



S.C. MECANICA CEHLĂU S.A.®

610202 Piatra Neamț – România, str. Dumbravei nr. 6
J 27/8/1991; CUI:2045262; cont BCR RO 45 RNCB 0196027797940001
capital social subscris și varsat: 23 990 846 lei
tel.: 0040 233 211104, 213893, 215820; fax 0040 233 216069, 210423,
e-mail:ceahlau@mecanicaceahlau.ro; web:www.mecanicaceahlau.ro



Annual report complying with the legal framework in force:	Law 31/1990 republished, Law 297/2004, Regulation CNVM No 1/2006, BVB Code, Order M.F.P. 40/2013
For the financial exercise	2013
Date of the report:	14.03.2014
Issuing company:	Mecanica Ceahlău SA
Registered office:	Piatra Neamț, Strada Dumbravei Nr.6, Judet Neamț Postal code 610202
Phone/fax	Phone: 0233/215820; 0233/211104; fax: 0233/216069
Web	www.mecanicaceahlau.ro
E-mail	ceahlau@mecanicaceahlau.ro
Fiscal identification code (VAT No)	RO 2045262
No in the Register of Commerce	J27 / 8 / 08.01.1991
Regulated market where issued securities are transacted	Bucharest Stock Exchange Code MECF
Regulated Market where securities issued are traded	Bursa de Valori Bucharest [Stock Exchange] – 2 nd category MECF Code
Social capital subscribed and paid	23,990,846.00 lei
Main characteristics of securities issued by Mecanica Ceahlău SA	ordinary, common, nominative, dematerialised, and recorded in the account

REPORT OF THE BOARD OF DIRECTORS
FOR THE YEAR 2013

In 2013, the Board of Directors conducted their activity in compliance with the By-Laws, the resolutions adopted by the shareholders' general meeting in compliance with the provisions of Law 31/1990 R, Law 297/2004, the BVB Code, and other regulations governing the activity of companies whose shares are traded on Bursa de Valori Bucharest [Bucharest Stock Exchange].

1. ANALYSIS OF THE COMPANY OPERATIONS

1.1. a) Description of the company's main operations

According to its By-Laws, the main operation of Mecanica Ceahlău SA is the production of farming and forestry machines, CAEN code 283. The main activity is the "production of farming and forestry machines and equipment," CAEN code 2830.

The main farming machinery and equipment manufactured and traded by Mecanica Ceahlău cover the entire range of works, from soil preparation cover with a view to sowing to harvesting, e.g., ploughs, sowing machines for hoeing plants, mechanical and pneumatic sowing machines for straw-based plants, reversible ploughs, combines, rammers, disc harrows, farming cutters, tillers, irrigation installations, anti-pest sprayers, fertilizer spreaders, potato planting/tillers and harvesters, etc.

The range of services the company offers in terms of high-precision cutting and efficient metal consumption, cold bending as well as other precise mechanical processing, painting in electrostatic field, welding, pressing, etc. are conducted on numerical-control machinery which guarantee the quality of the products and services performed.

The "Integrated Quality - Environment Management System" has been implemented by the Company. It is certified by the external auditor TÜV SUD in compliance with ISO 9001: 2008 and ISO 14001: 2004. The overall opinion is that the processes and products made by Mecanica Ceahlău S.A. comply with the requirements of the cited standards.

1.1.b) Stating the date of the company incorporation

Mecanica Ceahlău SA became a stock company pursuant to the Government Resolution No 1254 of 04/12/1990. The company continues and treasures the experience of the company "Energia" incorporated on 18 July 1921 in Piatra-Neamt, County of Neamt.

1.1.c) Description of any merger or significant reorganisations of the company, its subsidiaries or controlled companies during the financial exercise

No mergers or significant reorganisations of the company were conducted during the period under analysis.

1.1 d) Description of purchases and/or transfers of active to third parties

1.1.d.1) Purchases

In compliance with the provisions of the investment plan, in 2013, total investments amounted to 606,235.04 lei, for the following chapters:

- technological development:

With a view to modernizing the mechanical processing flow: the vertical multi-axle processing centre; modernization of the welding flow; improvement of painting in electrostatic field by purchase of a device measuring thickness of paint, industrial vacuum, an in-shop crane and extension of the conveyor.

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- **endowments:** computer, office equipment, and attendance monitoring system; lighting system with photovoltaic panel and wind turbine and extension of the heating installation to the mechanical processing shop.

1.1.d.2) Transfers to third parties

Based on the programme of disposing of and valuing some equipment used from a physical and moral viewpoint, 184 such fixed assets were valued by direct sale or as scrap from dismantling.

1.1.e) Description of main outcome of assessing the company operations

1.1.1. Items of general assessment

The company presents the main indices achieved in 2013 as per the International Financial Reporting Standards (IFRS):

Indices	2011 (re-processed)	2012 (re-processed)	2013	2013/2012 (%)
Turnover	31,519,159	29,496,698	24,017,394	81.42
Total revenues	32,993,264	30,625,374	24,913,783	81.35
Total expenditure	25,329,495	22,050,490	24,469,935	110.97
Result before tax	7,663,769	8,574,884	443,848	5.18
Net result	6,985,792	7,406,938	727,130	9.82
Operational revenues	32,328,152	29,752,118	24,292,021	81.65
Operational expenditure	24,298,972	21,550,545	24,076,329	111.72
Operational result	8,029,180	8,201,573	215,692	2.63
Average number of employees	195	206	209	101.46

a) profit / loss

In the 2013 financial exercise, Mecanica Ceahlău SA recorded a gross profit of 443,848 lei, operational result – a profit of 215,692 lei, net financial result – a profit of 228,156 lei.

b) turnover

The company turnover in 2013 is of 24.017.394 lei (on 31 December 2012: 29,496,698 lei), of which 22,926,120 lei on the domestic market (on 31 December 2012: 28,336,121 lei).

Structurally, the above turnover was mainly reached was sales of the company own production, i.e., 95.52%.

c) export

The turnover recorded through export in 2013 amounted to 1,091,274 lei, representing 4.54 % of the total revenues.

The company has not managed to re-enter traditional markets, significant by their size and where the company products are known and appreciated (e.g., the Russian Federation, Ukraine, and Kazakhstan).

Under these circumstances, in 2013, 71% of the export volume was recorded with Hungary, Bulgaria, and only 29% in Moldova, Ukraine, and Kazakhstan.

The main objective of export operations in 2014 is to identify important collaborators with whom we would be able to revert to significant volumes of product son the eastern markets.

d) costs

Expenditure from current operations amount to 24,076,329 lei. Costs related to stock are the main item of total expenditure (e.g., raw materials and consumables), i.e., 31.63 %, followed by costs related to personnel, i.e., 27.33 %. The company operates with an average recorded number of 209 permanent employees out of 215, the effectively approved number as per the company structure for 2013.

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Financial costs amount to 393,606 lei, and represent the differences between exchange rates and financial-banking costs. The company does not pay commissions for the credit lines undertaken.

e) share of the market owned

The company occupies a significant market share for hoeing-plant sowing machines and straw-plant sowing machines. The market share estimate for such products ranges between 20 and 30% in terms of the number of units sold.

f) liquidity (available in the account, etc.)

Cash and cash equivalent	2012	2013
Cash point, bank accounts , and cash equivalents	1,285,473	866,759
Short-term bank deposits	10,939,098	12,321,952
Total	12,224,571	13,188,711

The current accounts opened with banks and the bank deposits are permanently at the Company’s disposal and are under no restrictions.

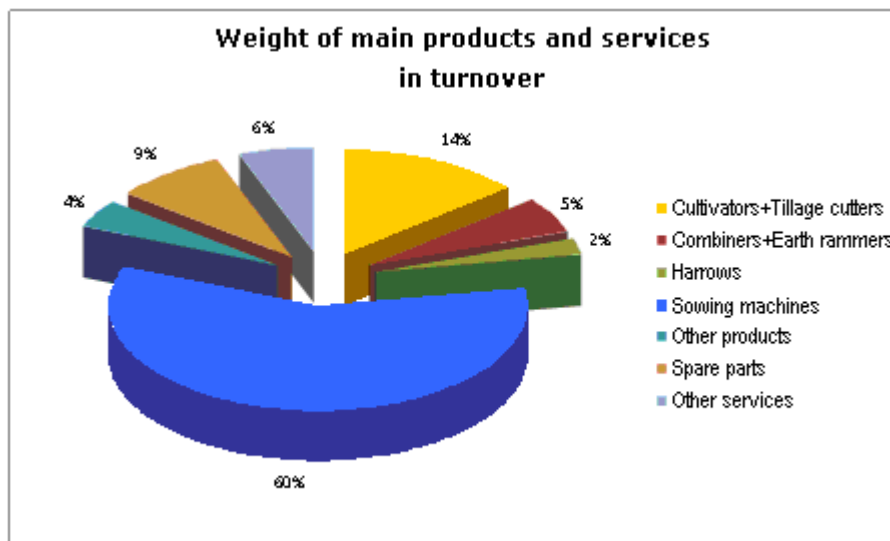
Contracts are executed against fixed interest for the entire duration of the deposit.

1.1.2. Assessment of the company technical level

Description of the main products manufactured and/or services rendered

Farming machinery and equipment represented the basic production of the company.

The basic production of the company is production of farming machinery and equipment in compliance with the general offer for 2011. The main products manufactured are also the best sold, e.g., classical and precision sowing machines for hoeing plants and sowing machines for straw-plants. Other products were disc harrows, ploughs, rammers and combines for soil preparation, cultivator for maintaining cultures, spare parts for farming machinery.



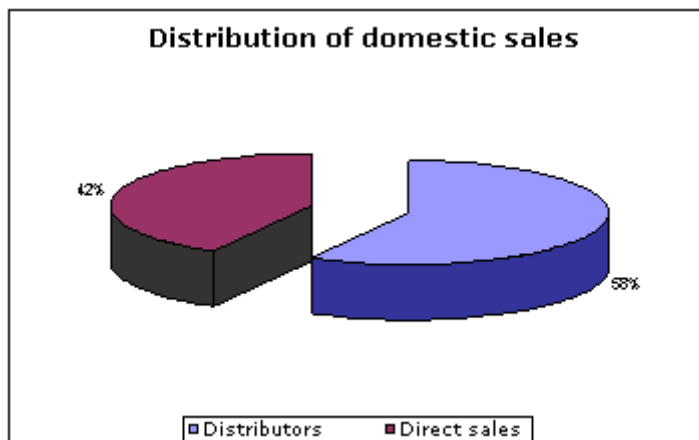
Under the services chapter, the outcome was represented by the production of parts for various beneficiaries by using the company’s specialised fixed assets (e.g., laser cutting, bending, etc.) as well as services such as utility supplies and /or rentals of available areas.

a. Main markets for each product manufactured or service rendered and distribution methods

In 2013, the domestic market was our main market, i.e., the sales volume on such market representing 95.5 % of the turnover. The farming machinery and equipment market has a high potential,

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should we consider the wear and tear of the farming machinery and tractors park in use, the estimated need for equipment in order to increase efficiency and productivity of farming up to a level similar to the one in the EU member states as well as the fact that this economic sector remains an important beneficiary of EU grants.



