They were achieved for the objectives below:

- Market study acquisition for the investigation of the impact the mechatronic equipment can have, with applications in the medical field and outfit for the redeemable resources in the amount of 74 .579 lei
- Contractual activities with SC INAV Inc – Bucharest. The main objective is the acquisition of constructive documentation including zero series homologation for the Aeolian Station 5 Kw: the amount of 58.280 lei . The contract will unfurl in 2011.
- The acquisition of projection activities from the Project Mecanica Ceahlau Ltd P-Neamt, externalized activities by our company in January and February 2010: amount of 55. 700 lei

**Mentioning the costs for 2011**

The amount granted by BVC 2011 for the chapter „ Studies, researches” wherefrom the “Research- Design” works are financed, is of 180.000 lei. This amount only refers to granting the necessary financial resources for contractual collaborations with design institutions and organizations for the implementation of the second field of activity.

**1.1.8. Assessment of the company’s activity regarding risk management.**

**Description of the trade company exposure towards the price risk, credit, liquidity and cash flow**

In the risk management area, we consider basic principles: elaboration of materials regarding the risk identification, measuring and control, associated to each possible decision, as well as the improvement of the company’s management performance, in the context of definition, measurement, and assessment of consequences, making decisions as doubts.

**a) Currency risk**

The currency risk that the national coin decrease pro ration to the main currencies. The currency risk appears when the company’s commercial transactions are completed in another coin than the local one, or according to the exchange currency of a foreign coin. The company’s finished products are sold mostly on the external markets, and a part of the goods necessary for the activity development are purchased from the external markets, being mainly expressed in currencies such as USD or EUR. The company’s management observes the variations of the currency exchange rate of the company’s debts, duties, intervening when possible, with covering procedures for these risks. There is also the possibility to appeal to currency hedging

**b) Interest rate risk**

The interest rate risk that the interest rate vary because of the change of this rate on the inter-bank market. The result from the financial activity or the company's cash flows can be affected by the interest rate flow on the market, since the Company has loans or short term bank deposits, with interests that also have a variable component. The company's management permanently observes the interest rate flows and actions as such.

**c) Market price risk**

The market price risk is the risk that the prices of the purchased and sold goods to vary in a bad way as a result of the change in the market price. Covering the market price risk to which the company is subjected is administrated by concluding firm contracts with business partners, both providers of raw materials and customers.

**d) Credit risk de credit**

The credit risk appears when the incompleteness of a partner's obligations could reduce the cash flow entries from the trade debts presented on the balance date. The company is not exposed to any significant credit risk. The company's management applies specific policies to make sure that the product and service sale with the payment on term is completed by credible partners, so that the commercial credit granted be recovered according to contractual provisions. If there is not enough information about a client or if there is a certain risk of its solvability, then the company uses advance payment or certain methods for the payment guarantee (letters of bank guarantee, accreditation documents). The company also disposes of internal control mechanisms by means of which it permanently observes de debts seniority.

**e) Liquidation risk**

The liquidation risk appears when due duties cannot be paid because of the lack of availabilities generated by the non-collection of due debts, and because there are dysfunctions between the collection of the availabilities to be paid and the payments to be done. The company's politics regarding the liquidity risk is to provide, if possible, proof that it has, at any time, enough liquidities to be able to pay the due debts. Moreover, by the credits for the financing of the current activity, the company can supply the cash deficit that can exist at a given time. There are procedures by means of which such dysfunctions are observed.

**f) Interest rate risk at the cash flow**

The interest rate risk at the cash flow is the risk that the future cash flows vary because of the interest's market rates. A loan instrument with variable rate can lead to a change in the effective interest rate of the financial instrument, without a proper change of its right value. The company's management permanently observes the variations of the interest rate and actions as such.

