ANNUAL REPORT of
COMPANY MECANICA CEAHLAU SA
2019

Annual Report according to:	Law no. 31/1990 R; Law 24/2017; ASF Regulation no. 5/2018; BVB Code; M.F.P. Order no. 40/2013
For the financial year	2019
Date of the report:	23/04/2020
Name of the issuing company:	**Mecanica Ceahlău SA**
Registered office:	Piatra Neamţ, str. Dumbravei nr.6, Neamţ County Neamţ Postal code 610202
Telephone/Fax:	Tel: 0233/215820; 0233/211104; Fax 0233/216069
Web	www.mecanicaceahlau.ro
E-mail	ceahlau@mecanicaceahlau.ro
Tax Identification Code	RO 2045262
Number in the Trade Register	J27/8/08.01.1991
The regulated market where the securities issued are traded	Bucharest Stock Exchange - Standard category MECF Symbol
Subscribed and Paid-up Share Capital	RON 23,990,846.00
The main characteristics of securities issued by Mecanica Ceahlău SA	Ordinary, common, nominative, dematerialized, and evidenced by entry process

1) ANALYSIS OF COMPANY'S BUSINESS

1.1. a) Description of the company's core business

Object of Activity - Mecanica Ceahlău has as main area of activity the manufacture of agricultural and forestry machinery, NACE CODE 283. The main activity is the "Manufacture of agricultural and forestry machinery" - NACE CODE 2830.

The main farming machinery and equipment manufactured and traded by Mecanica Ceahlău cover the entire range of works, from soil preparation with a view to sowing to harvesting: ploughs, seed drills for hoeing plants, seed drills (mechanical and pneumatic) for straw plants, reversible ploughs, combine harvesters, compactors, disc harrows, farming hoes, tillers, irrigation installations, anti-pest sprayers, fertilizer spreaders, potato planting/tillers and harvesters etc.

In 2019 it successfully continued the partnership with CNH Industrial, for distribution of Steyr tractors in Romania, most farmers purchase tractors and agricultural machines from the same supplier, which is a financially competitive advantage by much easier access to purchases with non-refundable funds and an image advantage.

It also continued the partnerships with Projet from Bargam Italy Group for distribution of sprayers machines and self-propelled machines, with Stoll Germany for distribution in Romania of front end loaders for tractors and partnership with trailer manufacturer Bellucci & Rossini Italy for assembling and distribution under licence of trailers from 6 to 14 tons.

The Company has implemented the Integrated Management System ”Quality-Environment” certified by the external auditor TÜV THÜRINGEN for the management systems ISO 9001: 2015 and ISO 14001: 2015.

1.1. b) Stating the date of the company incorporation

Legal framework - Mecanica Ceahlău S.A. is a joint stock company, established pursuant to the Government Resolution no. 1254/04.12.1990, in Piatra Neamţ, Neamţ County.

1.1.c) Description of any merger or significant reorganisation of the company during the fiscal year

Secondary office at the address Bucharest, Sector 1, Calea Grivitei, no. 136, Et.1, Room E1-I2 classified in the NACE class: "Own office activities for the company", according to the BD Resolution no. 1 of 06.09.2019.

Secondary office (point of work) at address: Timiș county, Giarmata commune, Giarmata town, 24-26 Calea Timișoarei Street, according to the decision of Board of Directors no.1 of 25.05.2018.

Secondary offices have no declarative and payment obligations.

1.1. d) Description of procurement and/or alienation of assets

d). 1 Procurement

In 2019, according to Investment Programme, it made investments in total amount of 593,355 lei from own financing sources and financial leasing in the following chapters:

Investment Name	Value (RON)	Financing sources	Investments New	Modernizations
PRODUCTION ACTIVITY	261,861	own sources + leasing	91,078	170,783
LOGISTICS AND SALES	262,557	own sources	262,557	-
SOFTWARE and IT APPLICATIONS	9,196	own sources	9,196	-
SERVICE ACTIVITY	59,741	own sources	4,006	55,735
TOTAL INVESTMENTS	**593,355**		**366,837**	**226,518**

d). Alienation

In 2019, 2 non-functional fixed vehicles were sold: VW car and OM XD Diesel forklift with a capacity of 3 tones.

In 2019 a number of 58 fully depreciated fixed assets which did not bring future economic benefits have been scrapped.
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.

In 2019, the transaction regarding the sale of the aforementioned asset was completed. Thus, on the date of 18.07.2019, based on the contract, the transfer of the ownership right was made through land and construction invoice issued on 18.07.2019, the payment of the "rest of the payment "was made by the last buyer. The gross profit of the transaction was 11,336,548 lei.

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

1.1.1. Items of general assessment

The company presents the main indicators achieved in the year 2019:

	December 31, 2019	December 31, 2018* restated	2019/2018 %
Turnover	29,500,719	31,125,000	95%
The cost of the goods sold	(18,279,305)	(17,370,785)	105%
Gross margin	11,221,414	13,754,215	82%
Operating expenses	(14,847,785)	(13,522,919)	110%
Result of the operational activities	8,136,939	857,748	949%
Financial net result	(43,133)	(171,856)	25%
Result before taxes	8,093,806	685,892	1180%
Net expense with current profit tax and deferred tax	(1,611,645)	142,824	-1083%
Net result	6,482,161	828,716	782%
Average number of employees	121	148	82%

a) Profit/loss

In 2019 Mecanica Ceahlău recorded from operational activities a positive result in amount of 8.136.939 lei, a net negative financial result of 43,133 lei, resulting in a gross profit of 8.093.806 lei.

b) Turnover

	December 31, 2019	December 31, 2018* restated
Sales of goods	30,228,171	33,217,594
Commissions granted to dealers	(1,351,126)	(2,690,905)
Net turnover from sales of goods	**28,877,045**	**30,526,689**
Services rendered	98,090	77,502
Sales of residual goods	525,585	520,810
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 export RON 239,515 (December 31, 2018: RON 835,988) and domestic sales RON 30,612,330 (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.

In 2019 the company earned other incomes as follows:

	December 31, 2019	December 31, 2018* restated
Revenue from indemnities and penalties	4,278	8,407
Revenue from rental of real estate investments	299,701	483,871
Other operating incomes	122,783	134,174
Other operational revenues	**426,762**	**626,452**

c) Costs

	31 December 2019	31 December 2018* restated
The cost of the goods sold	(18,279,305)	(17,370,785)
Expenses with utilities	(445,177)	(530,536)
Expenses with salaries, contributions and other assimilated expenses	(6,869,566)	(7,540,129)
Other administrative expenses	(2,465,234)	(2,335,712)
Other operational expenses	(614,073)	(566,249)
Expenses with amortization and impairment of assets and depreciation of assets related to the rights to use	(1,503,466)	(1,422,237)
Adjustment of the value of current assets	(2,640,630)	(3,037,231)
Profit/loss from provisions for risks and expenses	(299,861)	240,215
Earnings/losses from lease of fixed assets	(3,658)	57,778
Earnings/losses from revaluation of tangible assets	2,173	(43,008)
Earnings/losses from revaluation of real estate investments	(8,293)	1,654,191
Costs	**(14,847,785)**	**(13,522,919)**

The main weight in total operating expenses is held by the cost of raw materials and consumables, of merchandise in distribution, followed by expenses with salaries, indemnities and similar and administrative expenses (with external supplies).

The financial expenses include interests and discounts granted for advance payments and exchange rate differences. In 2019 the interest expenses are in amount of 55,504 lei, the expenses with exchange rate differences are in amount of 152,149 lei and expenses with discounts are in amount of 113,602 lei.

e) Market share held

The Company holds an important segment of the market of agricultural machines and equipment for sowing machines for hoeing plants and sowing machines for stalky plants. The products were modernised during 2019 by application of research results in the field of agriculture, preparation of soil and sowing of soil.
The assessed market share for these products is between 20 and 30% in terms of the number of units sold.

f) Liquidity (available funds in account etc.)

Cash and current accounts	**31 December 2019**	**31 December 2018* restated**
Cash	12,020	3,872
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**

The current accounts opened with banks are permanently available for the Company and are not restricted.

Bank deposits	**December 31, 2019**	**December 31, 2018* restated**
Bank deposits - gross value	18,800,000	**-**
Expected credit loss related to bank deposits	(1,573)	-
Total bank deposits	**18,798,427**	**-**

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

The Company holds on 31st December 2019 investments in fund units evaluated at fair value by the profit and loss account, 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

1.1.2 Assessment of the technical level of the company

Description of the main products manufactured and goods distributed

The main object of activity is the production and sale of agricultural machines and equipment.

In the structure of production in 2019 a significant weight is represented by the range of sowing machines for hoeing plants, sowing machines (mechanical and pneumatic) for stalky plants in proportion of 34%, followed by the range of combiners with a percentage of 20% and cultivators in proportion of 15%.

Apart from the range of agricultural machines and equipment from own production, the Company sells tractors, front end loaders, sprayers machines, bundling machines, trailers etc.

a). The main outlets for each product or service and distribution methods

The products marketed by the Company are intended for both the domestic market and the external market.

In 2019, the domestic market was the main outlet, the sales volume in this market accounting for 99% of turnover.

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.

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.

b). The weight of each product category in total turnover for the last 3 years

The weight of the main products sold in the total turnover of the company for the past three years is as follows:

Weight in turnover / Products	2017	2018	2019
Seed drills	41%	32%	29%
Machinery for soil preparation	19%	22%	15%
Machinery for crop maintenance	7%	8%	6%
Goods in distribution	26%	28%	38%
Spare parts	3%	7%	9%
Other	4%	3%	3%

c. New products considered for which a substantial volume of assets will be used in the next financial year, as well as the development stage of these products

In 2019, the program of developing the own portfolio of products continued at an accelerated pace, in terms of innovation, quality and aspect.

I. I. The main directions in view of diversification of the product supply in 2019 were:

1. design and homologation of new agricultural machines by applying the research results in the field of agriculture, especially preparation and sowing of soil. In this direction a number of 9 new products were designed, executed and tested:
   - heavy cultivator with working width of 3m. The 3 m HEAVY CULTIVATOR is intended for soil clearing on the entire surface, with intensive mixing effect. It works the soil to a depth of 35 cm, thus replacing the plow. It incorporates excellent soil residues in the soil.
   - VIBROMIXT worn combination with corrugated disks, with a width of 4.2 m used to prepare the germination bed after plowing or scarifying. The combiner is equipped with batteries with corrugated disks, elastic active organs, leveling blades and rollers with serrated blades, which ensures the processing of the soil from a safe passage with high speed;
   - precision seed drill on 6 and 8 rows with double disc furrow and fertilizer SPC6 PHOENIX, SPC8 PHOENIX for precision seeding of planters (maize, sunflower and others similar in shape and size) on flat or sloping fields with a maximum of 8 degrees, using a pneumatic seed distributor
   - universal seed drill carried on 32 rows with double disc furrow - SUP32LM, SUP32RM destined for 32 rows sowing of the seeds of the crop plants: wheat, barley, oats, peas, millet, rapeseed, poppy, in, dill, clover, alfalfa and others similar in size and shape.
   - universal sowing machine carried on 24 rows with double disc furrow - SUP24LM, SUP24RM intended for 24 rows sowing of the seeds of the crop plants: wheat, barley, oats, peas, millet, rapeseed, poppy, in, dill, clover, alfalfa and others similar in size and shape.
   - • universal sowing machine with double disc furrow with a working width of 3m - SUP 300DIAMANT destined for sowing on a width of 3 m of the seeds of the crop plants: wheat, barley, oats, peas, millet, rapeseed, poppy, dill, clover, alfalfa and other similar in size and shape.
   - • universal seed drill with double disc furrow with a working width of 4m - SUP 400DIAMANT destined for sowing on a width of 4 m the seeds of crop plants: wheat, barley, oats, peas, millet, rapeseed, poppy, dill, clover, alfalfa and other similar in size and shape.
   - • SAFIR 6 6-row precision seed drill with fertilizer double disc and fertilizer for precision sowing of weed plants (maize, sunflower and others similar in shape and size) on flat land or with a slope of up to 8 degrees, using a distributor of pneumatic seeds.