The main products soled on the foreign market are sowing machines for hoeing plants, well know and appreciated by our foreign customers for their endurance. The sales volume recorded was of 4.5% of the turnover.

b) The size of each category of products in the total turnover over the last three years.

The size of the main products sold in the total turnover of the company over the last three year is as follows:

Products	2011 (%)	2012 (%)	2013 (%)
Sowing machines	62.0	59	60
Harrows	5.5	4	2
Combiner and earth rammer	6.0	4	5
Ploughs	1.0	1	-
Cultivator and tillage cutter	16.0	16	14
Spare parts	7.0	8	9
Other products and services	3.0	8	10

c) New products considered for which a substantial volume of actives in the future financial exercise as well as the development stage of such products

For 2014, the main directions set with a view to diversifying the technical offer are:

- to cover a diversified power range for tractors for the family of products already in series production;
- to extend the size range for machinery with greater working widths.

Hence, the 2014 Technical Plan includes objectives aiming at diversifying the offer of farming and forestry machinery and equipment under three chapters:

1. design and homologation of new farming machinery both by drafting the constructive documentation for 6 prototypes and homologating four (4) of them.

The most important projects for farming machinery are:

- Vibromixt with a 4.5-width for 110-130 CP tractors;
- retractable 6m-roll crosskilette, borne, and a 4.2 one;
- retractable 4.m-roll crosskilette, towed;

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- 21-row straw-plant sowing machine, with double disk ploughshare and sliding-share;
- high-precision 8-row sowing machine for hoeing plants with double disk ploughshare and fertilization, and so on.

2. modernization of machinery already in the series manufacturing programme by identifying 13 positions with a view to drafting the constructive and technological documentation.

The significant elements to be modernized are the individual driving system for markers, compacting wheels and single disk ploughshare for hoeing-plant sowing machines, transport train for SPC sowing machines, the elevation of tiller bar, redesigning the support wheel, etc.

3. the on-going implementation of innovative research and development activities in the field of energy willow cultures, based on the implementation plan under the grant contract commenced in 2012.

The objectives will be carried out by successive implementation of more activities specific to technical and constructive innovation and in correlation with the manufacturing programme.

1.1.3. Assessment of technical and material supply (domestic sources, import sources)

In 2013, purchasing was conducted free of any problems thus securing the materials necessary to production in due time.

The trading relationships with our suppliers relied on the sale-purchase contracts that provided for the delivery and payment terms. Throughout 2013, the level of purchase price was relatively constant except for variation of leu/euro exchange rates.

Supplies with materials and parts from cooperation-collaboration relied on monthly manufacturing programmes taking into account the existing stocks at the beginning of each period.

The suppliers we worked with in 2013 fall into the following categories:

- manufacturers or traders on the domestic market for metallurgical products (profiles in steel, plate, pipes, etc.), assembly parts, bearings, tyres, paints, etc.;
- domestic manufacturers of steel, cast iron or plastic died pieces and service providers for forged parts, mechanical processing and metal coating;
- foreign manufacturers from Germany and Poland for subassembly parts necessary to the farming machinery manufactured under “Lemken” license and for hoeing plants sowing machines.

The total volume of purchases for materials in 2013 amounted to 14,920,504.24 lei. Imports represented 2.4% (i.e., 357,960.94 lei) of total purchases in 2013.

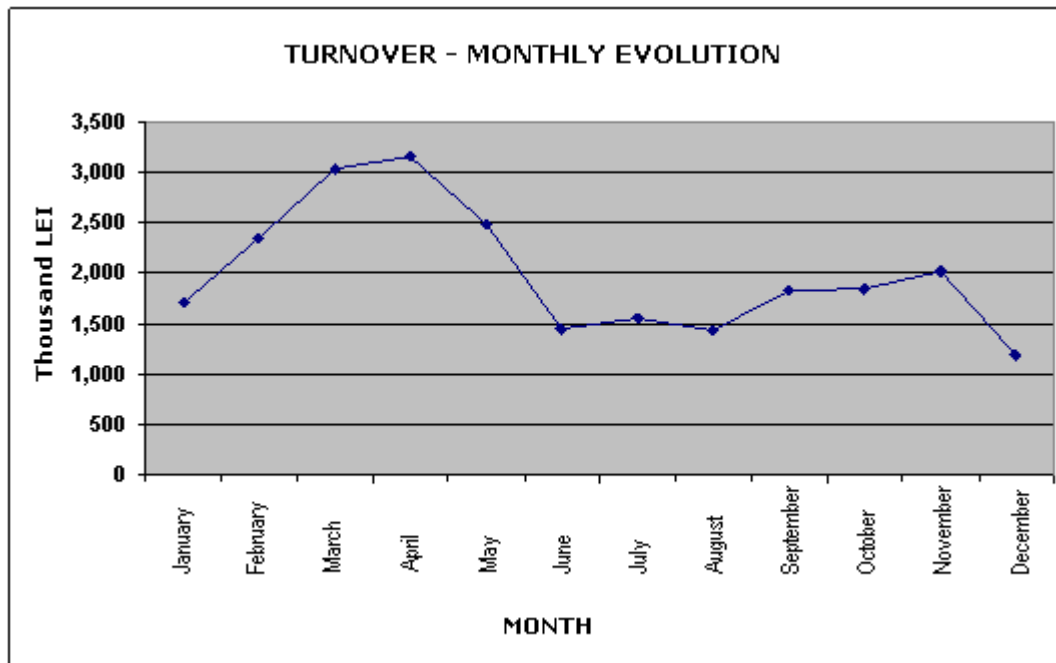
1.1.4. Assessment of sales operations

a) Description of sales evolution by sequence on the domestic and/or foreign markets and medium and long-term perspectives for sales

The turnover in 2013 was of 24,017,394 lei, by 20 % smaller than the Budget of Revenues and Expenditure.

From a structural viewpoint, the turnover was recorded from 97.5% sale of the company own production

The monthly evolution of the turnover shows a significant decrease in the third term as compared to the first, due to the small prices on the cereal market.



The good results recorded during the first part of 2013 have been construed as a consequence of the high price of the produce harvested in the previous year and especially by the positive evolution of cultures during winter - spring season, which forecast large and very productions for the hoeing and straw plants.

Moreover, export sales were conducted mostly during this period of the year. As to the future, on a medium and long-term, the development of the domestic farming machinery market is on the rise. This statement relies on the statements of all parties involved in supporting the farming sector, which should become an important sector of the national economy support, in fact, by European programmes as well.

b) Description of the competitive situation in the company field of operations, the share the company products and services occupy on the market, and of the main competitors

The competitors the company faces on the market are:

- well-known EU-based manufacturers, renowned in the field, who practise relatively high prices and aim primarily at conquering the market and reaching the leading position thereon. These companies (e.g., Maschio-Gaspardo, Vogel Noot, Class, Lemken, New Holand, John Deer, etc.) have their own financial support that allows them to finance the promotion of investment projects carried out by large farms with the help of European funds and financing some important levels of stocks readily available for the market disposal at any time. These companies can afford to provide customers and retailers with important facilities;
- non-EU manufacturers of farming machinery (mostly from Turkey) who practise low prices, agreed by a large market share;
- traders of used machinery originating mainly in the European Community at highly affordable prices under the current economic circumstances;

From among the domestic manufacturers, the most important is Maschio-Gaspardo România. Moreover, they are the most important competitor investing permanently in consolidating their position on the market by an on-going diversification of their offer of products.

c) Description of any significant dependence of the company on a single customer or group of customers whose loss would have a negative impact on the company revenue

The pool of customers the company addresses contains 30,698 farming exploitations with legal personality (e.g., trading companies, farming associations, research units and institutes, etc.) and 5,431 exploitations with no legal personality (e.g., individual enterprises, freelance individual people, family

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enterprises, etc.). Taking into account the diversity and the large number of farming exploitations, we cannot reach the point where the company should depend on one customer or on a limited group of customers.

1.1.5. Assessment of aspects related to the company employees / personnel

a) Details on the number and educational background of the company's employees and the degree of labour force organised in unions

The structure of the average number of the company employees in the year 2013 is as follows:

Categories of personnel	Average number
- directly productive workers	133
- indirectly productive workers	13
- technical & administrative staff	63
Total average number	209

Out of the total number of 209 employees, 52 have specialised tertiary education, 34 have secondary education, 123 have left vocational school or have been qualified within in-service training courses at trades specific to the company, e.g. fitters, welders, lathe operators, painters, etc.

The employees members of unions activate in two unions:

Free Union "Ceahlău" with 76 members;

Free Union "TESA" with 110 members, employees in the production and functional compartment of the company.

In compliance with the provisions of the collective working contract, the employees benefited from protective equipment, antidote, social support for severe conditions and other kinds of support. In addition, the company offered dinner vouchers.

Our employees, our former employees, and their families benefited from financial support and medical treatment provided directly by the "Fundatia Umanitara Mecanica Ceahlău" [Humanitarian Foundation], independent from a financial and organisational viewpoint.

b) Description of the relationships between managers and employees as well as any of conflict-related elements characterising these relationships

The relationships between the executive management and the employees aim at promoting and applying some fair principles that are to allow the company operations to develop profitably, to secure financial equilibrium, and to avoid the emergence of collective labour conflicts.

1.1.6. Assessment of aspects related to the impact of the company basic activity on the environment

Mecanica Ceahlău SA has Environmental Authorisation No 159 of 17/06/2010, revised on 18/11/2013, based on the documentation of operations and of the Environmental Conclusion, valid until 17/11/2020, and the Water Management License No 72 of 14/11/2013, valid until 07/11/2016.

In 2013, the Renar accredited laboratory TONNIE S.R.L Prahova conducted tests of the environment parameters (e.g., soil, wastewater, fumes). The findings of such tests revealed that the determined pollutants, specific to the technological processes range below the maximum admissible limits, resulting in insignificant pollution. The level of noise measured outside the production shops range within admissible limits.

Mecanica Ceahlău SA has never had and is not likely to have disputes related to breach of legislation regarding environmental protection. We have enforced a plan related to the prevention of accidental pollution, which provides terms and responsibilities.

