MECANICA CEAHLAU S.A.

PRELIMINARY FINANCIAL STATEMENTS:

For the financial year ended on
December 31, 2019

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

CONTENTS: **PAGE:**

	Note	December 31, 2019	December 31, 2018
Assets			
Fixed assets			
Tangible assets	**13**	**17,388,026**	**18,705,287**
Land		6,818,853	7,127,887
Constructions		5,602,343	6,073,900
Technical installations and means of transport		4,388,032	5,235,933
Other tangible assets		134,553	12,485
Tangible assets in progress		444,245	255,082
Intangible assets	**14**	**94,374**	**135,242**
Other intangible assets		86,791	124,903
Concessions, patents, licenses, trademarks, rights and similar assets		7,583	10,340
Real estate investments	**15**	**413,550**	**430,636**
Assets representing rights of use of support assets in leasing contracts	**13**	**577,124**	
Total fixed assets		**18,473,074**	**19,271,166**
Current assets			
Inventory	**17**	20,162,146	18,476,079
Trade receivables	**18**	12,434,669	14,197,887
Other receivables	**19**	306,405	353,618
Expenses registered in advance		56,685	62,540
Financial assets at fair value at fair value through profit or loss	**20**	253,859	246,452
Cash and cash equivalents	**20**	21,433,259	3,332,293
Assets classified as held for sale	**16**	387,207	12,015,414
Total current assets		**55,034,231**	**48,684,283**
TOTAL ASSETS		**73,507,305**	**67,955,449**
Equities			
Share Capital	**21a**	23,990,846	23,990,846
Reserves	**21b**	15,663,178	23,047,934
Result of the exercise	**22**	4,818,463	3,164,476
Reported result		18,544,795	6,295,631
Other equity elements		(393,575)	(173,328)
Total equity		**62,623,708**	**56,325,559**

	Nota	December 31, 2019	December 31, 2018
Liabilities			
Loans	**23**	1,268,171	1,517,750
Commercial debts	**26**	6,304,906	3,390,027
Leasing liabilities	**24**	496,612	266,641
Other debts	**27**	1,216,853	3,249,431
Liabilities regarding deferred profit tax	**12**	722,040	2,630,886
Provisions for risk and expenses	**25**	875,016	575,155
Total liabilities		**10,883,598**	**11,629,890**
Total equity and liabilities		**73,507,305**	**67,955,449**

The preliminary financial statements have been approved by the Board of Directors on February 28, 2020 and have been signed in its behalf by:

Molesag Ion Sorin,
General Manager

Chirila Oana,
Financial Manager

	Note	December 31, 2019	December 31, 2018
Turnover	5	29,500,719	31,125,000
The cost of the goods sold		(18,183,159)	(17,295,900)
		11,317,560	**13,829,100**
Other operational revenues	6	486,380	551,567
Expenses with utilities		(445,177)	(530,536)
Expenses with salaries and other personnel expenses	7	(7,025,330)	(7,540,129)
Other administrative expenses	8	(2,465,234)	(2,335,712)
Other operational expenses	9	(614,073)	(566,249)
Expenses with amortization and impairment of assets	13,14	(1,289,491)	(1,422,237)
Expenses with the depreciation of assets related to the rights to use	13	(213,975)	-
Gain from the sale of the assets held for sale		11,336,548	-
Gain/ loss from assets sales		(3,658)	57,778
Gain/ loss from revaluation of investment property		(8,293)	1,654,191
Gain/loss from revaluation of tangible assets		2,173	(43,008)
Adjustment of the value of current assets	18,19	(2,862,932)	(256,565)
Gain/Loss of provisions for risks and expenses	25	(299,861)	240,215
Total operational expenses		**(3,402,924)**	**(10,190,685)**
Result of the operational activities		**7,914,637**	**3,638,415**
Interest incomes		225,791	8,199
Gains from revaluation of financial assets at fair value through profit or loss		7,407	31,942
The cost of financing		(151,484)	(192,369)
Interest expenses related to leasing contracts		(17,622)	-
Losses from exchange rate differences		(107,225)	(19,628)
Financial net result	10	**(43,132)**	**(171,857)**
Result before tax		**7,871,505**	**3,466,558**
Expenses with current profit tax	11	(3,486,701)	(66,384)
Net expense with deferred tax	11	433,660	(235,698)
Net profit of period		**4,818,463**	**3,164,476**

Other global result elements		
Deferred tax	1,487,380	(988,518)
Reserves from the reassessment of growths	4,500	6,688,914
Reserves from the reassessment of decreases	-	(403,479)
Other global result elements	**1,491,880**	**5,296,917**
Total global result of the period	**6,310,343**	**8,461,393**
Attributable profit/loss	**4,818,463**	**3,164,476**
Result per base share	0.0201	0.0132

The preliminary financial statements have been approved by the Board of Directors on February 28, 2020 and have been signed in its behalf by:

Molesag Ion Sorin,
General Manager

Chirila Oana,
Financial Manager

MECANICA CEAHLAU S.A.
STATEMENT EQUITY MODIFICATIONS
FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2019

	Attributable to the shareholders of the Company								
	Share Capital	**Legal reserves**	**Reserves from the revaluation of tangible assets**	**Other reserves**	**Deferred tax**	**Reported result**	**Current result**	**Other elements of equity**	**Total equity**
Balance on December 31, 2017	**23,990,846**	**2,226,856**	**11,453,460**	**5,074,972**	**(2.516.256)**	**9,518,272**	**(1.589.468)**	**-**	**48,158,682**
Changes following the adoption of IFRS 9, see note 3 (z)						(294.516)			
Balance as of January1, 2018, retreated	**23,990,846**	**2,226,856**	**11,453,460**	**5,074,972**	**(2.516.256)**	**9,223,756**	**(1.589.468)**	**-**	**47,864,166**
Transfer resulted year 2017 to Reported result	-	-	-	-	-	(1.589.468)	1,589,468	-	-
Transfer reported result to other reserves	-	-	-	811,052	-	(811.052)	-	-	-
Creating legal reserves from profit 2018	-	173,328	-	-	-	-	-	(173.328)	-
Net profit/loss of the year	-	-	-	-	-	-	3,164,476	-	3,164,476
Other elements of the Global Result									
Increase reserves from reassessment	-	-	6,688,914	-	-	-	-	-	6,688,914
Postponed capital tax	-	-	-	-	(988.518)	-	-	-	(988.518)
Decrease reserves from reassessment	-	-	(403.479)	-	-	-	-	-	(403.479)
Transfer of reserve from the reevaluation to reported result related to excess achieved	-	-	(107.198)	-	-	107,198	-	-	-
Balance on December 31, 2018	**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**

The preliminary financial statements have been approved by the Board of Directors on February 28, 2020 and have been signed in its behalf by:

Molesag Ion Sorin,
General Manager

Chirila Oana,
Financial Manager

The attached notes are part of financial statements.

