

MECANICA CEHLAU S.A.

FINANCIAL STATEMENTS:

**For the financial year ended on
September 30, 2019**

**DRAFTED ACCORDING TO ORDER 2844 FROM 2016
FOR APPROVAL OF THE ACCOUNTING REGULATIONS ACCORDING TO
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Financial Statements concluded on September 30, 2019 were not audited

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MECANICA CEAHLAU S.A.
STATEMENT OF THE FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED ON September 30, 2019

	Nota	30 September 2019	01 January 2019
Assets			
Fixed assets			
Tangible assets	13	18,056,969	18,705,287
Lands and design of lands		7,127,887	7,127,887
Constructions		5,693,223	6,073,900
Technical installations and means of transport		4,808,899	5,235,933
Other tangible assets		9,621	12,485
Tangible assets under execution		417,339	255,082
Intangible assets	14	99,681	135,243
Other intangible assets		91,409	124,903
Concessions, patents, licenses, trademarks, rights and similar assets		8,272	10,340
Intangible assets under execution		-	-
Real Estate Investments	15	430,636	430,636
Total fixed assets		18,587,286	19,271,166
Current assets			
Inventory	17	20,222,090	18,476,079
Trade receivables	18	13,778,350	14,197,887
Other receivables	19	195,749	353,618
Expenses registered in advance		274,385	62,540
Financial assets at fair value at fair value through profit or loss	20	22,052,038	246,452
Cash and cash equivalents	20	2,843,877	3,332,293
Assets classified as held for sale	16	-	12,015,414
Total current assets		59,366,489	48,684,283
TOTAL ASSETS		77,953,775	67,955,449
Equities			
Share Capital	21a	23,990,846	23,990,846
Reserves	21b	14,679,685	22,413,132
Result of the exercise	22	8,368,973	3,164,476
Carried-forward result		19,128,065	6,930,433
Other equity elements		-	(173,328)
Total equity		66,167,569	56,325,559

The attached notes are part of financial statements.

MECANICA CEHLAU S.A.
STATEMENT OF THE FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED ON September 30, 2019

	Nota	30 September 2019	01 January 2019
Debts			
Long-term debts			
Long term loans	23	1,134,121	1,371,676
Provisions for pensions	25	308,683	328,671
Debts on deferred tax	12	1,352,278	2,630,886
		<hr/>	<hr/>
Total long-term debts		2,795,082	4,331,233
		<hr/>	<hr/>
Current debts			
Credit line		-	-
Short term loans	23	356,075	412,715
Commercial debts	26	4,681,072	3,390,027
Other debts	27	3,707,153	3,249,431
Incomes registered in advance	24	-	-
Provisions	25	246,823	246,484
		<hr/>	<hr/>
Total current debts		8,991,124	7,298,657
		<hr/>	<hr/>
Total debts		11,786,206	11,629,890
		<hr/>	<hr/>
Total equity and debts		77,953,775	67,955,449
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on October 25, 2019 and were signed in its name by:

Molesag Ion Sorin,
General Manager

Chirila Oana,
Financial Manager

MECANICA CEHLAU S.A.
STATEMENT OF THE GLOBAL POSITION
FOR THE FINANCIAL YEAR ENDED ON September 30, 2019

	Nota	30 September 2019	30 September 2018
Turnover	5	22,088,584	24,037,316
The cost of the goods sold		(13,035,954)	(12,821,942)
		9,052,630	11,215,374
Other operational incomes	6	371,326	366,266
Expenses with utilities		(851,277)	(759,558)
Expenses with salaries, contributions and other assimilated expenses	7	(5,254,554)	(5,714,496)
Other administrative expenses	8	(1,679,694)	(1,806,161)
Other operational expenses	9	(447,472)	(394,893)
Expenses with amortization and impairment of assets	13,15	(1,065,921)	(1,079,448)
Gains from assets sales		11,348,248	57,778
Adjustment of the value of current assets	18,19	529,502	191,308
Gain/Loss of provisions for risks and expenses	25	19,650	199,118
Total operational expenses		(2,969,809)	(8,940,086)
Result of the operational activities		12,022,439	2,275,288
Interest incomes		5,443	312
Gains from revaluation of financial assets at fair value through profit or loss		5,586	30,148
The cost of financing		(125,628)	(178,038)
Losses from exchange rate differences		(71,720)	(18,521)
Financial net result	10	(186,319)	(166,099)
Result before taxes		11,836,120	2,109,188
Expenses with current income tax	11	(3,272,717)	(63,613)
Net expense with deferred tax	11	(194,430)	(295,364)
Result from Continues Activities		8,368,973	1,750,212
Other elements of the Global Result			
Deferred tax		1,473,038	(12,914)
Reserves from the reassessment of decreases		(9,206,484)	(80,710)
Other elements of the global results, after tax		(7,733,447)	(93,624)
Total global result of the period		635,526	1,656,587
Attributable profit/loss		8,368,973	1,750,212
Result per base share		0.0349	0.0073

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MECANICA CEHLAU S.A.
STATEMENT OF THE EQUITY CHANGE
FOR THE FINANCIAL YEAR ENDED ON September 30, 2019

	Attributable to the shareholders of the Company								
	Share Capital	Legal reserves	Reserves from reassessment	Other reserves	Reported result	Carried-forward result	Other elements of equity	Other equity elements	Total equity
Balance as of 1 January 2019	23,990,846	2,400,184	17,631,697	5,886,024	(3,504,774)	6,930,434	3,164,476	(173,328)	56,325,559
Transfer resulted year 2018 to the reported result	-	-	-	-	-	3,164,476	(3,164,476)	-	-
Transfer reported result to other reserves	-	-	-	-	-	-	-	-	-
Creating legal reserves from profit 2018	-	-	-	-	-	(173,328)	-	173,328	-
Net profit/loss of the year	-	-	-	-	-	-	8,368,973	-	8,368,973
Other elements of the Global Result									
Increase reserves from reassessment	-	-	-	-	-	-	-	-	-
Postponed capital tax	-	-	-	-	1,473,037	-	-	-	1,473,037
Decrease reserves from reassessment	-	-	-	-	-	-	-	-	-
Transfer to carried-forward result related to excess achieved from reevaluation reserves	-	-	(9,206,484)	-	-	9,206,484	-	-	-
Balance on 30 September 2019	23,990,846	2,400,184	8,425,213	5,886,024	(2,031,737)	19,128,066	8,368,973	0	66,167,569

The financial statements were approved by the Board of Directors on October 25, 2019 and were signed in its name by:

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 General Manager

Chirila Oana,
 Financial Manager

The attached notes are part of financial statements.

MECANICA CEHLAU S.A.
TREASURY FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED ON September 30, 2019

	30 September 2019	30 September 2018
Cash flows from operating activities		
Receipts from customers	27,197,674	29,316,689
Receipts from other debtors	161,246	2,373,280
Payments to suppliers	(17,988,400)	(28,497,580)
Payments to employees	(2,930,550)	(3,341,252)
Payments to state budget	(5,249,155)	(4,441,922)
Payments to various creditors	(85,382)	(107,866)
Cash generated from operating activities	1,105,433	(4,698,651)
Paid corporate tax	(98,592)	(347,744)
Net cash generated from operations	1,006,841	(5,046,395)
Cash flows from investment activities		
Collected interest	5,443	312
Proceeds from the sale of tangible assets	21,177,535	163,285
Procurement of tangible assets	(440,387)	(349,534)
Redemption of fund units	-	2,874,410
Short-term investments	(21,800,000)	500,000
Net cash generated from investments	(1,057,409)	3,188,473
Cash flows from financing activities		
Collections from short-term loans	1,232,985	0
Reimbursement of loans	(1,443,497)	(210,015)
Paid interest	(28,525)	(32,065)
Payment of financial leasing debts	(177,285)	(169,246)
Dividends paid	0	0
Net cash (used in) financing activities	(416,322)	(411,326)
Net decrease of cash and cash equivalents	(466,890)	(2,269,248)
Cash and cash equivalents as of the beginning of period	3,332,297	4,819,739
Exchange rate differences	(21,530)	(28,454)
Cash and cash equivalents as of end of period	2,843,877	2,522,037

The financial statements were approved by the Board of Directors on October 25, 2019 and were signed in its name by:

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General Manager

Chirila Oana,
Financial Manager

1. ENTITY THAT REPORTS

Mecanica Ceahlău SA is a company headquartered in Romania. The company has its registered office in Piatra Neamț, strada Dumbravei, nr. 6, Neamț county, Romania.

The company operates according to the provisions of Law no.31/1990 for companies, further amended and supplemented.

According to Articles of Association, the main field of activity of the Company is the manufacture of machines and machinery for agriculture and forestry exploitations.

The Company is administered by the Board of Directors composed of 3 members.

The shares of the Company are listed on the Bucharest Stock Exchange Quota, category Standard, with indicative MECF.

The records of shares and shareholders are kept according to the law by S.C. Depozitarul Central S.A.

2. BASIS OF PREPARATION

a. Declaration of Conformity

The financial statements are drawn up by the Company according to:

- the criteria for recognition, measurement and evaluation compliant with the International Financial Reporting Standards adopted by the European Union ("IFRS");
- Law no.82 of 1991 for accounting, republished and updated;
- Order of the Ministry of Public Finances no. 2844/2016 for the approval of the Accounting Regulations according to the International Financing Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and clarifications;
- Order of the Ministry of Public Finances no. 2493/2019 for the approval of the Accounting Reporting System on September 30, 2019 of economic operators, but also for amending and completing some accounting provisions.

The financial statements for the fiscal year ended as of September 30, 2019 include the statement of financial position, the global result statement, the cash flow statement, the equity change statement and explanatory notes.

The comparative financial information is presented on January 01, 2019 for the statement of financial position and for the individual equity change statement and on September 30, 2018 for cash flow statement and global result statement.

The accounting records of the Company are kept in lei (symbol of national currency "RON").

The FINANCIAL STATEMENTS were authorized for issuance by the Board of Directors on October 25, 2019.

b. Presentation of financial statements

The financial statements are presented according to IAS 1 requirements "Presentation of financial statements". The Company adopted a presentation based on liquidity in the financial position statement and a presentation of income and expenses depending on their nature in the global result statement, considering that these presentation methods offer information which is credible and more relevant than those which would have been presented based on other methods permitted by IAS 1.

2. BASIS OF PREPARATION (cont.)

c. Basis of the assessment

The FINANCIAL STATEMENTS were drafted according to the historical cost, excepting lands and buildings that are held at the reassessed value and of real estate investments that are held at fair value.

These FINANCIAL STATEMENTS were drafted for general purposes, for the use of persons that know the provisions of the International Financing Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, approved by the Order of the Ministry of Public Finances 2844/2016.

In consequence, these FINANCIAL STATEMENTS shall not be considered as the unique source of information by a potential investor or by another user.

d. Functional and presentation currency

The Company management considers that the functional currency, as it is defined by IAS 21 "Effects of exchange rate variation" is the Romanian leu ("RON"). The individual financial statements are presented in lei, rounded off to the nearest leu, currency the company management chose as currency for presentation.