1.1.7. Assessment of research and development activities

Breakdown of expenditure during the financial exercise and of the expected ones for the following financial exercise in terms of research – development

The main objective in research-development is the extension of the company product portfolio with farming machinery and equipment able to meet the world trends in the field of farming mechanisation and modernization of machinery and equipment already in production, by knowing the results of the research in agriculture, of soil preparation and planting/sowing.

The objectives approved under the research-development programme “Technical Plan for 2013,” with a total amount of 95,000 lei were grouped under the following chapters:

- objectives aiming at diversifying the 1st field of operations, which includes the design and homologation of new farming machinery and equipment; modernization of farming machinery and equipment within the manufacturing programme; other current activities specific to design;
- objectives aiming at implementing the 2nd field of operations “manufacturing and trading equipment to process renewable energy sources”;
- objectives funded from government funds and structural grants.

DETAILING EXPENDITURE FOR 2014

The value expected in order to meet the objectives in the Technical Plan for 2014 is of 167,700 lei. It represents expenditure for raw material purchases and materials necessary to execute new and modernized products.

1.1.8. Assessment of the company with a view to risk management. Objectives and policies for risk management, policies to cover such risks

a. Description of the company’s exposure to price, credit, liquidity, and cash flow risks

In terms of *risk management*, we consider as basic principles the following: drafting materials with a view to identifying, measuring, and controlling risks associated with each potential decision and improvement of the company management performance in the context of defining, measuring, and assessing consequences, adopting uncertain decisions.

Risk management policies focused on market price risk; credit risk; liquidity risk; currency risk; interest rate risk at cash flow, and economic environment risk.

b. Description of the company policies and objectives with respect to risk management

Mecanica Ceahlău SA monitors the level of risks by means of policies undergoing implementation for the following risks identified:

- strategy risk – the occurrence of some risks unforeseen in the general strategy of the company, due to risks at the macroeconomic level;
- economic environment risk – risks due to changes in the local, national, European, or world economic environment;
- risk of continuing operations – the possibility of losing some key suppliers due to the relatively reduced supplier portfolio;
- risk of the plan to continue the operations – risks due to the lack of some contingency plans to continue operations in extreme situations;
- competition risk – a risk due to the intensification of competition and failure to identify counter-solutions thereof.

The company management considers that they take all steps necessary to support the growth of the operations under the current market circumstances by:

- preparing some strategies to manage the liquidity crisis and setting some measures to prevent liquidity crises like to occur;
- constant monitoring liquidities;
- providing provisions for the current liquidity;
- daily monitoring of treasury flows and assessment of effects on its creditors of the limited access to funds and the possibility to grow its domestic operations.

1.1.9. Prospective Elements regarding the company trading operations

a) Presentation and analysis of uncertain trends, elements, events or factors affecting or that are likely to affect the company liquidity as compared to the same time the previous year

The company liquidity is dependent on the liquidity of the farming machinery market. The latter is influenced by a series of factors that pertain to the government policies oriented toward this economic sector, which needs support in order to become efficient.

From this point of view, the situation is similar to the one at the same period the previous year. In addition, due to the crisis of liquidity, some customers may enter payment incapacity.

b) Presentation and analysis of the effects the current or anticipated capital expenditure may have on the company financial standing as compared to last year

In 2013, no capital expenditure were recorded, nor is such expenditure estimated to be recorded in 2014 as well.

c) Presentation and analysis of events, transactions, trading exchanges which may have a significant effect on the company revenues form its basic operations

The farming machinery market and agriculture in general are subjected permanently to some constraints due to financing and, therefore, farmers are exposed to a great vulnerability risk of domestic and foreign shocks.

The farming and weather conditions, the difficult absorption of European funds, the lack of credit and a hostile economic environment could affect the company revenues from its basis operations.

2. CORPOREAL ASSETS OF THE TRADING COMPANY

2.1. Details on the location and features of the main production capacities owned by the company

The main locations owned by the company are:

- Location in Piatra Neamț, Str. Dumbravei Nr. 6

- area of premises = 141,248 m², land + buildings
- built area = 49,214 m² of which:

a) production areas = 32,609.13 m²,

b) available areas = 16,604.87 m²;

- Location in Piatra Neamț, Str. Aurel Vlaicu Nr. 34

- area of premises = 23,235 m², land + buildings
- built area = 5,340 m², of which:

a) production areas = 0 m²,

b) available areas = 5,340 m²;

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- Location in the town of Târgu Neamț (outside town premises), lot Valea Seacă = 6,691m², available area 6,691 m².

2.2. Description and analysis of wear and tear of the properties hereinabove

Mecanica Ceahlău SA has a total number of 888 fixed assets amounting to a total inventory value of 22,880,320 lei and a value to be depreciated of 11,187,777 lei.

According to their wear and tear code, such fixed assets can be grouped as shown in the table below:

- lei -

Groups	Inventory value	Depreciation value and adjustments for depreciation	Remained value	Average wear and tear (%)
Buildings	5,828,032	17,180	5,810,852	0,30
Estate investments	465,631	0	465,631	0,00
Technical installations and equipment	15,445,494	10,592,897	4,852,597	68,60
Other installations, equipment and furniture	199,978	141,230	58,748	70,62
TOTAL	21,939,135	10,851,307	11,187,828	49.46

2.3. Stating potential issues related to right of ownership over the company corporeal actives

Mecanica Ceahlău SA has no problems related to rights of property over all corporeal assets.

3. MARKET OF MOVABLE ASSETS ISSUED BY MECANICA CEHLĂU SA

Synthetic and consolidated structure of holders of financial instruments

As of 31 December 2013, the synthetic and consolidated structure of the holders of financial instruments was as follows:

Shareholder	Shares	Percentage
SIF MOLDOVA - BACAU county of Bacau	132,202,332	55.1053%
ROMANIAN OPPORTUNITIES FUND - WINDWARD CYM	65,606,284	27.3464%
Legal entities	30,927,572	12.8914%
Natural persons	11,172,272	4.6569%
Private individuals	239,908,460	100.0000%

3.1. Stating the markets in Romania and abroad where movable assets issued by Mecanica Ceahlău SA are negotiated

Shares of *Mecanica Ceahlău SA* are traded on the Bucharest Stock Exchange, symbol MECF, 2nd category.

3.2. Description of company policy with respect to dividends

Mecanica Ceahlău SA capitalised the net profit for the financial exercises 2004 through to 2007, such option being in the interest of the shareholders of the company as well.

For the financial exercises 2008 and 2009, the outcome of the financial exercise was loss, therefore no dividends were granted.

For the financial exercises 2010 and 2011, the net profit obtained was assigned to covering the loss in the previous years.

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For 2012, the Shareholders' Ordinary General Meeting of 29/04/2013 approved that the amount of 1,439,450.76 lei be distributed as dividends, i.e., 0.006 lei per share.

From the total value as of 31 December 2013, dividends paid amounted to 1,394,574.96 lei, i.e., 96.88% of the total.

The Board of Directors proposes and recommends that the Shareholders' Ordinary General Meeting distribute the net profit obtained in the 2013 financial exercise as follows:

Net profit to be distributed:	727,130 lei
Legal reserves	22,192 lei
Other reserves	704,938 lei

3.3. Description of any company activity with respect to purchasing own shares

Mecanica Ceahlău SA has not purchased its own shares.

3.4. Stating the number and nominal value of shares issued by the mother company held by subsidiaries

Mecanica Ceahlău SA has no subsidiaries.

3.5. Bonds and/or other receivables titles issued by Mecanica Ceahlău SA

Mecanica Ceahlău SA has not issued bonds or other receivables titles.

4) The Company Management

4.1. The Company Managers

a. Between 27/04/2012 and 25/11/2013, the Board of Directors of Mecanica Ceahlau SA had the following composition:

Non-executive Chair: Bontaș Dumitru, 67, engineer, a graduate of the "Gheorghe Asachi" Technical University in Iași, Faculty of Mechanics, major: Machinery and Tools. Other specialities: PhD, academic (professor) of subjects such as "Business Management," "Human Resources Management," and "General Management" at "George Bacovia" University in Bacău, representative of Owners' Association UGIR Bucharest, member of the Board of Directors of the Financial Investment Company Moldova SA Bacău. He chaired the Board of Directors since 29/06/2008. He was re-elected for this position on 27/04/2012 and resigned from the office as well as from the position of member of the Board on 07/10/2013.

On 07/10/2013, the Board of Directors elected as a temporary member and non-executive Chair of the board of Directors, Mr Iancu Cătălin Jianu Dan, 38, a graduate of the Academy of Economic Studies Bucharest, Faculty of Economic Studies in Foreign Languages, a graduate of the Rotterdam School of Management, Erasmus Graduate School of Business and of Stanford University, Graduate School of Business, Stanford Executive Program (SEP), with management experience in heading the Board of Directors and Director General of OTP Asset Management Romania SAI and other such positions with Banca Comercială Română, Banca Turco Română, FREEWAY CONSULTING Bucharest, a.s.o.

Deputy non-executive Chair: Marin Liana, 57, economist, a graduate ASE Bucharest, Faculty of Economic Cybernetics, course in economic management - England, course in international standard of auditing, course in financial management - CODECS, consultant in investment, financial auditor, member of the Chamber of Financial Auditors in Romania, an expert accountant, a CECCAR member, a master degree in financial and accounting management, 32 years experience in the field, a director of finances of Financial Investment Company Moldova SA Bacău. She was the Deputy Chair of the Board of Directors on 08/07/2005 and was re-elected as such on 29/06/2008 and on 27/04/2012.

Non-executive Member of BoD: Eșanu Vasile Romeo, 53, engineer, a graduate of "Gheorghe Asachi" Technical University in Iași Faculty of Civil Engineering, major: Installations. Other

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specialities: expert evaluator a) company evaluation, b) evaluation of movable assets, c) evaluation of real estates, legal and administrative proceedings for liquidation of companies, capital placements and stock market operations, courses organised by CNVM, accounting, courses organised by CECCAR, Enterprise Evaluation Coopers & Lybrand, SWOT analysis and portfolio management, consultant for investments CPS Milenium. He was elected as a member of the Board of Directors on 29/06/2008 and re-elected as such on 27/04/2012.

Non-executive Member of BoD: Ianculescu Carmen, 45, consultant in international business, a graduate of the Romanian - American University in Bucharest. Other specialities: a master degree in international business. She was elected as a member of the Board of Directors on 29/01/2010 and re-elected as such on 27/04/2012.

She is the representative in the Board of Directors of the shareholder ROMANIAN OPPORTUNITIES FUND.