**The description of the company's politics and objectives regarding the risk management**

Mecanica Ceahlău Inc. observes the risk level by politics in process of implementation for the following identified risks:

- **strategy risk** – the appearance of unforeseeable risks in the company's general strategy, because of the risks at macroeconomic level.
- **economic climate risk** – risks owed to the changes in the local, national, European or world economic climate.
- **Risk of the business continuity** – the opportunity of losing some key providers because of the relatively reduced portfolio by the suppliers.
- **risk of the continuity business plan** – risks because the inexistence of alternative plans for the continuity business plan in external cases.
- **competition risk** – risk owed to the competition intensification and the lack of identification of its counteraction solutions.

**Internal control**

Within Mecanica Ceahlau Inc, the insurance of the internal control focuses mainly on the activities of internal accounting and financial control and internal audit.

*The aim of the internal control* is to provide the objective coherence, identify successful key factors and communicate the company's leaders, in real time, information regarding performances and perspectives.

In the field of the *internal control* consider as basic principles:

- completion of specific regulations of the company's activities;
- completion of internal standards and work procedures, and the decisions of the management decision and supervision of the activity of Mecanica Ceahlau Inc.

*The internal control* is formed of the following elements tightly related:

- the department responsibilities;
- specific procedures;
- information system and proper practices;
- The activities of observation and correction of deficiencies.

*The company's internal accounting and financial control* applies for providing an accounting administration and a financial observance of its activities, to satisfy the defined objectives. The internal accounting and financial control is a major element of the internal control. It refers to the assembly of the processes of getting and communicating the accounting and financial information and contributes to the completion of reliable information, according to the requirements, especially related to the elaboration and application of politics and procedures in the area, including the supervision and control system.

As for the accounting rules, the company has elaborated:

- the manual of accounting politics;
- application procedures of this manual;
- knowing the evolution of the accounting and fiscal legislation;
- completing specific controls upon sensitive points;
- identification and proper treating of anomalies;
- adaptation of automatic programs to the company's needs;
- conformity with the accounting rules;
- providing the exactness of the accounting registration completeness;
- complying with the qualitative features of the information from the financial situations so to satisfy with the users needs;

*The activity of internal audit*

The internal audit is an independent and objective activity offering the company an insurance regarding the control degree upon the operations, guiding it so to improve these operations and contributing to the addition of a plus of value. The activity of internal audit takes place based on the engagement plan settled according to the company's objectives. The plan of the internal audit activities and the necessary resources are approved by the Audit Committee and approved by the Council of Administration. The intermediate significant changes are also submitted to the approval. The audit plan for 2010 and the intermediate changes were approved in the meetings of the Council of Administration from the 19.03.2010; 26.05.2010; 30.08.2010; 30.09.2010.

The program of the internal audit missions is based on the assessment of risks forming the base for the definition of the priorities of internal audit activities, according to the objectives of the company Mecanica Ceahlau Inc. The activity of internal audit takes place according to the procedures elaborated for the activity control. For each mission of internal audit a plan is elaborated, including the area of applicability, the objectives, the calendar and the resources granted.

When planning each mission we consider:

- The objectives of the reviewed activity and the means for controlling it ;

- significant risks related to the activity and the means for the potential impact of the risk to be kept at an acceptable level.
- the efficiency of the management and control systems of the activity risks, with reference to the degree of control;
- chances of significant improvement of the management and control systems of the activity risks.

At the elaboration of the mission objectives, we consider the probability of error, irregularities, incompleteness as well as other significant exposures.

The internal audit takes place in the following forms:

- assessment of the results regarding the observed objectives and the examination of the effective impact – performance audit;
- providing the conformity of procedures and operations with the legal standards – regularity audit

The activity of internal audit assesses the exposures to the company's proper risks, informational operations and systems, regarding:

- reliability and integrity of financial and operational integrity;
- operations effectiveness and efficiency;
- asset protection;
- completion with laws, regulations and contracts.

Missions of internal audit from 2010 focused on:

- the accounting financial activity- insurance mission;
- organization and unfurling of the financial report process, for the annual financial situations elaborated on the 31.12.2009 – insurance mission
- semester financial report elaborated on the 30.06.2010 – insurance mission;

The internal audit regularly reports to the Audit Committee and the Council of Administration regarding the aim of the audit activity, the authority, responsibility and execution according to the plan.