The transactions in foreign currency are expressed in lei by application of exchange rate on transaction day. The monetary assets and liabilities expressed in foreign currency at end of period are expressed in lei at the exchange rate from that date. Gains and losses from differences of the exchange rate, achieved or not achieved, are registered in the Statement of the global result of that respective period.

e. Use of estimations and professional reasoning

Preparation of the FINANCIAL STATEMENTS according to the Order no. 2844/2016, as further amended, proposes the use by the management of certain professional reasonings, estimations and hypotheses that affect the application of the accounting policies and the reported value of the assets, debts, incomes and expenses. The effective results may differ from the estimated values.

Estimations and hypotheses that are the base of these are periodically reviewed. The reviews of the accounting estimations are recognized in the period in which the estimation was reviewed and in the future affected periods.

Information on the uncertainties due to hypotheses and estimations that involve a significant risk regarding the need of certain adjustments in the current and previous financial year are included in the following notes:

- Note 7 - Expenses with salaries and social contributions;
- Note 12 - Receivables and debts regarding deferred tax;
- Note 25 - Provisions;
- Note 26, 27 - Commercial debts and other debts;
- Note 29 - Commitments and contingents

The estimations and assumptions associated to these estimations are based on the historical experience, as well as other factors considered reasonable in the context of these estimations. The results of these estimations and hypotheses form the base of judgments regarding the accounting values of assets and debts that may not be obtained from other sources of information.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies were applied consistently to all the periods presented in the financial statements drawn up by the Company.

The financial statements are drawn up based on the hypothesis that the Company will continue its activity in the predictable future. For evaluation of applicability of this hypothesis, the management analyses the forecasts regarding the future entries of cash.

a. Transactions in foreign currency

The operations expressed in foreign currency are recorded in lei at the official exchange rate communicated by the National Bank of Romania ("NBR") for the transaction date. Balances in foreign currency are converted in RON at the exchange rates communicated by NBR on September 30, 2019.

Gains and losses arising from the settlement of transactions in a foreign currency and from the translation of monetary assets and liabilities denominated in foreign currency are recognized in the individual income statement as part of the financial result.

Non-monetary assets and debts expressed in the foreign currency that are assessed at fair value are converted in the functional currency at the exchange rate of the date in which the fair value was determined. The non-monetary elements that are assessed at historical cost in a foreign currency are converted using the exchange rate of the date in which the transaction was made.

The exchange rates of the main foreign currencies according to NBR report are:

	30 September 2019	01 January 2019
EUR	4.7511	4.6639
USD	4.3488	4.0736

b. Cash and cash equivalents

Cash and cash equivalents include: the effective cash, current accounts, deposits at banks and collectable values (cheques and collected bills).

In the elaboration of cash flow statement as of September 30, 2019, respectively January 01, 2019 the Company considered as cash and cash equivalents: effective cash, current accounts at banks and collected values (cheques and collected bills).

c. Financial assets and financial liabilities

An asset is a resource controlled by the entity as result of past events and from which it is foreseen that future economic benefits will result for the entity.

A liability represents a current obligation of the entity, resulted from past events, whose deduction is expected to determine an exit of resources by incorporating economic benefits from the entity.

(i) Classification of financial assets

According to IFRS 9, the financial assets are classified in one of the following categories:

- Financial assets evaluated at fair value by the profit and loss account ("FVTPL"):
 - investments in administered funds (fund units);
 - participation interests in subsidiaries and associated entities (equity shares in Transport Ceahlau SRL).
- Financial assets evaluated at depreciated cost:
 - customer receivables and other receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

c. Financial assets and financial liabilities (to be continued)

(i) Classification of financial assets (to be continued)

The company classifies the financial instruments held in the following categories:

Financial assets evaluated at fair value by the profit and loss account ("FVTPL"):

An investment in a security must be evaluated at fair value by the profit and loss account, unless the management makes an irrevocable option, at initial recognition, for measurement at fair value by other elements of the global result.

The financial assets are classified in this category if they are purchased in view of trading.

An asset is held in view of trading if it cumulatively fulfils the following conditions:

- It is held for sale and redemption in the near future;
- At initial recognition it is part of a portfolio of financial instruments identified, which are managed together and for which there are proofs of a real recent pattern of profit follow-up on short term.

This category includes financial assets or financial liabilities held for trading and financial instruments designated at fair value by the profit and loss account at the initial recognition and includes investments in administered funds. These assets are mainly purchased to generate profit from short-term price fluctuations.

Financial assets at fair value through the profit and loss account are recorded in the statement of financial position at fair value.

A gain or loss on these instruments is recognized directly in the profit and loss account.

Receivables

Receivables are non-derivated financial assets with fixed or determinable payments which are not quoted on an active market.

Receivables include commercial receivables and other receivables. They are mainly composed of customers and similar accounts which include invoices issued at nominal value and estimated receivables for services provided, but invoiced in the period that follows the end of period.

The company holds customers and similar accounts in view of collection of contractual cash flows. Therefore, they are classified as measured at amortised cost.

Final losses may vary from current estimates. Due to the inherent lack of information regarding the financial position of the clients and the lack of legal collection mechanisms, estimates of probable losses are uncertain. However, the management of the Company has made the best estimate of the loss and considers that this estimate is reasonable in the given circumstances. In the estimation of losses, the Company also took into account the previous experience for a an individual and collective assessment, as presented in Note 3.i.(i). Trade receivables are recorded at the invoiced amount less adjustments for impairment of these receivables (see Note 3.i.(i)).

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

c. Financial assets and financial liabilities (to be continued)

(i) Classification of financial assets (to be continued)

Financial debts

The Company initially recognizes debt instruments issued and the subordinated debt at the date of the transaction, when the Company becomes part of the contractual debt terms.

An entity must derecognise a financial liability (or a part of a financial liability) from the financial position statement when and only when it is liquidated - when the obligation specified in contract is extinguished or cancelled or expires.

These financial debts are initially recognized at fair value plus any directly attributable trading costs. Subsequent to initial recognition, these financial debts are measured at amortized cost.

Debts to suppliers and other debts, initially recorded at fair value and subsequently measured using the effective interest method, include the equivalent value of the invoices issued by the suppliers of products, works executed and services rendered.

(ii) Recognition

The assets and liabilities are recognised when the Company becomes a Party to the conditions of that instrument.

(iii) Compensations

The financial assets and liabilities are compensated and the net result is presented in the financial position statement only when there is a legal setting-off right and if there is the intention of their deduction on a net basis or if the Company intends to earn the asset and extinguish the liability simultaneously.

The income and expenses are presented with net values when this is allowed by the accounting standards or for the profit and loss resulted from a group of similar transactions such as those from the trading activity of the Company.

(iv) Evaluation at depreciated cost

The depreciated cost of a financial asset or liability represents the value at which the financial asset or liability is measured at the initial recognition, less the principal payments, to which we add or deduct the depreciation cumulated until that time by using the effective interest method less the reductions related to impairment losses.

(v) Evaluation at fair value

The fair value is the price which would be received as a result of sale of an asset or the price which would be paid to transfer a liability by a normal transaction between participants on the market at evaluation date (i.e. an exit price).

(vi) Identification and evaluation of impairment

Financial assets evaluated at depreciated cost:

The Company analyses at each reporting date if there is an objective clue by which a financial asset is impaired. A financial asset is impaired if and only if there are objective clues regarding the impairment appeared as a result of one or many events which took place after the initial recognition of the asset ("loss-generating event") and the loss-generating event or events have an impact on the future cash flows of the financial asset or the group of financial assets which can be credibly estimated.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

c. Financial assets and financial liabilities (to be continued)

(vi) Financial assets evaluated at depreciated cost (to be continued)

If there are objective clues that an impairment loss of financial assets measured at depreciated cost has occurred, then the loss is measured as difference between the book value of asset and the discounted value of future cash flows by using the effective interest rate of financial asset at initial moment.

If a financial asset measured at depreciated cost has a variable interest rate, the discounted rate for evaluation of any impairment loss is the variable current interest rate specified in the contract.

The book value of an asset is reduced by the Company by using a provision account. The impairment losses are recognised in the profit and loss account.

If in the following period an event which took place after the recognition of impairment determines the reduction of impairment loss, the impairment loss recognised previously is carried forward by adjusting the provision account. The reduction of impairment loss is recognised in the profit and loss account.

(vii) Derecognition

The Company derecognizes a financial asset when the contractual rights to asset-generated cash flows expire or when the rights to receive the contractual cash flows of the financial asset are transferred, through a transaction where the risks and rewards of ownership of the financial asset are transferred significantly.

d. Tangible assets

(i) Recognition and assessment

The tangible assets recognised as assets are initially evaluated at cost by the Company. The cost of a tangible asset is composed of the purchase price, including the non-recoverable taxes, after the deduction of any price discounts of commercial nature to which we add any cost which can be directly attributed to bringing the asset in the location and in the necessary conditions so that it can be used for the purpose desired by the management, such as: expenses with employees which result directly from the building or purchase of the asset, the arrangement costs of site, initial delivery and handling costs, installation and assembling costs, professional fees.

The tangible assets are initially recognised at production cost if they are earned in own management regime.

The values of tangible assets of the Company as of 30 September 2019 and 01 January 2019 are detailed in Note 13.

The tangible assets are classified by the Company in the following classes of assets of the same nature and with similar uses:

- Land and land arrangements;
- Constructions;
- Technical installations and vehicles;
- Furniture, office equipment;
- Tangible assets under execution.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

d. Tangible assets (to be continued)

(i) Recognition and evaluation (to be continued)

The lands and constructions are highlighted at reevaluated value, which represents the fair value at reevaluation date less any depreciation accrued later and any accrued impairment losses.

The fair value is based on market price quotations, adjusted, if applicable, so that they reflect the differences related to nature, location or conditions of that asset.

The reevaluations are made by specialised appraisers, members of ANEVAR. The frequency of reevaluations is dictated by the dynamics of markets to which the lands and buildings owned by the Company belong.

The other categories of tangible assets are highlighted at cost less the accrued depreciation and the provision for impairment.

In the case of revaluation, the difference between fair value and historical cost value is presented in the revaluation reserve. If the result of a revaluation is an increase from net book value, then it is treated as follows:

- as an increase in the revaluation reserve if there was no prior decrease recognized as an expense related to that asset; or
- as an income to offset the expense previously recognized for that asset.

If the result of a revaluation is a decrease from net book value, then it is treated as follows:

- as an expense with the full amount of the impairment, when in the revaluation reserve no amount is recorded regarding that asset (revaluation surplus); or
- as a decrease in the revaluation reserve with the minimum of the value of that reserve and the value of the decrease, and any remaining uncovered difference is recorded as an expense.

(ii) Reclassification in real estate investments

The Company reclassifies property, plant and equipment as real estate investment if and only if there is a change in use, evidenced by:

- (a) the beginning of the use by the owner for a transfer in the category of real estate investments in the category of real estate used by the owner;
- (b) starting the improvement process in the prospect of sale, for a transfer in the category of real estate investments in the stock category;
- (c) the end of use by the owner for a transfer from the category of real estate used by the owner in the category of real estate investments;
- (d) the start of an operating lease with another party, for a transfer from the stock category to the real estate investment category.