- • 8-row precision seed drill with SAFIR 8 double disc furrow and fertilizer for precision sowing of weeds (maize, sunflower and others similar in shape and size) on flat or sloping fields of up to 8 degrees, using a distributor of pneumatic seeds.

2. modernization of machinery and agricultural equipment from the portfolio, consisted of constructive and technical characteristics for 18 machineries for the efficiency of the manufacturing processes:
   - combiners - modifications in the technological process of manufacture and constructive upgrades;
   - harrows with individual disks - design of disc supports;
   - sowing drills - constructive upgrades to increase reliability and endurance as well as upgrades to fertilizer distribution and adjustment;
   - quiet seeders - constructive upgrades to increase reliability and endurance but also upgrades to seed distribution;
   - harrows - modifications in the technological process of manufacture and constructive upgrades;
   - pressers - constructive upgrades to increase reliability and endurance as well as upgrades to fertilizer distribution and adjustment;
   - transport train for 8-row sowing machines;
   - Rigid straps - for 8-row sowing machines
   - Redesign system for locking markers in transport - at all seeders

II. The main directions in order to diversify the offer of products in the year 2020 were:

The research and development program for 2020 includes objectives in order to diversify the supply of machinery and equipment for agriculture and forest exploitation, classified in two chapters:

1. **design and approval of new agricultural machinery** based on the results of the research in agriculture, soil preparation and seeding.
2. **modernization of machinery and agricultural equipment** from the portfolio by preparing constructive and technological documentations.

Achieving the objectives for the diversification of the portfolio for 2020 will be carried out through the successive implementation of several activities specific to technical, constructive and technological innovation and in correlation with the manufacturing program.

1.1.3 Evaluation of technical-material supply activity (local sources, imported sources)

In 2019 the purchases activity was carried out under normal conditions, ensuring on time the material basis for the production activity based on the monthly and quarterly programmes from suppliers on domestic market, from suppliers from EU and outside EU.

In 2019, the activity of acquisitions was confronted with an average increase of 5% compared to 2018 in the raw materials of steel (sheets, round steel, square steel, profiles, construction pipes, square pipes)

At steel castings and cast iron prices, prices remained constant compared to 2018.
For the active organs the prices of the acquisitions were maintained except for some benchmarks which were increases of 5% compared to 2018.

In 2019, the partnerships with the external suppliers of castings whose prices of acquisitions were about 20% lower than those purchased from the internal market were retained which were purchased ready-made such as: gear wheels, castings made of cast iron and steel, disks and plates, coil springs, seed and fertilizer distributors, etc.

In 2019, no other landmarks were outsourced, these being executed internal except for the castings and the active bodies.

The commercial relations with our partners were carried out on the basis of the sale-purchase agreements through which the conditions of delivery, transport and payment methods were regulated.

1.1.4. Assessment of sales

a) Description of the evolution of sales on the internal and/or external market and the medium and long-term perspectives for sales

The gross turnover of the Company associated to 2019 is of RON 30,851,845 (on 31 December 2018: RON 33,815,905).

In its structure, the turnover was mainly achieved from selling the own production, at a rate of 54%. The weight of sales of products in distribution: Steyr tractors, sprayers machines Projet, front end loaders Stoll, Bellucci trailers in the turnover of the company is 38% in 2018 and the weight of other products in distribution is 8%.

On the external market, the volume of sales was achieved in proportion of 1% from the turnover.

b) Description of the competitive status in the company's line of business, of the market share of company's products or services and of the main competitors

The competitors faced by the company in the market are:

- *well-known EU-based manufacturers*, renowned in the field, with relatively high prices and aiming primarily at conquering the market and reaching the leading position in the market. These companies (Maschio-Gaspardo, Vogel Noot, Class, Lemken, New Holand, John Deere, Case, Horsch Germany, Kuhn, Amazone, Sulky, Sola, Lamusa) have their own financial support which allows them to promote the investment projects made by large farms by European funds and financing of important stock levels of own products any time available to the market. These companies can afford to give important facilities to customers and retailers.
- *manufacturers of agricultural machines* from Poland, Ukraine, Bulgaria, India Mahindra & Mahindra and Turkey, which have low prices agreed by a large market segment.
- *traders of second-hand machinery* originating mainly from the European Union.

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

The company addresses farmers who hold surfaces between 50 ha and 3,000 ha, organised in companies, agricultural associations, resorts and research institutes etc., which represent about 30,000 exploitations and are organised in sole partnerships, self-employed persons, family owned companies which represent over 5,000 exploitations.

Taking into account the diversity and the large number of agricultural exploitations, we cannot reach the point where the company would depend on one customer or on a limited group of customers.

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

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

The company activates with an average number of 121 employees, which is structured by categories of staff on 31 December 2019 as follows:

Categories of personnel	Average number
- directly productive workers	48
- indirectly productive workers	29
- TESA personnel	44
TOTAL	**121**

Structured by training level, the average number of employees presents as follows:

- 28 % specialized higher education,
- 21 % secondary education,
- 51% graduates of vocational schools and/or qualified on the job in specific trades (locksmith, welders, lathe operators, dyers etc.).

The employees activate in the "TESA" Free Union, with 55 members, employees in the production department and functional departments of the company.

According to the provisions of Collective Employment Contract the employees benefited from work equipment and protection equipment, antidote, social aids for serious illnesses and other benefits.

Meal tickets are offered for each 8 hour working day.

b) Description of the relationships between managers and employees and of any conflictual elements characterizing these relationships

The relationships between the executive management and the employees aim to promote and apply fair labour principles, allowing the company to carry out its activity in conditions of profitability, financial balance and capacity for payment, and on this basis ensuring social protection for employees, as well as to avoid the emergence of collective labour conflicts.

1.1.6. Assessment of aspects related to the impact of the company's main activity on the environment.

Mecanica Ceahlău S.A. holds the Environmental Permit no. 159 of 17.06.2010, reviewed on 25.05.2016 based on the activity presentation documents and the Environmental Balance, valid until 17.06.2020, and the Water Management Authorization no. 10/30.01.2020, valid until 30.01.2025.

Mecanica Ceahlău S.A. did not have and is not estimated to have disputes about the violation of environmental protection laws and follows up the implementation of the plan of measures for prevention of accidental pollutions, with deadlines and responsibilities.

1.1.7. Assessment of the research and development activity

Breakdown of expenditures during the financial year and those expected for the following financial year for the research & development activity

The main objective in the research-development activity is the extension of offer portfolio of agricultural machinery and equipment which comply with the world trends in the mechanisation of agriculture and modernisation of machines and equipment in portfolio.

1.1.8. Assessment of company's activity in terms of risk management. Risk management objectives and policies, hedging policies.

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

In the field of *risk management*, the main principles considered are: preparing the documents on the identification, measurement and control of risks associated to any potential decision, as well as improving the performance of company's management in the context of defining, measuring and evaluating the consequences of adopting uncertain decisions.

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.

b). Description of policies and objectives of the company regarding risk management

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

- Price risk
- Credit risk
- Liquidity risk
- Market risk
- Capital management

a. Price risk

The change of raw material price induces a variation of the product price which represents an important operational element of the company, being a decisive factor in the increase of expenses and implicitly of prices of products made by the company.
The management of this risk is carried out by:

- diversification of portfolio of suppliers, which offers increased negotiation levers if the price of raw materials increases in some suppliers.
- conclusion of long-term contracts, with fixed price clause.

b. Credit risk

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 credit risk is the risk that the company support a financial loss following the unfulfillment of the contractual liabilities by a client or a counterparty at a financial instrument, and this risk results mainly from trade receivables and financial investments.

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.

The financial flows and situations of receipts and payments for each partner are monitored and permanently controlled by maintaining a real connection with them, therefore we believe that this risk is low.

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

Credit risk, including the country risk in which the client operates, is managed by each business partner. When deemed necessary, are required specific credit mitigation tools - advance payments.

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

c. 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 makes sure that it holds sufficient cash to cover the forecasted operational expenses, including for the payment of the financial liabilities.
For the purpose of managing liquidity risk, cash flows are monitored and analysed weekly, monthly, quarterly, and annually to determine the expected level of net change in liquidity.

d. Market risk

The Romanian economy is changing, there is a lot of insecurity regarding the possible orientation of 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.

d.1. Foreign currency risk

The company is exposed to exchange rate risk by sales, purchases, liquid assets and its loans denominated in other currencies than the functional currency of the Company, yet the currency in which most of transactions are carried out is the Romanian leu.

The currency which 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. As of 31st December 2018 the company had cash and cash equivalences, commercial receivables, commercial debts and loans in foreign currency (EUR), the remaining financial assets and financial liabilities are denominated in lei.

d.2. Interest rate risk

The interest rate risk at fair value is the risk that the value of financial instruments fluctuates because of changes in the interest rate on the market. The income and cash flow of the Company cannot be affected by the fluctuation of interest rate on the market, because from the sensitiveness analysis determined for the interest-bearing loans that exist in balance at reporting date it is considered that their fair value does not significantly differ from book values.

e. Capital management

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

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

The company's management believes that it takes all the necessary measures to achieve the company's objectives on risk management, by:

- preparing strategies to manage the liquidity crisis and setting measures to prevent possible liquidity crises;
- constantly monitoring the liquidity;
- forecasting the current liquidity;
- daily monitoring the cash flows and assessing the effects on its creditors of the limited access to funds and possibility to increase operations in Romania.

1.1.9. Prospective elements on the company's activity

a) Presentation and analysis of trends, elements, events or factors of uncertainty impacting or that are likely to impact the company's liquidity as compared to the same period of the previous year

The liquidity of the company depends on the investment programmes in agricultural machinery and tractors of farmers. These programmes are influenced by factors related to the European and governmental policies oriented to this sector of economy, which in order to become efficient needs financial support.

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

Capital expenditures are expenditures to acquire fixed assets, for their development and modernization.

In 2019 capital expenses were recorded in amount of 593,355 lei for new equipment and modernisation of existing equipment.

c) Presentation and analysis of events, transactions, economic changes which may have a significant effect on the company's revenues from its core business

The agricultural machinery market and agriculture in general are permanently subjected to high financing constraints and, therefore, farmers are exposed to a great vulnerability in terms of exposure to domestic and foreign risks.

2) TANGIBLE ASSETS OF THE COMPANY

2.1. Denomination of the sites and of the features of the main productive capacities owned by the company

The production facilities and capacities of the Company are in the office of Piatra Neamț where the registered office of the company is located, on 6 Dumbravei Street, Piatra Neamț, Neamț county, Romania.

The main sites owned by the company are:

- The site located in Piatra Neamț, str. Dumbravei nr. 6

  - enclosed surface = 141,248 sq.m., ground + buildings
  - built area = 49,214 sq.m., out of which:
    - a) production space = 32,609.13 sq.m.,
    - b) available space = 16,604.87 sq. m.

- The site located in the town of Tg. Neamt (un-incorporated area), Valea Seacă field = 6,691 sq. m.,

  available space 6,691 sq. m.

- The site located in Baldovinesti commune, Braila County
  - enclosed surface = 5,278 sq. m, land

In the registered office all types of facilities are built for the good carrying out of production activity, according to the object of activity of the company.

The production areas include industrial halls, technological test benches, areas for administrative and social activities. Also, the company owns spaces for offices designed for technical and economic activities. All these areas are maintained in good condition.

2.2. Description and review of the wear degree of the company's property

As of 31st December 2019 the Company owns tangible assets for the carrying out of activity in net amount of 17,388,026 lei, materialised in land, buildings, special constructions, installations, technological equipment, means of transport:

The fixed assets are listed in the table below, grouped by the classification code and by wear:

Group	Inventory value	Value of amortization and adjustments for depreciation	Residual value
Land	6,818,853	-	6,818,853
Constructions	6,166,037	563,694	5,602,343
Technical installations and vehicles	14,995,819	10,607,703	4,388,032
Rights of use assets	1,288,288	711,164	577,124
Furniture, office equipment	350,661	216,108	134,553
Tangible assets under execution	444,245	-	444,245
TOTAL	**30,063,903**	**12,098,753**	**17,965,150**

As of December 31, 2019, the Company has assets held for rental purposes:

Group	Inventory value	Value of amortization and adjustments for depreciation	Residual value	Average wear (%)
Real estate investments	413,550	-	413,550	-
TOTAL	**413,550**	**-**	**413,550**	**-**

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

2.3. Potential property issues related to the property right over the tangible assets of the company

During 2019 there were no problems with the ownership right over the assets of the company.