The reports include significant risks and aspects of the control and management, as well as other problems required by the Council of Administration and the Audit Committee.

The opinion of the internal audit, the activity results, the conclusions, recommendations, as well as the measurement plan applied during the development of the audit activity, were included in the internal audit reports, presented to the Audit Committee and the Council of Administration.

### **1.1.9. Perspective elements regarding the company's activity**

#### **1.1.9.a) Presentation and analysis of tendencies, elements, events or uncertainty affecting the liquidity of the trade company as compared to the same period of the previous year**

The most important factor of uncertainty affecting the liquidity is the lack of financial support of the activities from agriculture, by government politics.

The agriculture is an economic activity needing financial support. The lack of this support or the delay in granting it can affect the liquidity of Mecanica Ceahlău Inc.

As a result of the economic and financial crisis, we define as factor that can affect the liquidity and which are the situations for certain clients to enter payment inability.

In case the economic and financial crisis is started, it will keep causing negative effects with implications in the economic financial indicators of Mecanica Ceahlău Inc, this could apply another activity program during 2011.

In 2010, from the national research- development and innovation plan, within the program 5-INOVAR, Mecanica Ceahlău had the 3 financing contracts signed.

The total value of the three contracts was of 11.307.200 lei, of which:

- Attracted financing value = 5.686.000 lei
- Self sources = 5.621.200 lei.

In 2010 the project „Multifunctional tools for painting and drying of the overweighed parts from agricultural machine category, in order to increase protection, health and environment protection” was

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elaborated, the Contract no. 197/26.08.2008. The total value of the final project is of 1.391.170 lei.

The other 2 contracts, no. 196/26.08.2008 and 208/12.09.2008 were cancelled from being financed in 2009, because of the lack of government funds and this also represents and uncertainty that could affect the liquidity of the trade company.

**1.1.9.b) The presentation and analysis of the effects of current or anticipated capital expenses upon the company's financial situation as compared to the previous year**

In 2010 there were no capital expenses, and these expenses are unlikely to complete in 2011 either.

**1.1.9.c) Presentation and analysis of events, transactions, economic changes affecting the incomes from the basic activity**

In 2010, especially in the first semester, the incomes from the basic activity were still affected by the decrease of the agricultural machine demand because of the economic and financial crisis and by the hard unfurling of the structural programs meant for agriculture and rural development. If the government does not involve, by special programs for supporting agriculture, it is likely that the incomes from the company's basic activity be affected in a negative way in 2011 as well.

**2) THE COMPANY'S TANGIBLE ASSETS**

**2.1. Specification of the location and features of the main production capacities in the property of the trade company**

The main locations, company's property, are:

- Location from Piatra Neamț, str. Dumbravei nr. 6
  - precinct surface = 141.248 sm
  - built surface = 49.214 mp of which production spaces = 32.609,13 sm,  
Available spaces = 16.604,87 sm
- Location from Piatra Neamț, str. Aurel Vlaicu nr. 34
  - precinct surface = 23.235 sm
  - built surface = 12.886 sm, of which production spaces = 0 sm,  
Available spaces = 12.886 sm
- Location from Tg. Neamț (outside the built up area) , lot Valea Seacă = 6.691 sm,  
Available space 6.691.

**2.2. Description and analysis of the wear degree of the company's properties**

Mecanica Ceahlău Inc. has a total number of 1454 fix means with an inventory value of 29.392.101 lei and a liquidation value of 12.955.374 lei.

Grouping fix means according to the classification and wear codes is given in the table below:

- lei -

<b>Group</b>	<b>Inventory value</b>	<b>Liquidation value</b>	<b>Remained value</b>	<b>Average wear (%)</b>
Constructions	8.312.755	1.549.454	6.763.301	18,64
Technical inst. And machines	20.893.165	14.796.077	6.097.088	70,82
Other inst., tools and furniture	186.181	91.196	94.985	48,98
<b>TOTAL</b>	<b>29.392.101</b>	<b>16.436.727</b>	<b>12.955.374</b>	<b>55.92</b>

**2.3. Specification of possible problems related to the right of property upon the company's tangible assets**

Mecanica Ceahlău Inc. has property deed for all the tangible assets.