(iii) Subsequent costs

The expenses with maintenance and repairs of tangible assets are recorded by the Company in the global result statement when they appear, and the significant improvements to tangible assets, which increase their value or their life or which significantly increase the capacity to generate economic benefits by them are capitalised.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

d. Tangible assets (to be continued)

(iv) Amortization of tangible assets

The depreciation is calculated by using the straight-line depreciation across the useful estimated life of assets.

The estimated lifetimes of the main groups of property, plant and equipment are as follows:

<u>Asset</u>	<u>Years</u>
Constructions	10 - 50
Technical installations and machinery	2 - 28
Other installations, vehicles, machinery and furniture	5 - 15

Property under construction is not amortized.

Land is not amortized. The land presented in the financial statements has been revalued by the Company in accordance with legal regulations. The information is presented in Note no.11 (i) (revaluation). If the carrying amount of an asset is greater than the amount to be recovered, the asset is impaired to its recoverable amount.

(v) Sale/discarding of tangible assets

The tangible assets which are discarded or sold are eliminated from balance sheet together with accrued depreciation. Any profit or loss resulted from such an operation is included in the current profit and loss account.

(vi) Assets purchased under lease agreements

Assets held as a result of financial leasing are identified as assets of the Company at their fair value at the beginning of the lease term.

e. Intangible assets

(i) Recognition and assessment

The intangible assets which fulfil the recognition criteria from International Financial Reporting Standards are recorded at cost less the accrued depreciation and impairments.

(ii) Subsequent costs

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits generated by the asset to which it relates. Expenditure that does not meet these criteria is recognized as an expense when incurred.

(iii) Amortization of intangible assets

Amortization is recognized in the statement of comprehensive income based on the linear method over the estimated useful life of the intangible asset. Most of the intangible assets registered by the Company are computer programs. They are linearly amortized over a period of no more than 5 years.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

f. Real Estate Investments

The real estate investments are real properties (lands, buildings or parts of a building) owned by the Company for rental or for increase of value or both, and not for:

- being used in the production or supply of goods or services or for administrative purposes; or
- being sold during the normal course of activity.

Certain properties include a part held to be rented or for the purpose of increasing its value and another part is held for the purpose of production of goods, provision of services or for administrative purposes.

If these parts can be separately sold (or rented separately), they are accounted for separately. If the parts cannot be sold separately, the property is treated as a real estate investment only if the part used for the production of goods, provision of services or for administrative purposes is insignificant.

(i) Recognition

A real estate investment is recognised as asset if and only if:

- it is likely that a future economic benefit associated with the element enters the Company;
- the cost of asset can be credibly determined.

(ii) Evaluation

Initial evaluation

A real estate investment is initially evaluated at cost, including the trading costs. The cost of a purchased real estate investment is composed of its purchasing price plus any directly attributed expenses (for example, professional fees for provision of legal services, ownership transfer taxes and other trading costs).

The values of tangible assets of the Company as of 30 September 2019 and 01 January 2019 are detailed in Note 15.

Subsequent evaluation

The accounting policy of the Company regarding the subsequent evaluation of real estate investments is based on fair value model. This policy is evenly applied to all real estate investments. The evaluation of fair value of real estate investments is carried out by appraisers, members of National Association of Authorised Romanian Valuers (ANEVAR). The fair value is based on market price quotations, adjusted, if applicable, so that they reflect the differences related to nature, location or conditions of that asset. These evaluations are regularly revised by the Company management.

The earnings or losses resulted from the change of fair value of real estate investments are recognised in the profit and loss account of the period when they occur.

The fair value of real estate investments reflects the market conditions at balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

f. Real estate investments (to be continued)

(iii) Transfers

The transfers to or from real estate investments are made when and only when there is a change in the use of that asset.

For the transfer of a real estate investment evaluated at fair value in tangible assets, the implicit cost of asset for its subsequent accountancy will be its fair value at the change of use date.

(Iv) Impairment

We apply the same accounting policies as for tangible assets.

The book value of a real estate investment is derecognised at lease or when the investment is permanently withdrawn from use and we do not expect future economic benefits from its lease.

The earnings or losses which result from the discarding or sale of a real estate investment are recognised in the profit and loss account when it is discarded or sold.

g. Assets held for sale

The Company will classify a fixed asset (or a group of assets) as held for sale if it is probable that it will generate benefits to the Company as a result of its disposal rather than following its continued use.

For this purpose, the asset (or the group of assets) must be available for immediate sale in its current state, and the sale of the asset must be of high degree of certainty.

In order for the sale of the asset to be highly probable, the appropriate management level must have drawn up a plan for the sale of the asset (or group of assets), and an effective program for identifying the buyer, as well as finalizing the sales plan.

Moreover, the asset (or group of assets) must be able to be sold on an active market at a price that is reasonably related to the fair value. In addition, it expects the sale to qualify for recognition as a "complete sale" within 1 year from the date of classification and the actions required to complete the sales plan reflect that it is a little significant changes to the plan are likely to be required or the plan to be withdrawn.

Assets that meet the criteria for being classified as held for sale are measured at the lowest of the carrying amount and fair value less costs to sell.

h. Inventory

Inventory are stated at the lower of cost and net realizable value.

The cost is determined based on the first in - first out method ("FIFO").

The net realizable value is the estimated sale value less the estimated completion costs and the expenses incurred for the sale.

Costs of finished products and semi-finished products include materials, direct labor, other direct costs and overhead costs related to production (based on operating activity). Net realizable value is the estimated sales price in ordinary transactions. Adjustments for stock impairment are recognized for those inventory that are slow, physically or morally worn. Inventories for which it could not be estimated whether in the immediate period they would be consumed or if those inventory represent safety inventory for certain installations are not subject to adjustment.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

i. Impairment

The carrying amounts of Company's non-financial assets, other than inventory and receivables on the deferred tax, are reviewed at each reporting date to determine whether there is any evidence of impairment. An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the estimated recoverable amount.

The recoverable amount of an asset or a cash-generating unit is the maximum of the amount of use and fair value less costs to sell. In determining the value in use, expected future cash flows are updated to determine the present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and asset specific risks. For impairment testing, assets that cannot be individually tested are grouped into the smallest asset group that generates cash inflows from continuous use and are largely independent of cash inflows generated by other assets or groups of assets ("cash-generating unit").

Impairment losses are recognized in the individual statement of comprehensive income. Impairment losses recognized in relation to cash-generating units are used first to reduce the carrying amount of goodwill allocated to the units, if any, and then pro-rata to reduce the carrying amount of other assets within the unit (group of units).

For all fixed assets, except for goodwill, impairment losses recognized in prior periods are measured at each reporting date to determine whether there is evidence that loss has decreased or is no longer present. An impairment loss is restated if there has been any change in the estimates used to determine the recoverable amount. An impairment loss is restated only to the extent that the carrying amount of the asset does not exceed the carrying amount that could have been determined, net of amortization, had no impairment been recognized.

(i) Financial assets (including receivables)

Adjustment for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms.

The establishment of risk adjustments for the non-collection of trade receivables is made by including in the expense the amount of the need for risk adjustments for non-collection of trade receivables related to the invoices in the balance for which there is objective evidence that the Company will not be able to collect the amounts owed to it and as a result of applying the Expected Credit Loss model.

Classification: Mecanica`s intention is to hold the receivables to collect the contractual cash flows. Therefore, they are classified as measured at amortised cost.

Measurement: The Company performs an individual and collective assessment for the recoverability of the trade and other receivables.

Individual analysis: The entity performs individually analysis of trade and other receivables recoverability based on the litigation status and days past due. For all customers in litigation and days past due over 360 days a risk provision of 100% from the gross value is booked.

Collective analysis: We have analyzed the list of all invoices issued during the years 2014-2018, and also all collections received by the Company during that time period.

We have added (allocated) to each transaction line the additional available details that we will use (such as Country Zone 1-6 of the client, type of customer).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

i. Impairment (to be continued)

(i) Financial assets (including receivables) (to be continued)

As per the steps of IFRS 9 guideline for calculation of credit loss allowances for trade receivables with use of provision matrix, we have taken the following 4 steps:

1. The groups of receivables were divided by categories of shared credit risk characteristics.

We have considered the relevant grouping of customers by geographical area in Romania (7 zones as per the map in worksheet "Romania Zones map". Further, we have grouped customers by their type (i.e. Final Customer, Renter, or Distributor).

Through these groupings, the credit risk characteristics of customers will be more uniform within the determined categories for a more accurate calculation of expected future credit losses.

2. We have determined the period over which observed historical rate losses are appropriate.

There is no specific guidance in IFRS 9 on how far back the historical data should be evaluated. We have considered a period of the 4 previous years as relevant and reliable for the basis on which to observe the historical rate losses of the Company.

3. We have determined the historical loss rates.

We have calculated the total yearly credit sales of the Company for each of the analysed years. We have also calculated the collections for the sales of each year, and we have calculated the delay with which these were collected.

We have split the collections in time categories - collected when Not Overdue (without delay), collected with delay of 1-30 days, collected with delay of 31-60 days, collected with delay of 61-90 days, collected with 90+ days delay.

Then, there are amounts remaining as not collected at all from the credit sales of these years - these are the historical credit losses.

We have applied the calculation process to each timeband . The historical loss rate for each timeband reflects the percentage of sales that reached at least the designated timeband that were never collected.

4. FORWARD LOOKING MACRO-ECONOMIC FACTORS TO ADJUST HISTORICAL LOSS RATIOS FOR EXPECTED LOSSES

The Company analysed the impact from GDP up to 2021, taking in consideration 3 scenarios for the evolution: pessimistic , baseline and optimistic.

The Company derecognizes a write-down of receivables previously constituted at the time of recovery wholly or in proportion to the amount recovered.

The determination of the amount of the adjustment for impairment of the trade receivables to be established is based on the estimates made in collaboration with the Law Office and on the basis of the policies mentioned under (i).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

i. Impairment (to be continued)

(ii) Non-financial assets

Tangible assets and other long-term assets are reviewed to identify impairment losses whenever events or changes in circumstances indicate that the carrying amount can no longer be recovered.

Impairment losses on non-financial assets are recognized in the statement of comprehensive income.

j. Employee benefits

(i) Determined contribution plans

The Company makes payments in the name of own employees to the pension system of the Romanian state, the health insurances and unemployment fund, during the normal course of activity.

All the employees of the Company are members and also have the legal obligation to contribute (by social contributions) to the pension system of the Romanian state (a plan of determined contributions to the State budget). All the contributions are recognised in the profit and loss account of the period when they are made. The Company does not have other supplementary obligations.

The Company is not involved in any independent pension system and therefore, does not have other obligations in this respect. The Company is not involved in any other post-retirement benefits system. The Company does not have the obligation to provide subsequent services to former or current employees.

Also, according to the Collective Labor Agreement, when fulfilling the legal conditions for retirement, respectively for uninterrupted seniority in the Company, employees are entitled to receive a reward.

On 30 September 2019, the Company's management did not assess the present value of future liabilities in respect of these benefits in kind and cash rewards based on an actuarial basis and recorded a provision on these liabilities based on an internal analysis.