MECANICA CEAHLAU S.A.
STATEMENT EQUITY MODIFICATIONS
FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2019

	Attributable to the shareholders of the Company								
	Share Capital	**Legal reserves**	**Reserves from the revaluation of tangible assets**	**Other reserves**	**Deferred tax**	**Reported result**	**Current result**	**Other elements of equity**	**Total equity**
Balance as of January 1, 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 retained earnings	-	-	-	-	-	3,164,476	(3,164,476)	-	-
Transfer legal reserves	-	-	-	-	-	(173,328)	-	173,328	-
Creating legal reserves from profit 2019	-	393,575	-	-	-	-	-	(393,575)	-
Net profit/loss of the year	-	-	-	-	-	-	4,818,463	-	4,818,463
Other elements of the Global Result									
Increase reserves from reassessment	-	-	4,500	-	-	-	-	-	4,500
Postponed capital tax	-	-	-	-	1,475,186	-	-	-	1,475,186
Transfer of reserve from the reevaluation to reported result related to excess achieved	-	-	(9,258,016)	-	-	9,258,016	-	-	-
Balance on December 31, 2019	**23,990,846**	**2,793,759**	**8,378,181**	**5,886,024**	**(2,029,588)**	**19,179,598**	**4,818,463**	**(393,575)**	**62,623,708**

The preliminary financial statements have been approved by the Board of Directors on February 28, 2020 and have been signed in its behalf by:

Molesag Ion Sorin,
General Manager

Chirila Oana,
Financial Manager

	December 31, 2019	December 31, 2018
Cash flows from operating activities		
Receipts from customers	35,614,417	37,628,435
Receipts from other debtors	308,188	2,391,216
Payments to suppliers	(23,628,994)	(33,947,558)
Payments to employees	(3,915,638)	(4,266,380)
Payments to state budget	(6,826,811)	(5,922,184)
Payments to various creditors	(169,958)	(132,615)
Cash generated from operating activities	**1,381,204**	**(4,249,086)**
Paid corporate tax	(3,272,717)	(347,744)
Net cash generated from operations	**(1,891,513)**	**(4,596,830)**
Cash flows from investment activities		
Collected interest	63,043	8,199
Proceeds from the sale of tangible assets	21,130,789	151,227
Procurement of tangible assets	(640,554)	(351,667)
Redemption of fund units	-	2,877,432
Short-term investments	-	1,000,000
Net cash generated from investments	**20,553,278**	**3,685,191**
Cash flows from financing activities		
Collections from short-term loans	1,232,986	-
Reimbursement of loans	(1,515,118)	(280,052)
Paid interest	(36,865)	(42,002)
Payment of financial leasing debts	(217,354)	(223,745)
Dividends paid	(10)	(96)
Net cash (used in) financing activities	**(536,361)**	**(545,895)**
Net decrease of cash and cash equivalents	**18,125,404**	**(1,457,534)**
Cash and cash equivalences as of the beginning of period	**3,332,293**	**4,819,739**
Exchange rate differences	(24,438)	(29,912)
Cash and cash equivalences as of end of period	**21,433,259**	**3,332,293**

The preliminary financial statements have been approved by the Board of Directors on February 28, 2020 and have been signed in its behalf by:

Molesag Ion Sorin,
General Manager

Chirila Oana,
Financial Manager

1. REPORTING ENTITY

Mecanica Ceahlău SA is a company headquartered in Romania. The company has its registered office in Piatra Neamț, 6 Dumbravei street, 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 Incorporation, the main field of activity of the Company is the manufacture of machines and machinery for agriculture and forestry exploitations.

The Company is managed by the Board of Directors, consisting of 3 members.

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

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

2. DRAFTING GROUNDS

a. Statement of compliance

The preliminary financial statements have been drafted by the Company in compliance with:

- 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;
- The provisions of the Order of the Ministry of Public Finances no. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financing Reporting Standards, applicable to the companies whose securities are admitted to trading on a regulated market, with the subsequent amendments and clarifications;

The preliminary financial statements for the year ended December 31, 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 December 31, 2018, both for the statement of financial position and for the equity change statement, cash flow statement, global result statement and explanatory notes.
The accounting records of the Company are kept in lei (symbol of national currency ”RON”).

The preliminary financial statements have been authorized for issuance by the Board of Directors on February 28, 2020.

b. Preliminary financial statements presentation

The preliminary financial statements are presented in accordance with the requirements of IAS 1 "Presentation of the financial statements". The company adopted a liquidity-based presentation in the statement of financial position and a presentation of revenues and expenses according to their nature within the overall result statement, considering that these presentation methods provide information that is credible and more relevant than what would be were presented based on other methods permitted by IAS 1.

For consistency with the information from the current period, the Company reclassified in the Statement of Financial Position, the Statement of the Global Result, the Statement of Cash Flows and the Notes relating to, certain items for the comparative period (the financial year ended December 31, 2018).

These preliminary financial statements have been prepared on the basis of the continuity of the activity which implies that the Company will continue its activity in the foreseeable future. The management of the Company considers that the Company will normally continue its activity in the future and, consequently, the preliminary financial statements have been prepared on this basis.

2. DRAFTING GROUNDS (cont.)

c. Basis of the assessment

The preliminary financial statements were drafted according to the historical cost, excepting lands and buildings that are held at the reassessed value and of investment property that are held at fair value.

These preliminary 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 preliminary 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 preliminary financial statements are presented in lei, rounded off to the nearest leu, currency the company management has chosen as currency for presentation.

Foreign currency transactions are expressed in lei by applying the exchange rate from the date of the transaction. The monetary assets and liabilities expressed in foreign currency at the end of the 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 the respective period.

e. Use of estimations and professional reasoning

The drafting of preliminary financial statements according to IFRS suggests the managements’ using some financial estimates, judgments and hypothesis that affect the application of accounting policies as well as the reported value of assets, liabilities, revenue and expenses. The judgments and hypotheses associated to these estimates are based on historic experience as well as other factors considered to be reasonable within the context of these estimates. The results of these estimates lay at the base of the judgments regarding the accounting valuesof assets and liabilities that cannot be obtained from other information sources. The results obtained may vary from the values of the estimates.

The judgments and hypothesis that lay at their base are periodically revised. The revisions of accounting estimates are recognized in the period the estimates are revised, if the revision only affects that particular period, or in the period the estimate is revised and future periods, if the revision affects both the current and future periods.

Information and reasoning related to the application of accounting policies with the highest degree of uncertainty regarding the estimates, which have a significant impact on the amounts recognized in these annual preliminary financial statements, 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 for risk and expenses
- Note 26 - Trade debts
- Note 27 - 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 basis of judgments regarding the accounting values of assets and debts that may not be obtained from other sources of information.

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies have been consistently applied on all periods presented in the consolidated financial statement drafted by the Company, except for the changes regarding the modifications of IFRS 16 Leasing Contracts („IFRS 16"), previously, leasing contracts were reflected in compliance with IAS 17 Leasing („IAS 17")

Changes in accounting policies - Adopting IFRS 16

FRS 16, applicable as of January 1, 2019, replaces IAS 17 and corresponding interpretations.

The standard eliminates the previous accounting model for lessees and, in exchange it, requires companies to recognize most leasing contracts in the balance within a single model, eliminating the distinction between operational and financial leasing.
In compliance withIFRS 16, a contract is or contains leasing if it transfers the right to control the use of an identified asset for a period of time, in exchange for a consideration. In case of this type of contracts, the new standard requires that a lessee to recognize in the asset the right to use the underlying asset in return for a lease debt. The asset related to the right of use is amortized, and interest is recorded on the debt.

For more details on the accounting policies related to leasing contracts, see Note 3 q).

The company adopted IFRS 16 on the date of its initial publication on1st of January 2019.

The company holds leasing contracts whose objects are mainly transportation means and office spaces.

The Company applies IFRS 16 using the modified retrospective approach, in the sense that it recognizes the date of initial application (January 1, 2019):

- a debt stemming from the leasing contract, at the present value of the remaining lease payments, updated on the basis of the marginal loan rate from the date of initial application
- an asset related to the right of use, at an amount equal to the debt stemming from the leasing contract, at the date of initial application.