**3) MOVABLE VALUE MARKET ISSUE BY MECANICA CEHLĂU INC**

**3.1. Specification of the Romanian markets and other countries where the movable values issued by Mecanica Ceahlău Inc are negotiated**

The shares of Mecanica Ceahlău Inc are traded at the Stock Market of Bucharest, MECF symbol. Between January- September 2010 the market value of the shares of Mecanica Ceahlău knew a descendent trend, decreasing from 0.11 to 0,08 lei on share, and then there was a slight recovery, the average value of transaction at the end of December 2010 being of 0,09 lei per share.

**3.2. Description of the company's politics regarding dividends**

Between 2004 - 2007, Mecanica Ceahlău Inc. capitalized profit, this option being both in the shareholders interest and the company's.

In 2008 and 2009 no dividends were calculated or granted because the financial exercise was on loss and in 2010 the obtained profit shall be meant for covering the losses from previous years.

**3.3. Description of any activities of the trade company for the acquisition of self shares**

Mecanica Ceahlău Inc. did not purchase any self shares.

**3.4. Specification of the nominal number and value of the shares issued by the mother company held in branches**

Mecanica Ceahlău has no branches.

**3.5. Obligations and/or debt titles issued by Mecanica Ceahlău Inc.**

Mecanica Ceahlău Inc. did not issue obligations or any other debt titles.

**4) MANAGEMENT OF THE TRADE COMPANY**

**4.1.a) List with the company's administrators**

The Council of Administration of Mecanica Ceahlău Inc chosen by the Ordinary General Assembly of the Shareholders, from the 29.06.2008 and completed by the Ordinary General Assembly of the Shareholders from the 29.01.2010 is formed of:

- **President: Bontaș Dumitru**, 63 years old, engineer, graduate of „Gh. Asachi,, University of Iași, Faculty of Mechanics, specialization: Machines- Tools and gear. Other specializations: University prof.doctor, holder for the disciplines "Business management", " Human resources management" and "General Management", Pro-rector of George Bacovia University of Bacău, Representative of the Trade Union UGIR of Bucharest, member of the Council of Administration at the Company of Financial Investments Moldova Inc Bacău.
- **Vice-president: Marin Liana**, 53 years old, economist, graduate of ASE Bucharest, Faculty of Economic Cybernetics, course in economic management-England, course of international standards audit, course in financial management - CODECS, investment consultant, financial auditor, member of the Romanian Chamber of the Financial Auditors, accounting expert, master in the accounting financial management, seniority: 30 years.

- **Eșanu Vasile Romeo**, 49 years old, engineer, graduate of The Faculty of Constructions of Iași, department: Plants. Other specializations: assessing expert a) company's assessment b) movable goods assessment c) real estate assessment, judicial and administrative procedures for the companies liquidation, capital and stock operation placement, courses organized by CNVM, accounting, course done by CECAR, Enterprise Evaluation Cooper & Lybrand, SWOT analysis and portfolio management, investment consultant CPS Milenium.
- **Ianculescu Carmen**, 43 years old, international business consultant, graduate of the Romanian- American Faculty. Other specializations: master's degree in International Business.
- **Chiș Vasile Marius**, 33 years old, economist, graduate of the Faculty of Economic Sciences of Cluj-Napoca. Other specializations: financial analyst

**4.1.b) Agreements or family relations between the administrator and another person thanks to whom that person was assigned as administrator**

We are not aware of such agreements or family relations between the administrator and another person thanks to whom that person was assigned as administrator.

**4.1.c) Administrators participation to the company's capital**

No administrator holds shares at Mecanica Ceahlău Inc.

**4.1.d) List with the company's affiliated persons**

The company's affiliated person is: SIF Moldova Inc.

**4.2) List with the members of the executive management**

**4.2.a) On the 31.12.2010 The company's Executive Management was formed of:**

- **General manager – Timaru Neculai, 60 years old**, graduate of the Polytechnic Institute of Bucharest, Faculty of Agricultural Mechanics. Post-university courses in management and various brushing up and specialization courses in Romania and abroad. Activity: 35 years of which 20 years in the position of manager or general manager.