(ii) Short-term benefits

The obligations with short-term benefits given to employees are not discounted and are recognised in the global result statement as the related service is provided.

The short-term benefits of employees include the wages and bonuses. The short-term benefits of employees and contributions to social insurances are recognised in the financial statements of the Company when the services are provided. The Company recognises a provision for the amounts that are expected to be paid with title of bonuses in cash on short term if the Company has now a legal or implicit obligation to pay those amounts as result of past services provided by employees and if that obligation can be credibly estimated.

(iii) Benefits for termination of employment contracts

The company grants the following benefits to employees in the event of termination of the employment contract as a result of retirement, as follows:

- Employees retiring for old age, disability, partially early or early will receive an end-of-career reward as follows:
 - those with seniority in the Company of over 15 years, two average basic salaries negotiated on the company;
 - those with seniority in the Company between 5 and 15 years, one basic average salary negotiated on the company;
- Employees retiring as a result of an accident or an event related to work and who have a seniority in the company of between 0 and 5 years will benefit from a basic salary negotiated on the company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

k. Provisions for risks and expenses

Provisions are recognized when the Company has a legal or implicit obligation as a result of past events, when for the settlement of the obligation an outflow of resources is required, and when a credible estimate can be made in terms of the obligation value.

Provisions for restructuring, litigation, and other provisions for risks and expenses are recognized when the Company has a legal or implicit obligation arising from a previous event, when it is probable that an outflow of resources will be required to settle the obligation and when a credible estimate of the amount of the obligation can be made. Restructuring provisions include the direct costs generated by the restructuring, i.e. those that are necessarily generated by the restructuring process and are not related to the continuous development of the company's business.

(i) Guarantees

Provisions for guarantees to customers are estimated by the Company based on the cost of repairs during the warranty period against the value of turnover in the previous financial year.

(ii) Employee benefits

The Company sets up provisions for the benefits of employees granted upon termination of the employment contract with retirement. Determination of the amount of the provision to be set up shall be made taking into account the provisions of the collective labor agreement of the Company valid at the date of provisioning.

(iii) Disputes

The Company sets up provisions for litigation if there is a legal or implicit obligation arising from a litigation in progress. Determining the amount of the provision to be established is based on the estimates made by the law firm.

(iv) Other provisions

The Company makes any other provision when the Company has a legal or implicit obligation arising from a previous event, when it is probable that an outflow of resources will be required to settle the obligation and when a credible estimate can be made as to the amount of the obligation.

Provisions for future operating losses are not recognized.

l. Revenue recognition

The company recognises revenue from the following major sources:

- Sale of goods – agricultural machineries and equipments;
- Provision of services
- Income from rental of real estate investments

Revenue is measured based on the consideration specified in a contract with a customer. The company recognises revenue when it transfers control of a product or service to a customer.

Consideration payable to a customer includes cash amounts that the company pays, or expects to pay, to the customer. Consideration payable to a customer also includes credit or other items (for example, a coupon or voucher) that can be applied against amounts owed to the entity.

The company accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity. If the consideration payable to a customer includes a variable amount, the company estimates the transaction price. The commission granted to dealers according with the contract in force represents variable consideration that the company has estimated and recognized in the transaction price at 30 September 2019.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

l. Recognition of income (to be continued)

(i) Sale of goods – agricultural machineries and equipments;

The income consists of the amount invoiced for the sale of products without VAT, deduction or reduction. Income obtained by the Company is identified based on the sale of products.

For the sale of agricultural machinery and equipment products to the customers, revenue is recognized when control of the goods has transferred, being when:

- the goods have been shipped to the customer; following delivery, the customer has full discretion to determine the use of the products and to obtain all the benefits from them;
- the customer purchases the products directly from the company's retail point; the customer has full discretion to determine the use of the products and to obtain all the benefits from them;
- the products were sold and the customer accepted them, thus obtaining the ability to determine the use of the products and to obtain all the benefits from them.

The company recognised a receivable as these represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

(ii) Provision of services

The provision of services is recognized in the accounting exercise in which the services are provided .

(iii) Income from rental of real estate investments

The income from leases is recognized in the accounting exercise in which these are provided.

m. Governmental subsidies

The subsidies from the government for the procurement of assets are recognized as deferred income and is allocated as a systematic and ration income the entire life of the asset.

n. Suppliers and similar accounts

Debts to suppliers and other debts, registered initially as fair value and then assessed using the method of effective interest rate, include the counter-value of the invoices issued by suppliers of products, performed works and provided services.

o. Income and expenses from interests

Incomes and expenses on interests are recognized in the statement of the global result through the method of effective interest. The effective interest rate represents the rate which discounts exactly the payments and receipts in cash foreseen in the future for the expected life of asset or financial liability (or where applicable, for a shorter time) at the book value of asset or financial liability.

p. Earnings and losses from exchange rate differences

The transactions in foreign currency are recorded in the functional currency (leu) by converting the amount into foreign currency at the official exchange rate communicated by the National Bank of Romania, valid on transaction date.

At reporting date, the monetary elements expressed in foreign currency are converted by using the closing exchange rate.

The exchange rate differences which appear on the occasion of deduction of monetary elements or conversion of monetary elements at different exchange rates from those at which they were converted at initial recognition (during the period) or in the previous financial statements are recognised as loss or earning in the profit and loss account in the period when they occur.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

q. Contingents

Contingent debts are not recognized in the enclosed financial statements. These are presented if there exists the possibility of an outcome as resources that represent possible economic benefits, but not probable ones, and/or the value may be estimated in a credible way. A contingent asset is not recognized in the enclosed financial statements, but it is presented when an entry of economic benefits is probable.

r. Corporate tax

The profit tax on 30 September 2019 consists of the current tax and deferred tax.

The current tax represents the tax that is to be paid or received for the taxable income or loss achieved during the year, using taxation percentages adopted or largely adopted on the reporting date, as well as any adjustment to the payment obligations of the profit tax associated to the previous years. The current tax to be paid includes also any fiscal receivable that arises from declaring dividends.

Deferred tax is recognized considering the temporary differences between the accounting value of the assets and debts used with the purpose of the financial reporting and the fiscal base used for the calculation of the tax. Deferred tax is not recognized for the following temporary differences:

- initial recognition of the assets or debts arised in a transaction that is not a combination of undertaking and which do not affect the accounting or fiscal profit or loss;
- Differences between the investments in jointly controlled branches or entities, to the extent in which is probable that these are not to be reassessed in the future; and
- Taxable temporary differences resulted from the initial recognition of the trade fund.

Receivables and debts with deferred tax are compensated only if there exists the legal right to compensate debts and receivables with the current tax, and if these refer to the taxes asked by the same fiscal authority to the same entity, or a different taxable entity, but which intends to conclude a convention on the receivables and debts with the current tax on a net base or whose assets and debts from taxation are to be achieved simultaneously.

A receivable on the deferred tax is recognized for not-used fiscal losses, fiscal credits and deductible temporary differences, to the extent in which the achievement of taxable profits is probable, that will be available in the future and that will be used. Receivables on deferred tax are reviewed at each reporting date and are diminished to the extent in which it is not probable that a fiscal benefit will be achieved. The effect of the changes of fiscal rates on the deferred tax is recognized in the Statement of the global results, except the case in which it refers to the positions previously recognized directly in the own equities.

Profit tax is recognized in the financial statement of the global result or in other elements of the global result if the tax is associated to capital elements.

Current tax is the tax paid associated to the profit achieved in the current period, determined based on percentages applied in the date of the reporting and all the adjustments associated to the previous periods.

The current rate of the profit tax in Romania is of 16%.

The deferred tax is calculated based on the taxation percentages that are to be applied to the temporary differences when resuming them, based on the legislation in force at the reporting date.

s. RESULT PER SHARE

The Company presents the result per basic share for ordinary shares. The result per basic share is determined by dividing the profit or loss attributed to the ordinary shareholders of the Company by the number of ordinary shares related to reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

t. Share Capital

Ordinary shares are classified as part of equity. The Company recognizes the changes in the share capital in the conditions stipulated by the legislation in force and only after their approval by the General Meeting of Shareholders and registration with the Trade Register. Additional costs attributable directly to the issue of shares are recognized as a deduction from equity, net of tax effects.

u. Dividends

Dividends are treated as a distribution of profit during the period when they were declared and approved by the General Meeting of Shareholders.

v. Prescribed dividends

The dividend to be paid not collected within 3 years from declaration date are prescribed according to the law. The prescribed dividends represent transactions with shareholders and are recognised in equity, in the carried-forward result.

w. Principle of business continuity

The FINANCIAL STATEMENTS were drafted based on the principle of business continuity that presumes that the Company is going to continue its activity in a normal way in a foreseeable future, without entering into the impossibility to continue its activity and without its significant reduction. In order to assess the applicability of the presumption, the management analyzes the presumptions regarding the future cash entries. Based on these analyses, the management believes that the Company can continue its activity in the foreseeable future and thus, the application of the principle of business continuity in preparation the financial statements is justified.

x. Subsidiaries and associated entities

Subsidiaries are entities under the control of the Company. Control exists when, inter alia, the Company has the power to influence directly or indirectly the financial and operational policies of an entity to obtain benefits from its activity. At the evaluation of control we take into account the potential or convertible voting rights which are exercised at that time.

The associated entities are those companies in which the Company can exert a significant influence, but not control over the financial and operational policies.

The Company held at 30 September 2019 participation interests of 24.28% in Transport Ceahlau SRL. They are not consolidated because the size criteria according to which the consolidation obligation is established according to the laws in force are not fulfilled.

The Company identified the following affiliated parties:

Entity	Nature of the relationship
SIF Moldova	Parent company
NEW CARPATHIAN FUND	Significant shareholder
Transport Ceahlau SRL	Affiliated company

y. Reporting on segments

A segment is part of the Company that involves in activity segments that may obtain incomes and register expenses (including incomes and expenses corresponding to transactions with other parties of the same entity), whose operation results are followed regularly by the management of the Company in order to make decisions regarding the resources that are to be allocated to the segment and to evaluate its performances and for which distinctive financial information is available. The company does not detain geographical segments or of significant activity according to IFRS 8 "Operational segments" and does not have a management and internal reporting structure divided on segments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

z. Applicable accounting policies

Standards and interpretations which came into force in the current year

The following standards, amendments of existing standards and interpretations issued by the International Accounting Standard Board - "IASB" and adopted by the European Union ("EU") which came into force in the current year shall apply to the Company:

- IFRS 9 "Financial Instruments" - adopted by EU on 22 November 2016 (applicable for the annual periods starting with or after 1 January 2018),
- Amendments to IFRS 1 and IAS 28 following the "Improvements made to IFRS (cycle 2014-2016)" which result from the annual project for improvement of IFRS (IFRS 1, IFRS 12 and IAS 28) with the main purpose of eliminating the inconsistencies and clarifying certain phrases - adopted by EU on 7 February 2018 (improvements made to IFRS 1 and IAS 28 shall apply for the annual periods starting with or after 1st January 2018),
- IFRIC 22 "Transactions in foreign currency and counterprestations in advance" - adopted by EU on 28 March 2018 (applied for the annual periods starting with or after 1st January 2018).
- IFRS 16 "Leases" - adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 9 "Financial Instruments" - Prepayment Features with Negative Compensation - adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- IFRIC 23 "Uncertainties regarding the treatment of income tax" - adopted by EU on 23rd October 2018 (applicable for the annual periods that start on or after 1st January 2019).