	Balance at January 1, 2019
Rights of use - transportation means	851,223
Rights of use - office spaces	379,165
Total rights of use – leasing assets- gross value	**1,230,388**
Depreciation of rights of use - transportation means	524,000
Depreciation of usage rights - office spaces	-
Total Depreciation of rights of use – leasing assets	**524,000**
Total rights of use – leasing assets - net value	**706,388**

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 December 31, 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 income statement as part of the financial result.

Non-monetary assets and debts are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

a. Transactions in foreign currency (to be continued)

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

Currency	December 31, 2019	December 31, 2018	Variation:
Euro (EUR)	1:LEU 4,7793	1: LEU 4,6639	2,5%
American Dollar(USD)	1:LEU 4,2608	1: LEU 4,0736	4,6%

b. Cash and cash equivalents

Cash and cash equivalences 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 December 31, 2019, respectively December 31, 2018 the Company considered as cash and cash equivalences: effective cash, current accounts at banks, deposits at banks and collected values (checks and cash receipts).

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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

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

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 customers and the lack of legal collection mechanisms, the 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)).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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

(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 settiing-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 allowe 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) Measurement at depreciated cost

The depreciated cost of an 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) Measurement 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 measurement

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 December 31, 2019 and December 31, 2018 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;
- 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 measurement (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) Depreciation *of tangible assets*

Depreciation is calculated on a straight-line basis over their estimated useful life.
The estimated useful life of the main groups of property, plant and equipment are as follows:

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

Assets in progress are not subjected to amortization.

Lands are not subjected to amortization. The land presented in the preliminary 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* / scrapping *of tangible assets*

Tangible assets that are scrapped or sold are eliminated from the balance with the proper accumulated amortization. Any profit or loss resulted from such an operation is included in the current profit or loss account.

e. Intangible assets

(i) Recognition and assessment

The intangible assets which fulfil the recognition criteria from International Financial Reporting Standards are carried at cost less the cumulated 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) Depreciation *of intangible assets*

Depreciation 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

Real estate investments is property (land or a building — or part of a building) held by the Company to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes; or
- sale in the ordinary course of business.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions can be sold separately (or leased out separately), the Company accounts for the portions separately. If the portions cannot be sold separately, the property is treated as Real estate investments only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

(i) Recognition

Real estate investments shall be recognized as an asset when, and only when:

- it is probable that the future economic benefits that are associated with the Real estate investments will flow to the Company;
- the cost of the Real estate investments can be measured reliably.

(ii) Measurement

Initial measurement

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 December 31, 2019 and December 31, 2018 are detailed in Note 15.

Subsequent Measurement

The Company's accounting policy on the subsequent measurement of Real estate investments is based on the fair value model. This policy is applied consistently for all Real estate investments. The fair value measurement of Real estate investments is conducted by valuators of the National Association of Romanian Valuators (ANEVAR). Fair value is based on market price quotations adjusted, if applicable, so as to reflect the differences in the nature, location or conditions of the respective asset. Such valuations are periodically revised by the Company's management.

Gains or losses from the change of the fair value of Real estate investments are recognized in the profit or loss corresponding to the period in which they occur.

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

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

f. Real estate investments (to be continued)

(iii) Transfers

Transfers to or from Real estate investments are performed when and only when there is a change in the use of the asset.

To transfer an Real estate investments measured at fair value to property, plant and equipment, the implicit cost of the asset for the purpose of its subsequent registration shall be its fair value as at the date when the use is changed.

(Iv) Impairment

The same accounting policies are applied as for property, plant and equipment.

(v) Derecognition

The carrying amount of an Real estate investments shall be derecognized on disposal or when the investment is definitely withdrawn from use and no future economic benefits are expected from its disposal.

The gain or loss arising from the disposal or sale of an Real estate investments shall be included in profit or loss when the property is disposed of 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

Inventories are measured at the lower of cost and net realizable value.

The cost of interchangeable inventories is determined using the "first-in, first-out" (FIFO) formula.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make 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 accounting value 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 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 perfoms and individual and collective assessment for the recoverability of the trade and other receivables.

Individual analysis: The entity peforms indivually analsys 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 2014-2019, 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 (to be continued)

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 5 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 2020, 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 (to be continued)

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 on behalf of its own employees to the Romanian state pension system , social insurances and unemployment fund, in the normal course of activity.

All employees of the Company are members and at the same time they have the legal obligation to contribute (through social contributions) to the Romanian state’s pension system (a determined contribution plan of the state). All such contributions are recognized in the profit or loss account of the period when theyare made. The Company has no other additional obligations.

The Company is not engaged in any independent pension scheme and accordingly it has no other obligations. The Company is not involved in any retirement benefits scheme. The Company has no obligation to deliver ulterior services to the 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 December 31, 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 delivered.

The short-term benefits of employees mainly include wages and bonuses. The short-term benefits of employees and contributions to social insurances are recognised in the preliminary financial statements of the Company when the services are delivered. 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 delivered by employees and if that given 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 (to be continued)

k. Provisions for risks and expenses

Provisions are recognized in the financial position statement when a liability is created for the Company connected to a past event and it is probable that in the future it will be necessary to spend some economic resources that extinguish this liability and a reasonable estimation of the liability value can be made.

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. Revenues recognition

Revenues from customer's agreements / from agreements with customers

The Company recognizes the revenues from customer's agreements when (or as long as) she fulfills an enforcement obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as long as) the customer obtains control over that asset.

For every enforcement obligation identified, the Company determines from the beginning of the agreement whether it will fulfill the enforcement obligation in time, or if it will fulfill it at a specific moment. If the Company does not fulfill an enforcement obligation in time, the enforcement obligation is fulfilled to a specific moment.

The table below provides information about the nature and timing of the enforcement obligation, including significant payment terms for the main revenue categories from the customer agreements:

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

I. Revenues recognition (to be continued)

Product type / service	The nature and timing of the enforcement obligation, including significant payment terms	Accounting policies for revenue recognition
Agricultural machinery and equipment (produced or distributed)	The customer obtains control over the product (after the payment of the advance) on the date of dispatch to the customer (or the purchase of the product from the company headquarter) and acceptance of the product, or on the date of signing the custody report (the date when the customer obtains the ability to determine the use of the products and gets all the benefits from them). The company is recognizing a debt, because this represents the moment when the right to counterperformance becomes unconditional. Generally, the direct customer (or dealer) pays an advance of 10-15%, the payment of the difference being made in installments (for a period, generally of maximum 1 year).	The revenue is recognized on the date of dispatch to the customer (or purchase of the product from the company headquarter) and acceptance of the product, or on the date of signing the custody report. The revenue includes the amount invoiced for the sale of the products, (excluding VAT), from which the commercial discounts granted to customers are deducted. Dealer fees (including expenses related to their provisions) are deducted from the revenue from the sale of the products.
Revenue from services	The services provided by the Company are generally related to the products provided (for example, agricultural machinery repair services after the warranty period has expired). Invoices for services are issued on the date of providing the services. Invoices are generally paid within a maximum of 30 days from the date of receipt by the customer. The execution obligation is fulfilled at a specific time.	The income is recognized during the period when the service is provided
Income from the rental of real estate investments	The company, as lessor, must classify each of its leasing contracts either as operational leasing or as financial leasing. A lease is classified as an operating lease if it does not essentially transfer all the risks and rewards of ownership over a supporting asset. Invoices are generally paid within a maximum of 30 days from the date of receipt by the customer. The execution obligation is fulfilled at a specific time.	The revenues from the rents are generated by the real estate investments rented by the Company in the form of operational leases and are recognized in profit or loss on a linear basis, throughout the contract period. The company, as lessor, does not have leasing contracts classified as financial leasing.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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

The income and expenses with interest are recognized in the status of global result through the effective interest method. The effective interest rate represents that rate which accurately updates the payments and cash collections forecast for the expected life span of the financial asset or liability (or, where the case be, for a shorter period of time) to the accounting value of the financial asset or liability.

p. Revenue and loss from exchage rate differences

Currency transactions are entered in the functional currency (leu) through the conversion of the amount in currency to the official exchange rate notified by Romania's National Bank valid on the transaction date.