2.4 Other information regarding tangible assets

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.

3. THE MARKET FOR THE SECURITIES ISSUED BY MECANICA CEAHLĂU SA

The summary of the consolidated structure of the owners of financial instruments.

As of 31 December 2019, the summary of the consolidated structure of the owners of the financial instruments is as follows:

	Number of shares	%
SIF Moldova	175,857,653	73.3020
NEW CARPATHIAN FUND	48,477,938	20.2068
Other shareholders, of which:		
- legal entities	803,720	0.3350
- individuals	14,769,149	6.1562
TOTAL	**239,908,460**	**100.00**

3.1. Romanian and foreign markets where the securities issued by Mecanica Ceahlău SA are traded

The shares of the company Mecanica Ceahlău SA are only traded on the Bucharest Stock Exchange, symbol MECF II category.

3.2 The company's policy related to dividends' pay-out

The policy related to payout for dividends focused both on satisfying the short-term interests of the shareholders and the institutional development on the medium and long term, such that a part of the net profit was earmarked for reserve, in order to create own resources needed for investments.

Mecanica Ceahlău SA capitalized the net profit for the financial exercises of 2004 – 2007, this option being in the interest of both the investors and the company.

For the financial exercises 2010 and 2011 the achieved net profit was allocated to cover the losses incurred in the previous years.

For the year 2012, the Ordinary General Meeting of the Shareholders of April 29, 2013 approved pay-out in the amount of RON 1,439,450.76 as dividends, respectively RON 0.006 per share. From the total amount, on the date of December 31, 2013 dividends were paid in the amount of RON 1,394,574.96, respectively 96.88% of the total.

For the year 2013, the Ordinary General Meeting of the Shareholders approved the capitalization of the achieved net profit, this option being in the interest of both the shareholders and the company.

For the year 2014, the Ordinary General Meeting of the Shareholders of April 17, 2015 approved paying out of the amount of RON 1,439,450.76 as dividends, respectively RON 0.006 lei per share.

For the year 2015, the Ordinary General Meeting of the Shareholders of April 25, 2015 approved paying out of the amount of RON 1,199,542.30 as dividends, respectively RON 0.005 per share.

For the year 2016, the Ordinary General Meeting of the Shareholders of April 26, 2016 approved paying out of the amount of RON 1,175,551.45 as dividends, respectively RON 0.049 per share.

In the year 2017 no dividends were granted.

For 2018, the Ordinary General Meeting of Shareholders from 11.04.2019 approved the distribution of the net profit realized to cover the losses from the previous years. No dividends were granted.

3.3. Description of any activity undertaken by the company to purchase its own shares

Mecanica Ceahlău SA had never purchased its own shares.

3.4. Statement regarding the number and the nominal value of the shares issued by the parent company and owned by the subsidiaries

Mecanica Ceahlău SA does not have subsidiaries, the two secondary offices, one in Bucharest and one in Giarmata commune, Timiș county are without declarative and payment obligations.

3.5. Bonds and/or other promissory notes issued by Mecanica Ceahlău SA

Mecanica Ceahlău SA did not issue bonds or other promissory notes.

4. MANAGEMENT OF THE COMPANY

4.1. The company's managers

During the period 01.01.2019 - 31.12.2019, the Board of Directors is composed of 3 members as follows:

1. **Trifa Aurelian-Mircea-Radu** – graduate of the Politehnica University in Bucharest, Faculty of Aircrafts, line of study Electrical and on-board Equipment and of the Institute for Public and Business Administration „ASEBUSS" Bucharest.

He has background experience in Private Equity/Venture Capital Investment Funds, Corporate Governance, Strategic Management, Company Restructuring and Privation.

Mr. Trifa Aurelian-Mircea-Radu has been in the position of President of the BD since November 24, 2017.

2. **Ianculescu Carmen** – Consultant in international business, graduate of the Romania-American University in Bucharest. Other skills: Master's Degree in international business.

3. **Eşanu Vasile Romeo** - engineer, graduate from the Polytechnic Institute of Iași, Faculty of Constructions, installations department. Financial Accounting Master's Degree from University of Bacovia, Faculty of Management Accounting and Informatics; Evaluation Expert ANEVAR. He was member of the board of directors during the period 2008-2013.

b. Agreements, understandings or family ties between the respective administrator and another person, whereby the respective person was appointed as administrator

No agreements, understandings or family ties are known between the respective administrator and another person whereby the respective person was appointed as administrator.

c. Participation of the administrators in the company's capital

The members of the Board of Directors, currently in position, do not hold shares of Mecanica Ceahlău SA.

d. List of the persons affiliated to the company

The company affiliated persons are:
- Societatea de Investiţii Financiare Moldova
- New Carpathian Fund
- Transport Ceahlau SRL

e. Description of any transaction exceeding EUR 50.000 of the nature mentioned in the art. 225 of the Law 297/2004

No transactions, amounts owed to or due from SIF Moldova, were identified other than the proper dividends.

No transactions, amounts owed to or due from SIF Moldova, were identified other than the proper dividends.

The participating interests that the company holds on 31 DECEMBER 2019 to Transport Ceahlau SRL are presented as such:

	31 December 2019	31 December 2018* restated
Shares not listed on January 1	**51,000**	**51,000**
Adjustments for depreciation	51,000	51,000
Balance on 31 December	**-**	**-**

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 situation of movements of participation interests on 31st December 2019 is as follows:

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

During the year 2019 the Company did not have transactions with Transport Ceahlau SRL.
The situation of receivables and debts with Transport Ceahlau is as follows:

	31 December 2019	31 December 2018* restated
Other receivables	131,817	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.

4.2. Members of the executive management

As of 16.01.2018 the position of General Manager has been filled by Mr. **Molesag Sorin**, who in the year 2017 was Operational Manager.

Mr. Sorin Molesag carried out the activity of operational manager based on Mandate Contract of 10.07.2014, is engineer by profession and has a professional experience in management positions of over 15 years.

Commercial Director - Botezatu Cornel develops his activity according to the Mandate agreement signed on May 1, 2013 (extended on May 1, 2019).

Mr. Botezatu Cornel is a graduate of the Politehnica Institute Iasi – Machine Building Department. Post graduate courses: "Management of the restructuring and development of economic agents" and "Business Management", certified "Project Manager"; He has been with the company for 34 years, out of which 20 years in management positions.

As of 01.05.2018 the position of **Financial Manager** has been filled by Mrs.**Chirila Oana**.
Mrs. Chirila Oana is graduate from the Faculty of Economics and Business Administration from "Alexandru Ioan Cuza" University of Iași, specialisation Management Accounting and Informatics, master's degree in European Economic-Financial Management. She has a professional experience of 10 years in economic profession; since 01.05.2018 she has had a management position.

a) **Agreements, understandings or family ties between the persons belonging to the executive management and another person, whereby the respective person was appointed as a member of the executive management**

No agreements, understandings or family ties are known between the persons belonging to the executive management and another person whereby the respective person was appointed as a member of the executive
management.

2) **Participation of the members of the executive management in the company's capital**
On 31/12/2019, the structure of owners of financial instruments amongst the members of the executive management was as follows:

Name and first name	Number of holdings	Percentage (%)
Molesag Sorin	-	-
Botezatu Cornel	330	0.00014
Chirila Oana	-	-

4.3. Litigations or administrative proceedings involving the administrators and the members of the executive management in the last 5 years

Subsequent to the checks made to the Registry of causes kept by the Law Practice, the following resulted:

In the last 5 years, the members of the Board of Directors have not been involved in any litigations, related to their activity in the company; the Law Practice does not own any data related to possible administrative proceedings in which these five persons might have been involved.

As regards the executive management of the company, they have not been involved in litigations, in the last five years, related to their activity in the company. The Law Practice does not own any data related to possible administrative proceedings in which the executive management might have been involved.

Other litigations

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

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

The management estimates that the result of these lawsuits will not have impact on the financial position of the Company.

4.4. Elements of corporate governance

During the year 2019 and in the previous period, Mecanica Ceahlău SA carefully applied the OECD principles for Corporate Governance and the Code of Corporate Governance of the Bucharest Stock Exchange.

The Board of Directors consists of 3 members, a number that is adequate for the current and perspective needs of the company. A president and a vice president of the Board of Directors were elected.

Since June 29, 2008 the Audit Committee was set up and in November 17, 2009 was set up the Committee for nomination and wages. Every time the componence of the Board of Directors was updated and/or completed, the componence of the consulting committees was updated.

According to the provisions of the Code of Corporate Governance of the Bucharest Stock Exchange, beginning with January 20, 2010, the position of Secretary General of the Board of Directors was instituted, dealing with the proper preparation of the reviews for the meetings of the Board of Directors and the general meetings of the shareholders, and with registering and monitoring the achievement of the resolutions taken subsequent to these reviews.

Both in 2019, as well as in the previous years, all the shareholders were treated equitably, promoting an effective and active communication with them.

The needed conditions were provided to inform the shareholders regarding the financial results and all the relevant aspects of the company's activity, through the web page and through the secretary general of the Board of Directors.

Considering that about 20% of company shares are held by shareholders who are based abroad, the materials of summoning and carrying out of general meetings of shareholders were posted on the company website both in Romanian and English.

As a result of the Board of Directors' concern to harmonize the interests of the shareholders with that of the company, in 2019 the participation of the shareholders in the general assemblies was of 93.5129% in terms of the total shares issued by the company.

Regarding the reviewed subjects and the resolutions adopted in the general meetings of the shareholders in 2019, the current reports were prepared and published according to the applicable legal provisions. We mention in this respect that in the year 2019, there were 2 ordinary general meeting of shareholders and 2 extraordinary general meetings of shareholders in which a number of 26 resolutions were adopted, and all of them were fulfilled. Periodic reports were presented in the meetings of the Board of Directors related to the status of these resolutions.

In order to review various aspects of the company's activity, in 2019, the Board of Directors met in 23 working meetings. The executive directors participated in certain meetings and, depending on the meeting agenda, other persons were invited to participate.

On the agenda of the meetings of the Board of Directors, based on annual themes, the following analyses were written every month as follows:

in the field of manufacturing and service activity: achieving the targets for the previous month and forecast for the current month; the draft manufacturing program for the next month; implementation status of the second activity field;

in the trading field: achieving the sales plan for the previous month and forecast for the current month; the draft sales plan for the next month; providing the material base required for the next month's manufacturing plan; status of the litigations and of the sums involved in litigation at the end of the previous month, settling actions initiated and ongoing, results obtained and the recovered amounts;

in the economic-financial field: achievement of the monthly budget of costs and revenues and the costs and revenues budget for the next month;

in the field of internal control: submitting the auditing reports, according to the annual plan; the program for implementing of prevention and unitary control; status of achieving the resolutions of GMS and BD;

Quarterly, the Board of Directors analysed:

production field: allocation per each month of the manufacturing plan for the next quarter; achieving the objectives set in the Investment Plan, the Research and Development Plan, Equipment Repair and Maintenance Plan, in the previous quarter and the measures envisaged for the implementation of the programmes foreseen for the next quarter

- trading field: allocation per each month of the sales plan for the next quarter; the status of the debts occurred in the trading relations; review of the structure of the finished products stock and the level of the stock needed depending on the season;

- economic-financial field: quarterly reports for the quarters I and III; allocation per each month of the costs and revenues budget for the next quarter; structure of the production costs and the profitability of the sold goods in the previous quarter; registered costs and the value of the production for the orders closed in the previous quarter.

In 2019, on the agenda of the Board of Directors were also included: general management reviews, management of human resources in research, development and constructive and manufacturing design, biannual report for the first semester, the result of the patrimony inventory a.s.o.

All the meetings of the Board of Directors resulted in resolutions related to the reviewed subjects, resolutions that were included in the system for follow up and monitoring of the secretary general.