The Company analysed the impact of adopting IFRS 16 and the other standards mentioned above and anticipates that they will not have any significant impact on its annual financial statements in the year when they are applied for the first time. The Company will apply these standards since their effective application date.

Standards and interpretations issued by IASB but not adopted yet by EU

At reporting date of these financial statements, IFRS as they were adopted by EU do not significantly differ from the regulations adopted by IASB, except for the following standards, amendments and interpretations, which apply to the Company and whose application was not approved by EU until the authorisation of these financial statements:

- Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associated entities and joint ventures" - Sale or contribution of assets between an investor and his partner or the joint venture and other amendments (effective date of application was postponed for an indefinite period until the end of research project regarding the equivalence method).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

z. Applicable accounting policies (to be continued)

Standards and interpretations issued by IASB but not adopted yet by EU (to be continued)

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Material (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IAS 28 "Investments in associated entities and joint ventures" - long-term participation interests in associated entities and joint ventures (applicable for the annual periods that start on or after 1st January 2019),
- Amendments to various standards as a result of "Improvements made to IFRS (cycle 2015-2017)" which result from the annual project of improvement of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) with the main purpose of eliminating inconsistencies and clarifying certain phrases (applicable for the annual periods that start on or after 1st January 2019),
- Amendments of References to the Conceptual Framework from IFRS Standards (applicable for the annual periods that start on or after 1st January 2020).

The Company estimates that the adoption of these standards and amendments of existing standards will not have a significant impact on its annual financial statements in the year when they are applied for the first time.

4. DETERMINATION OF THE FAIR VALUE

Certain accounting policies of the Company and requirements for the presentation of the information require the determination of the fair value both for the financial assets and debts as well as for the non-financial ones. Fair values were determined with the purpose of the assessment and/or presentation of information based on the methods below described. When appropriate, additional information on the hypotheses used in determining the fair value are presented in the notes specific for that certain asset or debt.

The fair value represents the prices that would be received following the sale of an asset or the price that would be paid to transfer a debt by a normal transaction between the participants at the market, at the date of the assessment, regardless if this price is observable or estimated used a direct assessment technique. In the estimation of the fair value of an asset or a debt, the Company takes into consideration the characteristics of the asset or debt that the participants at the market would take into consideration for the determination of the price of the asset or the debt, at the date of the assessment. The fair value with purposes of assessment and/or presentation in the INDIVIDUAL FINANCIAL STATEMENTS is determined on such a base, except for the assessments that are similar to the fair value, but do not represent the fair value, such as the net achievable value in IAS 2 or the use value in IAS 36.

Additionally, for purposes of financial reporting, the assessments at fair value are classified in Level 1, 2 or 3, depending on the degree in which the information necessary for the determination of the fair value are observable and the importance of this information for the Company, as follows:

- Level 1 Information - listed prices (unadjusted), on active markets, for assets and debts identical with those that the company assesses;
- Level 2 Information - information, other than the prices listed included in Level 1, that are observable for the assessed asset or debt, directly or indirectly; and
- Level 3 Information - information unobservable for the asset or debt.

MECANICA CEAHLAU S.A.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON September 30, 2019

5. REVENUES

	30 September 2019	30 September 2018
Sales of goods	22,220,206	25,869,567
Services rendered	545,700	377,933
The gross turnover	22,765,906	26,247,500
Commissions granted to dealers	(677,322)	(2,210,184)
Total net turnover	22,088,584	24,037,316

The gross turnover of the Company associated to the third quarter of 2019 is of RON 22,765,906 (third quarter of 2018: RON 26,247,500), out of which RON 216,666 to export (third quarter of 2018: RON 832,421) and RON 22,549,240 to intern (third quarter of 2018: RON 25,763,368).

For the realisation of this sales volume the Company granted commissions according to contracts in force in amount of RON 677,322 in the third quarter of 2019, respectively RON 2,210,184 in the third quarter of 2018, thus resulting in a net turnover of RON 22,088,584 in the the third quarter of 2019 and RON 24,037,316 in the third quarter of 2018. The commission granted to distributors according to contracts in force represents a variable consideration which the company estimated and recognised in transaction price on 30 September 2019, respectively 30 September 2018.

In the structure the gross turnover was mainly earned by the sale of own production in proportion of 56% in the third quarter of 2019 (65% in the third quarter of 2018).

The weight of sales of merchandise in distribution: Steyr tractors, weed killer spray machines Projet, front end loaders Stoll, Bellucci trailers, Hars tractors and front loaders in the turnover of the company is 41% in the third quarter of 2019 and the weight of other products in distribution is 3%.

6. OTHER INCOME

	30 September 2019	30 September 2018
Revenue from operating subsidies for the payment of personnel	133,254	-
Income from indemnities and penalties	3,872	3,553
Income from rental of real estate investments	228,677	348,289
Other operating incomes	5,523	14,424
Other income total	371,326	366,266

7. EXPENSES RELATING TO SALARIES, SOCIAL SECURITY CONTRIBUTIONS AND OTHER BENEFITS

	30 September 2019	30 September 2018
Salary expenses	3,962,677	4,452,380
Expenses with salary contributions	115,418	117,571
Expenses with granted vouchers	240,306	260,512
Other benefits to employees	58,155	74,322
Expenses with indemnity of Board of Directors members	364,702	358,062
Expenses with indemnity of executive management	513,297	451,649
Total	5,254,554	5,714,496
Average number of employees	125	151

7. EXPENSES RELATING TO SALARIES, SOCIAL SECURITY CONTRIBUTIONS AND OTHER BENEFITS (to be continued)

	30 September 2019	30 September 2018
<i>Other benefits to employees</i>	58,155	74,322
Social benefits	10,095	17,042
Stimulation fund	24,600	29,400
Gift vouchers	23,460	27,880

According to the collective labor agreement, the employee benefit plan contains:

- Social benefits amounting to RON 10,095. According to art. 110 of the applicable CLA, the company provides social aid in the event of death, equal to an average salary negotiated in the relevant month at company level, bears the costs of treatments, prostheses and medication in the event of a workplace accident;
- gifts in salary amounting to RON 24,600, granted in accordance with art. 124 of the applicable CLA;
- gift vouchers amounting to RON 23,460, granted in accordance with art. 63 of the applicable CLA.

The short-term benefits granted to employees are recognized as expenses at the time of rendering the services.

The Company created provisions for benefits of employees granted at the cessation of employment contract with the retirement according to the provisions of Collective Employment Contract valid on 30.09.2019, the information is presented in Note 25 Provisions "Benefits of employees".

8. OTHER ADMINISTRATIVE EXPENSES

	30 September 2019	30 September 2018
Expenses with maintenance and repairs	80,680	56,523
Expenses with royalties, leases and rents	77,661	58,605
Expenses with insurance premiums	60,250	52,068
Expenses with professional training	1,668	38,550
Protocol, advertising and publicity expenses	56,906	44,292
Expenses with transport of goods and staff	298,181	368,291
Expenses with travels, secondments and transfers	121,082	117,245
Postal and telecommunication taxes expenses	33,685	30,639
Expenses with banking and similar services	63,694	128,166
Expenses with audit services	87,287	81,568
Other expenses with services provided by third parties	798,600	830,214
Total	1,679,694	1,806,161

9. OTHER OPERATING EXPENSES

	30 September 2019	30 September 2018
Expenses with taxes, duties and similar expenses	294,275	290,148
Penalties	24,513	3,303
Other operating expenses	128,684	101,442
Total	447,472	394,893

MECANICA CEAHLAU S.A.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON September 30, 2019

10. FINANCIAL REVENUES AND EXPENSES

	30 September 2019	30 September 2018
Interest income	5,443	312
Net gain on financial assets	5,586	30,148
Financial revenues total	11,029	30,460
Interest expenses	35,616	41,939
Net foreign exchange loss	71,720	18,521
Other financial expenses	90,012	136,099
Financial expenses total	197,348	196,559
Net financial result	(186,319)	(166,099)

Financial revenues are recognized in the Global result statement under an accrual-based accounting system using the effective interest rate method.

The net gains relating to financial assets held at fair value through the profit and loss account is an increase in the value of the owned fund units, pursuant to the valuation on 30 September 2019.

Financial expenses include the interests and discounts granted, as well as the foreign exchange losses.

Gain and losses from exchange rate differences are reported on a net basis. The value of foreign exchange gains on 30 September 2019 is of RON 40,870 while the value of foreign exchange losses is RON 112,590.

Other financial expenses are represented by financial discounts granted to customers.

11. CORPORATE TAX EXPENSE

	30 September 2019	30 September 2018
Corporate tax		
Current corporate tax	3,272,717	63,613
Deferred corporate tax Revenue / (Expense)	194,430	295,364
	30 September 2019	30 September 2018
Profit before taxation	11,836,120	2,109,188
Expenses relating to a 16% corporate tax	1,893,779	337,470
Effect of similar elements to expenses and income	1,460,190	(330,380)
Effect of non-taxable revenues	(290,165)	(251,695)
Effect of non-deductible expenses in determining the taxable profit	208,913	308,219
Effect of temporal differences	194,430	295,364
Corporate tax	3,467,147	358,977

12. RECEIVABLES AND DEBTS RELATING TO THE DEFERRED TAX

Debts relating the deferred income are represented by the corporate tax values, payable in future accounting periods, concerning the taxable temporary differences. The tax rate used to determine the deferred corporate tax is provided in the fiscal regulations applicable at the date of drawing up the financial statements, specifically 16%.

On 30 September 2019, deferred tax receivables were recognized for those provisions in the balance that were non-deductible at the time of calculating the current corporate tax.

Receivables and debts on deferred tax are given to the following elements:

	ASSETS	
	30 September 2019	01 January 2019
Tangible assets	-	-
Provisions and adjustments	825,567	998,502
Reserves	-	-
Total	825,567	998,502
	DEBTS	
	30 September 2019	01 January 2019
Tangible assets	146,109	124,614
Provisions and adjustments	-	-
Reserves	2,031,737	3,504,774
Total	2,177,846	3,629,388
	NET	
	30 September 2019	01 January 2019
Tangible assets	(146,109)	(124,614)
Provisions and adjustments	825,567	998,502
Reserves	(2,031,737)	(3,504,774)
Total	(1,352,278)	(2,630,886)

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13. TANGIBLE ASSETS

	Land, land arrangements and buildings	Technical Installations Technical installations and means of transport	Furniture, equipment office	Fixed assets tangible under execution	Total 30 September 2019
COST					
Balance on 01 January 2019	13,259,741	16,059,704	226,497	255,082	29,801,024
Incoming fixed assets	-	216,266	-	291,884	508,151
Outgoing fixed assets	1	323,809	-	129,627	453,437
Balance on 30 September 2019	13,259,740	15,952,161	226,497	417,339	29,855,737
CUMULATIVE AMORTIZATION					
Balance on 01 January 2019	-	10,626,495	214,012	-	10,840,507
Amortization during the year	380,677	658,097	2,864	-	1,041,637
Cumulative amortization associated with outgoings	1	323,809	-	-	323,810
Balance on 30 September 2019	380,676	10,960,782	216,876	-	11,558,334
ADJUSTMENTS FOR IMPAIRMENT					
Balance on 01 January 2019	57,954	197,276	-	-	255,230
Write-backs of adjustments from impairment	-	14,796	-	-	14,796
Balance on 30 September 2019	57,954	182,480	-	-	240,434
Balance on 01 January 2019	13,201,787	5,235,933	12,485	255,082	18,705,287
Balance on 30 September 2019	12,821,110	4,808,899	9,621	417,339	18,056,969

13. TANGIBLE ASSETS (continued)

(i) Reassessment

On 31 December 2005, all assets in the property of the Company were re-valued in accordance with the regulations in effect at that time, based on a report drawn up by an independent assessor. The assessments were based on fair value, respectively the closest as value of the transactions on that date. The re-valuation surplus was recognized as a reassessment reserve in the equity.