Non-executive Member of BoD: Munteanu Tudor Marius, 57, engineer: machine engineering, a graduate of the Faculty of Machine Engineering, Polytechnic Institute Bucharest. Training courses in capital market, PhD student, 32 year in the profession. He was elected a member of the Board of Directors on 27/04/2012, a position he also occupied previously, between 1997 and 1999. He was also Chair of the Board of Directors between 06/10/1999 and 09/08/2003 and 08/07/2005 and 29/06/2008, respectively. Between January 2001 and December 2004, he was a Senator in the Parliament of Romania, member of the Defence, Public Order and National Security Committee, and Chair of the Special Permanent Committee for the control of SIE. Between October 2009 and December 2010, he was an economic adviser and Head of the Romanian Office for Commercial and Economic Promotion in Rabat.

The Shareholders' Ordinary General Meeting of 25/11/2013 revoked the Board of Directors in office at the time and elected as managers the following:

Mr Iancu Cătălin Jianu Dan, 38, a graduate of the Academy of Economic Studies Bucharest, Faculty of Economic Studies in Foreign Languages, a graduate of Rotterdam School of Management, Erasmus Graduate School of Business and of Stanford University, Graduate School of Business, Stanford Executive Program (SEP), with management experience in heading the Board of Directors and Director General of OTP Asset Management Romania SAI and other such positions with Banca Comercială Română, Banca Turco Română, FREEWAY CONSULTING Bucharest, a.s.o.

On the same date, i.e., 25/11/2013, the new board of Directors elected Mr Mr Iancu Cătălin Jianu Dan as the Chair of the Board of Directors.

- **Hanga Radu** – 42, a graduate of the Technical University Cluj-Napoca, Faculty of Electrotechnics, post-graduate studies in Productive Systems Management, training courses in the international financial system and business administration and a Master degree in business Administration at the National Institute for Economic Development, an MBA programme.

Professional experience as an analyst with SSIF Broker SA, in managing the capital placement of Banca Transilvania with the listed companies, as Deputy Chair of B.T. Securities and, as Head of Capital Market Department, Chair of the Board of Directors of Transilvania Logistică, and, currently, Director General at B.T Asset Management SAI.

- **Miron Daniel Florian** – 47, a graduate of Polytechnic Institute Bucharest, Faculty of Mechanics, of the Academy of Economic Studies Bucharest, Faculty of International Economic Relationships, post-graduate Management course, commercial and banking techniques at the Academy of Economic Studies Bucharest, Faculty of International Economic Relationships.

Experience as an Assistant Research and then on a position of Preparator at the Polytechnic Institute Bucharest, Executive Director with SC Radu Printing SA later Proto Print SA, Director Logistics with the RTC Group, Director General with Euros Trading SA and Director Development with MCS Miron Consultanță și Servicii SRL Bucharest.

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- **Radu Octavian Claudiu** – 52, a graduate of the Academy of Economic Studies Bucharest, Faculty of Trade and of Fern Universitaei Hagen – Betriebswirtschaftlehre.

Experience as an economist with ICE Export Lemn, ICE Chimimportexport, ICE Chimica București, Hellbut GmbH, as a founder of the RTC Holding Group, Diverta, Informlykos, TCE Logistic, TVR Media, Antalis, Sistec, Ranco a.s.o. His experience also includes that of an economic analyst, with SC Standard Business SRL, Director General with SC PS Management & Consulting SRL. Between 2004 and 2005, he was a member of the Lower Chamber of the Romanian Parliament; between 2005 and 2007, he was the Director General of SC Standdar Business SRL, and currently, he is the Director General with SC Pan Management Group SRL, a company specialised in business and management consulting. He was a lecturer at the Faculty of Marketing, the Academy of Economic Studies Bucharest; he was awarded for the “Company of the Decade, the Most Steady Development” presented by *Capital* magazine within the Oskar Awards; the “Year’s Merger” award presented by *Săptămâna Financiară* within the gala “Mr. Ron”, the “Manager of the Year” Award presented by *Flacăra*, a.s.o.

In 2006, he was nominated and was included in the “Encyclopaedia of Personalities in Romania” and in 2009, he received the Third Prize for the “Most Important Capitalist in Romania presented by *Ziarul Financiar* and the Honorary Diploma presented by *Realitatea – Cațavencu* Trust for the completion of the project “The Private Government.”

- **Ianculescu Carmen**, 45, consultant in international business, a graduate of the Romanian - American University in Bucharest. Other specialities: a master degree in international business. She was elected as a member of the Board of Directors on 29/01/2010 and re-elected as such on 27/04/2012. As of 25/11/2013, the Shareholders’ Ordinary General Meeting elected her again as a member of the Board of Directors, and the Board, convened the same date, elected her as the Deputy Chair.

b) Agreements, understandings, or family relations between the administrator and a third party whom the administrator owes their appointment

There are no known agreements, understanding, or family relations between the respective administrator and a third party to whom such administrator owes their appointment.

c) Participation of the administrators to the company social capital

The members of the Board of Directors in office do not own shares in Mecanica Ceahlău SA.

d) Lists of people affiliated to the company

Person affiliated to the company are:

- Financial Investment Company Moldova SA
- Romanian Opportunities Fund

4.2) Members of executive management

The company Executive Management is as follows:

Between 01/01 and 04/09/2013, the position of the Director General was occupied by Mr Timaru Neculai, 61, a graduate of Polytechnic Institute in Bucharest, Faculty of Agricultural Mechanics; post-graduate courses in management and various professional development courses in the country and abroad. Experience: 36 years in the profession, of which 22 years as a director or CEO.

On 04/09/2013, the Board of Directors decided to terminate the Management agreement No 930 of 29/04/2013 with Mr Timaru Neculai, due to breach of Article 6.3, letter “c” concerning the fulfilment of the position loyally and exclusively in the interest of the company, and Article 6.3., letter “g” concerning the appearance of an instance of legal or contractual incompatibility; the reasons thereof are cited in:

- The internal auditor’s report registered with the company with No 604 of 26/06/2013;
- Supplement to the internal auditing report, registered with the company with 656 of 04/07/2013;

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- Report of extra-judiciary accounting expert investigation, registered with the company with 718 of 08/08/2013;
- Supplement to extra-judiciary accounting expert investigation, registered with the company with No 811 of 02/09/2013.

On 05/09/2013, the current Report on these aspects – in compliance with the provisions of article 225 of Law 297/2004 and the Regulation No 1/2006 of CNVM – was presented.

Dissatisfied with the resolution of the Board of Directors, Mr Neculai Timaru filed a claim with the court requesting damages from the company, i.e., 431,313 lei, as prejudice for the termination of the management agreement without a justified reason.

With a view to defending the company's interests, a legal assistance contract was entered with SCA Varjan & Asan. Currently, the file registered with No 4603/103/2013 is pending with the Neamt Tribunal, the next term being scheduled for the 21st of May 2014.

2. Furthermore, Mecanica Ceahlau SA was sued by VMI Eurotrade Concept SRL requesting the Law Court of Piatra-Neamt to pass a payment order for the amount of 15,313.02 lei, representing commission due under contract No 12/2013.

The petition is the object of file No 8454/279/2013 of the Law Court of Piatra Neamt and is scheduled in court on the 1st of April 2014. Similarly, for this legal action a legal assistance contract was entered with SCA Varjan & Asan.

Between 05/09/2013 and 15/01/2014, Mrs Marian Gabriela, Director of Finance, was delegated to serve on the position of the Director General.

Since 15/01/2014, the position of Director General has been served by Mrs Arghirescu Laura Elena, 37, a graduate of the Academy of Economic Studies, Faculty of Marketing and Trade, a Master degree in Commercial Business Management. She acted as a Director of Marketing and Purchase with RTC Proffice Experience between 2002 and 2005; a Director General with the Books Distribution Warehouse between 2002 and 2005; a Director of the Books and Toys Distribution Division between 2005 and 2006; the Director General with Mobishop Pay Point Romania between 2006 and 2008; the Business Developer Director with RTC HOLDING DIRECTOR between 2008 and 2010; the Director General with RTC PROFFICE EXPERIENCE SA between 2010 and 2012 and the Director General with GNC Romania between November 2012 and January 2014.

In 2007 and 2008, Mrs Laura Elena Arghirescu was nominated in “Top 100 Business Women” and since 2009 she is a member of the Business Lodge.

Director of Trade – Botezatu Cornel, 56, a graduate of the Polytechnic Institute in Iasi – Faculty of Technology of Machine Engineer. Training courses in “Management of Restructuring and Development of Economic Agents,” and “Business Management,” certified as a “Project Manager”; 32 years in the profession, of which 17 years in managerial positions.

Director of Finances – Marian Gabriela, 57, PhD in Economics - ASE Bucharest, Faculty of Management; a graduate of the Faculty of Economic Sciences, “Alexandru Ioan Cuza” University Iași, major: Economics of Industry, Constructions, and Transport; financial auditor, member of the Chamber of Financial Auditors in Romania; project manager, certificate of completion Serial E 0208426 MMFES and MEET; accounting expert, a CECCAR member; a project manager – Certificate Serial E 0208426 MMFES and MEET; 32 years in the profession, of which 20 in managerial positions.

The executive management conduct their activity based on a “Contract of Mandate” signed as of 01/05/2013 for the Director of Trade and the Director of Finance and as of 15/01/2014 for the Director General, respectively.

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a) Agreements, understandings, or family relations between people in the executive management and a third party appointed as a member of the executive management

There are no known agreements, understanding, or family relations between people in the executive management and a third party appointed as a member of the executive management.

b) Participation of the executive management to the company social capital

The Executive Management participated to the company social capital as of 31.12.2013 as follows:

Full name	Number of shares held in Mecanica Ceahlău SA	Percentage of the total (%)
Arghirescu Laura Elena	0	0
Botezatu Cornel	330	0.00014
Marian Gabriela	149,670	0.06239

4.3) Disputes or administrative procedures where the managers and the members of the executive management were involved over the last five years

Findings of the checking conducted in the Registrar of litigations in the custody of the legal office have revealed the following:

The members of the Board of Directors elected in the Shareholders' Ordinary General Meeting of 27/04/2012, i.e., Dumitru Bontas, Liana Marin, Vasile Romeo Esanu, Carmen Ianculescu and Marius Tudor Munteanu have not been involved in litigations, over the last five years, with respect to the activity they conducted in the company; there are no data recorded with the legal office concerning administrative procedures that might involve the five people herein above.

The members of the Board of Directors elected in the Shareholders' Ordinary General Meeting of 25/11/2013, i.e., Catalin Jianu Dan Iancu, Radu Hanga, Daniel Florian Miron, Octavian Claudiu Radu and Carmen Ianculescu have not been involved in litigations, over the last five years, with respect to the activity they conducted in the company; there are no data recorded with the legal office concerning administrative procedures that might involve the five people herein above.

With respect to the executive management of the company, the Director of Finance, i.e., Gabriela Marian, and the Director of Trade, i.e., Cornel Botezatu, have not been involved in litigations, over the last five years, with respect to the activity they conducted in the company; there are no data recorded with the legal office concerning administrative procedures that might involve the two people herein above.