Monthly, through the follow-up and monitoring system of the secretary general of the BD, the Board of Directors was informed of the status of the resolutions made.

5. Information about transactions with key management staff

5.1. Members of Board of Directors

The members of the Board of Directors have the following rights according to administration contracts:
a) a remuneration under the form of a monthly indemnity;
b) participation to profit according to the provisions of resolution of the general meeting of shareholders and articles of incorporation.

The monthly remunerations of the members of the Board of Directors, approved by Resolution no.8/11.04.2019 of the Ordinary General Meeting of Shareholders, are:

- Chairman of the Board of Directors – 2,500 Euro net amount;
- Members of the Board of Directors – 1,250 Euro net amount.

The denomination in lei will be made at Euro/leu exchange rate of NBR on payment date.

The payment of remuneration for participation in the net profit of the company and the limits and conditions in which these payments will be made are set out in the resolution of the General Meeting of Shareholders.

The gross amounts given in the year 2019 to members of the Board of Directors according to the resolution of the General Meeting of Shareholders and administration contracts are:

The Board of Directors	Name	Mandate period	Amount – lei -
Chairman	Trifa Aurelian-Mircea-Radu	01.01. - 31.12.2019	243,519
Member	Eşanu Vasile Romeo	01.01. - 31.12.2019	121,763
Member	Ianculescu Carmen	01.01. - 31.12.2019	121,769
Total expenses with indemnity - gross amounts			**487,051**

In 2019 no prizes or supplementary bonuses were given to the members of the Board of Directors.

5.2. Executive Managers

For executive managers the monthly remunerations for the year 2018, approved by Resolution no.8/11.04.2019 of the Ordinary General Meeting of Shareholders, are:

- General Manager – 3,500 EUR net amount;
- Sales Manager - 10,000 lei net amount;
- Financial Manager – 10,000 lei net amount.

The denomination in lei will be made at Euro/leu exchange rate of NBR on payment date.

Depending on the realization of collective and individual performance indicators, at the end of year 2019, the Board of Directors can give variable remuneration to managers, but this remuneration is within the following limits:

a) Prizes - in the limit of 5% of salary fund or indemnities earned, with integration in the Income and Expenses Budget approved by the Ordinary General Meeting of Shareholders

b) annual individual bonuses under the form of participation in benefit plans, at the maximum level of 9 wages, if the performance indicators established are fulfilled.

The gross amounts given to executive managers in 2019 according to the resolution of the General Meeting of Shareholders and management contracts are:

Management	Name	Mandate period 2018	Amount – lei -
General Manager	Molesag Sorin	01.01. - 31.12.2019	338,763
Sales Manager	Botezatu Cornel	01.01. - 31.12.2019	189,663
Financial Manager	Chirila Oana	01.01. - 31.12.2019	186,639
Total expenses with indemnity - gross amounts			**715,065**

In the year 2019 no prizes or supplementary bonuses were given to the managers.

6. THE ECONOMIC-FINANCIAL STATUS

The financial statements for the fiscal year ended as of 31st December 2019 are drawn up according to the Accounting Regulations compliant with the International Financial Reporting Standards approved by the Order of Minister of Public Finances no.2.844/2016.

The reporting currency in the financial statements is RON.

The economic and financial status as compared to the last three years is presented in Appendix 1.

a) Financial position as of 31.12.2019

Analytical indicators of the financial position statement which exceed 10% of total assets	**Value (lei)**	**Percentage (%)**
Land, land arrangements and constructions	12,421,196	18%
Inventory	20,162,146	28%
Commercial receivables	9,876,304	14%
Analytical indicators of the financial position statement which exceed 10% of total equity and debts		
Reserves	6,983,395	10%
Subscribed and paid-up capital	23,990,846	34%
Carried-forward result	26,697,344	38%

b) Global result as of 31.12.2019

Analytical indicators from global result statement which exceed 20% of total turnover	**Value (lei)**	**Percentage (%)**
The cost of the goods sold	18,279,305	62%
Expenses with salaries, contributions and other assimilated expenses	6,869,566	23%

c) Cash – flow

As of 31 December 2019, Mecanica Ceahlău SA closed its operations with a positive treasury balance of RON 21,433,259.
The treasury flow as compared to the last three years is detailed in Appendix 2.

The cash flow structure as of 31.12.2019 is:

-RON-

Net treasury at the beginning of exercise	3,332,293
Net treasury from operational activities	(1,891,513)
Net treasury from investments	20,553,278
Net treasury from financing operations	(536,361)
Effects of exchange rate variation on cash flow	(24,438)
Net treasury at the end of exercise	21,433,259

At the end of year 2019, we recorded a net increase of cash in amount of 18,100,966 lei, reflected in the balance of cash at bank and in hand.

d) Achievement of the R&E budget and the objectives set for 2019

The realization degree of indicators from the Income and Expenses Budget for the year 2019 is analytically presented in Annex 3.

In synthesis, the realization degree of the main indicators is as follows:

– RON –

No.	Indicator	REB 2019	Achieved 2019	Percentage
1	Turnover	36,004,046	29,500,719	82%
2	Total revenues	36,614,046	41,264,029	113%
3	Total expenditures	(33,844,669)	(33,170,223)	98%
4	Net profit	2,419,376	6,482,161	268%

Turnover related to the Income and Expenses Budget approved for 2019 was earned in proportion of 82%. The main causes which led to the no achievement of turnover according to budget were:

1. Lack of projects with European funds sources of financing of farmers;
2. IFN financing is carried out with great difficulty;
3. Weak crops quantitatively and qualitatively. Extreme drought especially in the second part of the year led to:
   - lack of predictability for reasonable harvests and
   - postponement of decision for the new purchases made by farmers;
4. Payments much delayed to farmers- agricultural product suppliers;
5. Lack of liquidity in farmers;
6. Decreases in sales volumes to implements;
7. Fierce Competition on the market, especially from similar products of the manufacture of Turkey and Poland with very low prices;

The total income related to the projection of Income and Expenses Budget for 2019 is earned in proportion of 113%.

The total expenses related to the projection of Income and Expenses Budget for 2018 are incurred in proportion of 98%.

The net profit earned in the year 2019 is in amount of 6,482,161 lei.

The total inventories are in amount of 20,162,146 lei by 9% on the increase compared to 2018.

The commercial receivables represent the amounts owed by customers related to deductions in relations with them for products, sold merchandise and services provided on the basis of invoices.
On December 31, 2019, the net trade receivables amounting to RON 9,876,304 (December 31, 2018: RON 11,417,221) are considered performing in full.

On 31st December 2019 the Company had to recover profit tax in amount of 69,931 lei, compared to the quarterly payments during the year.

Commercial debts amounting to 6,304,906 lei (December 31, 2018: 3,390,027 lei) are 86% higher compared to the previous year.

Other debts amounting to 1,216,853 lei (December 31, 2018: 3,249,433 lei) 37% lower than the previous year mainly include fiscal debts and debts related to social insurances that followed the trend of decreasing the average number scriptive.

On 31st December 2019 the company did not have fiscal debts and debts related to outstanding social insurances.

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. 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.

Investment Credit	December 31, 2019	December 31, 2018* restated
Loans	**1,268,171**	**1,517,750**
Long-term bank loans	981,035	1,237,548
Short term bank loans (up to 1 year)	287,135	280,202
Total loans	**1,268,170**	**1,517,750**

As at 31 December 2019 the Company has leasing contracts for leased property and leased equipment:

	December 31, 2019	December 31, 2018 restated
Leasing debts between 1 – 5 years	309,919	134,128
Leasing debts below 1 year	186,693	132,513
Total leasing debts	**496,612**	**266,641**

The total provisions for risks and estimated expenses of 31st December 2019 are in amount of 875,016 lei, grouped by categories and created for:

Provisions for risks and expenses	December 31, 2019	December 31, 2018* restated
Provision benefits committed to retirement	274,847	328,671
Commissions for guarantees	59,028	58,208
Provision for the risk of return of products and merchandise	415,329	122,593
Other provisions	125,812	65,683
TOTAL	**875,016**	**575,155**

7. Information on the internal control

Internal control

For assurance of a responsible management from quality and environment point of view and control of all activities carried out in the company and administration of associated risks we highlight the continuation of internal control development in the company.

The assignments of fulfilment of Integrated Quality & Environment Management policies in direct connection with employees, customers and suppliers belong to the Department of Integrated Quality & Environment Management.

The specific assignments for supervision of accounting operations, especially the financial control systems and maintenance of a financial control system on the accounting transactions belong to the economic department. The internal accounting and financial control of the company envisaged the assurance of an accounting management and the financial follow-up of activities to meet the objectives defined.

In terms of accounting regulations, the company has in place:

- the accounting policy manual;
- keeping abreast with the changes of the accounting and tax legislation;
- conducting specific checks on sensitive areas

- identification and proper management of abnormalities;
- adaptation of IT software to company's needs;
- compliance with the accounting rules;
- ensuring the accuracy and completeness of accounting records;
- compliance with the qualitative characteristics of the information contained in the financial statements so as to meet the needs of users.

Internal audit

The internal audit function was provided by external contract until 22 august 2019 after this time the function of internal auditor is insured internally.

The activity is carried out in accordance with the applicable legal requirements and on the basis of the audit mission plan established in accordance with the objectives of the company.

The objectives of internal audit structure are:

- to assist the Audit Committee by supply of an independent evaluation of efficiency and effectiveness of internal control system/frame, implemented by the executive management;
- to assess the proper management of funds and keeping the integrity of the patrimony;
- to assess the reliability of accounting and IT systems;
- to offer the assurance that the company policies and procedures are observed in all the activities carried out and implemented structures;
- to offer the assurance that the policies, processes and control mechanisms are revised so that they remain sufficient and adequate to the activity carried out by the company;
- to make recommendations for the continuous improvement of internal control system, so that it operates with optimal effectiveness and be cost efficient, by reflecting adequate control practices;
- to offer consulting and counselling services in the projects coordinated by the Audit Committee regarding the development of new programmes and procedures or regarding the evaluation of operational risk which may result in significant changes;
- to promote an effective cooperation with the activity of external auditor for the purpose of reducing any overlapping of activities;

Activities carried out by internal audit in the year 2019:

The missions carried out by internal auditor based on Audit Plan 2019 were regularity missions and special audit missions. The internal audit opinion, activity results, conclusions, recommendations and proposals as well as the plan of measure applied during the carrying out of audit activity were included in the Internal Audit Reports and in Annual Report for activity of internal audit 2019 presented to the Board of Directors with the approval of the Audit Committee.

The executive management undertook the measures required to manage and mitigate risks identified and included in the internal audit reports.