On 31 December 2007, the Company has reassessed the tangible assets - group: "Buildings", based on a report drawn up by an independent assessor, member of ANEVAR. The assessments were based on fair value, respectively the closest as value of the transactions and the inflation index on that date. The re-valuation surplus was recognized as a reassessment reserve in the equity.

On 31 December 2010, the Company has reassessed the tangible assets - group: „Buildings“ of the Company by an own commission of specialists and reviewed by as assessor, ANEVAR member. The reassessment focused on the adjustment of the net book values of tangible assets in the "Buildings" group to their fair value, that is the closest in value to the transactions at that date, considering their physical condition and market value. The re-valuation surplus was recognized as a reassessment reserve in the equity. The decrease that compensates the previous increase of the same asset is diminished from the previously established reserve; all the other decreases are recognized as cost in the Statement of the global result.

On 31 December 2013, the Company has reassessed the tangible assets - group: "Buildings" of the Company were reassessed by an independent assessor, member of ANEVAR. The reassessment focused on the adjustment of the net book values of tangible assets, special buildings and constructions, to their fair value. The reassessment surplus was recognized as a reassessment reserve in the equity, respectively as an income if, pursuant to a previous reassessment, a reassessment expense was recorded. The decrease that compensates the previous increase of the same asset is diminished from the previously established reserve; all the other decreases are recognized as cost in the Statement of the global result.

On 31 December 2018, the Company has reassessed the tangible assets - group: "Constructions" and "Land" based on a report drawn up by an independent valuer, ANEVAR member. The evaluation is according with international valuation standards. The reevaluation aimed at adjustment of net book values of tangible assets, lands, buildings and special constructions at fair value.

The reassessment surplus was recognized as a reassessment reserve in the equity, respectively as an income if, pursuant to a previous reassessment, a reassessment expense was recorded. The decrease which compensates the previous increase of the same asset is reduced from the previously made reserve; all the other decreases are recognised as cost in the Global Result Statement.

(ii) Pledged or mortgaged tangible assets

On 30 September 2019, the Company holds pledged or mortgaged tangible assets with a total book value of RON 1,049,695, of which lands amounting to RON 515,829 and buildings amounting to RON 533,866.

The net book value of the fixed assets purchased under financial leasing was of RON 228.706 on 30 September 2019.

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14. INTANGIBLE ASSETS

	Brevets, licenses and trademarks	Other assets	Intangible assets under execution	Total
COST				
Balance on 01 January 2019	528,327	879,856	-	1,408,183
Purchases	-	3,518	-	3,518
Balance on 30 September 2019	528,327	883,374	-	1,411,701
CUMULATED AMORTIZATION				
Balance on 01 January 2019	248,792	754,953	-	1,003,746
Amortization during the year	69,367	37,012	-	106,379
Balance on 30 September 2019	318,160	791,965	-	1,110,125
ADJUSTMENTS FOR IMPAIRMENT				
Balance on 01 January 2019	269,194	-	-	269,194
Write-backs of adjustments from impairment	67,299	-	-	67,299
Balance on 30 September 2019	201,895	-	-	201,895
Balance on 01 January 2019	10,341	124,903	-	135,243
Balance on 30 September 2019	8,272	91,409	-	99,681

Intangible assets on 30 September 2019, at a net value of RON 99,681 (01 January 2019: RON 135,243), are represented by the undepreciated value of licenses, technological documentation and computer software used.

Amortization of intangible assets

The amortization period for intangible assets is limited to 10 years.

15. REAL ESTATE INVESTMENTS

	30 September 2019	01 January 2019
Net value	430,636	430,636
	2019	2019
Balance on 01 January 2019	430,636	430,636
Purchases/sales of real estate investments	-	-
Other gains/losses from real estate investments	-	-
Balance on 30 September 2019	430,636	430,636

Real estate investments are real estate properties (lands, buildings or parts of a building) owned by the company with the purpose of lending them, by operational leasing or for the increase of their value.

Value of the leasing revenues in the third quarter of 2019 was RON 228,677. The company did not perform significant repairs and did not undertake other costs relating to real estate investments in the third quarter of 2019.

On 30 September 2019 the society comprises a number of 3 commercial properties and associated land leased to third parties under 12-month agreements with an option for extension.

Certain properties also include a part that is owned for leasing purposes and another part owned for the production of goods, provision of services or for administrative purposes. In case that the part owned for leasing purposes does not occupy a significant share, the property continues to be treated as a tangible asset,

The company uses the fair value method, as presented in note 3, item f. „Real Estate Investments”

16. ASSETS HELD FOR SALE

	30 September 2019	01 January 2019
Balance on 01 January 2019	12,015,414	12,015,414
Purchases/sales of assets held for sale	(12,015,414)	-
Balance on 30 September	-	12,015,414

In the Extraordinary General Meeting of Shareholders of 22.01.2018 the shareholders decided to sell the asset, property of the company, located in Piatra Neamț, Aurel Vlaicu nr. 34 , Neamț County, with a surface of 23,235 sq. m, formed from two surface lots of 11,235 sq. m with Cadaster number 2276/1 together with the associated buildings, registered in CF no. 53966 and land in surface of 12,000 sq. m with Cadaster number 2276/2 together with the associated building, registered in CF no. 54397.

The aforementioned asset is subject to a sale-purchase promise made through the pre-contract concluded on March 23, 2018, in which suspensive conditions were established which gave rise to bilateral obligations with deadline on 18 May 2019.

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By the decision of the Board of Directors no. 1 / 14.05.2019 it was approved the conclusion of the additional act of pre-contract motivated by the fulfillment of the suspensive conditions, respectively the realization of the traffic conditions, requiring the approval of a land exchange in the area of 442 sqm with the neighbors, condition made on 28.06.2019 .

By concluding the additional act and changing the conditions of the pre-contract, it was agreed by mutual agreement (decision of the Board of Directors no. 1 / 11.06.2019) the conclusion of a new authenticated contract with no. 1891/13 September 2019 stating that the suspensive conditions were accomplished with the acceptance of the transfer of ownership and possession until 18.07.2019 with the payment of the "rest of the payment".

There were two changes to the mentioned contract: bringing lands into one lot and the appearance in the land register of the last buyer, which led to the approval of decision of the Board of Directors no. 1 / 17.07.2019 - the conclusion of an additional contract, **the payment of the "rest of the payment "was made by the last buyer, the transfer of ownership and possession was made through the land and construction bill issued on 18.07.2019.**

17. INVENTORIES

	30 September 2019	01 January 2019
Raw materials and consumables	1,677,444	1,687,562
Work in progress	718,864	374,548
Semi-finished goods	66,259	64,749
Finished goods	13,963,022	14,425,463
Goods purchased for resale	4,654,950	3,287,147
Adjustments for depreciation	(858,449)	(1,363,391)
Inventory at net value	20,222,090	18,476,079

The value of any inventory write-down to its net realizable value and all inventory losses are recognized as an expense for the period in which the write-down or loss has occurred.

The adjustments for the impairment of raw materials, consumables, semi-finished goods, finished goods and goods purchased for resale are recognized for those inventories that are moved slowly, physically or morally outdated. The adjustment does not cover those inventories for which an estimation could not be made as to whether they will be placed in consumption in a brief time or if those inventories are designated as backup inventories.

Adjustments for the impairment of inventory in the amount of RON 858,449 arise from:

- Raw materials and materials adjustments:	RON 52,931
- adjustments matrixes, sdvs:	RON 205,792
- finished product adjustments:	RON 540,150
- Product adjustments:	RON 59,576

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18. COMMERCIAL RECEIVABLES

	30 September 2019	01 January 2019
Commercial receivables - stages 1 and 2	14,017,345	14,438,877
Commercial receivables - stage 3	2,066,471	2,064,778
Adjustments for impairment of commercial receivables - stages 1 and 2	(372,564)	(372,564)
Adjustments for impairment of commercial receivables - stage 3	(1,932,903)	(1,933,204)
Net trade receivables	13,778,350	14,197,887

The fair value of the trade receivables reflects their value except for the adjustments from impairment.

On 30 September 2019, the net trade receivables amounting to RON 13,778,350 (01 January 2019: RON 14,197,887) are considered performing in full.

On 30 September 2019, the Company has received from customers under the form of guarantee, promissory notes and cheques in amount of RON 71,190 (01 January 2019 in amount of RON 581,469) according to the contract clauses.

On 30 September 2019, adjustments are established for the impairment of trade receivables in the total amount of RON 2,305,768 (01 January 2019: RON 2,305,768). Depreciations have been recognized because there is no clear evidence that these receivables will be recovered but also based on the application of the Expected Credit Loss model.

Based on seniority, at the date of reporting, the structure of the trade receivables was:

Assessed individually

The entity performs individually analysis of trade receivables recoverability based on the litigation status and days past due. For all customers in litigation and days past due over 365 days a risk provision of 100% from the gross value is booked.

	Impairment 30 September 2019	Gross value 30 September 2019	Impairment 01 January 2019	Gross value 01 January 2019
Due for over 365 days	1,932,903	2,066,471	1,933,204	2,064,778

Assessed collectively

	Impairment 30 September 2019	Gross value 30 September 2019	Impairment 01 January 2019	Gross value 01 January 2019
Undue	145,883	5,468,045	145,883	12,005,231
Due for 0 to 30 days	40,915	645,493	40,915	795,002
Due for 31 to 60 days	22,402	719,958	22,402	478,500
Due for 61 to 90 days	22,673	1,145,184	22,673	237,879
Due for over 90 days	140,692	6,036,441	140,692	922,265
	372,564	14,015,121	372,564	14,438,877

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18. COMMERCIAL RECEIVABLES (to be continued)

The net trade receivables of the Company are expressed in the following currencies:

Currency:	30 September 2019	01 January 2019
EUR	4,314	2,279
RON	13,774,035	14,195,607
Total	13,778,350	14,197,887

19. OTHER RECEIVABLES

	30 September 2019	01 January 2019
Sundry debtors	113,817	217,032
Adjustment for other receivables	(113,817)	(201,922)
Advance payments to suppliers	129,837	7,477
VAT receivable and under settlement	17,046	26,509
Tax to be recovered	-	282,137
Other receivables	48,867	22,385
Total	195,749	353,618

The fair value of the other receivables reflects their value except for the adjustments from impairment. The entity performs individually analysis of sundry debtors recoverability based on the litigation status and days past due. For all customers in litigation and days past due over 360 days a risk provision of 100% from the gross value is booked.