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

Rate differences that occur on the offset of the monetary elements or conversion of monetary elements at rates different from those they were converted in at their initial recognition (over the period), or in the prior preliminary financial statements, are recognized as loss or income in the profit or loss account, in the period when they occur.

q. Leasing Contracts as Lessee

Accounting policy applicable starting with 1st January 2019

(i) Initial Recognition and Evaluation

On the date a contract is initiated, the Company evaluates whether that contract is, or includes a leasing contract. A contract is or contains a leasing contract if this contract awards the right to control the use of an asset identified for a certain periodof time, in exchange for a consideration.
On the date the contracts starts to run, the Company, as lessee, recognizes an asset corresponding to the use right and a debt that stems from the leasing contract.

(ii) Initial evaluation of the asset corresponding to the use right

On the date the contract starts running, the Company, as a lessee evaluates at cost the asset corresponding to the use right.

(iii) Initial evaluation of the debt stemming from the leasing contract

On the running start date, the Company, as lessee evaluates the debt stemming from the leasing contract to the updated value of the leasing payments that are not paid at that date. Leasing payments are updated using the implicit interest rate if that rate can be immediately determined. If this rate cannot be immediately determined, the Company uses its marginal loan rate.
The marginal loan rate of the Company is the interest rate that the Company should pay for a loan on a similarperiod, with a similarguarantee, the funds necessary to obtain an asset with a similarvalue with that corresponding to the use right in a similar economic environment.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

q. Leasing Contracts as Lessee (to be continued)

(iv) Ulterior evaluation of the asset corresponding to the use right

Following the running start date, the Company, as a lessee evaluates the asset corresponding to the use right using the cost-based model, that is, it evaluates the asset related to the right to use at cost, minus any accumulated depreciation and any accumulated impairment losses.

(v) Ulterior evaluation of the debt stemming from the leasing contract

Following the running start date, the Company, as lessee evaluates the debt stemming from the leasing contract by increasing the accounting value to reflect the interest associated with the debt stemming from the leasing contract and reducing the accounting value to reflect the leasing payments made reflecting, if necessary, any changes in the lease contract.

The interest corresponding from the debt in a leasing contract for each period during the contract must be the value that produces a constant periodical rate of interest for the balance of the debt stemming from the leasing contract.

Following the running start date, the interest on the debt stemming from the leasing contract is reflected in profit or loss.

(vi) Exemptions from recognition

The company, as a lessee, chooses to apply the derogations allowed by IFRS 16:

- short-term leasing contracts; and
- leasing contracts for which the support asset has a small value.

Consequently, in case of short-term leasing contracts and in case of leases contracts where the support asset has a small value, the Company recognizes the leasing payments associated with these leasing contracts as an expense, using a linear basis for the entire duration of the leasing contract.

(vii) Transition

The Company applies IFRS 16 using the modified retrospective approach, in the sense that it recognizes the date of initial application (January 1, 2019):

- a debt stemming from the leasing contract at the date of initial application (January 1, 2019). The company evaluates the debt stemming from the leasing contract at the present value of the remaining lease payments, updated on the basis of the marginal loan rate from the date of initial application.
- an asset related to the right of use at the date of initial application. Valuation of the asset related to the right of use is made at a value equal to the debt stemming from the leasing contract, at the date of initial application.

(viii) Accounting period applicable before 1st January 2019

Before 1st anuary 2019, leasing contracts were reflected in compliance with IAS17.

a. Operational Leasing

Operational leasing paymentshave been recognized in the profit or loss account based on the linear method during the leasing contract, the operational leasing expense (with rent) being recognized as a component of operational expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

q. Leasing Contracts as Lessee (to be continued)

a. Financial leasing

At the beginningof the leasing period, the Company recognized the financial leasing operations as assets and liabilities in the financial position statement, at a value equal to the fair value of the leased asset or the updated value of the minimal leasing payments, if thelatter were smaller, each being determined at the start of the leasing contract. The update rate that must be used to calculate the updated value of minimalleasing payments is the implicit interest rate in the leasing contract, if this can be ascertained, otherwise, the marginal interest rate of the entity must be used. Minimal leasing payments in the financial leasing contracts have been divided between the reduction of the leasing debt and expense with leasing interest. Leasing interest expense is assigned to each leasing period so as to obtain a constant interest rate for the remaining leasing debt. The amortization policy for the assets corresponding to the financial leasing contracts has been consistent with that applied to similartangible assets held by the Company.

r. Contingents

Contingent debts are not recognized in the enclosed preliminary 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 preliminary financial statements, but it is presented when an entry of economic benefits is probable.

s. Profit tax

The profit tax on December 31, 2019 includes current and deferred tax.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

s. Profit tax (to be continued)

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 profit tax rate 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.

t. 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 assignable to the ordinary shareholders of the Company by the number of ordinary shares related to reporting period.

u. Share Capital

Ordinary shares are recognized in the share capital. 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. Incremental costs directly assignable to an issue of ordinary shares are deducted from capital, net of taxation effects.

v. Dividends

Dividends are handled as a distribution of profit in the period when they have been declared and approved by the General Meeting of Shareholders.

w. Prescribed dividends

Dividends to pay not collected within 3 years from their declaration date become outdated according to the law. The prescribed dividends represent transactions with shareholders and are recognised in equity, in the reported result.

x. Principle of business continuity

The preliminary financial statements have been drafted based on the activity continuity principle that assumes that the Company will normally continue its activity in the predictable 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 predictable future and thus, the application of the principle of business continuity in preparation the preliminary financial statements is justified.

y. 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 December 31, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)
y. Subsidiaries and associated entities (to be continued)

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

z. 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.

aa. Applicable accounting policies

Standards and interpretations that have came into force in the current year

The following standards, amendments of exisitng standards and interpretations issued by the International Accounting Standard Board - ”IASB” and adopted by the European Union (”EU”) that have came into force in the current year, are applicable to the Company:

- IFRS 16 „Leasing” – adopted by the UE on 31st October 2017 (applicable for annual periods starting on or after 1st January 2019),
- Amendments to IFRS 9 „Financial Instruments” – Market characteristics in advance, with negative compensation, adopted by EU on 22nd March 2018 (applicable for annual periods starting on or after 1st January 2019),
- IFRIC 23 „Uncertainties regarding income tax treatment’ – adopted by the EU on 23rd October 2018 (applicable for annual periods starting on or after 1st January 2019).
- Amendments to IAS 28 „Investment in Associated and Joint Ventures” – Long-term interests of associated and joint ventures (applicable for annual periods starting on or after 1st January 2019, approved by the EU in February 2019)
- Amendments to various standards following the „Improvements brought to IFRS (2015-2017 cycle) that result from the annual project for IFRS improvement with the main purpose of eliminating inconsistencies and clarifying certain wordings (applicable for annual periods starting on or after 1st January 2019, approved by the EU in March 2019)

The Company considers that the adoption of these standards, revisions and interpretations has not had a significant impact on its interim preliminary financial statements. The Group has adopted IFRS 16 on the date of its initial application on 1st January 2019.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

aa. Applicable accounting policies

Standards and interpretations issued by IASB not yet adopted by EU

On the reporting date of the present preliminary financial statements, IFRS, as adopted by the EU do not significantly differ from the regulations adopted by IASB with the exception of the following standards, amendments and interpretations that are applicable to the Company whose application has not been approved by the EU up to the certification date of the present preliminary financial statements:

- Amendments to IFRS 10 „Consolidated financial statements" and IAS 28 „Investment in associated and joint ventures" – Sale or asset contribution between an investor and its associate ro joint venture and other amendments (the actual application date has been postponed indefinitely up to the completion of the research project regarding the equivalence method),
- Amendments to IAS 1 „Presentation of Financial Statements" and IAS 8 „Accounting Policies, accounting estimates changes and error correction" – definition of materiality (applicable for annual periods starting on or following 1st January 2020)
- Amendments to the references of the Conceptual Framework of IFRS Standards (applicable for annual periods starting on or following 1st January 2020).