- **Trade manager - Botezatu Cornel**, 54 years old, graduate the Polytechnic Institute of Bucharest, Faculty of The Machine Construction Technology. Specialization courses in: „Management of the restoration and development of trade agents” and „Business management”, certificate “Project manager”. Activity 30 years in the company, of which 15 years in the management team.

- **Economic manager – Marian Gabriela**, 55 years, doctor in economic sciences - ASE Bucharest, Faculty of Management; graduate of the Faculty of Economic Sciences, „Alexandru Ioan Cuza“ of Iași, specialization: Economics of the Construction and Transport Industry; financial auditor member of the Romanian Chamber of Financial Auditors; project manager, graduation certificate Series E 0208426 MMFES and MEET; accounting expert, member of CECAR.

Total seniority in economic functions of 30 years of which 8 years in this position.

The executive managers concluded a management contract valid until the 01.07.2012.

**4.2.b) Agreements, understandings or family relations between the persons from the executive management and another person thanks to whom he was assigned as member of the executive administration**

We are not aware of such agreements or family relations between the persons from the executive management and another person thanks to whom that person was assigned as member of the executive administration.



**4.2.c) Attendance of the executive administration members to the social capital of the tarde company**

The attendance of the members of the Executive Committee at the company's capital on the 17.01.2011 was as follows:

<b>Surname and first name</b>	<b>Number of shares held at Mecanica Ceahlău Inc</b>	<b>Percentage from the total</b>
Timaru Neculai	3.690	0,00154%
Botezatu Cornel	330	0,00014%
Marian Gabriela	149.670	0,06239%

**4.3) Litigations or administrative procedures involving the administrators and members of the executive administration in the past 5 years**

We are not aware of such litigations or administrative procedures involving the administrators and members of the executive administration in the past 5 years.

**4.4) Elements of corporation government**

In 2010, as opposed to the previous period, Mecanica Ceahlău granted the proper attention to the application of the OECD principles of corporation government as well as the Code of Corporation Government of the Stock Market of Bucharest

From the set up as trade company on shares, in 1990, Mecanica Ceahlău also had a Council of Administration formed of 5 members, number that corresponds to current and possible future needs of this company. At the level of the Council of Administration, a president and vice- president have been assigned. The CA president is not a general manager nor the other members of the CA have executive positions within the company.

Starting with 2009, some members of the Council of Administration formed an audit committee, an assignment committee and a salary committee. The composition was updated in January 2010 as a result of completing the Council of Administration by the Ordinary General Assembly of the Shareholders from the 29.01.2010. All the committees developed their activities based on the activity programs approved by the Council of Administration.

Ever since 2001 at the company level, the position of CA secretary was set up, with specific responsibilities so to provide the necessary frame for a proper preparation of the analyses in the reunions of the Council of Administration and the General Assemblies of the Shareholders, the evidence and observance of completion of the decisions adopted at these analyses, and the completion with the legal provisions regarding the shareholders rights and the company's responsibilities as company whose shares are traded on the capital market.

According to the provisions of the Corporation Government Code of the Stock Market of Bucharest in the reunion from January 2010 the Council of Administration decided the transformation of the position of CA secretary in general secretary, among his responsibilities being also included activities regarding Corporation Government.

Both in 2010 and the previous years, an equal treatment was provided to all the shareholders promoting an effective and active communication to them. They provided all the necessary conditions regarding financial results and upon all the important aspects of the company's general activity both by the web page and the CA General Secretary.

Considering that about 40% of the company's shares are held by shareholders with the head office abroad, starting with 2010 the proper materials for the convocation and unfurling of general assemblies have been posted on the company's website in Romanian and English.

As a result of the preoccupation of the Council of Administration for the harmonization of the shareholders interest with the company's we managed in 2010 to provide an important attendance of the shareholders to the general assemblies these taking place always on the date of the first convocation and the representation percentage being of over 75% of the total number of shares issued by the company.