CHAIRMAN OF THE BOARD OF DIRECTORS,
Trifa Aurelian-Mircea-Radu

GENERAL DIRECTOR,
Sorin Ion Molesag

FINANCIAL DIRECTOR,
Oana Chirila

Appendix no. 1

A. ELEMENTS OF FINANCIAL STATEMENT

I. Assets representing 10% of total assets

	Analytical indicators from financial position statement	2016	2017	2018	2019	%
	TOTAL ASSETS	**58,690,062**	**64,124,966**	**65,174,782**	**70,950,718**	
1.	Lands and buildings	17,630,080	16,545,682	13,201,787	12,421,196	18%
2.	Inventory	14,789,473	15,908,598	18,476,079	20,162,146	28%
3.	Commercial receivables	12,380,596	14,545,951	11,417,221	9,876,304	14%

II. Liabilities which exceed 10% of total equity and debts

	Analytical indicators from financial position statement	2016	2017	2018	2019	% din TOTAL PASIV
	TOTAL EQUITY AND DEBTS	**58,690,062**	**64,124,966**	**65,471,782**	**70,950,718**	
1.	Revaluation Reserves	9,856,855	8,937,204	14,761,725	6,983,395	10%
2.	Subscribed and paid-up capital	23,990,846	23,990,846	23,990,846	23,990,846	34%
3.	Retained earnings and other reserves	24,842,361	14,936,116	15,237,227	29,502,218	38%

B. GLOBAL RESULT

	Analytical indicators from global result statement	2016	2017	2018	2019	%
	GROSS TURNOVER	**37,090,549**	**44,298,408**	**33,217,594**	**30,228,171**	
1.	The cost of the goods sold	16,907,521	22,067,865	17,370,785	18,279,305	60%
2.	Expenses with salaries, contributions and other assimilated expenses	8,556,013	8,830,165	7,540,129	6,869,566	23%

Appendix no. 2

CASH FLOW STATEMENT

For fiscal year ended as of 31st December	2016	2017	2018	2019
Receipts from customers and other debtors	43,778,579	48,191,437	40,019,651	35,922,605
Payments to suppliers, employees, state budget and sundry creditors	(39,274,618)	(43,706,108)	(44,268,737)	(34,541,401)
Cash from exploitation activities	**4,503,961**	**4,485,329**	**(4,249,086)**	**1,381,204**
Profit tax paid	(240,743)	(410,953)	(347,744)	(3,272,717)
Net cash from operations	**4,263,218**	**4,074,376**	**(4,596,830)**	**(1,891,513)**
Cash flow from investments				
Interests collected	2,307	8,322	8,199	63,043
Redemption of fund units	-	-	2,877,432	-
Proceeds from the sale of tangible assets	-	-	151,227	21,130,789
Purchase of tangible assets	(249,006)	(3,679,318)	(351,667)	(640,554)
Short-term investments	-	(1,000,000)	1,000,000	-
Net cash from investments	**(246,699)**	**(4,670,996)**	**3,685,191**	**20,553,278**
Cash flow from funding activities				
Dividends paid	(1,147,886)	(1,126,455)	(96)	(10)
Collections from long-term loans	-	1,917,789	-	-
Collections from short-term loans	-	-	-	1,232,986
Reimbursement of loans	-	(158,547)	(280,052)	(1,515,118)
Payment of financial leasing debts	(176,344)	(157,454)	(223,745)	(217,354)
Interests paid	(4,843)	(31,603)	(42,002)	(36,865)
Net cash (used in) funding activities	**(1,329,073)**	**443,730**	**(545,895)**	**(536,361)**
Net increase (decrease) of cash and cash-equivalent	**2,687,446**	**(152,890)**	**(1,457,534)**	**18,125,404**
Cash and cash equivalences as of 1st January	2,343,920	5,003,004	4,819,739	3,332,293
Effects of exchange rate variation on cash flow	(28,362)	(30,375)	(29,912)	(24,438)
Cash and cash equivalences as of 31st December	**5,003,004**	**4,819,739**	**3,332,293**	**21,433,259**

Appendix No. 3

REALIZATION DEGREE OF INCOME AND EXPENSES BUDGET 2019

INDICATORS	BUDGET 2019 (lei)	Realized 2019 (lei)	Achievement Degree BVC (%)
0	1	2	3
The gross turnover	39,106,211	30,851,845	79%
Commissions granted to dealers	(3,102,165)	(1,351,126)	44%
1. Net turnover	**36,004,046**	**29,500,719**	**82%**
2.1 Other operating income	510,000	426,762	84%
2.2Earning from assets sales	-	11,336,548	-
3. Operating expenses - total, of which:	**(33,546,669)**	**(33,127,090)**	**99%**
a) Cost of sold goods	(19,556,693)	(18,279,305)	93%
b) Expense with utilities	(1,224,976)	(445,177)	36%
c) Administrative expenses and other operating expenses	(3,119,039)	(2,465,234)	79%
d) Expenses with salaries, contributions and other similar expenses	(8,103,061)	(6,869,566)	85%
e) Adjustment of value regarding tangible and intangible assets	(1,542,900)	(1,503,466)	97%
f) Profit/loss from revaluation	-	(6,120)	-
g) Profit/loss from value adjustments of current assets and provisions	-	(2,940,491)	-
h) Other operational expenses		(614,073)	-
4. Operating result	**2,967,377**	**4,875,060**	**164%**
5. Financial income - total	100,000	233,198	233%
6. Financial expenses - total	(298,000)	(276,331)	93%
7. Financial result	**(198,000)**	**(43,133)**	**22%**
8. Total income	**36,614,046**	**41,264,029**	**127%**
9. Total expenses	**(33,844,669)**	**(33,170,223)**	**103%**
10. Profit before taxation	**2,769,376**	**8,093,806**	**174%**
11. Profit tax	(350,000)	(1,611,645)	50%
12. Net result	**2,419,376**	**6,482,161**	**207%**

Appendix No. 4

STATUS OF COMPLIANCE WITH THE NEW CORPORATE GOVERNANCE CODE OF BVB

Status of compliance with the provisions of the new corporate governance of BVB	Compliance	Non-compliance or partial compliance	Reason for non-compliance
Section A - Responsibilities			
A.1. All the companies shall have an internal Board regulation including the Boards' terms of reference/ responsibilities and the key functions of the company and that applies, among others, the General Principles of this Section.	YES		
A.2. The Board's regulation shall include provisions for managing the conflicts on interest		PARTIALLY	The Procedure is not included in the Board's Regulation. Measures for complying with CGC will follow. Deadline: 31.12.2020
A.3. The Board of Directors shall have at least five members.	NO		Starting with 24.11.2017, the Board of Directors is composed of 3 members.
A.4. The majority of the Board of Directors shall not hold an executive position. In the case of Premium class companies, at least two non-executive members of the Board of Directors should be independent. Each independent Board member shall file a statement upon his nomination, whether elected or re-elected, as well as whenever his status changes, indicating the main elements based on which he/she considers that he/she is independent form the points of view of his/her character and judgment.	YES		
A.5. Other professional relatively permanent engagements and obligations of a Board member, including executive and non-executive positions in the Board of non-profit companies and institutions must be disclosed to the shareholders and investors before nomination and during his/her mandate.	YES		

Status of compliance with the provisions of the new corporate governance of BVB	Compliance	Non-compliance or partial compliance	Reason for non-compliance
A.6. Any member of the Board shall present the Board information related to any relation to a shareholder that owns, directly or indirectly, shares representing more than 5% of the voting rights.		NO	Currently, work is done on changing the regulation of the Board of Directors, such as to also include this obligation of the members. Deadline: 31.12.2020
A.7. The company shall designate a secretary of the Board, responsible to provide support to the Board.	YES		
A.8. The statement of corporate governance will inform whether any evaluation of the Board was conducted, led by the President or by the nomination committee and, if affirmative, will summarize the key measures and subsequent changes. The company shall have a policy/ guideline for evaluating the Board comprising the object, criteria and the frequency of the evaluation process.		NO	The company will take measures to comply with the provisions of CGC. Deadline: 31.12.2020
A.9. The corporate governance statement shall include information related to the number of meetings of the Board and the committees in the last year, participation of the managers (in person, or absent) and a report of the Board and the committees related to their activities.	YES		
A.10. The corporate governance statement shall include information related to the exact number of independent members in the Board.	YES		
A.11. The Board of companies from Premium Category has to found a nomination committee composed of non-executive members, who will carry out the procedure of nomination of new members in the Board and will make recommendations to the Board. The majority of members of nomination committee must be independent.	**The company is in Standard category.**		

Status of compliance with the provisions of the new corporate governance of BVB	Compliance	Non-compliance or partial compliance	Reason for non-compliance
Section B – Internal risk management and internal control system			
B.1. The Board shall set up an auditing committee in which at least one member shall be an independent non-executive manager. In the case of Premium category companies, the auditing committee shall consist of at least three members and the majority of the auditing committee members shall be independent.	YES		
B.2. The president of the auditing committee shall be a non-executive independent member.	YES		
B.3. Among its responsibilities, the auditing committee shall conduct an annual assessment of the internal control system.	YES		
B.4. The assessment shall focus on the effectiveness and completeness of the internal audit function, the adequacy of the risk management and internal control reports presented by the Board’s auditing committee, timeliness and effectiveness with which the executive management deals with the deficiencies or weaknesses identified during internal control and the presentation of relevant reports to the Board.	YES		
B.5. The auditing committee shall assess the conflicts of interest related to the transactions of the company and of its divisions with the affiliated parties.	YES		
B.6. The auditing committee shall assess the effectiveness of the internal control system and of the risk management system.	YES		
B.7. The auditing committee shall monitor the implementation of the generally accepted internal auditing standards. The auditing committee shall receive and assess the reports of the internal auditing team.	YES		

Status of compliance with the provisions of the new corporate governance of BVB	**Compliance**	**Non-compliance or partial compliance**	**Reason for non-compliance**
B.8. Whenever the Code refers to reports or reviews initiated by the auditing committee, they must be followed by periodic reports (at least on annual basis), or ad-hoc that must be later forwarded to the Board.	YES		
B.9. None of the shareholders will be treated in a special manner, in terms of transactions and agreements concluded by the company with the shareholders and their associates.	YES		
B.10. The Board shall adopt a policy whereby to ensure that any of company’s transactions with any of the companies with which it has close ties, having a value higher than 5% of the net assets of the company (according to the latest financial report), shall be approved by the Board subsequent to a compulsory opinion of the auditing committee.	YES		
B11. The internal audits shall be conducted by a structurally separate division (the internal auditing department), of the company or by hiring a third independent entity.	YES		
B.12. In order to ensure achieving the main functions of the internal auditing department, this must report to the Board through the auditing committee. For administrative reasons and within the obligations of the management to monitor and reduce risks, this must report directly to the general manager.	YES		

Status of compliance with the provisions of the new corporate governance of BVB	Compliance	Non-compliance or partial compliance	Reason for non-compliance
Section C – Proper rewarding and motivation			
C.1. The company shall publish on its internet page the remuneration policy and include in the annual report a statement related to the implementation of the remuneration policy in the analyzed annual period. The remuneration policy shall be formulated in a manner to allow the shareholders to understand the principles and arguments that are the base of the remuneration of the Board members and of the general manager, as well as the members of the directorate in the dualist system. This shall describe the manner to manage the process and the decision making related to remuneration, to detail the components of the remuneration of the collective management (such as wages, annual bonuses, long term incentives related to the share value, in kind benefits, pensions and others) and to describe the scope, principles and assumptions that lay on the basis of each component (including the general performance criteria pertaining to any kind of variable remuneration). Moreover, the remuneration policy must specify the contract duration of the executive director and the advanced notice for cessation stated in the contract, as well as the eventual compensation in case of revoking without just cause. The report on remuneration shall present the implementation of the remuneration policy during the reviewed period of the year. Any change of essence occurring in the remuneration policy shall be published in due time on the company's internet page.	YES		

Status of compliance with the provisions of the new corporate governance of BVB	Compliance	Non-compliance or partial compliance	Reason for non-compliance
Section D – Adding value through the relations with the investors			
D.1. The company shall set up an Investors Relations Office, indicating to the public at large the person/persons or the organizational unit. Besides the information required by the legal provisions, the company shall include on its webpage a section dedicated to the relations with the investors, in Romanian and in English, containing all the relevant information of interest for investors, including: D.1.1. The main corporate regulations: articles of incorporation, procedures related to the general meetings of the shareholders; D.1.2. The professional CVs of members of management bodies of the company, other professional commitments of the Board members, including executive and non-executive positions in the Board of Directors of companies or non-profit institutions; D.1.3. Current reports and periodic reports (quarterly, bi-annual, annual); D.1.4. Information related to the general meetings of the shareholders; D.1.5. Information related to corporate events; D.1.6. Names and contact data of a person able to provide, on request, relevant information; D.1.7. The company's presentations (e.g. presentations for the investors, presentation of quarterly results etc.), the financial statements (quarterly, bi-annual, annual), auditing reports and annual reports.	YES		

Status of compliance with the provisions of the new corporate governance of BVB	Compliance	Non-compliance or partial compliance	Reason for non-compliance
D.2. The company will have a policy for paying out annual dividends or other benefits to the shareholders. The principles of the annual payment to the shareholders will be published on the company's internet page.	YES		
D.3. The company shall adopt a forecasting policy, notwithstanding that it is published or not. The forecasting policy will be published on the company's internet page.	YES		
D.4. The rules related to the general meetings of the shareholders shall not limit the participation of the shareholders in the general meetings and exercising their rights. Modifications will enter in force the earliest at the subsequent shareholders' meeting.	YES		
D.5. The external auditors will witness the general meeting of the shareholders when their reports are presented in such meetings.		NO	The company will take measures to comply with the provisions of CGC.
D.6. The Board will present to the annual general meeting of the shareholders a short assessment of the internal control and significant risks management systems, as well as opinions related to matters submitted for resolution to the general meeting.	YES		
D.7. Any specialist, consultant, expert or financial analyst may witness the general meeting of the shareholders based on prior invitation from the Board. Accredited journalists may also participate in the general meeting of the shareholders, except for the case when the Board President decides differently.	YES		

Status of compliance with the provisions of the new corporate governance of BVB	Compliance	Non-compliance or partial compliance	Reason for non-compliance
D.8. The quarterly and the bi-annual reports will include information both in Romanian and in English, related to the key factors that influence the level of sales, of the operational profit, the net profit and other relevant indicators, both from one quarter to another and from one year to another.	YES		
D.9. One company will organize at least two meetings/conference meetings with analysts and investors every year. The information presented on such occasions will be published in the investors relation section of the company's internet page on the date of meeting/conference meeting.	YES		
D.10. In case a company supports various forms of artistic and cultural expression, sports activities, educational or scientific activities and considers their impact over the innovating feature and the competitiveness of the company as part of its development mission and strategy, it will publish its policy related to its activity in such field.	Not applicable		

MECANICA CEAHLAU S.A.