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

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 a 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 preliminary 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.

5. REVENUES

	December 31, 2019	December 31, 2018
Sales of goods	30,754,079	33,738,790
Services rendered	97,766	77,116
Gross turnover	**30,851,845**	**33,815,905**
Commissions granted to dealers	(1,351,126)	(2,690,905)
Total net turnover	**29,500,719**	**31,125,000**

The gross turnover of the Company as of December 31, 2019 is of RON 30,851,845 (December 31,2018: RON 33,815,905), out of which RON 239,515 to export (December 31,2018: RON 835,988) and RON 30,612,330 to intern (December 31,2018: RON 32,979,917).

For the realisation of this sales volume the Company granted commissions according to contracts in force in amount of RON 1,351,126 as of December 31, 2019, respectively RON 2,690,905 as of December 31, 2018, thus resulting in a net turnover of RON 29,500,719 as of December 31, 2019 and RON 31,125,000 as of December 31, 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 December 31, 2019, respectively on December 31, 2018.

6. Other operational revenues

	December 31, 2019	December 31, 2018
Revenue from operating subsidies for the payment of personnel	155,764	-
Revenue from indemnities and penalties	4,278	8,407
Revenue from rental of Real estate investments	299,701	483,871
Other operating incomes	26,637	59,289
Other operational revenues	**486,380**	**551,567**

7. EXPENSES WITH SALARIES AND OTHER PERSONNEL EXPENSES

	December 31, 2019	December 31, 2018
Salaries expenses	5,249,090	5,813,153
Expenses with salary contributions	151,211	154,804
Expenses with unused vacation leave	5,644	7,409
Expenses with granted vouchers	304,787	335,547
Other benefits to employees	112,482	141,884
Expenses with indemnity of Board of Directors members	487,051	477,561
Expenses with indemnity of executive management	715,065	609,772
Total	**7,025,330**	**7,540,129**
Average number of employees	**121**	**148**

7. EXPENSES WITH SALARIES AND OTHER PERSONNEL EXPENSES (to be continued)

	December 31, 2019	December 31, 2018
Other benefits to employees	**112,482**	**141,884**
Social benefits	17,122	23,114
Stimulation fund	41,100	50,850
Gift vouchers	54,260	67,920

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

- Social benefits amounting to RON 17,122. 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 41,100 granted in accordance with art. 124 of the applicable CLA;
- gift vouchers amounting to RON 54,260, 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 December 31, 2019, the information is presented in Note 25 Provisions ”Benefits of employees”.

8. OTHER ADMINISTRATIVE EXPENSES

	December 31, 2019	December 31, 2018
Expenses with maintenance and repairs	107,909	73,747
Expenses with royalties, leases and rents	10,583	84,844
Expenses with insurance premiums	76,830	70,547
Expenses with professional training	1,668	38,550
Protocol, advertising and publicity expenses	76,246	68,667
Expenses with transport of goods and staff	400,981	457,039
Expenses with travels, secondments and transfers	165,589	154,542
Postal and telecommunication taxes expenses	40,291	40,508
Expenses with banking and similar services	89,198	145,407
Expenses with audit services	233,945	112,724
Other expenses with services provided by third parties	1,261,993	1,089,136
Total	**2,465,234**	**2,335,712**

9. OTHER OPERATING EXPENSES

	December 31, 2019	December 31, 2018
Expenses with taxes, duties and similar expenses	403,079	416,255
Penalties	38,509	5,164
Other operating expenses	172,484	144,830
Total	**614,073**	**566,249**

10. FINANCIAL REVENUES AND EXPENSES

	December 31, 2019	December 31, 2018
Interest income	225,791	8,199
Net gain on financial assets	7,407	31,942
Financial revenues total	**233,198**	**40,141**
Interest expenses	37,882	55,137
Interest expenses related to leasing contracts	17,622	-
Net foreign exchange loss	107,225	19,628
Other financial expenses	113,602	137,232
Financial expenses total	**276,330**	**211,997**
Net financial result	**(43,132)**	**(171,857)**

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 December 31, 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 December 31, 2019 is of RON 44,924 while the value of foreign exchange losses is RON 152,149.

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

11. PROFIT TAX

Profit tax	December 31, 2019	December 31, 2018
Current profit tax	3,486,701	(66,384)
Deferred profit tax Revenue / (Expense)	(433,660)	(235,698)

	December 31, 2019	December 31, 2018
Profit before taxation	**7,871,505**	**3,466,558**
Expenses relating to a 16% corporate tax	1,259,441	554,649
Effect of similar elements to expenses and income	1,668,326	(376,121)
Effect of non-taxable revenues	(356,454)	(861,394)
Effect of non-deductible expenses in determining the taxable profit	915,389	749,250
Effect of temporal differences	(433,660)	235,698
Profit tax	**3,053,041**	**302,082**

12. LIABILITIES REGARDING DEFERRED PROFIT TAX

Liabilities regarding deferred profit tax are represented by the profit tax, payable in future accounting periods, concerning the taxable temporary differences. The tax rate used to determine the deferred profit tax is provided in the fiscal regulations applicable at the date of drafting up the preliminary financial statements, specifically 16%.

On December 31, 2019, deferred tax receivables were recognized for those provisions in the balance that were non-deductible at the time of calculating the current profit tax.

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

Debts regarding deferred profit tax on December 31, 2019 are generated by the elements detailed in the following table:

	ASSETS	LIABILITIES	NET
Tangible assets	-	978,573	978,573
Provisions for risks and expenses and adjustments	9,150,743		(9,150,743)
Reserves from revaluation of tangible assets	-	8,378,181	8,378,181
Deferred result representing the surplus realized from revaluation reserves	-	3,967,513	3,967,513
Reserves from tax facilities	-	339,223	339,223
Total	**9,150,743**	**13,663,490**	**4,512,747**
Temporal net differences - 16% quote			4,512,747
Liabilities regarding deferred profit tax			**722,040**

Debts regarding deferred profit tax on December 31, 2018 are generated by the elements detailed in the following table:

	ASSETS	LIABILITIES	NET
Tangible assets	-	745,242	745,242
Provisions for risks and expenses and adjustments	6,240,635	-	(6,240,635)
Reserves from revaluation of tangible assets	-	17,631,697	17,631,697
Reported result representing the surplus realized from revaluation reserves	-	3,967,513	3,967,513
Reserves from tax facilities	-	339,223	339,223
Total	6,240,635	22,683,675	16,443,040
Temporal net differences - 16% quote			16,443,040
Liabilities regarding deferred profit tax			**2,630,886**

Deferred profit tax recognized directly by the diminution of equity is 2,029,588 lei on December 31, 2019 (December 31, 2018: 3,504,774 lei), being generated by reserves and reported result representing the surplus realized from reserves from revaluation – gross value.