Regarding the analyzed problems and the decisions adopted by the general assemblies of the shareholders in 2010 the current reports were elaborated and published according to legal regulations in force, therefore we present some aspects regarding the working method of the Council of Administration.

According to the legal regulations in force, to the provisions of the company's details, to the decisions adopted by the general assemblies of the shareholders and the own working methods, in 2010, The Council of Administration continued the adaptation strategy of the company's activity to the conditions of the economic financial crisis, thus managing, through the initiated actions, to provide the continuation of the production activity, maintaining on the market the portfolio products as well as the completion of the objectives agreed by the activity program and the incomes and expenses budget.

For the analysis of various problems affecting the company's activity, in 2010 the Council of Administration met in 17 working meeting where almost all the members of the Council were present. At each reunion the executive managers attended, and sometimes according to the problems from the agenda, other persons were invited, such as head of departments from various areas.

In the agenda of the Council of Administration, based on the annual orientation topic, we considered mainly the implementation of the completion stage of the decisions adopted by the General Assemblies of the Shareholders, and their own decisions, reports of the executive managers regarding the execution of the production program in the previous month and the provisions for the next month, providing all the necessary resources for the production, strategy and sale program, economic financial results and the completion of BVC with proper reports, situation of stocks, debts, litigations.

A special attention within the programmed analyses completed by CA was granted to the completion of the agreed objectives regarding the second field of activity, strictly complying with the AGEA Decision of the funds resulted from the capital increase, optimization of production costs so to insure an increased profit, to improve the quality of products and services, investment works, modernization and reorganization of mechanical processing flow, efficiency and increase of performance in the design activity.

The Council of Administration presented and analyzed all the conclusions from the internal audit controls, thus setting clear methods to remove deficiencies and prevent risk that could have appeared as a result of the circumstances in which the company develops its activity.

All the meetings of the Council of Administration led to the adoption of a decision regarding the analyzed problems, these decisions being introduced into a severe system of evidence and observance, formed at the level of the CA General Secretary, based on which the reports from the CA reunions were presented and elaborated.

## **5) ECONOMIC FINANCIAL SITUATION**

The financial situations are elaborated and presented according to the principle of the activity continuation, to the Accounting Law 82/1991 republished, to the accounting regulations, according to the 4<sup>th</sup> Directive of the European Economic Community, applicable, approved by the Order of the Ministry of Public Finances no. 3055/2009 with further changes and additions, approved by the Order of the Ministry of Public Finances 2869/2010.

The financial situations are reviewed by Audit Serv SRL.

The reporting coin for the financial situations is leu (RON).

The economic financial situation, compared to the past 3 years is presented in appendage – 2.

### **5.1.a) Balance elements**

#### **The main asset elements:**

- Lands and construction in the amount of 18.845.500 lei represent 39,21% of the total assets;
- Technical plants and machines in the amount of 6.097.089 lei represent 12,69% of the total assets;

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- Finished products and goods in the amount of 7.250.611 lei represent 15,09 % of the total assets;
- Trade debts in the amount of 9.433.860 lei represent 19,63 % of the total assets.

**The main liability elements:**

- Reevaluation reserves of 19.231.370 lei represent 40,01% of the total liabilities
- Subscribed paid capital in the amount of 23.990.846 lei represent 49,92% of the total liabilities;
- Amounts owed to the credit institutions (under 1 year in the amount of 8.304.942 lei represent 17,28 of the total liabilities;

**5.1.b) Profit and loss account**

Indicators exceeding 20% of the total turnover:

- Sold production in the amount of 19.937.317 lei represents 89,80% of the turnover;
- Expenses with raw materials and consumable materials in the amount of 6.262.696 lei represent 28,21% of the turnover;
- Staff expenses in the amount of 4.757.290 lei represent 21,43% of the turnover

**5.1.c) Cash – flow**

The situation of the cash flows clearly generated by the operational activities are presented in subchapter 1.1.1 and appendage – 3.