	Impairment 30 September 2019	Gross value 30 September 2019	Impairment 01 January 2019	Gross value 01 January 2019
Due for over 365 days	113,817	113,817	201,922	201,922

20. CASH, CASH EQUIVALENTS AND FINANCIAL ASSETS AT FAIR VALUE

(i) Cash and cash equivalents

	30 September 2019	01 January 2019
Cash, bank accounts and cash equivalences	2,843,877	3.324.293
Chargeable values	-	8.000
Total	2,843,877	3.332.293

During the third quarter of 2019, compensations were performed for reciprocal debts and transfer of trade effects in the amount of RON 475,146 (third quarter 2018 amount RON 1,605,110).

(ii) Financial assets at fair value through the profit and loss account

	30 September 2019	01 January 2019
Financial assets - fund units	252,038	246,452
Securities of Transport Ceahlau SRL	51,000	51,000
Adjustment of fair value of securities	(51,000)	(51,000)
Short term bank deposits	21,800,000	-
Total	22,052,038	246,452

On 30 September 2019, the Company owns, at fair value, the following fund unit investments:

Fund type	Fund management company	Number of fund units	Value of fund units
Open-end investment fund			
BT OBLIGATIUNI	BT Asset Management	13,591	252,038

On September 30, 2019, the Company holds short-term bank deposits with fixed interest, as follows:

Bank	Amount	Establishment Date	Period
Transilvania Bank	4,000,000	26 iulie 2019	3 Months
Transilvania Bank	6,500,000	26 iulie 2019	6 Months
Romanian Commercial Bank	4,000,000	26 iulie 2019	3 Months
Romanian Commercial Bank	6,300,000	26 iulie 2019	6 Months
Patria Bank	1,000,000	31 iulie 2019	3 Months
Total	21,800,000		

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21. CAPITAL AND RESERVES

a. Share Capital

Subscribed and paid-in share capital on 30 September 2019 **RON 23,990,846**

Number of subscribed and paid-in shares on 30 September 2019 **239,908,460 shares**

Nominal value of one share RON 0.10

Characteristics of the issued shares, subscribed and paid-in Ordinary, nominative, dematerialized

The securities of the Company (shares) are registered and traded in the category Standard of Bucharest Stock Exchange. All shares have the same voting right.

On 30 September 2019, the share capital of the Company was not modified, meaning its increase or decrease.

The share capital registered on 30 September 2019 is of RON 23,990,846.

The Company's shareholder structure is the following:

30 September 2019	Number of shares	Amount (RON)	%
SIF Moldova	175,857,653	17,585,765,30	73.3020
NEW CARPATHIAN FUND	48,477,938	4,847,793,80	20.2068
Other shareholders, of which:			
- legal entities	1,850,140	185,014,0	0.7712
- individuals	13,722,729	1,372,272,90	5.7200
TOTAL	239,908,460	23,990,846	100.00
01 January 2019	Number of shares	Amount (RON)	%
SIF Moldova	175,857,653	17,585,765.30	73.3020
Romanian Investment Fund. loc. Windward Caiman	48,477,938	4,847,793.80	20.2068
Other shareholders, of which:			
- legal entities	3,265,969	326,596.90	1.3613
- individuals	12,306,900	1,230,690.00	5.1298
TOTAL	239,908,460	23,990,846	100.00

b. Reserves

	30 September 2019	01 January 2019
Reserves from the re-valuation of tangible assets	8,425,213	17,631,698
Legal reserves	2,400,184	2,400,184
Other reserves	5,886,024	5,886,024
Deffered tax recognized for reserves	(2,031,737)	(3,504,773)
Total	14,679,685	22,413,133

21. CAPITAL AND RESERVES (to be continued)

b. Reserves (to be continued)

(i) Reserves from the reassessment of tangible assets

The reassessment of the tangible assets was performed as follows:

- In 2005, for all groups of tangible assets;
- In 2007, for tangible assets in the group: «Buildings»;
- In 2010, for tangible assets in the group: «Buildings»;
- In 2013, for tangible assets in the group: «Buildings»;
- In 2018, for tangible assets in the group: «Land» and «Buildings».

(ii) Legal reserves

The company distributes at legal reserves 5% from the profit before taxation, up to the limit of 20% of the share capital. These amounts are deducted from the tax base for calculating the corporate tax. The value of the legal reserve on 30 September 2019 is RON 2,400,184 (01 January 2019: RON 2,400,184).

The legal reserves cannot be distributed to the shareholders,

(iii) Other reserves

Other reserves include the amounts distributed during 1991 - 2018, representing:

	<u>Amount</u>
Other reserves - established from the profit	5,499,918
Other reserves - established from fiscal facilities	354,563
Other reserves - established from the sales of fixed assets	29,888
Other reserves - established from prescribed dividends	<u>1,655</u>
TOTAL	<u>5,886,024</u>

22. RESULT PER SHARE

The result per share is calculated through the distribution of the net profit attributable to the shareholders of the company associated for the third quarter of 2019 in the amount of RON 8,368,973 (01 January 2019: RON 3,164,476) to the number of ordinary shares in circulation of 239,908,460 shares (01 January 2019: 239,908,460 shares).

Profit distributable to ordinary shareholders	<u>30 September 2019</u>	<u>01 January 2019</u>
Profit for the period	8,368,973	3,164,476
Number of ordinary shares	239,908,460	239,908,460
Gains per share	0.0349	0.0132

23. LOANS

This note supplies information on the contractual terms of the loans carrier of interests of the Company, assessed at amortized cost.

	30 September 2019	01 January 2019
Long term debts	1,134,121	1,371,676
Long-term bank loans	1,046,606	1,237,548
Debts regarding financial leasing	87,515	134,128
Short term debts	356,075	412,715
Short term bank loans	285,441	280,202
Debts from financial leasing	-	3,432
Current debts relating to financial leasing	70,634	129,081

On 30 September 2019, the company has contracted an investment credit in the amount of EUR 420,000 for a period of 14 years for the procurement of a cutting equipment with laser Bystronic model BySprint Fiber 3015 with generator laser fiber 6000W. The investment credit is guaranteed with mortgage on the asset above mentioned.

The net face value on 30 September 2019 is of EUR 280,366.

Installments relating to financial leasing

	30 September 2019	01 January 2019
Up to 1 year	70,634	129,081
Between 1 and 5 years	87,515	134,128

Debts associated to the leasing contract are guaranteed by the goods that are object of the leasing contract, and in case of non-payment these are entitled to the lessor.

24. DEFERRED INCOME

Subsidies	30 September 2019	01 January 2019
At the beginning of the period	-	-
Recognized in the Global result statement	-	-
At the end of the period	-	-
Deferred income	30 September 2019	01 January 2019
At the beginning of the period	-	-
Established during the year	-	-
Recognized in the Global result statement	-	-
At the end of the period	-	-

25. PROVISIONS

	Guarantees	Benefits of employees	Other Provisions	Total
Balance on 01 January 2019	58,208	328,671	188,276	575,155
Provisions established during the period	-	-	148,862	148,862
Provisions resumed during the period	-	19,988	148,523	168,511
Balance on 30 September 2019	58,208	308,683	188,615	555,506
Long-term	-	308,683	-	308,683
Current	58,208	-	188,615	246,823

Warranties

The provisions for warranties in the amount of RON 58,208 were established taking into account the expenses related to the service activity for the agricultural machineries in the warranty period.

Employee benefits

Provisions amounting to RON 308,683 are established for benefits granted to employees at the termination of the employment contract together with retiring following certain provisions of the collective employment contract.

Other provisions

Other provisions existing in balance on 30 September 2019 represent:

- Provisions for the non-granted rights according to the contracts concluded in the amount of RON 66,022;
- Provision for return risk for finished products and goods in the amount of RON 122,593;

26. TRADE DEBTS

	30 September 2019	01 January 2019
Trade debts - short-term debts	3,759,687	2,033,948
Investment suppliers	47,466	81,542
Suppliers - Invoices to be received	40,701	55,564
Debt commissions to dealers	833,218	1,218,973
Total	4,681,072	3,390,027

27. OTHER DEBTS

	30 September 2019	01 January 2019
Social insurances and other taxes	3,528,951	718,497
Guarantees of tenants	13,777	21,139
Dividends to be paid	86,982	86,982
Other debts – advance	-	2,163,829
Other creditors, including employees	77,443	258,984
Total	3,707,153	3,249,431

28. FINANCIAL INSTRUMENTS

General presentation

The company is exposed to the following risks from the use of the financial instruments:

- Credit risk
- Liquidity risk
- Market risk

These notes represent information on the exposure of the Company to each of the risks above mentioned, objectives of the Company for the assessment and management of the risk and the procedures used for the management of the capital.

General framework on risk management

The risk management policies of the company are defined in such way as to ensure the identification and analysis of the risks that the company is encountering, establishment of limits and adequate controls, as well as the monitoring of risks and compliance of the established limits.

The risk management policies and systems are permanently reviewed in order to reflect the amendments occurring in the market conditions and in the activity of the Company. The Company, through its standards and procedures for training and management, aims to develop an ordered and constructive control environment, within which each employee understands their roles and liabilities.

The internal auditor of the Company performs standards and ad-hoc missions to review controls and procedures for the management of risks, their results being presented to the Management Board.

a. Credit risk

The treatment of the counter-party risk is based on internal and external success factors of the Company.

Financial assets, that may expose the Company to the collection risk, are mainly trade receivables and liquid assets. The company has policies aimed to assure that the sales are made to costumers with proper references on their creditworthiness. The net value of the receivables for adjustments for impairment represents the maximum amount exposed to the collection risk. The situation of receivables by age is presented in Note 18, Receivables.

The credit risk is the risk that the Company supports a financial loss following the non-fulfillment of the contractual obligations by a client or a counter-party on a financial instrument, and this risk results mainly from trade receivables and financial investments of the Company.

28. FINANCIAL INSTRUMENTS (to be continued)

a. Credit risk (to be continued)

The company has a significant concentration of credit risk. The company applies specific policies to make sure that the sale of products and services is carried out so that the commercial loan granted is adequate and monitors continuously the age of receivables.

Cash and cash equivalents are placed only in top-rated banking institutions, considered to have a high solvency.

Exposure to credit risk

The accounting value of the financial assets represents the maximal exposure to credit risk. The maximal exposure to the risk credit on the date of the reporting was:

	30 September 2019	01 January 2019
Trade receivables	13,778,350	14,197,887
Other receivables	195,749	353,618
Securities and bank deposit	22,052,038	246,452
Cash and cash equivalents	2,843,877	3,332,293
	38,870,014	18,130,250

The maximum exposure to credit risk for receivables on reporting date depending on geographical region was:

	30 September 2019	30 September 2018
Internal market	22,549,240	25,415,079
Other regions	216,666	832,421
- EU Area	141,869	743,092
- NON-EU Zone	74,797	89,329
Total gross turnover	22,765,906	26,247,500

The company has no significant exposure to a single partner and does not record a significant concentration of turnover on a single geographic area.