13. TANGIBLE ASSETS AND RIGHTS OF USE OF ASSETS

	Lands	Technical installations and means of transport	Furniture, equipment office	Fixed assets tangible under execution under execution	Total
COST					
Balance on December 31, 2017	**18,585,018**	**18,669,024**	**226,497**	**356,871**	**37,837,410**
Incoming fixed assets	33,335	609,612	-	110,268	753,215
Increases from reassessment	6,718,244	-	-	-	6,718,244
Outgoing fixed assets	3,184	3,218,932	-	212,057	3,434,174
Reclassification to assets held for sale	9,183,452	-	-	-	9,183,452
Decreases from reassessment	475,817	-	-	-	475,817
Cumulative amortization reversal	2,414,403	-	-	-	2,414,403
Balance on December 31, 2018	**13,259,741**	**16,059,704**	**226,497**	**255,082**	**29,801,024**
CUMULATED AMORTIZATION				-	
Balance on December 31, 2017	**1,989,537**	**12,848,991**	**204,973**	**-**	**15,043,501**
Amortization during the year	428,051	917,073	9,039	-	1,354,162
Cumulative amortization reversal	2,414,403	-	-	-	2,414,403
Cumulative amortization associated with outgoings	3,184	3,139,569	-	-	3,142,753
Balance on December 31, 2018	**-**	**10,626,495**	**214,012**	**-**	**10,840,507**
IMPAIRMENT ADJUSTMENTS					
Balance on December 31, 2017	**49,799**	**217,004**	**-**	**-**	**266,803**
Adjustments established during the year	8,155	-	-	-	8,155
Write-backs of adjustments from impairment	-	19,728	-	-	19,728
Balance on December 31, 2018	**57,954**	**197,276**	**-**	**-**	**255,230**
Net accounting value at December 31, 2017	**16,545,682**	**5,603,029**	**21,524**	**356,871**	**22,527,105**
Net accounting value at December 31, 2018	**13,201,787**	**5,235,933**	**12,485**	**255,082**	**18,705,287**

13. TANGIBLE ASSETS AND RIGHTS OF USE OF ASSETS (to be continued)

	Lands	Technical installations and means of transport	Furniture, equipment office	Fixed assets tangible under execution under execution	Total
COST					
Balance on December 31, 2018	**13,259,741**	**16,059,704**	**226,497**	**255,082**	**29,801,024**
Incoming fixed assets	96,891	224,711	125,723	547,082	994,407
Increases from reassessment	6,673	-	-	-	6,673
Outgoing fixed assets	1	437,457	1,559	357,919	796,935
Reclassifications to assets representing rights of use of assets	-	851,223	-	-	851,223
Reclassification to assets held for sale	315,707	-	-	-	315,707
Reclassification to real estate investments	62,707	-	-	-	62,707
Balance on December 31, 2019	**12,984,890**	**14,995,735**	**350,661**	**444,246**	**28,775,531**
CUMULATED AMORTIZATION				-	
Balance on December 31, 2018	**-**	**10,626,495**	**214,012**	**-**	**10,840,507**
Amortization during the year	497,891	872,925	3,655	-	1,374,470
Reclassifications to assets representing rights of use of assets	-	647,166	-	-	647,166
Cumulative amortization associated with outgoings	1	422,099	1,559	-	423,659
Balance on December 31, 2019	**497,890**	**10,430,155**	**216,108**	**-**	**11,144,153**
IMPAIRMENT ADJUSTMENTS					
Balance on December 31, 2018	**57,954**	**197,276**	**-**	**-**	**255,230**
Adjustments established during the year	7,850	-	-	-	7,850
Write-backs of adjustments from impairment	-	19,728	-	-	19,728
Balance on December 31, 2019	**65,804**	**177,548**	**-**	**-**	**243,352**
Net accounting value at December 31, 2018	**13,201,787**	**5,235,933**	**12,485**	**255,082**	**18,705,287**
Net accounting value at December 31, 2019	**12,421,196**	**4,388,032**	**134,553**	**444,246**	**17,388,026**

13. TANGIBLE ASSETS AND RIGHTS OF USE OF ASSETS (to be continued)

Assets representing rights of use in leasing contracts

	January 1, 2019	Implementation of IFRS 16	Increases/ Reclassifications	Reductions/ Reclassifications	December 31, 2019
Gross accounting value					
Rights of use - transportation means	-	851,223	136,834	-	988,057
Rights of use - office spaces	-	379,165	-	80,707	298,458
Total	**-**	**1,230,388**	**136,834**	**80,707**	**1,286,515**
CUMULATED AMORTIZATION					
Rights of use - transportation means	-	524,000	123,166	-	647,167
Rights of use - office spaces	-	0	90,808	28,584	62,224
Total	**0**	**524,000**	**213,974**	**28,584**	**709,391**
Net accounting value					
Rights of use - transportation means	-	327,233			340,890
Rights of use - office spaces	-	379,165			236,234
Total	**-**	**706,388**			**577,124**

13. TANGIBLE ASSETS AND RIGHTS OF USE OF ASSETS (to be continued)

Impairment losses recognized in profit or loss were classified as expenses under depreciation and amortization of fixed assets.

In 2019, the acquisitions, mainly included fixed assets specific to the company's activity (presses and devices needed in the production process), the video surveillance system was received and the Steyr Parts store was opened.

During 2019, the Company sold 2 means of transport and has scrapped a number of 58 tangible assets.

As of December 31, 2019, 2 lands located on the following sites, were reclassified as assets held for sale: in Valea Seaca, Neamt county, respectively in Vadeni village, Braila county.

(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.

14. INTANGIBLE ASSETS

	Brevets, licenses and trademarks	Other assets	Intangible assets under execution	Total
COST				
Balance on December 31, 2018	**528,327**	**879,856**	**-**	**1,408,183**
Purchases	-	9,196	-	9,196
Balance on December 31, 2019	**528,327**	**889,052**	**-**	**1,417,379**
CUMULATED AMORTIZATION				
Balance on December 31, 2018	**248,792**	**754,953**	**-**	**1,003,746**
Amortization during the year	92,489	47,308	-	139,797
Balance on December 31, 2019	**341,282**	**802,261**	**-**	**1,143,543**
IMPAIRMENT ADJUSTMENTS				
Balance on December 31, 2018	**269,194**	-	-	**269,194**
Write-backs of adjustments from impairment	89,732	-	-	89,732
Balance on December 31, 2019	**179,462**	-	-	**179,462**
Balance on December 31, 2018	**10,341**	**124,903**	**-**	**135,243**
Balance on December 31, 2019	**7,583**	**86,791**	**-**	**94,374**

Intangible assets on December 31, 2019, at a net value of RON 94,374 (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

	December 31, 2019	December 31, 2018
Net value	413,550	430,636

	December 31, 2019	December 31, 2018
Balance on December 31, 2018	**430,636**	**1,608,409**
Increases/Reclassifications in Real estate investments	62,707	-
Reductions/Reclassifications in assets held for sale	(71,500)	(2,831,964)
Fair value modifications	(8,293)	1,654,191
Balance on December 31, 2019	**413,550**	**430,636**

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

Value of the revenues as of December 31, 2019 is RON 299,701. The company did not perform significant repairs and had no other costs relating to Real estate investments as of December 31, 2019.