**5.1.d) The completion of BVC and the objectives set for 2010**

The budget of Incomes and Expenses for 2010 approved by A.G.O.A. from the 29.01.2010 was complete as follows:

– Lei –

No	Indicators	BVC 2010	BVC 2010 completed
1	Turnover	20.490.000	22.201.451
2	Total incomes	21.280.644	22.114.935
3	Total expenses	21.063.149	19.884.145
4	Gross profit	217.495	2.230.790
5	Net profit	217.495	2.222.540

**Turnover** achieved in a percentage of 108,36 %.

**Total incomes** are of 22.114.935 lei, in a ratio of 103,92% as compared to the approved budget. The achievement of the total incomes is possible especially because of the turnover achievement of 8,36%.

**Total stocks** used to have a value of 9.253.546 lei decreasing with 3.016.825 lei as compared to the value registered at the beginning of the year, especially because of the diminish of the finished product stock and goods with 2.983.522 lei.

**Total expenses** completed at a level of 19.864.145 lei, in a percentage of 94,31%.

**Total debts** compared to the beginning of the year have increased with 243.712 lei based on the increase of trade debts, with 160.446 lei and other debts with 83.266 lei.

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**Total duties** compared to the beginning of the year, have decreased with 8.189.689 lei especially based on the reduction of the amounts owed to the credit institutions and the reduction of the trade duties and duties to the leasing companies .

**Bank debt** on the 31.12.2010 is of 8.304.942 lei of which lei credits 7.350.021 lei and currency credits of 299.999,19 USD being in the limit approved by the AGOA of 10.950.000 lei and 540.000 USD.

To continue the company's activity, maintaining the rate on the internal and external market, redressing the economic financial situation and preparing the increase of the performance indicators for the following years in terms of the financial and economic crisis, The Board of Administration follows the achievement of the aims approved by the Budget for Incomes and Costs 2011, the attraction of structural funds by the company's attendance with projects of technological modernization, car and agricultural outfit and new products, with predictable benefits for the shareholders.

**BOARD OF ADMINISTRATION,**

**CA. PRESIDENT**

*Univ. Prof. Dr. Eng. Dumitru Bontaș*

**GENERAL MANAGER**

*Eng. Neculai Timaru*

**ECONOMIC MANAGER,**

*Ec. Gabriela Marian*

INVESTMENT PROGRAM – 2010  
ACHIEVEMENTS ON THE 31.12.2010

APPENDAGE - 1

(lei)

Nr · Crt.	TARGET	TECHNOLOGICAL INVESTMENTS	INVESTMENTS IN THE ENVIRONMENT, WORK SAFETY AND WORK CONDITIONS	OTHER INVESTMENTS	OBSERVATIONS
0	1	2	3	4	6
1.	• MODERNIZATION AND REORGANIZATION OF THE MECHANICAL PROCESSING FLOW	128 025.53			
2.	• MODERNIZATION OF THE ANTICORROSION SAFETY ACTIVITY (BY THE INNOVATION 5)	1 391 170			
3.	• SET UP AND ENDOWMENT OF THE LOCKERS FROM THE MONO- BLOCK . • DEVELOPMENT OF THE HEATING SYSTEM IN THE LOCKERS FROM THE MONO- BLOCK		567 947.58		Of the total value of investment 385 057.8 lei costs 2010
4.	• COPY MACHINE CANON IMAGE (A3)			7 140	
	<b>TOTAL</b>	<b>1 519 195.53</b>	<b>567 947.58</b>	<b>7 140</b>	
<b>TOTAL GENERAL FINISHED INVESTMENTS – 2010</b>			<b>lei</b>		<b>2 094 283,11</b>
<b>TOTAL EXPENSES PROPER FOR - 2010</b>			<b>lei</b>		<b>1 911 399.31</b>

HEAD OF B.M.E.I.,  
ENG.IULIUS CÂRLIGEANU

B.M.E.I.,  
ENG.ELENA BALINT

**A. BALANCE ELEMENTS****I. Assets representing 10% of the total assets**

- Lei -

No.	Analytical indicators from the balance, exceeding 10 % of the total assets	2008	2009	2010	% in total assets 2010
	TOTAL ASSETS	59.840.927	54.478.723	48.062.193	100,00
	10 % of total assets	5.984.093	5.447.872	4.806.219	10,00
1.	Land and constructions	19.478.634	18.962.914	18.845.500	39,21
2.	Technical plants and machines	11.873.572	6.193.163	6.097.089	12,69
3.	Finished products and goods	8.445.824	10.234.133	7.250.611	15,09
4.	Trade debts	14.835.439	9.273.414	9.433.860	19,63