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*restated
Assets			
Fixed assets			
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
Tangible assets	**13**	**17,388,026**	**18,705,287**
Intangible assets	**14**	**94,374**	**135,243**
Other intangible assets		86,791	124,903
Concessions, patents, licenses, trademarks, rights and similar assets		7,583	10,340
Intangible assets		**94.374**	**135.243**
Investment property	**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			
Inventories	**17**	20,162,146	18,476,079
Trade receivables	**18**	9,876,304	11,417,221
Other receivables	**19**	308,184	353,618
Prepayments		56,685	62,540
Financial assets 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		**52,477,644**	**45,903,617**
TOTAL ASSETS		**70,950,718**	**65,174,783**
Equities			
Share Capital	**21a**	23,990,846	23,990,846
Legal reserves	**21b**	2,804,874	2,400,184
Revaluation reserve	**22**	6,983,395	14,761,725
Retained earnings and other reserve		26,697,344	12,837,043
Total equity		**60,476,459**	**53,989,798**

* See note 3.ab for details on restatement

	Nota	December 31, 2019	December 31, 2018*restated
Liabilities			
Long-term liabilities			
Long-term bank loans	**23**	981,035	1,237,548
Liabilities from leasing contracts	**24**	309,919	134,128
Provision for pensions	**25**	274,847	328,671
Liabilities regarding deferred profit tax	**11**	312,702	737,948
Total long-term liabilities		**1,878,503**	**2,438,295**
Current liabilities			
Short-term bank loans	**23**	287,135	280,202
Liabilities from leasing contracts	**24**	186,693	132,513
Commercial debts	**26**	6,304,906	3,390,027
Other debts	**27**	1,216,853	3,249,433
Liabilities regarding deferred profit tax		-	1,448,031
Provisions for risk and expenses	**25**	600,169	246,484
Total current liabilities		**8,595,756**	**8,746,690**
Total liabilities		**10,474,259**	**11,184,985**
Total equity and liabilities		**70,950,718**	**65,174,783**

The financial statements were authorized for approval by the Board of Directors on March 17, 2020 and were signed on its behalf by:

Molesag Ion Sorin,
General Manager

Chirila Oana,
Financial Manager

* See note 3.ab for details on restatement

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2019

	Note	December 31, 2019	December 31, 2018*restated
Sales	**5**	29,500,719	31,125,000
Costs of materials and consumables		(18,279,305)	(17,370,785)
		11,221,414	**13,754,215**
Other operational revenues	**6**	426,762	626,452
Gain/loss from the sale of the assets held for sale	**16**	11,336,548	-
Expenses with utilities		(445,177)	(530,536)
Expenses with salaries and other personnel expenses	**7**	(6,869,566)	(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 and leasing assets	**13,14**	(1,503,466)	(1,422,237)
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	**17**	(2,640,630)	(3,037,232)
Gain/Loss of provisions for risks and expenses	**25**	(299,861)	240,215
Total operational expenses		**(14,847,785)**	**(13,522,919)**
Result of the operational activities		**8,136,939**	**857,748**
Interest incomes		225,791	8,199
Gains from revaluation of financial assets at fair value through profit or loss		7,407	31,942
Interest expense and discounts granted		(169,106)	(192,369)
Losses from exchange rate differences		(107,225)	(19,628)
Financial net result	**10**	**(43,133)**	**(171,856)**
Result before tax		**8,093,806**	**685,892**
Revenue/ (expenses) with current and deferred income tax	**11**	(1,611,645)	142,824
Net profit of period		**6,482,161**	**828,716**

* See note 3.ab for details on restatement

Other comprehensive income		
Deferred tax	-	(988,518)
Revaluation of property, plant and equipment	4,500	6,285,435
Other comprehensive income	**4,500**	**5,296,917**
Total comprehensive income for the period	**6,486,661**	**6,125,633**
Attributable profit/loss	**6,482,161**	**828,716**
Number of shares	239,908,460	239,908,460
Result per base share	0.0270	0.00345

The financial statements were authorized for approval by the Board of Directors on March 17, 2020 and were signed on its behalf by:

Molesag Ion Sorin,	**Chirila Oana,**
General Manager	Financial Manager

* See note 3.ab for details on restatement

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

	Attributable to the shareholders of the Company				
	Share Capital	**Legal reserves**	**Revaluation reserve, net of deferred tax**	**Retained earnings and other reserves**	**Total equity**
Balance on January 01, 2018	**23,990,846**	**2,226,856**	**8,937,204**	**12,709,260**	**47,864,166**
Creating legal reserves in period	-	173,328	-	(173,328)	-
Transfer of reserve from the reevaluation to reported result related to excess achieved	-	-	(107,198)	107,198	-
Shareholders transactions *restaed	**-**	**173,328**	**(107,198)**	**(66,130)**	**-**
Other elements of global result					
Net profit/loss of the year*	-	-	-	828,716	828,716
Increase/ (decrease) revaluation reserves	-	-	6,285,435	-	6,285,435
Deferred tax based on equity, net changes	-	-	(988,518)	-	(988,518)
Deferred tax related to gross realised reserve presented under retained earnings	-	-	634,802	(634,802)	-
Total other elements of global result*restaed	**-**	**-**	**5,931,719**	**193,913**	**6,125,632**
Balance on December 31, 2018*restaed	**23,990,846**	**2,400,184**	**14,761,725**	**12,837,043**	**53,989,798**

The financial statements were authorized for approval by the Board of Directors on March 17, 2020 and were signed on its behalf by:

Molesag Ion Sorin,
General Manager

Chirila Oana,
Financial Manager

* See note 3.ab for details on restatement

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

	Attributable to the shareholders of the Company				
	Share Capital	**Legal reserves**	**Revaluation reserve, net of deferred tax**	**Retained earnings and other reserves**	**Total equity**
Balance on December 31, 2018 (as reported)	**23,990,846**	**2,400,184**	**14,126,923**	**15,807,606**	**56,325,559**
Retained earnings resulting from the correction of accounting errors	**-**	-	-	(2,335,761)	(2,335,761)
Deferred tax related to gross realised reserve presented under retaineding earnings	**-**	-	634,802	(634,802)	-
Balance on December 31, 2018* restated	**23,990,846**	**2,400,184**	**14,761,725**	**12,837,043**	**53,989,798**
Issued share in period	-	-	-	-	-
Creating legal reserves in period	-	404,690	-	(404,690)	-
Transfer of reserve from the reevaluation to reported result related to excess achieved	-	-	(9,258,016)	9,258,016	**-**
Shareholders transactions	**-**	**404,690**	**(9,258,016)**	**8.853.326**	**-**
Other elements of global result					
Net profit/loss of the year	-	-	-	6,482,161	6,482,161
Increase/ (decrease) revaluation reserves	-	-	4,500	-	4,500
Deferred tax based on equity, net changes	-	-	1,475,186	(1,475,186)	-
Total other elements of global result	**-**	**-**	**1.479.686**	**5.006.975**	**6.486.661**
Balance on December 31, 2019	**23,990,846**	**2,804,874**	**6,983,395**	**26,697,344**	**60,476,459**

The financial statements were authorized for approval by the Board of Directors on March 17, 2020 and were signed on its behalf by:

Molesag Ion Sorin,
General Manager

Chirila Oana,
Financial Manager

* See note 3.ab for details on restatement

	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	(23,599,125)	(33,917,531)
Payments to employees	(4,011,020)	(4,348,745)
Payments to state budget	(6,826,811)	(5,922,184)
Payments to various creditors	(104,445)	(80,457)
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 financial statements were authorized for approval by the Board of Directors on March 17, 2020 and were signed on its behalf by:

Molesag Ion Sorin,
General Manager

Chirila Oana,
Financial Manager

* See note 3.ab for details on restatement

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. BASIS OF PREPARATION

a. Statement of compliance

The 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 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 financial statements were authorized for approval by the Board of Directors on March 17, 2020.

b. financial statements presentation

The 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 restated in the Statement of Financial Position, the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Cash Flows and the Notes relating to, certain items for the comparative period (the financial year ended December 31, 2018).

These financial statements have been prepared on the basis of the going concern, 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 financial statements have been prepared on this basis.

* See note 3.ab for details on restatement

2. DRAFTING GROUNDS (cont.)

c. Basis of the assessment

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

These financial statements were prepared 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.

These financial statements are not intended to present the financial position in accordance with accounting regulations and principles accepted in countries and jurisdictions other than Romania. Also, the financial statements are not intended to present the results of operations, cash flows and a complete set of notes to the financial statements in accordance with accounting regulations and principles accepted in countries and jurisdictions other than Romania. Therefore, the attached financial statements are not prepared for the use of persons who do not know the accounting and legal regulations in Romania, including the Order of the Minister of Public Finance no. 2844/2016 with subsequent amendments.

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

d. Functional and presentation currency

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

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 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 financial statements, are included in the following notes:

- Note 18 – Trade receivables

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.

* See note 3.ab for details on restatement

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 with IFRS 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 01, 2019
Rights of use - transportation means	851,223
Rights of use - office spaces	467,864
Total rights of use – leasing assets- gross value	**1.319.087**
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	**795.087**

As at 1 January 2019, out of total rights of use recognised as gross value the amount of 851,223 RON represents value of fixed assets – transportation equipment accounted under IAS 17 as finance lease assets. The corresponding cumulated depreciation charge for these assets was at transition date 524,000 RON. Value of new rights of use recognised as result of implementation of IFRS 16 was in amount of 467,864 RON (for leased properties).

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.

* See note 3.ab for details on restatement

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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.

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.

* See note 3.ab for details on restatement

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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

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.

(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.

* See note 3.ab for details on restatement

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.

(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.

* See note 3.ab for details on restatement

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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

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.

* See note 3.ab for details on restatement

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.

* See note 3.ab for details on restatement

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 financial statements has been revalued by the Company in accordance with legal regulations. The information is presented in Note no.13 (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.

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.

* See note 3.ab for details on restatement

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

(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.

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.

If a real estate property used by the Company becomes a real estate investment that will be recorded at fair value, the Company applies IAS 16 until the date of change of use. The Company must treat any difference from that date in the carrying amount of real estate in accordance with IAS 16 and its fair value as on a revaluation, in accordance with IAS 16.

(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.

* See note 3.ab for details on restatement

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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.

* See note 3.ab for details on restatement

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 180 days a risk provision of 90% from the gross value is booked.

Collective analysis: We have analyzed the list of all invoices issued during the years 2017-2019, 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).

* See note 3.ab for details on restatement

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, Lessor, 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 credit loss

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).

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.

* See note 3.ab for details on restatement

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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 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.

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.