The Director General, i.e., Neculai Timaru, was involved in an administrative procedure with respect to his activity in the company; this procedure ended by the termination of the management contract, resolved in the Board of Directors' meeting of 04/09/2013.

Following the resolution of the Board of Directors as to the termination of the management contract, the Director General took the matter to court and claimed damages considering that his revocation was ungrounded. The petition is object of file No 4603/103/2013 pending with the Neamt Tribunal, scheduled for 21/05/2014. Currently, negotiations are in progress with respect to an amicable settlement of the litigation.

By interrogating the site of the Ministry of Justice, i.e., portal.just.ro, no litigations have been identified with respect to the capacity of the members of the Board of Directors elected by the Shareholders' Ordinary General Meeting of 27/04/2012 and those elected by the shareholders' Ordinary General Meeting of 25/11/2013, respectively, to fulfil their assignments in the company. Nor have there been identified litigations related to the capacity of people who were members of the company executive management to fulfil their assignments.

Other litigations

At the end of January 2014, Mecanica Ceahlau SA was involved in a number of 75 pending files, of which:

- in 50 files the company was involved as plaintiff/creditor, in order to collect some accounting receivables amounting to 1,489,598.50 lei – excluding accessories (Appendices 3 and 4).
- in 19 files the company was involved as defendant in work-related disputes; the current or former employees of the company request that in various periods of time they were employed by Mecanica Ceahlau SA and worked under 2nd degree labour conditions (Appendix 5);
- in 6 files the company was involved as plaintiff or defendant, such files dealing with the acknowledgment of partial nullity of an ownership title and of the subsequent contract, the cancellation of the resolution of the BoD Transport Ceahlau SRL and claims of some former collaborators/partners (Appendix 6).

4.4) Elements of corporate governance

During 2013, as during the previous period, Mecanica Ceahlău SA paid due attention to OECD principles of Corporate Governance and to the Corporate Governance Code of the Bucharest Stock Exchange (Appendix 7 – “Apply or Explain Statement”).

The Board of Directors consists of five members, a number that corresponds to the current and future needs of the company. A chairperson and a deputy chair were elected in the board. The chair of the Board is not the CEO, nor do the other members of the board hold executive positions in the company.

On 29/06/2008, the Auditing Committee was created and the Appointing Committee and the Remuneration Committee were elected on 17/11/2009. Owing to the changes in the Board of Directors, the membership of each of the consultative committees was updated and/or completed.

The Board of Directors elected by the Shareholders’ Ordinary General Meeting on 25/11/2013, convened in session on 22/01/2014, decided to set up a three-member auditing committee and an appointing and salary committee consisting of three members each. Each consultative committee drafted an action plan, approved by the Board of Directors on the same date, i.e., 22/01/2014.

In compliance with the Code of Corporate Governance of the Bucharest Stock Exchange, i.e., Article 2 Rec. 9 and Article 4 Rec. 14, p. 5 of the Implementation Guidelines, as of 27/01/2010, we have created the position of the Secretary General of the Board of Directors with assignments specific to ensuring the necessary framework for a good preparation of analyses within the meetings of the Board of Directors and the shareholders’ general meetings, ensuring the records/minutes and the follow-up of how resolutions adopted are enforced during such analysis.

Both in 2013 and during the previous years, we ensured a fair treatment of all shareholders by promoting effective and proactive communication with them.

Necessary conditions were provided so that shareholders are informed with respect to financial results and to all relevant aspects of the company operations both via the company webpage and via the Secretariat general of the Board of Directors.

Taking into account that some 40% of the company shares are held by shareholders residing abroad, materials related to convening and conducting the general meetings were posted, both in Romanian and in English, on the company website.

Owing to the concern of the Board of Directors to harmonize the shareholders’ interest with the company’s interest, in 2013, we succeeded to ensure that the attendance to the shareholders’ general

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meeting was significant. These meetings were held with a representation percentage of 81.98, 81.26 and 91.53, respectively, of the total shares issued by the company.

With respect to the issues analysed and resolutions taken at the general shareholders' meetings in 2013, current reports were prepared and published in compliance with legal regulations in force. Mention should be made that, to this respect, in 2013, there were four shareholders' general meetings, three ordinary and one extraordinary, where 27 resolutions were adopted, with 34 articles, all being implemented. As to how these resolutions were implemented, informative notes and reports were presented on a regular basis in meetings of the Board of Directors.

In order to analyse various aspects of the company, in 2013, the Board of Directors convened in 23 working sessions. The executive directors attended every meeting and, sometimes, depending on the issues on the agenda, other people were also invited to attend.

Based on the annual topics, analyses such as the following were on the agenda the Board of Directors' meetings on a monthly basis:

- in terms of the production and services: achievement of the production schedule during the previous month and preliminaries for the current month; the draft production programme for the next month, the status of the implementation of the second field of operations;
- in terms of trading: achievement of sales programme for the previous month and preliminaries for the current month; draft of the sales programme for the following month; ensuring the material basis necessary to carry out the production programme for the following month; status of the company's litigations and amounts under dispute at the end of the previous month, reconciliation actions initiated and in progress, results obtained and the value of the amounts retrieved;
- in terms of economic and finances: achievement of the budget of revenues and expenditure on a monthly basis and cumulatively and the project of the budget of revenue and expenditure for the following month;
- in terms of ensuring the internal checking/auditing: presentation of auditing reports as per the annual plan; the programme of implementing the unitary prevention and control, the status of the resolutions adopted by the Shareholders' General Meeting and the Board of Directors.

The Board of Directors analysed on a quarterly basis:

- in terms of production and services: the monthly break down of the Production Programme pertaining to the following quarter; achievement of objectives set in the Investment Programme, the Research and Development Programme, the maintenance and repairs of equipment Programme in the previous quarter, and measures to be considered for the achievement of the programmes set for the following quarter; the status of achievement of the Action Plan on the location in Str. Aurel Vlaicu nr. 34;
- in terms of trading: the monthly break down of the Sales Schedule pertaining to the following quarter; the status of the receivables recorded in trading relations; analysis of the structure of end products stocks and of the amount of stock needed according to the season;
- in terms of economics and finances: quarterly reports for the 1st and 3rd quarters; the monthly break down of the revenue and expenditure budget for the following quarter; the structure of production costs and profitability of products sold in the previous quarter; the status of costs recorded and of the value of the production delivered against orders closed in the previous quarter.

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In 2013, the following were also included on the agenda of the meetings of the Board of Directors: analyses on the overall management; of the human resources management, of the department for research, constructive and technological design, the Report on the first Semester; the results of the patrimony inventory, and so on.

Upon the request of SIF Moldova, majority shareholder, as well as from their own initiative, the Board of Directors included on the agenda, and debated, the conclusions of an anonymous letter sent to the management of SIF Moldova. Such letter referred to abuse committed by the company CEO. Moreover, in order to make clear some aspects referring to the information as to abuse, the Board of Directors requested and analysed the reports presented by the internal auditor as well as the reports presented by expert chartered accountants.

All Board of Directors meetings resulted in adopting resolutions as to the issues analysed; such resolutions were input in a rigorous record and monitoring system, set at the level of the general secretariat thereof.

5) ECONOMIC AND FINANCIAL STATEMENT

The individual financial statements for the exercise closed on 31 December 2013 are drafted in compliance with the requirement under Order 881/2012 and are subjected to an auditing process by Deloitte Audit SRL; hence, following auditing they may undergo modifications.

The reporting currency in the financial statements is leu.

The economic and financial standing as compared to the previous two years is presented in Appendix 1.

a) Financial Standing

Main assets exceeding 10% of total assets	Value-lei	Percentage
Estate and buildings	17,893,051	3.68
Finite products and goods	7,686,460	15.33
Cash and cash equivalent	13,188,711	26.30
Main liabilities exceeding 10% of total liabilities	Value - lei	Percentage
Reserves from revaluation	15,547,891	31.01
Capital subscribed paid	23,990,846	47.84

b) Global result/outcome

Indices exceeding 20% of the total turnover	Value - lei	Percentage
Production sold	22,941,900	95.52
Expenditure with raw material and consumables	7,616,719	31.71
Expenditure with personnel	6,580,020	27.40

c) Cash flow

As of 31 December 2013, Mecanica Ceahlău SA closed its operations with a positive treasury sold of 13,188,711 lei, of which bank deposit have been constituted amounting to 12,321,952 lei. The net increase of treasury is detailed in Appendix 2.

The structure of treasury flows is as follows:

- lei-

Net treasury at the beginning of the exercise	12,224,571
Net treasury from exploitation	2,631,249
Net treasury from investments	(1,667,109)
Net treasury from financing operations	0
Net treasury at the end of the exercise	13,188,711

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The net increase of cash and cash equivalent is of 964,140 lei. The negative flows in investment, i.e., 1,667,109 lei, represent payments for the investment programme. In order to maintain the financial equilibrium, the company has contracted to credit lines, not used, amounting to 10,700,000 lei. For 2014, the cash flow expected is to maintain a single credit line, i.e., the amount of 5,000,000 lei.

d) Meeting the BR&E and the objectives set for the year 2013

The main indices in the Revenue and Expenditure Budget for the year 2013, approved by the Shareholders' Ordinary General Meeting on 19/02/2013 were met as shown in the table below:

– lei –

#	Indices	BR&E 2013	Achieved 2013	%
				3/2
0	1	2	3	4
1	Turnover	29,700,000	24,017,394	80.87
2	Total revenues	29,000,000	24,913,783	85.91
3	Total expenditure	24,700,000	24,469,935	99.07
4	Gross profit	4,300,000	443,848	10.32

The turnover as compared to the BR&E approved for 2013 was met up to 80.87%.

The total revenues amount to 24.913.783 lei, i.e., 85.91 % as compared to the BR&E approved for 2013. Failure to meet total revenues are due mainly to the failure to meet the turnover.

The total stocks amount to 9,338,801 lei, on the rise by 1,369,575 lei as compared to the value recorded at the beginning of the year owing to 130.05 % increase of the finite products stock.

Total expenditure recorded a level of 24,469,935 lei, i.e., 99.07 % as compared to the BR&E approved for 2013.

The total receivables of the company as of 31/12/2013: According to analytical reports, the company should collect receivables representing finite products, invoiced but not cashed (e.g., customer accounts and various debtors), which amount to 9,812,035 lei. For such receivables, adjustments amounting to 5,660,625 lei were made which resulted in a net value of 4,151,410 lei, their size in total debts/receivables being 96.94 %.

For receivables not collected within a period exceeding 270 days, the company recorded adjustments amounting to a total value of 860,634 lei – with customers, in compliance with article 22 paragraph (1) letter 'c' of Law 571 Cod Fiscal. The size of uncertain customers and debtors in total receivables is of 16.81 %.