The commercial properties are leased to third parties under 12-month agreements with 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”

The fair-value evaluation of real estate investments was made by independent assessors, members of the National Association of Assessors of Romania (ANEVAR).

As of December 31, 2019, the Company reclassified as assets held for sale the building located in Vadeni village, Braila county.

16. ASSETS HELD FOR SALE

	December 31, 2019	December 31, 2018
Balance on December 31, 2018	**12,015,415**	**-**
Purchases/ Reclassifications	387,207	12,015,415
Sales of assets held for sale	(12,015,415)	-
Balance on December 31, 2019	**387,207**	**12,015,415**

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 , Neamt 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.

16. ASSETS HELD FOR SALE (to be continued)

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.
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.**

In the OGMS from 09.05.2019 it was decided to sell the assets, a company property, identified as follows:

a. Unincorporated land with a 6,600 sqm surface according to documents (6,691 sqm according to measurements), the "arable"category, located in the outskirts of the city of Targu Neamț, Valea Seaca area, Neamț county, identified with cadastral number 50718, registered in the Land Registry of Tg Neamț, under the number 50718.
b. The building located in Baldovinești Village, Vădeni city, Braila county, which is composed of:
   - Incorporated land with a 5,278 sqm surface, identified with cadastral number 240, registered in the Land Registry under the number 71069, land 208, parcel 1354 of Vădeni town, category of use "building yards";
   - Related construction

As a result, on December 31, 2019, the assets mentioned above were reclassified as held for sale.

The fair-value evaluation was made by independent assessors, members of the National Association of Assessors of Romania (ANEVAR).

17. INVENTORIES

	December 31, 2019	December 31, 2018
Raw materials and consumables	1,256,496	1,334,173
Work in progress	247,002	374,548
Semi-finished goods	68,507	64,749
Finished goods	13,104,519	13,508,691
Goods purchased for resale	5,485,622	3,193,918
Inventory at net value	**20,162,146**	**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.

18. TRADE RECEIVABLES

	December 31, 2019	December 31, 2018
Trade receivables - stages 1 and 2	14,559,755	14,438,877
Trade receivables - stage 3	3,559,485	2,064,778
Adjustments for impairment of trade receivables - stages 1 and 2	(2,125,085)	(372,564)
Adjustments for impairment of trade receivables - stage 3	(3,559,485)	(1,933,204)
Net trade receivables	**12,434,669**	**14,197,887**

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

On December 31, 2019, the net trade receivables amounting to RON 12,434,669 (December 31, 2018: RON 14,197,887) are considered performing in full.

On December 31, 2019, the Company has received from customers promissory notes and cheques in amount of RON 58,498 (December 31, 2018 in amount of RON 581,469) according to the contract clauses.

As of December 31, 2019, compensations were made for mutual debts in the amount of 645,346 lei (as of December 31, 2019 the amount of 1,942,320 lei).

On December 31, 2019, are established impairments of trade receivables in total amount of RON 5,684,570 (December 31, 2018: RON 2,305,768). Impairments have been recognized both due to the fact that there is no clear evidence that these receivables will be recovered, as well as based on the application of the Expected Credit Loss model in accordance with IFRS 9.

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

Assessed individually

The entity peforms indivually analsys 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 December 31, 2019	Gross value December 31, 2019	Impairment December 31, 2018	Gross value December 31, 2018
Due for over 365 days	3,559,485	3,559,485	1,933,204	2,064,778

Assessed collectively

	Impairment December 31, 2019	Gross value December 31, 2019	Impairment December 31, 2018	Gross value December 31, 2018
Undue	986,970	10,822,027	145,883	12,005,231
Due for 0 to 30 days	35,027	916,639	40,915	795,002
Due for 31 to 60 days	74,667	243,062	22,402	478,500
Due for 61 to 90 days	53,383	198,353	22,673	237,879
Due for over 90 days	975,038	2,367,315	140,692	922,265
	2,125,085	**14,547,396**	**372,564**	**14,438,877**

18. TRADE RECEIVABLES (to be continued)

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

Currency:	**December 31, 2019**	**December 31, 2018**
EUR	-	2,279
RON	12,434,669	14,195,607
Total	**12,434,669**	**14,197,887**

19. OTHER RECEIVABLES

	December 31, 2019	**December 31, 2018**
Sundry debtors	132,861	217,032
Adjustment for other receivables	(113,817)	(201,922)
Advance payments to suppliers	11,060	7,477
VAT receivable and under settlement	8,495	26,509
Profit tax to be recovered	68,153	282,137
Other receivables	199,652	22,385
Total	**306,405**	**353,618**

The fair value of the other receivables reflects their value except for the adjustments from impairment. The entity peforms indivually analsys of sundry debtors 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 December 31, 2019	**Gross value December 31, 2019**	**Impairment December 31, 2018**	**Gross value December 31, 2018**
Due for over 365 days	113,817	113,817	201,922	201,922

20. CASH, CURRENT ACCOUNTS, BANK DEPOSITS AND FINANCIAL ASSETS AT FAIR VALUE

(i) Cash and current accounts

	December 31, 2019	December 31, 2018
Cash	12,020	3,871
Current bank accounts	2,622,812	3,320,421
Chargeable values	-	8,000
Cash and current accounts - gross value	**2,634,832**	**3,332,293**
Expected credit loss related to current accounts	**(11)**	
Total Cash and current accounts	**2,634,821**	**3,332,293**

The current accounts opened with banks are permanently at the Company's disposal

(ii) Bank deposits

	December 31, 2019	December 31, 2018
Fixed term bank deposits	18,800,000	-
Bank deposits - gross value	**18,800,000**	**-**
Expected credit loss related to bank deposits	(1,562)	-
Total bank deposits	**18,798,438**	**-**

The bank deposits are permanently available for the Company and are not restricted.

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

	December 31, 2019	December 31, 2018
Financial assets - fund units	253,859	246,452
Securities of Transport Ceahlau SRL	51,000	51,000
Adjustment of fair value of securities	(51,000)	(51,000)
Total	**253,859**	**246,452**

As of December 31, 2019, the company holds investments in fund units, at fair value, as follows:

Fund type	Fund management company	Number of fund units	Value of fund units
Open-end investment fund BT OBLIGATIUNI	BT Asset Management	13,591	253.859

21. CAPITAL AND RESERVES

a. Share Capital

Subscribed and paid-in share capital on December 31, 2019	**RON 23,990,846**
Number of subscribed and paid-in shares on December 31, 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.

As of December 31, 2019, the share capital of the Company was not modified, meaning its increase or decrease.

The share capital registered on as of December 31, 2019 is of RON 23,990,846.

The Company's shareholder structure is the following:

December 31, 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	803,720	80,372.0	0.3350
- individuals	14,769,149	1,476,914.90	6.1562
TOTAL	**239,908,460**	**23,990,846**	**100.00**

December 31, 2018	**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

	December 31, 2019	**December 31, 2018**
Reserves from the re-valuation of tangible assets	8,378,181	17,631,697
Legal reserves	2,793,759	2,400,184
Other reserves	5,886,024	5,886,024
Deffered tax recognized for reserves	(1,394,786)	(2,869,971)
Total	**15,663,178**	**23,047,934**

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 as of December 31, 2019 is RON 2,873,019 (December 31, 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:

	Amount
Other reserves - established from the profit	5,499,918
Other reserves - established from fiscal facilities	339,223
Other reserves - established from the sales of fixed assets	29,888
Other reserves - established from settlements regarding investments	15,340
Other reserves - established from prescribed dividends	1,655
TOTAL	**5,886,024**

22. RESULT PER SHARE

The result per share is calculated by dividing the net profit attributable to the shareholders of the company at December 31, 2019 in the amount of RON 4,818,463 (December 31, 2018: 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	**December 31, 2019**	**December 31, 2018**
Profit for the period	4,818,463	3,164,476
Number of ordinary shares	239,908,460	239,908,460
Gains per share	0.0201	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.