* See note 3.ab for details on restatement

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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) it 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.
The company analyzed the main types of revenues applying the 5 steps method of IFRS 15:
Step 1: Identify the contracts with the clients;
Step 2: Identify the obligations resulting from these contracts;
Step 3: Determine the transaction price;
Step 4: Allocation of the transaction price to the obligations to be fulfilled;
Step 5: Revenue recognition upon completion / as the fulfillment of contractual obligations.

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:

* See note 3.ab for details on restatement

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

l. 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 on the date of dispatch to the customer (or the purchase of the product from the company headquarter) or acceptance of the product (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. In general, the direct customer (or the distributor) pays an advance of 10-15%, paying the difference in installments (for a period of less than 1 year). Payment terms are generally 90-180 days from the date of issue of the invoice. The obligation to execute is fulfilled at a specific time. The commercial discounts granted to customers are based on their fulfilling certain annual sales values. Returns are not accepted as a rule except in exceptional cases and as a rule, returns involve changing a product purchased by the customer, with another.	The revenue is recognized on the date of dispatch to the customer (or purchase of the product from the company headquarters) and acceptance of the product. The income includes the amount invoiced for the sale of the products, excluding VAT), from which the commercial discounts granted to customers are deducted. The company applies the practical exemption from IFRS 15 para 63 on the basis of which it does not adjust the price of transactions with a financial component. As a practical solution, if the company receives short-term advances from customers, or for the recognized revenues, it does not adjust the amounts received or the revenues for the effects of a significant financing component, given that at the beginning of the contract it expects the period elapsed from the transfer. the goods until the collection will be under 1 year. The commercial discounts granted to the clients (including the expenses with the related provisions) are deducted from the revenues 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.	The income is recognized during the period when the service is provided

* See note 3.ab for details on restatement

	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.	
Income from the rental of real estate investments	The company, as a lessor, rents its spaces to third parties, the service is prestart as the rental contract unfolds. Invoices are generally paid within a maximum of 30 days from the date of receipt by the customer. The execution obligation is fulfilled during the performance of the lease.	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.

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 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

* See note 3.ab for details on restatement

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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.

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.

* See note 3.ab for details on restatement

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

- 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.

q. Leasing Contracts as Lessee (to be continued)

The impact of transition to IFRS 16 is presented page 11 topic "Changes in accounting policies" – IFRS 16.

(i) 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.

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

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.

* See note 3.ab for details on restatement

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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.

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 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 financial statements is justified.

* See note 3.ab for details on restatement

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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.

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).

Additionally, as a result of the regrouping of the capital elements according to the nature and source, the Company reclassified the amount of RON 634,802, from the revaluation reserve line to the deferred result, representing the value of the deferred income tax recognized for the gross value of the realized revaluation reserve.

* See note 3.ab for details on restatement

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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

aa. Applicable accounting policies

Standards and interpretations issued by IASB not yet adopted by EU

On the reporting date of the present 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 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.

ab. Error correction note

The company recognized on account of the deferred result the amount of 2,335,760 lei formed from the increase of the value aids for the clients receivables in the amount of 2,780,666 lei diminished with the related deferred tax in the amount of 444,906 lei representing adjustments for debts with low degree of recoverability related to the year. 2018 that were not registered during the respective period although they were related to it.
In the analysis of the provision for commercial receivables the following aspects were taken into account:

- The historical collection rates of the Company were analyzed, where it was found that the average duration of collection of debts over the last 5 years is 180 days;
- It was considered that it presents a higher risk of non-collection of debts older than 180 days;
- Have been registered adjustment of 100% from gross value of the debts that have due date over 180 days;

	Balance on December 31, 2018 reported	Adjustments	Balance on December 31, 2018, restated
Elements of the Financial Position Statement			
Trade receivables	14,197,887	(2,780,666)	11,417,221
Result of the exercise	3,164,476	(2,335,760)	828,716
Liabilities regarding deferred profit tax	2,630,886	(444,907)	2,185,979
Elements from the Global Result Statement			
Adjustment of values for the current assets	(256,565)	(2,780,667)	(3,037,232)
Net expense with current and deferred tax	(302,082)	444,906	142,824
Result from operating activities	3,164,476	(2,335,760)	828,716
Net profit of period	3,164,476	(2,335,760)	828,716
Result per base share	0,0132		0,0035

* See note 3.ab for details on restatement

In addition, as result of the grouping of equity elements based on nature and source, the Company has reclassified the amount of 634,802 RON from revaluation reserve to retained earnings line, representing the value of deferred tax recognised for gross realised revaluation reserve.

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 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 (The fair value valuation of real estate investments was carried out by independent appraisers, members of the National Association of Appraisers of Romania (ANEVAR) through the method of replacement cost).

5. REVENUES

	December 31, 2019	**December 31, 2018*restated**
Gross sales of goods	30,228,171	33,217,594
Commissions granted to dealers	(1,351,126)	(2,690,905)
Net turnover from sales of goods	**28,877,045**	**30,526,689**
Sales of residual goods	525,584	520,810
Services rendered	98,090	77.502
Total net turnover	**29,500,719**	**31,125,000**

The gross turnover of the Company as of December 31, 2019 is of RON 30,228,171 (December 31,2018: RON 33,217,594).

For the realisation of this sales volume the Company granted sales bonuses (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 sales bonus 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.

* See note 3.ab for details on restatement

6. Other operational revenues

	December 31, 2019	December 31, 2018*restated
Revenue from indemnities and penalties	4,278	8,407
Revenue from rental of real estate investments	299,701	483,871
Other operating incomes	122,783	134,174
Other operational revenues	**426,762**	**626,452**

7. EXPENSES WITH SALARIES AND OTHER PERSONNEL EXPENSES

	December 31, 2019	December 31, 2018*restated
Salaries expenses	5,249,090	5,813,152
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
Revenue from operating subsidies for the payment of personnel	(155,764)	-
Total	**6.869.566**	**7.540.129**
Average number of employees	**121**	**148**

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*restated
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 internal and external audit services	233,945	112,724
Other expenses with services provided by third parties	1,261,994	1,089,137
Total	**2,465,234**	**2,335,712**

9. OTHER OPERATING EXPENSES

	December 31, 2019	December 31, 2018*restated
Expenses with taxes, duties and similar expenses	403,079	416,255
Penalties	38,509	5,164
Other operating expenses	172,485	144,830
Total	**614,073**	**566,249**

* See note 3.ab for details on restatement

10. FINANCIAL REVENUES AND EXPENSES

	December 31, 2019	December 31, 2018*restated
Interest income	225,791	8,199
Net gain on financial assets	7,407	31,942
Financial revenues total	**233,198**	**40,141**
Interest expenses	55,504	55,137
Net foreign exchange loss	107,225	19,628
Other financial expenses	113,602	137,232
Financial expenses total	**276,331**	**211,997**
Net financial result	**(43,133)**	**(171,856)**

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 43,133 while the value of foreign exchange losses is RON 171,856.

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

11. PROFIT TAX

Profit tax	December 31, 2019	December 31, 2018*restated
Current income tax expense	2,009,737	66,384
(Income) / Expense with deferred tax	(398,092)	(209,208)
TOTAL	**1,611,645**	**(142,824)**

	December 31, 2019	December 31, 2018*restated
Profit before tax from continuous operations	**8,093,806**	**685,892**
Tax using the Company's domestic tax rate	1,295,009	109,743
Tax effect of:		
Non-deductible expenses	737,138	636.558
Tax-exempt income	(355,752)	(861,393)
Tax incentives (legal reserve)	(64,750)	(27,732)
Profit tax	**1,611,645**	**(142,824)**

12. DEFERRED TAX ASSETS AND LIABILITIES

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 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:

* See note 3.ab for details on restatement

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
Trade receivables	11.709.105		(11.709.105)
Reserves from revaluation of tangible assets	-	12.345.694	12.345.694
Reserves from tax facilities	-	339.223	339.223
Total	**11.709.105**	**13.663.490**	**1.954.385**
Temporary net differences -			1,954,385
Liabilities regarding deferred profit tax (at 16% rate)			**312,702**

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

	ASSETS* restated	LIABILITIES* restated	NET* restated
Tangible assets	-	745.237	745.237
Trade receivables	9.021.302	-	(9.021.302)
Reserves from revaluation of tangible assets	-	21.599.210	21.599.210
Reserves from tax facilities	-	339.223	339.223
Total	**9.021.302**	**22.683.670**	**13.662.368**
Temporary net differences			13,662,378
Liabilities regarding deferred profit tax (at 16% rate)			**2,185,979**

The deferred profit tax recognized directly in the statement of changes in equity, in reserves is 1,475,186 lei as of December 31, 2019 (December 31, 2018: 3,504,774 lei), being generated by reserves from revaluation.

* See note 3.ab for details on restatement

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**
Fixed assets additions	33,335	609,612	-	110,268	753,215
Increases from revaluation	6,718,244	-	-	-	6,718,244
Disposed fixed assets	(3,184)	(3,218,932)	-	(212,057)	(3,434,173)
Reclassification to assets held for sale	(9,183,452)	-	-	-	(9,183,452)
Decreases from revaluation	(475,817)	-	-	-	(475,817)
Cumulative amortization reversal	(2,414,403)	-	-	-	(2,414,403)
Balance on December 31, 2018*restated	**13,259,741**	**16,059,704**	**226,497**	**255,082**	**29,801,024**
CUMULATED DEPRECIATION				-	
Balance on December 31, 2017	**1,989,537**	**12,848,991**	**204,973**	**-**	**15,043,501**
Depreciation during the year	428,050	917,073	9,039	-	1,354,162
Cumulative depreciation reversal	(2,414,403)	-	-	-	(2,414,403)
Cumulative depreciation associated with disposals	(3,184)	(3,139,569)	-	-	(3,142,753)
Balance on December 31, 2018*restated	**-**	**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*restated	**57,954**	**197,276**	**-**	**-**	**255,230**
Net book value at December 31, 2017	**16,545,682**	**5,603,029**	**21,524**	**356,871**	**22,527,106**
Net book value at December 31, 2018	**13,201,787**	**5,235,933**	**12,485**	**255,082**	**18,705,287**

* See note 3.ab for details on restatement

14. TANGIBLE ASSETS AND RIGHTS OF USE OF ASSETS

	Lands and buildings	Technical installations and means of transport	Furniture, equipment office	Fixed assets tangible under execution	Assets from leasing contracts	Total
COST						
Balance on December 31, 2018	**13,259,741**	**16,059,704**	**226,497**	**255,082**	**-**	**29,801,024**
Rights of use – adoption of IFRS 16	-	-	-	-	467,864	**467,864**
Balance on December 31, 2018*restated	**13,259,741**	**16,059,704**	**226,497**	**255,082**	**467,864**	**30,268,888**
Fixed assets additions	96,890	224,711	125,723	547,082	-	994,406
Increases from revaluation	6,673	-	-	-	-	6,673
Disposal of fixed assets	-	(437,373)	(1,559)	(357,919)	(30,799)	(827,650)
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**	**14,995,819**	**350,661**	**444,245**	**1,288,288**	**30,063,903**
ACCUMULATED DEPRECIATION						
Balance on December 31, 2018	**-**	**10,626,495**	**214,012**	**-**	**-**	**10,840,507**
Depreciation for the year	497,890	749,183	3,655	-	214,551	1,465,279
Reclassifications to assets representing rights of use of assets	-	(524,000)	-	-	524,000	-
Cumulative depreciation associated with disposals	-	(421,429)	(1,559)	-	(27,387)	(450,385)
Balance on December 31, 2019	**497,890**	**10,430,239**	**216,108**	**-**	**711,164**	**11,855,401**
IMPAIRMENT ADJUSTMENTS						
Balance on December 31, 2018*restated	**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 book value at December 31, 2018*restated	**13,201,787**	**5,235,933**	**12,485**	**255,082**	**-**	**18,705,287**
Net book value at December 31, 2019	**12,421,196**	**4,388,032**	**134,553**	**444,245**	**577,124**	**17,965,150**

* See note 3.ab for details on restatement

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 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.

At December 31, 2019, the Company analyzed the existence of impairment indicators for the fixed assets in management. As a result of the procedures performed, the management of the Company considers that at this date there were no indicators of impairment.