Debts: the company books show a total amount of 4,747,024 lei as debts, with a negative (favourable) variation as compared to December 2012 of 74.87 %, i.e., a net amount of 1,593,415 lei.

According to the data recorded in the financial statements and balance sheet, the company's debts can be detailed as follows:

- Short-term debts (to be paid in less than a year): 3,000,648 lei: commercial debts (to suppliers or advance payments received from customers, i.e., 50.53 %; other debts, including fiscal debts and debts related to contributions to social security, i.e., 24.81 %, other debts (provisions, revenues in advance), i.e., 24.66%.
- Long-term debts (to be paid in more than a year): 1,746,376 lei: debts related to postponed tax on profit.

6) DATA RELATED TO INTERNAL AUDIT/CHECKING

The accounting and financial checking of the company aimed at securing the accounting management and at monitoring the operations from the financial viewpoint in order to meet the objectives defined.

In terms of accounting regulations, the company has drafted:

- the accounting policies guidelines;
- the application procedures thereof;
- knowledge of the development of accounting and fiscal legislation;
- conducting specific checking to sensible areas;
- identifying and appropriately dealing with abnormalities;
- adapting the software to the company's needs;
- complying with accounting regulations;
- ensuring that books are kept accurately and exhaustively;
- observing qualitative features of the financial statement data so that they would meet the users' needs.

Internal Audit

The internal auditing was conducted based on the assignment undertaken in compliance with the company's objectives. The plan for the internal auditing missions and the necessary resources were approved by the Board of Directors.

When planning each auditing mission, the following were considered:

- the objectives of the operations to be revised and the means to check such operations;
- the significant risks related to the operation and the means to keep the potential impact of the risk at an acceptable level;
- adequacy and effectiveness of the risk management and control systems to the checking conducted;
- opportunities to significantly improve the risk management and control systems.

Activities conducted by the internal auditing in 2013

The internal auditing reported to the Board of Directors on the aims of auditing, the responsibility and execution according the plan. Such reports include the significant risks and aspects of the checking of management as well as other issues requested by the Board of Directors.

The opinion of the internal auditor, the findings of the mission, conclusions, recommendations and propositions, and the plan for measures-to-be-taken applied during the auditing were included the internal auditing reports that were presented to the Board of Directors.

Based on the conclusions and recommendations made by the internal audit, the Board of Directors ordered measures to address the risks identified.

7. Events occurred after the closure of the financial exercise

The election of the new Board of Directors by the Shareholders' Ordinary General Meeting on 25/11/2013 was a moment of profound significance in the life and activity of the company.

Ever since its first meeting, the new Board of Directors has set it working mode in relation with the executive, they expressed their desire to be involved in knowing and taking decisions that would determine the revival of the operations and the promotion of the company to a leading position in the region, they encouraged the company's personnel to promote transparency in communication and a

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direct way of facing points of view, essential ingredients in making decisions and an important source to confirm hypotheses; they showed their support for open and constructive dialogue, which is to ensure closer relationships between the management and the executive in understanding the needs and in transmitting initiatives.

Six projects involving members of the Board of Directors were defined. These projects focus on one or more action plans meant to ensure that the company is transformed into a major regional manufacturer of farming equipment, most of all into a profitable company. Two of these projects aim at defining a new sales and distribution structure and at defining partnerships; other two projects aim at defining the product mix and at technological upgrading, and the last two projects refer to human resources and costs efficiency.

Another major concern of the Board of Directors was to identify and appoint of the new Company CEO, i.e., Mrs. Laura Arghirescu, an energetic person, disciplined, and motivated by the important project of transforming Mecanica Ceahlău into a modern, adaptable, and flexible company.

The Board of Directors further proposes to remain highly involved in following up the precise implementation of the strategy adopted.

CHAIR OF THE BOARD OF DIRECTORS,

Catalin IANCU

DIRECTOR GENERAL,
Laura Serban Arghirescu

DIRECTOR OF FINANCES,
Gabriela Marian

A. ITEMS OF THE FINANCIAL STANDING

I. Assets representing 10% of total assets

-lei-

Item #	Analytical indices in the balance sheet exceeding 10 % of total assets	2012	2013	% of total assets 2013
	TOTAL ASSETS	52,330,137	50,144,891	
1.	Estate and constructions	18,477,565	17,893,051	35.68
2.	End products and merchandise	5,910,485	7,686,460	15.33
3.	Cash and cash equivalent	12,224,571	13,188,711	26.30

II. Liabilities exceeding 10% of total liabilities

- lei -

Item #	Analytical indices in the balance sheet exceeding 10 % of total liabilities	2012	2013	% of total liabilities 2013
	NET TURNOVER	50,330,137	50,144,891	
1.	Reserves	15,842,240	15,547,891	31.01
2.	Capital subscribed and paid	23,990,846	23,990,846	47.84

B. GLOBAL RESULT

-lei -

Item #	Analytical indices in the profit and loss account exceeding 20 % of turnover	2012	2013	% of 2013 turnover
	NET TURNOVER	29,496,698	24,017,394	
1.	Production sold	28,300,197	22,941,900	95.52
2.	Expenditure related to stocks	9,746,412	7,616,719	31.71
3.	Expenditure related to personnel's benefits	6,675,841	6,580,020	27.40

**DIRECTOR GENERAL,
Laura Serban Arghirescu**

**DIRECTOR OF FINANCES,
Gabriela Marian**

STATEMENT ON TREASURY FLOWS

For the financial exercise closed on 31 December	2012	2013
Cash flow from exploitation activities		
Cash from customers	37,443,548	28,747,730
Payments to suppliers and employees	29,875,724	25,336,734
Cash generated from exploitation operations	7,567,824	3,410,996
Interest paid	133,356	18,509
Tax on profit paid	1,166,137	761,238
Net cash from exploitation	6,268,331	2,631,249
Cash flow from investments		
Interest cashed in	552,395	522,909
Cash from sales of corporeal assets		
Purchases of corporeal assets	1,522,942	756,723
Short-term investment	(528,832)	0
Dividends paid	0	1,433,295
Net cash generated from investments	(1,499,379)	(1,667,109)
Cash flow from funding operations		
Loan reimbursement	2,981,094	0
Payment of debts from financial leasing	450,955	0
Net cash (used in) funding operations	(3,432,049)	0
Net decrease of cash and cash equivalent	1,336,903	964,140
Cash and cash equivalent as of 01 January	10,887,668	12,224,571
Cash and cash equivalent as of 31 December 2013	12,224,571	13,188,711

**DIRECTOR GENERAL,
Laura Serban Arghirescu**

**DIRECTOR OF FINANCES,
Gabriela Marian**

STATUS OF LITIGATIONS AS OF JANUARY 2014

Litigations with professionals

#	File No / Year / Court	Defendant/Debtor	Accounting debt	Other amounts	Object	Stage in the procedure	Cashing in – likely / unlikely
1	2403/103/2010 Neamt Tribunal	SC Lavima Com srl	44,744.00	8,557.00	Insolvency	Term 11/04/2014	Unlikely. Bankruptcy procedure in progress for sale of debtor's goods
2	4100/103/2011 Neamt Tribunal	SC Agro Power srl	10,412.50	1,832.61	Insolvency	Term 05/03/2014	Unlikely. Bankruptcy procedure in progress for sale of debtor's goods
3	309/122/2009 Giurgiu Tribunal	SC Agroeurotrans srl	62,243.74	-	Insolvency	Term 12/02/2014	Farming equipment harrow GD7 retrieved. Former manager moved to appeal.
4	1090/2/2013 Giurgiu Tribunal	SC Agromet Comprod srl	28,385.11	-	Insolvency	04/02/2014	Re-trial in progress after cassation at Giurgiu Tribunal. Pending solution
5	7601/118/2013 Constanta Tribunal	SC Agroserv Plus srl	44,443.93	-	Insolvency	10/02/2014	Pending solution. Payment by assignment by SC FLAMINGO SRL. Cash in likely
6	737/103/2011 Neamt Tribunal	SC Aidico srl	4,625.03	5,153.27	Insolvency	Term 21/02/2014	Unlikely. Bankruptcy procedure in progress for sale of debtor's goods
7	3244/40/2009 Botoşani Tribunal	SC Apimold srl	125,620.21	-	Insolvency	Term 20/02/2014	Unlikely. Sale of goods in progress. Two pieces of equipment were retrieved and valued
8	3163/103/2009 Neamt Tribunal	SC Baroty Com srl	20,317.48	-	Insolvency	Term 26/02/2014	Unlikely. Bankruptcy procedure in progress for sale of debtor's goods
9	2695/103/2013 Neamt Tribunal	SC CI Dumbrava srl	3,158.60	-	Dissolution of the company	Petition accepted	Resolution received. To be published in the Official Monitor
10	1130/1259/2012 Argeş Tribunal	SC Cocuţa Prod Com srl	10,055.16	-	Insolvency	Term 20/03/2014	Appeal as of closure of procedure as petition for restitution of a piece of farming equipment was not accepted
11	5078/98/2012 Ialomita Tribunal	SC Eurocom srl	16,298.56	-	Insolvency	Term 21/03/2014	Unlikely. Procedure of judicial reorganisation for payment of debts in progress. Restitution of two pieces of equipment was requested
12	4722/40/2010 Botoşani Tribunal	SC Euro Nutrition srl Botoşani	563,346.73	156,644.17	Insolvency	Term 24/04/2014	Unlikely. Bankruptcy procedure in progress for sale of debtor's goods. All farming equipment were retrieved and 95%
13	1355/1371/2009 Mureş Tribunal	SC Farmer Logistic srl Ungheni	37,937.79	-	Insolvency	06/03/2014	Unlikely. Bankruptcy procedure in progress for sale of debtor's goods
14	913/91/2009 Vrancea Tribunal	SC Gicam Construct srl	4,973.60	-	Insolvency	Procedure closed	Unlikely. Bankruptcy procedure in progress for sale of debtor's goods
15	5223/103/2010 Neamt Tribunal	SC Insoas srl	7,728.49	848.77	Insolvency	Procedure closed. In appeal	Petition to determine the former manager's liability accepted. Matter suspended at the Court of Appeal due to the defendant-in-appeal, i.e., Ed. Tureschi's failure to attend
16	8507/111/2010 Bihor Tribunal	SC Interoffice Trade Service srl	40,933.78	47,238.22	Insolvency	Term 28/05/2014	Reorganisation in progress. Cash in as per payment schedule approved by the creditors' meeting.
17	3163/103/2009 Neamt Tribunal	SC Last Bearing srl	65,121.14	-	Insolvency	Term 26.02.2014	Unlikely. Bankruptcy procedure in progress for sale of debtor's goods
18	4866/103/2011 Neamt Tribunal	SC Luţi Gab Srl P. Neamţ	1,862.73	-	Criminal matter	24/02/2014	Unlikely. Criminal matter