On the internal market, the Company has collaborated with a number of 24 distributors from the entire country, the most important ones being located preponderantly in the agricultural area.

The volume of sales achieved through the distributors was of 52%, and the direct sales to internal beneficiaries were of 48%.

On the external market, the volume of sales was achieved in proportion of 1% from the turnover. On this market, it is maintained the connection with the traditional clients that know and promote the products of the company. Credit risk, including the country risk in which the client operates, is managed by each business partner. When it is considered necessary, specific instruments for reduction of credit risk are required - receipts in advance.

The company has established a credit policy according to which every new client is analyzed individually from the point of view of reliability and in certain cases references are requested supplied by banks before being contracts of firm sales are concluded.

For the purpose of monitoring the risk credit associated to the clients, these are grouped depending on the characteristics of the credit risk, taking into account their classification as legal or natural persons,

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internal or external clients, seniority, due dates and the existence of certain previous financial difficulties. The clients classified as having a high risk are monitored, following the future sales to be made based in advance payments or using certain banking instruments to guarantee collections.

28. FINANCIAL INSTRUMENTS (to be continued)

a. Credit risk (to be continued)

The policy of the company is to offer service for the products supplied in a guarantee period of 24 months.

On 30 September 2019, the net accounting values of the cash and cash equivalents, suppliers and clients, commitments and short-term debts approximated their fair values due to short term due dates.

b. Liquidity risk

Is the risk that the Company could encounter difficulties in complying with the liabilities associated to financial debts which are reimbursed in cash. The approach of the Company on liquidity risk is to ensure, to the extent possible, that it hold at any time sufficient liquidities to face debts when these are due, both in normal conditions and in difficult conditions, without supporting significant losses or to compromise the reputation of the Company.

Generally, the Company ensures that it holds sufficient cash to cover the foreseen operational expenses, including for the payments of its financial obligations.

For the purpose of managing liquidity risk, cash flows are monitored and analyzed weekly, monthly, quarterly, and annually to determine the expected level of net change in liquidity.

Exposure to liquidity risk:

The due dates of the financial assets and debts are the following:

On 30 September 2019	Book value	0 – 12 months	More than 1 year
Financial assets			
Cash and cash equivalents	2,843,877	2,843,877	-
Financial assets evaluated at fair value by profit and loss account	22,052,038	22,052,038	-
Trade receivables and other receivables	13,974,099	13,974,099	-
Total financial assets	38,870,014	38,870,014	-
Financial debts			
Credit line	(1,332,048)	(285,442)	(1,046,606)
Investment credit	(158,149)	(70,634)	(87,515)
Commercial debts and other debts	(8,388,225)	(8,388,225)	-
Total financial debts	(9,878,422)	(8,744,301)	(1,134,121)
NET	28,991,592	30,125,713	(1,134,121)

28. FINANCIAL INSTRUMENTS (to be continued)

b. Liquidity risk (to be continued)

On 01 January 2019	Book value	0 – 12 months	More than 1 year
Financial assets			
Cash and cash equivalents	3,332,293	3,332,293	-
Securities and bank deposit	246,452	246,452	-
Trade receivables and other receivables	14,551,505	14,551,505	-
Total financial assets	18,130,250	18,130,250	-
Financial debts			
Investment credit	(1,517,750)	(280,202)	(1,237,548)
Leasing loans	(266,641)	(132,513)	(134,128)
Commercial debts and other debts	(6,639,458)	(6,639,458)	-
Total financial debts	(8,423,849)	(7,052,173)	(1,371,676)
NET	9,706,401	11,078,077	(1,371,676)

c. Market risk

The Romanian economy is in continuous development, with a lot of uncertainty on the possible orientation in politics and economic development in the future. The company management cannot foresee the changes which will take place in Romania and their effects on the financial situation, the operating results and cash flows of the company.

Exchange rate risk

The company is exposed to foreign currency risk through the sale, procurement, availability and loans that are denominated in other currencies than the functional currency of the Company, however, the company in which most of the transactions are performed is RON.

Exposure to exchange rate risk:

The currency that exposes the company to this risk is mainly EUR. The differences resulted are included in the global result statement and do not affect the cash flow until the liquidation of debt. The Company holds on 30 September 2019 cash and cash equivalents, trade receivables and trade debts in foreign currency, the rest of the financial assets and financial debts are denominated in RON.

28. FINANCIAL INSTRUMENTS (to be continued)

c. Market risk (to be continued)

Sensitivity analysis

30 September 2019	EUR 1 EUR = 4.7511	RON 1 RON	TOTAL
Cash and cash equivalents	3,005	2,840,872	2,843,877
Financial assets evaluated at fair value by profit and loss account		22,052,038	22,052,038
Trade receivables and other receivables	50,046	13,924,053	13,974,099
Total financial assets	53,051	38,816,963	38,870,014
Investment credit	(1,332,048)		(1,332,048)
Leasing loans	(158,149)	0	(158,149)
Commercial debts and other debts	(2,998,099)	(5,390,126)	(8,388,225)
Total financial debts	(4,488,296)	(5,390,126)	(9,878,422)
	EUR	RON	TOTAL
01 January 2019	1 EUR = 4.6639	1 RON	
Cash and cash equivalents	8,267	3,324,026	3,332,293
Financial assets evaluated at fair value by profit and loss account	-	246,452	246,452
Trade receivables and other receivables	5,040	14,546,465	14,551,505
Total financial assets	13,307	18,116,943	18,130,250
Investment credit	(1,517,750)	-	(1,517,750)
Leasing loans	(266,641)	-	(266,641)
Commercial debts and other debts	(1,108,269)	(5,531,189)	(6,639,458)
Total financial debts	(2,892,660)	(5,531,189)	(8,423,849)

The Company did not conclude hedging contracts with regards to the bonds in foreign currency or exposure to the interest rate risk.

The impact on the Company profit of a change of +/-5% of exchange rate RON/EUR, on 30 September 2019, all the other variables remaining constant, is ± RON 221,762 (01 January 2019: RON 143,968).

28. FINANCIAL INSTRUMENTS (to be continued)

d. Capital management

The objectives of the company in the management of the capital are to ensure the protection and capability to reward its employees, to maintain an optimal structure of capitals in order to reduce capital costs.

The company monitors the volume of the attracted capital based on the indebtedness degree. This rate is calculated as a ratio between gross debts and totals of capital. The net debts are calculated as a total of cash gross debts. The totals of capital are calculated at own capital to which net debts are added.

	30 September 2019	01 January 2019
Financial debts	9,878,422	8,423,849
Cash and cash equivalents	2,843,877	3,332,293
Financial assets evaluated at fair value by profit and loss account	22,052,038	246,452
Equity	66,167,569	56,325,559
Indicator of the net debt	-0.23	0.09

29. COMMITMENTS AND CONTINGENTS

(a) Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with the European legislation. However, there still are different interpretations of the tax legislation. In certain situations, the tax authorities may treat differently certain aspects, proceeding to the calculation of certain taxes and additional taxes and interests and late payment penalties (0,05% per day). In Romania, the fiscal exercise remains open for fiscal verification for 5 years. The management of the Company considers that the tax obligations included in these financial statements are adequate.

(b) Commitments

As of 30 September 2019 the Company had a letter of bank guarantee issued as follows:

Bank	Beneficiary	Value	Currency:	Issuing date	Due date
Banca Transilvania	CNHI International SA	300,000	Euro	16/02/2016	15/07/2021

(c) Concluded insurances

On 30 September 2019, the Company has concluded insurance policies for tangible assets.

(d) Court actions

The company is subject of a number of court actions resulted in the normal course of the development of the activity.

Besides the amounts already registered in these financial statements as provisions or adjustments for impairment of receivables and described in the notes, the amounts associated to other court actions will be recognized when obtaining an irrevocable definitive sentence/their collection.

On 30 September 2019 the Company was involved in 104 legal actions. The management estimates that the result of these lawsuits will not have impact on the financial position of the Company.

29. COMMITMENTS AND CONTINGENCIES (to be continued)

(e) Quality-Environment Compliance Program

The company has implemented the Integrated Management System "Quality-Environment", certified by the external auditor TÜV THÜRINGEN for ISO 9001: 2008 and ISO 14001: 2004. The certificate is for the application of the demands according to the reference standards and it was proved and attested according to the certification standards.

30. AFFILIATED PARTIES

SIF Moldova is a majority shareholder at Mecanica Ceahlau SA, holding 73.3020 % of the total of shares. The company is part of the consolidation perimeter of SIF MOLDOVA.

NEW CARPATHIAN FUND is a significant shareholder at Mecanica Ceahlau SA, holding 20.2068% of the total of shares.

Details about other affiliated parties with which Mecanica Ceahlau entered in trade relationships: Transport Ceahlau SRL

Parties affiliated to the Company and the relationships with these are presented below:

Entity	Nature of the relationship
SIF Moldova	Parent company
NEW CARPATHIAN FUND	Significant shareholder
Transport Ceahlau SRL	Affiliated company

No transactions, amounts owed or to be received were identified with SIF Moldova, other than the rightful dividends.

No transactions, amounts owed or to be received were identified with NEW CARPATHIAN FUND.

The participating interests that the company holds on 30 September 2019 to Transport Ceahlau SRL are presented as such:

	30 September 2019	01 January 2019
Shares unquoted on 01 January 2019	51,000	51,000
Purchases	-	-
Disposals	-	-
Adjustments for depreciation	51,000	51,000
Balance on 30 September 2019	-	-

The main activity object of Transport Ceahlău SRL is the road transportation of goods, however the main share in the activity is held by general mechanical works.

The statement of movements of equity securities on 30 September 2019 is the following:

	Purchase date	Sale date	Participation percentage	
			30 September 2019	01 January 2019
Transport Ceahlau SRL	2004	-	24.28%	24.28%

30. AFFILIATED PARTIES (to be continued)

Information on the transactions with affiliated parties

During the third quarter of 2019 the Company did not have transactions with Transport Ceahlau SRL.

The situation of receivables and debts with Transport Ceahlau is as follows:

	30 September 2019	01 January 2019
Other receivables	113,817	138,076
Adjustment for other receivables	(113,817)	(138,076)
Other net receivables	-	-
Commercial debts	4,951	33,004

The company applies the same internal policies in the contractual relationships with the affiliated entities as well as in the relationships with the other contractual partners with which the company is not in special relationships.

Transactions with the key management personnel

Loans granted to directors

The company did not grant advances, credits or loans to the members of the management and supervision bodies on 30 September 2019.

Benefits of the key management personnel

The salary rights of the directors are established by the Management Board according to the legal provisions and the management contracts.

a) Granted salary rights

	30 September 2019	30 September 2018
Management Contracts	513,297	451,649
Members of the Management Board	364,702	358,062

b) Balance on 30 September

	30 September 2019	30 September 2018
Management Contracts	15.215	11.753
Members of the Management Board	-	-

The financial statements were approved by the Board of Directors on October 25, 2019 and were signed in its name by:

Molesag Ion Sorin,
General Manager

Chirila Oana,
Financial Manager