**II. Liabilities exceeding 10% of the total number of liabilities**

- Lei -

No.	Analytical indicators from the balance, exceeding 10 % of the total liabilities	2008	2009	2010	% in total liabilities 2010
	TOTAL LIABILITIES	59.840.927	54.478.723	48.062.193	100,00
	10 % of the total liabilities	5.984.093	5.447.872	4.806.219	10,00
1.	Reevaluation reserves	19.636.462	19.636.462	19.231.370	40,01
2.	Subscribed paid capital	15.990.846	23.990.846	23.990.846	49,92
3.	Amounts owed to the credit institutions (sub 1 an)	12.303.427	11.895.058	8.304.942	17,28

**B. PROFIT AND LOSS ACCOUNT**

- Lei -

No	Analytical indicators from the profit and loss account, exceeding 20 % of the turnover	2008	2009	2010	% in a total turnover 2010
	NET TURNOVER	31.703.491	17.394.570	22.201.451	100,00
	20 % of the turnover	6.340.698	3.478.914	4.440.290	20,00
1.	Sold production	28.306.169	16.159.885	19.937.317	89,80
2.	Costs with raw material and consumable materials	12.088.705	5.189.171	6.262.696	28,21
3.	Expenses with the staff	7.505.223	5.132.692	4.757.290	21,43

GENERAL MANAGER,  
Eng. Neculai Timaru

ECONOMIC MANAGER  
Ec. Gabriela Marian

**TREASURY FLOW SITUATION ON THE 31.12.2010**

Element name	Raw	Period	
		Financial year ended on the 31 <sup>st</sup> of December 2009 (RON)	Financial year ended on the 31 <sup>st</sup> of December 2010 (RON)
A		1	3
Treasury flow from exploitation activities			
Collection from the clients	1	26.183.212	27.173.612
Payments fro suppliers and employees	2	19.185.765	19.537.611
Paid interests	3	1.845.150	1.531.138
Profit tax paid	4	9.167	8.250
<b>Net treasury from exploitation activities Rd1-(Rd2+Rd3+Rd4)</b>	<b>5</b>	<b>5.143.130</b>	<b>6.096.613</b>
Treasury flows from investment activities			
Payments for the acquisition of tangible unmovable assets	6	693.673	830.418
Collection from the sale of tangible unmovable assets	7	16.224	0
Collected interests	8	45.324	225.702
<b>Net treasury from investment activities Rd7+Rd8 - Rd9</b>	<b>9</b>	<b>-632.125</b>	<b>-604.716</b>
Treasury flows from financing activities			
Collections from the share release	10	8.000.000	0
Collections from short term loans	11	19.653.390	207.683.280
Payment of the credits on short term	12	20.701.059	211.126.989
Payment of the credits on long term	13	0	0
Payment of the debts related to the financial leasing	14	4.973.015	5.125.749
<b>Net treasury from financing activities (Rd10 + Rd11) - (Rd12 + Rd13 + Rd14)</b>	<b>15</b>	<b>1.979.316</b>	<b>-8.569.458</b>
<b>Net increase of treasury and treasury equivalents Rd5 +Rd9 + Rd15</b>	<b>16</b>	<b>6.490.321</b>	<b>-3.077.561</b>
<b>Treasury and treasury equivalents at the beginning of the financial year</b>	<b>17</b>	<b>109.961</b>	<b>6.600.282</b>
<b>Treasury and treasury equivalents at the end of the financial year Rd16 + Rd17</b>	<b>18</b>	<b>6.600.282</b>	<b>3.522.721</b>

GENERAL MANAGER  
*Eng. Neculai Timaru*

ECONOMIC MANAGER,  
*Ec. Gabriela Marian*