**APPENDICES TO THE REPORT OF THE BOARD OF DIRECTORS
OF MECANICA CEHLĂU S.A. FOR 2013**

19	6973/99/2013 Iași Tribunal	SC Natur Champ srl Iași	14,281.78	-	Dissolution	Term 18/02/2014	Insolvent. Judicial dissolution and liquidation as per art. 237 of Law 31/1990 requested.
20	400/99/2012 Iași Tribunal	SC Nicu Rulumenți srl	18,573.57	-	Insolvency	Term 05/03/2014	Unlikely. Bankruptcy procedure in progress for sale of debtor's goods
21	429/103/2013 Neamt Tribunal	SC Orizont Auto Service SRL	55,908.07	-	Insolvency	Term 14/05/2014	Unlikely. Bankruptcy procedure in progress for sale of debtor's goods
22	3006/279/2013 Piatra-Neamt Law Court	Precupeanu Vasile	6,643.58		Claims	Petition accepted	After receipt of the resolution, a writ of execution shall be enforced
23	5524/40/2013 Botosani Law Court	SC Servagromec SA Botosani	5,273.46	-	Insolvency	Term 13/03/2014	Unlikely. Bankruptcy procedure in progress
24	2904/110/2013 Bačău Tribunal	SC Silga Trans srl	13,972.00	-	Dissolution of the company	Term not set yet	Insolvent. Judicial dissolution and liquidation as per art. 237 of Law 31/1990 requested.
25	1077/103/2009 Neamt Tribunal	SC Starsem srl	9,130.92		Insolvency	Term 19/02/2014	Unlikely. Bankruptcy procedure in progress for sale of debtor's goods. The farming equipment was retrieved and sold.
26	108/100/2005 Maramureș Tribunal	SC Texeurokock srl Baia Mare	1,007.03	152.88	Insolvency	Term 01/04/2014	Unlikely. Bankruptcy procedure in progress for sale of debtor's goods
27	9657/101/2010 Caras-Severin Tribunal	SC Tomis Agrovet srl Turnu Severin	26,667.90	-	Insolvency	Term 27/03/2014	Unlikely. Bankruptcy procedure in progress for sale of debtor's goods
28	6602/62/2007 Brașov Tribunal	SC Tractorul UTB SA	293.93	-	Insolvency	06/02/2014	Unlikely. Bankruptcy procedure in progress for sale of debtor's goods
29	5428/103/2010 ICCJ Bucharest	Transport Ceahlău srl Piatra Neamț	162,172.49	-	Insolvency	08/04/2014	Matter in appeal at the High Court of Cassation and Justice
30	1264/103/2012 Neamt Tribunal	SC Integrum Consulting srl	-	94,611.9 1	Bankruptcy	Procedure closed	Procedure closed. When resolution has been received, VAT is to be adjusted
31	2344/114/2009 Buzău Tribunal	SC „Agromixt” srl Potoceni Buzău	-	30,000.0 0	Bankruptcy	Term 06/02/2014	Unlikely. Bankruptcy procedure in progress for sale of debtor's goods
32	1851/122/2006 Giurgiu Tribunal	SC Rostar 91 SA	-	27,030.2 6	Bankruptcy	Procedure closed	Procedure closed. Request to determine the manager's liability overruled. After resolution has been communicated, VAT is to be adjusted
33	4680/103/2009 Neamt Tribunal	SC Fanna Veneto srl Gherăiești Neamț	-	10,019.8 5	Insolvency	Term 10/03/2014	Unlikely. Bankruptcy procedure in progress for sale of debtor's goods
34		Real Impact SRL		2,679.42			Procedure prior to suing

Alina Matasel, Barrister/Counsellor

STATUS OF LITIGATIONS AS OF JANUARY 2014

Writs of execution

#	File No / Year / Court	Defendant/Debtor	Accounting debts	Other amounts	Stage of procedure	Likelihood of cashing in
1	Popa Daniel	SC Agroprestcom srl	9,285.74	-	Writ of execution	Insolvent. Judicial dissolution and liquidation to be requested in compliance with art. 237 of Law 31/1990
2	Judicial Executor Rogojan S. File 73/2013	Andrei Iulian	2,721.60	-	Petition accepted	Writ of execution. Unlikely
3	Judicial Executor Mocanu Pavel	SC AS Donus Grup srl	6,516.91	-	Writ of execution	Insolvent. Judicial dissolution and liquidation to be requested in compliance with art. 237 of Law 31/1990
4	Judicial Executor Postelnicu Sp.	Buga Ciprian Gh.	12,155.36	-	Writ of execution	Writ of execution in progress. Unlikely
5	Judicial Executor Tătaru Ion	Ceornei Ioan Suceava	11,499.99	3,346.01	Writ of execution	Writ of execution in progress. Unlikely
6	Exec. Jud. Bercariu C.	SC Cosagro srl	7,026.42	-	Writ of execution	Writ of execution in progress. Likely
7	Judicial Executor Țigănuș Viorel	Crăciun Daniel	11,584.39	-	Writ of execution	Writ of execution in progress. Likely
8	Exec. Jud. Corbu V.	SC Dor Ela Company srl	4,210.41	-	Writ of execution	Writ of execution in progress. Likely.
9	Judicial Executor Florea Mihai Iași	Fron Giani Bogdan on behalf of SC Intermet Inox srl	9,565.72	-	Company struck off the register	Writ of execution in progress. Responsible party Fron Giani Bogdanel for the amount of 9,565.72 lei
10	Judicial Executor Rogojan Silviu	MCDV Top Construct srl	6,219.23	-	Writ of execution	Writ of execution in progress. Unlikely
11	Judicial Executor Bociort Crina	SC Prodagrotehnic Srl – manager’s heirs	-	49,552.75	In progress	Petition accepted to determine liability of former manager within the insolvency procedure. Judicial Executor Bociort Crina requested for Writ of execution of the deceased manager’s heirs
12	Mureșan Vasile Mircea	Bohmer J., Bohmer I., Pomian Gh. and Iacob Florin on behalf of SC „AGRO SERVICE” srl	-	24,888.22	Writ of execution	Unlikely
13	Judicial Executor Mocanu Pavel	SC Global Service srl	-	11,666.00	Insolvent	Insolvent. Judicial dissolution and liquidation to be requested in compliance with art. 237 of Law 31/1990
14	Judicial Executor Dron Gheorghe	Copoț Vasile Tg. Neamț	-	18,836.45	Writ of execution	Unlikely
15	Judicial Executor Rogojan Silviu	Iosub Vasile Claudiu	-	5,590.71	Writ of execution	Writ of execution in progress for SC Bethmond Grup
16	Judicial Executor Deacu Vasile		-	238,020.18	Writ of execution	Writ of execution in progress for debt Eurolegal Solutions SRL Constanta

Alina Matasel, Barrister/Counsellor

STATUS OF LITIGATIONS AS OF JANUARY 2014

Labour-related litigations

#	File No / Year / Court	Defendant	Matter	Term	Remarks
1	Neamt Tribunal 3113/103/2013	Andrei Cezar	2 nd Group – Labour dispute	26/02/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
2	Neamt Tribunal 3296/103/2013	Anghel Angelica	2 nd Group Labour dispute	26/02/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
3	Neamt Tribunal 3137/103/2013	Anghel Niculina	2 nd Group Labour dispute	06/03/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
4	Neamt Tribunal 3115/103/2013	Archir Milu	2 nd Group Labour dispute	06/03/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
5	Neamt Tribunal 3247/103/2013	Anghel Sorin	2 nd Group Labour dispute	11/02/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
6	Neamt Tribunal 3246/103/2013	Berbecariu Neculai	2 nd Group Labour dispute	26/02/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
7	Neamt Tribunal 3297/103/2013	Bota Constantin	2 nd Group Labour dispute	26/02/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
8	Neamt Tribunal 3114/103/2013	Căldare Gheorghe	2 nd Group Labour dispute	26/02/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
9	Neamt Tribunal 3136/103/2013	Ciobanu Gheorghe	2 nd Group Labour dispute	26/02/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
10	Neamt Tribunal 3367/103/2013	Cadăr Laurențiu	2 nd Group Labour dispute	26/02/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
11	Neamt Tribunal 3248/103/2013	Drugă Ionel	2 nd Group Labour dispute	11/02/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
12	Neamt Tribunal 3365/103/2013	Ghiba Gheorghe	2 nd Group Labour dispute	26/02/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
13	Neamt Tribunal 3366/103/2013	Mândru Mircea	2 nd Group Labour dispute	11/02/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
14	Neamt Tribunal 3295/103/2013	Mararu Constantin	2 nd Group Labour dispute	26/02/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
15	Neamt Tribunal 33245/103/2013	Săvoiu Constantin	2 nd Group Labour dispute	26/02/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
16	Neamt Tribunal 3195/103/2013	Todirașcu Gheorghe	2 nd Group Labour dispute	11/02/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
17	Neamt Tribunal 3194/103/2013	Tărăntuș Ioan	2 nd Group Labour dispute	26/02/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
18	Neamt Tribunal 3138/103/2013	Timaru Vasile	2 nd Group Labour dispute	26/02/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.
19	Neamt Tribunal 3196/103/2013	Vicol Florin	2 nd Group Labour dispute	26/02/2014	Request for certification to be issued with respect to the period of employment qualified as 2 nd Labour Group.

Alina Matasel, Barrister/Counsellor

STATUS OF LITIGATIONS AS OF JANUARY 2014

Litigations – Miscellanea

#	File No / Year / Court	Defendant/Debtor	Object	Stage of procedure	Remarks
1	2960/279/2013 Piatra-Neamt Law Court	SC Sindpam srl	Property title nullity	Jurisdiction declined – Court of Appeal Bacău	Trial in progress
2	2961/279/2013 Piatra-Neamt Law Court	SC Sindpam srl	Agreement nullity	Suspended	Matter suspended to solve File 2960/279/2013
3	Neamt Tribunal 4603/103/2013	Timaru Neculai	Claims	19/02/2014	Damages requested for termination of management agreement
4	8454/279/2013 Piatra-Neamt Law Court	VMI Eurotrade Concept srl	Payment ordinance	18/02/2014	Petition to issue an payment ordinance for overdue payments pertaining to commission agreement and penalties for delay thereto
5	6582/279/2012 Piatra-Neamt Law Court	Ojică and others	Property title nullity	Matter suspended	The matter was suspended until a solution has been passed on File 2960/279/2013
6	5251/103/2012 Court of Appeal Bacau	SC Transport Ceahlău SRL Piatra Neamț	Nullity of Resolution of Shareholders' General Meeting	Matter suspended	Resolution of the Shareholders' General Meeting referred to the suspension of operations of Transport Ceahlau SRL. During trial, the defendant company resumes operations.