	December 31, 2019	December 31, 2018
Loans	**1,268,171**	**1,517,750**
Long-term bank loans	981,035	1,237,548
Short term bank loans (up to 1 year)	287,136	280,202

As of December 31, 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 31 December 31, 2019 is of EUR 265,346.50.

24. LIABILITIES FROM LEASING CONTRACTS

	December 31, 2019	December 31, 2018
Liabilities from leasing contracts	**496,612**	**266,641**
Debts stemming from leasing agreements (between 1 year and 5 years)	309,919	134,128
Current leasing debts (up to 1 year)	4,295	3,432
Debts stemming from leasing contracts (up to 1 year)	182,398	129,081

The company holds leasing contracts whose objects are mainly transportation means and office spaces.

25. PROVISIONS FOR RISK AND EXPENSES

	Guarantees	Benefits of employees	Other Provisions	Total
Balance on December 31, 2018	**58,208**	**328,671**	**188,276**	**575,155**
Provisions established during the period	820	-	554,621	555,441
Provisions resumed during the period	-	53,824	201,756	255,580
Balance on December 31, 2019	**59,028**	**274,847**	**541,141**	**875,016**
Long-term	**-**	**274,847**	**-**	**274,847**
Current	**59,028**	**-**	**541,141**	**600,169**

Warranties

The provisions for warranties in the amount of RON 59,028 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 274,847 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 December 31, 2019 represent:

- Provisions for the non-granted rights according to the contracts concluded in the amount of RON 125,812;
- Provision for return risk for finished products and goods in the amount of RON 415,329;

26. TRADE DEBTS

	December 31, 2019	December 31, 2018
Trade debts - short-term debts	4,962,773	2,033,948
Investment suppliers	18,228	81,542
Suppliers - Invoices to be received	192,160	55,564
Debt commissions to dealers	1,131,745	1,218,973
Total	**6,304,906**	**3,390,027**

27. OTHER DEBTS

	December 31, 2019	December 31, 2018
Social insurances and other taxes	842,636	718,497
Guarantees of tenants	20,500	21,139
Dividends to be paid	86,971	86,982
Other debts – advance	68,392	2,213,146
Other creditors, including employees	198,354	209,667
Total	**1,216,853**	**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:

	December 31, 2019	December 31, 2018
Trade receivables	12,434,669	14,197,887
Other receivables	306,405	353,618
Securities and bank deposit	253,859	246,452
Cash and cash equivalents	21,433,259	3,332,293
	34,428,193	**18,130,250**

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

	December 31, 2019	December 31, 2018
Internal market	30,612,330	32,979,917
Other regions	239,515	835,988
- EU Area	*164,717*	*746,658*
- NON-EU Zone	*74,797*	*89,330*
Total gross turnover	**30,851,845**	**33,815,905**

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 34 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 54%, and the direct sales to internal beneficiaries were of 46%.

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, 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 December 31,2019 net accounting value 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:

December 31, 2019	**Book value**	**0 – 12 months**	**More than 1 year**
Financial assets			
Cash and cash equivalents	21,433,259	21,433,259	-
Financial assets evaluated at fair value by profit and loss account	253,859	253,859	-
Trade receivables and other receivables	12,741,074	12,741,074	-
Total financial assets	**34,428,193**	**34,428,193**	**-**
Financial liabilities			
Investment credit	(1,268,171)	(287,135)	(981,035)
Leasing liabilities	(496,612)	(186,693)	(309,919)
Commercial debts and other debts	(7,521,759)	(7,521,759)	
Total financial liabilities	**(9,286,542)**	**(7,995,588)**	**(1,290,954)**
NET	**25,141,651**	**26,432,604**	**(1,290,954)**

28. FINANCIAL INSTRUMENTS (to be continued)

b. Liquidity risk (to be continued)

December 31, 2018	Book value	0 – 12 months	More than 1 year
Financial assets			
Cash and cash equivalents	3,332,293	3,332,293	-
Financial assets evaluated at fair value by profit and loss account	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 liabilities			
Investment credit	(1,517,750)	(280,202)	(1,237,548)
Leasing liabilities	(266,641)	(132,513)	(134,128)
Commercial debts and other debts	(6,639,458)	(6,639,458)	-
Total financial liabilities	**(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 uncertainly 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 December 31, 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

December 31, 2019	EUR 1 EUR = 4.7793	RON 1 RON	TOTAL
Cash and cash equivalents	25,899	21,407,360	21,433,259
Financial assets evaluated at fair value by profit and loss account		253,859	253,859
Trade receivables and other receivables	2,115	12,738,960	12,738,960
Total financial assets	**28,014**	**34,400,179**	**34,428,193**
Investment credit	(1,268,171)	-	(1,268,171)
Leasing liabilities	(496,612)	-	(496,612)
Commercial debts and other debts	(4,259,190)	(3,262,570)	(7,521,759)
Total financial liabilities	**(6,023,972)**	**(3,262,570)**	**(9,286,541)**

December 31, 2018	EUR 1 EUR = 4.6639	RON 1 RON	TOTAL
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 liabilities	(266,641)	-	(266,641)
Commercial debts and other debts	(1,108,269)	(5,531,189)	(6,639,458)
Total financial liabilities	**(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 December 31, 2019, all the other variables remaining constant, is ± RON 299,798 (December 31, 2018: 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 indebtness 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.

	December 31, 2019	December 31, 2018
Financial liabilities	**9,286,541**	**8,423,849**
Cash and cash equivalents	21,433,259	3,332,293
Financial assets evaluated at fair value by profit and loss account	253,859	246,452
Equity	**62,623,708**	**56,325,559**
Indicator of the net debt	**-0.20**	**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 preliminary financial statements are adequate.

(b) Commitments

As of December 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 December 31, 2019, the Company has concluded insurance policies for tangible assets.

(d) Legal proceedings

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 preliminary 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.

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 December 31, 2019 in Transport Ceahlau SRL are presented as such:

	December 31, 2019	**December 31, 2018**
Shares unquoted on December 31, 2018	**51,000**	**51,000**
Purchases	-	-
Disposals	-	-
Adjustments for depreciation	51,000	51,000
Balance on December 31, 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 December 31, 2019 is the following:

			Participation percentage	
	Purchase date	**Sale date**	**December 31, 2019**	**December 31, 2018**
Transport Ceahlau SRL	2004	-	24.28%	24.28%

30. AFFILIATED PARTIES (to be continued)

Information on the transactions with affiliated parties

As of December 31, 2019, the Company had no transactions with Transport Ceahlau SRL.

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

	December 31, 2019	December 31, 2018
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 grand advances, credits or loans to the members of the management and supervision bodies on December 31, 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

	December 31, 2019	December 31, 2018
Management Contracts	715,065	609,772
Members of the Management Board	487,051	477,561

b) Balance on

	December 31, 2019	December 31, 2018
Management Contracts	16,054	11,678
Members of the Management Board	-	-

The preliminary financial statements have been approved by the Board of Directors on February 28, 2020 and have been signed in its behalf by:

Molesag Ion Sorin,
General Manager

Chirila Oana,
Financial Manager