Alina Matasel, Barrister/Counsellor

**“Apply or Explain” Statement – 14 March 2014
BVB Corporate Governance Code**

Principle/ Recommendation		Question	YES	NO	If NO, please EXPLAIN
P19		Is the issuing authority administered based on a dualist system?		X	The unitary system corresponds to the current stage of development of the company.
P1	R1	Has the issuing authority drafted a Corporative Governance By-Laws/Regulations to describe the main issues of corporative governance?		X	The Board of Directors are considering the development of a Corporative Governance By-Laws/Regulations in the next period.
		Has the Corporative Governance By-Laws/Regulations been posted on the company website, indicating the date of the latest update?		X	The Corporative Governance By-Laws/Regulations will be posted on the company website when the AGM is convened, where such document will be debated and, probably adopted is convened.
	R2	Does the Corporative Governance By-Laws/Regulations define the corporate governance structures, the functions, the competences, and responsibilities of the Board of Directors (CA) and of the executive management?		X	In part, these documents are to be found in the Company By-Laws, Administration Contracts and Management Contracts.
	R3	Does the Annual Report of the issuing authority provide for a chapter dedicated to corporate governance describing all the relevant events related to corporate governance, recorded over the precedent financial exercise?	X		Since 2009, each Annual Report has a chapter entitled “Elements of Corporate Governance” where the relevant issues related to corporate governance have been described.
		Does the issuing authority disseminate on the company website information concerning the following issues related to their corporate governance policy:			
		a) description of its corporate governance structures?	X		To be found under the section Issuing authority/authorities
		b) The updated by-laws?	X		To be found under the section Issuing authority/authorities
		c) the internal regulations of the company / its essential issues for each specialised board / committee?	X		To be found under the section Issuing authority/authorities
		d) The “Apply or Explain” Declaration?	X		It will post with the Annual Report for 2013.
e) the list of the BoD members, stating those members who are independent and/or non-executive, of the members of the executive management and members of the specialised boards/committees?	X		To be found under the section Issuing authority/authorities		
f) a short CV version for each of the members of the BoD and the executive management?	X		To be found under the section Issuing authority/authorities		

**APPENDICES TO THE REPORT OF THE BOARD OF DIRECTORS
OF MECANICA CEHLĂU S.A. FOR 2013**

P2		Has the issuing authority observed the rights of the holders of financial instruments the authority issued, by ensuring a fair treatment and submitting, in the special meetings of such holders, to approval any amendment to the rights previously agreed?	X		The rights are observed and we ensure a fair treatment for each shareholder. The company issued a single kind of shares, nominative, at a nominal value of LEI 0.10 per share.
P3	R4	Has the issuing authority posted in a section of their website details as to the development of the Shareholders' Annual General Meeting (AGM): AGM convening list?	X		
	R5	b) materials/documents related to the agenda and any other information related to items on the agenda?	X		
		c) special power of attorney form?	X		
	R6	Has the issuing authority drafted and submitted to AGM procedures for the orderly and efficient development of the AGM, without prejudicing the right of any shareholder to express freely their opinion on the issues at hand?		X	We have not encountered such issues to date. In all general meetings, the shareholders have had the opportunity to express freely their opinion both with regard to the agenda and to other aspects concerning the company's activity. While drafting the Corporative Governance By-Laws/Regulations, the procedures are being drafted as well.
	R8	Has the issuing authority disseminated in a dedicated section on their website the shareholders' rights and the AGM attending regulations and procedures AGM?	X		Both the rights and the regulations concerning the attendance to AGM meetings have been mentioned in every AGM.
		Has the issuing authority ensured information in due course (e.g., immediately after the AGM meeting) of all the shareholders by means of the dedicated section on their website:			
		a) regarding the resolutions taken in the AGM meeting?	X		The resolutions are also posted on the website in their draft as well as in their final version.
		b) regarding the detailed result of the vote?	X		The result of the ballot is mentioned in each AGM resolution.
		The issuing authorities disseminate the following via a special section on their own webpage, which easy to identify and access:			
	a) current reports / notifications?	X		At the same time they are sent to BVB and CNVM.	
b) the financial schedule, annual, biannual, quarter reports?	X		As per regulations in force		
R9	Is there a specialised department/person in the company assigned to liaise with the investors?	X		Since 2001	
P4, P5	R10	Does the Board of Directors convene at least once a quarter, in order to monitor the development of the issuing authority's activity?	X		The BoD meetings are held, as a rule, on a monthly basis and sometimes even more often depending on the issues arising in the company's current activity.

**APPENDICES TO THE REPORT OF THE BOARD OF DIRECTORS
OF MECANICA CEHLĂU S.A. FOR 2013**

	R12	Does the issuing authority have a set of rules concerning conduct and the obligations related to the transactions with shares, or other such financial instruments issued by the company ("the company's tangible assets"), conducted by the managers and other natural persons involved in their name?		X	Legal provisions in force are being applied. The BoD members do not hold shares and all the other members involved are aware of and observe the legal provisions thereof.
		If a member of the BoD or executive management or other person involved conducts in their own name a transaction with the company's titles, is such transaction disseminated via the company's website, as per current Regulations?	X		We have not encountered such issue so far.
P6		The structure of the Board of Directors of the Issuing Authority ensures a balance between the executive and non-executive members (and, mainly, the non-executive independent managers) so that no person or small group is able to dominate, as a rule, the decision-making process of the BoD?	X		All members of the BoD are non-executive. There are no non-executive independent managers.
P7		The structure of the Board of Directors of the Issuing Authority ensures a large enough number of independent members?		X	Not applicable
P8	R15	In their activity, does the Board of Directors have the support of some consulting committees/boards in order to examine some specific topics, chosen by the BoD, and to advise them on such issues?	X		Since 29/06/2008 the Auditing Committee has been set up and on 17/11/2009, the appointing committee and the Salary committee were set up. On 22/01/2014, the Board of Directors selected an Auditing Committee and an appointing and salary committee. Each of the consulting committees has their own activity programme approved by the BoD.
		Do the Consulting Committees/Boards submit reports on their activity to the BoD with respect to the issues assigned?	X		The activity of the members of the Consulting Committees/Boards and their conclusions are presented whenever the analyses are discussed in the BoD meetings.
	R16	In order to evaluate the independence of its non-executive members, does the BoD use the assessment criteria provided under Recommendation 16?		X	There are no independent members in the Board of Directors of the company.
	R17	Do the members of the BoD improve constantly their knowledge by training in corporate governance?	X		All course supports and content of interventions of various personalities in the seminars organised by IGC – BVB have been disseminated to the members of the BoD.
P9		Does the election of the members of the BoD rely on a transparent procedure (objective criteria with respect to personal/professional qualifications, etc.)?	X		The Appointing Committee analysed the applications, they were posted on the company website and approved by the BoD before being submitted to the AGOA for analysis and approval
P10		Is there any Appointing Committee in the company?	X		Until 22/01/2014, there was a distinct Appointing Committee. On 22/01/2014, the Board of Directors chose an Appointing and Salary Committee.
P11	R21	Does the Board of Directors analyse, at least once a year, the need to set up a Committee for Salary/Policy of	X		On 22/01/2014, the Board of Directors chose an Appointing and Salary Committee.

**APPENDICES TO THE REPORT OF THE BOARD OF DIRECTORS
OF MECANICA CEHLĂU S.A. FOR 2013**

		remunerating the managers and members of the executive management?			
		Is the remuneration policy approved by the AGM?	X		
	R22	Is there a Remuneration committee exclusively formed of non-executive managers?	X		
	R24	Is the remuneration policy of the company provided for in the By-Laws/Corporate Governance Regulations?		X	To be considered when elaborating the Regulations.
P12, P13	R25	Does the issuing authority disseminate in English the information that meets the reporting requirements:	X		The action has been carried out since the documents pertaining to the AGOA held on 29/01/2010.
		a) periodical information (providing information regularly)?	X		
		b) continuous information (providing information constantly)?	X		
		c) Does the issuing authority prepare and disseminate the financial statements in compliance with IFRS?	X		Financial statements compliant with IFRS have been drafted since 2012.
	R26	Does the issuing authority promote at least once a year, meetings with financial analysts, brokers, rating agents, and other market specialists, with a view to presenting the financial elements relevant to the investment decision-making process?		X	It has not been considered as a strong need.
	R27	Is there an Auditing Committee in the company?	X		
	R28	Does the BoD or the Auditing Committee, examine on a regular basis the efficiency of financial reporting, internal checking, and the risk-management system adopted by the company?	X		All quarter, bi-annual, and annual reports as well as the reports presented by the Internal Auditor have been first approved by the BoD in the presence of the members of the Auditing Committee.
	R29	Is the Auditing Committee exclusively made up of non-executive managers and does it have a sufficient number of independent managers?	X		All the members of the BoD are non-executives. There are no independent members in the Board of Directors of the company.
R30	Does the Auditing Committee convene at least twice a year and are such meetings dedicated to compiling and disseminating the bi-annual and annual results to shareholders and the public?	X		The meetings of the Consulting Committees have been held when the BoD meetings are convened.	
R32	Does the Auditing Committee recommend to the BoD with respect to selecting, appointing, re-appointing, and replacing the financial auditor as well as the terms and conditions of their remuneration?	X			
P14		Has the BoD adopted a procedure for identifying conflict of interest stances and solving such stances appropriately?		X	It has not been deemed necessary. This procedure will be elaborated within the shortest deadline possible.
P15	R33	Do the managers inform the BoD on conflict of interest	X		

**APPENDICES TO THE REPORT OF THE BOARD OF DIRECTORS
OF MECANICA CEHLĂU S.A. FOR 2013**

		stances as they occur and withhold from debates and vote on such issues, in compliance with legal provisions thereof?			
P16	R34/ R35	Has the BoD adopted specific procedures in order to ensure fairness of procedures (criteria to identify transactions with significant impact, transparency, objectivity, non-competition, etc.) in order to identify transactions with parties involved?		X	Not applicable
P17	R36	Has the BoD adopted a procedure with respect to internal circuit and revealing, to third parties, of documents and information regarding the issuing authority, paying special attention to information that may influence the development of the market price of tangible assets issued by such authority?		X	Not applicable
P18	R37/ R38	Does the issuing authority conduct activities with respect to the company's Social and Environmental Responsibility?	X		The company meets all requirements imposed by the current legal framework with respect to environmental protection. The Humanitarian Aid Foundation Mecanica Ceahlau was set up in 2000 in the Company and is operational.

**CHAIR OF THE BOARD OF DIRECTORS,
*Cătălin Iancu***