(i) Revaluations

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 methods used by the appraiser in determining the fair value were: the method of market comparison for land and the net replacement cost for buildings.

The reassessment surplus was recognized as a revaluation reserve in the equity, respectively as an income if, pursuant to a previous revaluation, a revaluation 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 Statement of Profit and Loss and Other comprehensive income.

* See note 3.ab for details on restatement

13. INTANGIBLE ASSETS

	Brevets, licenses and trademarks	Other assets	Total
COST			
Balance on December 31, 2018*restated	**528,327**	**879,856**	**1,408,183**
Purchases	-	9,196	9,196
Balance on December 31, 2019	**528,327**	**889,052**	**1,417,379**
ACCUMULATED AMORTIZATION			
Balance on December 31, 2018*restated	**248,792**	**754,953**	**1,003,745**
Amortization during the year	92,489	47,308	139,797
Balance on December 31, 2019	**341,281**	**802,261**	**1,143,542**
IMPAIRMENT ADJUSTMENTS			
Balance on December 31, 2018*restated	**269,195**	-	**269,195**
Write-backs of adjustments from impairment	89,732	-	89,732
Balance on December 31, 2019	**179,462**	-	**179,463**
Balance on December 31, 2018*restated	**10,340**	**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.

* See note 3.ab for details on restatement

14. REAL ESTATE INVESTMENTS

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

	December 31, 2019	December 31, 2018* restated
Balance on	**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	**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) by using the replacement cost method.

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

15. ASSETS HELD FOR SALE

	December 31, 2019	December 31, 2018* restated
Balance on	**12,015,414**	**-**
Purchases/ Reclassifications	387,207	12,015,414
Sales of assets held for sale	(12,015,414)	-
Balance on December 31	**387,207**	**12,015,414**

In the Extraordinary General Meeting of Shareholders of 22.01.2018 the shareholders decided to sell the asset, property of the company, located in Piatra Neamț, Aurel Vlaicu nr. 34 , Neamt County, with a surface of 23,235 sqm.

* See note 3.ab for details on restatement

16. ASSETS HELD FOR SALE (to be continued)

This asset was revalued before classification as an asset held for sale for the difference of revaluation being registered according to IFRS 5. During the financial year ended December 31, 2019, the sale transaction was finalized, resulting in a gross profit from the sale of this asset in sum 11,336,547 lei. Regarding this gain, there was a tax on current profit in the amount of 3,261,878 lei, the net profit from this transaction being in the amount of 8,074,669 registered on the line "Gain / (loss) from the sale of the assets held for sale".

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) using the market comparison method.

16. INVENTORIES

	December 31, 2019	December 31, 2018*restated
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.

17. TRADE RECEIVABLES

	December 31, 2019	December 31, 2018*restated
Trade receivables - stages 1 and 2	10,778,334	11,789,785
Adjustments for impairment of trade receivables - stage 1 and 2	(1,636,120)	(372,564)
Net trade receivables, stages 1 and 2	**9,142,214**	**11,417,221**
Trade receivables - stage 3	7,340,905	4,713,870
Adjustments for impairment of trade receivables - stages 3	(6,606,815)	(4,713,870)
Net trade receivables, stage 3	**734,090**	-
Net trade receivables	**9,876,304**	**11,417,221**

* See note 3.ab for details on restatement

18.TRADE RECEIVABLES (to be continued)

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 9,876,304 (December 31, 2018: RON 11,417,221) 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 8,242,935 (December 31, 2018: RON 5,086,434). 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 individually analsys of trade receivables recoverability based on the litigation status and days past due. For all customers in litigation and days past due over 180 days a provision of 90% from the gross value is booked.

	Impairment December 31, 2019	**Gross value December 31, 2019**	**Impairment December 31, 2018*restated**	**Gross value December 31, 2018*restated**
Due for over 180 days	7,340,905	6,606,815	4,713,870	4,713,870

Assessed collectively:

	Impairment December 31, 2019	**Gross value December 31, 2019**	**Impairment December 31, 2018**	**Gross value December 31, 2018**
Undue	973,748	8,800,942	145,8832	10,132,433
Due for 0 to 30 days	35,027	902,639	40,915	795,002
Due for 31 to 60 days	74,667	112,864	22,402	478,500
Due for 61 to 90 days	53,383	184,353	22,673	237,879
Due for over 90 days	499,295	777,536	140,692	145,971
	1,636,120	**10,778,334**	**372,564**	**11,789,785**

18. OTHER RECEIVABLES

	December 31, 2019	**December 31, 2018*restated**
Sundry debtors	143,922	224,509
Profit tax to be recovered	69,931	282,137
Other receivables	208,148	48,894
Adjustment for other receivables	(113,817)	(201,922)
Total	**308,184**	**353,618**

* See note 3.ab for details on restatement

19. OTHER RECEIVABLES (to be continued)

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 180 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 180 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* restated
Cash	12,020	3,872
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**

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

(ii) Bank deposits

	December 31, 2019	December 31, 2018* restated
Fixed term bank deposits	18,800,000	-
Expected credit loss related to bank deposits	(1,573)	-
Total bank deposits	**18,798,427**	**-**

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* restated
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

* See note 3.ab for details on restatement

19. 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	73.3020
NEW CARPATHIAN FUND	48,477,938	4,847,794	20.2068
Other shareholders, of which:			
- legal entities	803,720	80,372	0.3350
- individuals	14,769,149	1,476,915	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	73.3020
Romanian Investment Fund. loc. Windward Caiman	48,477,938	4,847,794	20.2068
Other shareholders, of which:			
- legal entities	3,265,969	80,372	1.3613
- individuals	12,306,900	1,476,915	5.1299
TOTAL	**239,908,460**	**23,990,846**	**100.00**

b. Reserves

	December 31, 2019	**December 31, 2018* restated**
Reserves from the re-valuation of tangible assets	8,378,181	17,631,697
Deferred tax related to unrealised revaluation reserve	(1,394,786)	(2,869,972)
Total	**6,983,395**	**14,761,725**

* See note 3.ab for details on restatement

	31 decembrie 2019	31 decembrie 2018 * retratat
Retained earnings representing the realized revaluation reserve surplus - gross	3.967.513	3.967.513
Deferred tax from realized and non taxable revaluation reserve	(634.802)	(634.802)
Retained earnings representing the realized revaluation reserve surplus - net	14.847.573	5.589.557
Profit/loss carried forward	3.035.726	(1.797.920)
Other reserve	5.481.334	5.712.695
TOTAL	**26.697.344**	**12.837.043**

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 2,804,874 (December 31, 2018: RON 2,400,184).

The legal reserves cannot be distributed to the shareholders,

21. 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 6,482,161 (December 31, 2018: RON 828,716) to the number of ordinary shares in circulation of 239,908,460 shares (December 31, 2018: 239,908,460 shares).

Profit distributable to ordinary shareholders	December 31, 2019	December 31, 2018*restated
Profit for the period	6,482,161	828,716
Number of ordinary shares	239,908,460	239,908,460
Gains per share	0.02702	0.00345

22. 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* restated
Long-term bank loans	981,035	1,237,548
Short term bank loans (up to 1 year)	287,136	280,202
Loans	**1,268,170**	**1,517,750**

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 265,347.

* See note 3.ab for details on restatement

23. LIABILITIES FROM LEASING CONTRACTS

	December 31, 2019	December 31, 2018* restated
Leasing agreements related debts (between 1 year and 5 years)	309,919	134,128
Current leasing debts (up to 1 year)	186,693	132,513
Liabilities from leasing contracts	**496,612**	**266,641**

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

24. PROVISIONS FOR RISK AND EXPENSES

	Other provision	Benefits of employees	Total
Balance on December 31, 2018* restated	**246,484**	**328,671**	**575,155**
Provisions created during the period	541,961	-	541,961
Provisions released during the period	188,276	53,824	242,100
Balance on December 31, 2019	**600,169**	**274,847**	**875,016**
Long-term	**-**	274.847	274.847
Current	**600,169**	**-**	**600,169**

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 products and goods in the amount of RON 415,329;
- 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.

25. TRADE DEBTS

	December 31, 2019	December 31, 2018* restated
Trade debts - short-term debts	6,057,681	3,109,548
Investment suppliers	18,229	81,542
Suppliers - Invoices to be received	228,996	198,937
Total	**6,304,906**	**3,390,027**

* See note 3.ab for details on restatement

26. OTHER DEBTS

	December 31, 2019	December 31, 2018*restated
Social insurances and other taxes	398,400	431,555
Dividends to be paid	86,971	86,982
Other debts – advance	68,392	49,317
Other creditors, (VAT and quarantees)	663,090	2,681,579
Total	**1,216,853**	**3,249,433**

27. 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.

* See note 3.ab for details on restatement

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* restated
Net trade receivables	9,876,304	11,417,221
Other receivables	308,183	353,618
Securities and bank deposit	253,859	246,452
Cash and cash equivalents	21,433,259	3,332,293
	31,871,606	**15,349,584**

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%.

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.

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.

* See note 3.ab for details on restatement

28. FINANCIAL INSTRUMENTS (to be continued)

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	10,184,488	10,184,488	-
Total financial assets	**31,871,606**	**31,871,606**	**-**
Financial liabilities			
Investment credit	(1,268,170)	(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	**(9,286,541)**	**(7,995,587)**	**(1,290,954)**
NET	**22,585,065**	**23,876,019**	**(1,290,954)**

December 31, 2018*restated	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	11,770,839	11,770,839	-
Total financial assets	**15,349,584**	**15,349,584**	**-**
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	(6,639,460)	(6,639,460)	-
Total financial liabilities	**(8,423,851)**	**(7,052,175)**	**(1,371,676)**
NET	**6,925,733**	**8,297,409**	**(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.

* See note 3.ab for details on restatement

28. FINANCIAL INSTRUMENTS (to be continued)

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.

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	10,182,372	10,184,488
Total financial assets	**28,014**	**31,843,592**	**31,871,606**
Investment credit	(1,268,170)	-	(1,268,170)
Leasing liabilities	(496,612)	-	(496,612)
Commercial debts and other debts	(4,259,190)	(3,262,569)	(7,521,759)
Total financial liabilities	**(6,023,972)**	**(3,262,570)**	**(9,286,541)**

December 31, 2018*restated	**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	11,765,799	11,770,839
Total financial assets	**13,307**	**15,336,277**	**15,349,584**
Investment credit	(1,517,750)	-	(1,517,750)
Leasing liabilities	(266,641)	-	(266,641)
Commercial debts and other debts	(1,108,269)	(5,531,191)	(6,639,460)
Total financial liabilities	**(2,892,660)**	**(5,531,191)**	**(8,423,851)**

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).

* See note 3.ab for details on restatement

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* restated
Financial liabilities	**9,286,541**	**8,423,851**
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
Net financial liability	**(12,400,577)**	**(4,845,106)**
Equity	**60,476,459**	**53,989,798**
Indicator of the net debt	**-0.21**	**0.09**

28. COMMITMENTS AND CONTINGENTS

(a) Taxation

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

(b) Commitments

As of 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 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.

* See note 3.ab for details on restatement

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.

29. 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* restated
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* restated
Transport Ceahlau SRL	2004	-	24.28%	24.28%

* See note 3.ab for details on restatement

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* restated
Other receivables	113,817	138,076
Adjustment for other receivables	(113,817)	(138,076)
Other net receivables	-	-
Commercial debts	4,951	33,004
TOTAL	**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

Key employees are considered:
- Dl Sorin Molesag –General Manager
- D-na Oana Chirilia –Economic Director
- Dl Ion Chirilic – Production Director
- Dl Botezatu Cornel - Sales Director

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* restated
Executive Team	715,065	609,772
Members of the Board of Directors	487,051	477,561
TOTAL	**1,202,116**	**1,087,333**

b) Balance on

	December 31, 2019	December 31, 2018* restated
Executive Team	16,054	11,678
Members of the Board of Directors	-	-
TOTAL	**16,054**	**11,678**

* See note 3.ab for details on restatement

30. EVENTS AFTER THE REPORTING DATE

The impact of Coronavirus on the Company

As of December 31, 2019, as a result of the analyzes carried out, the Company's management considers that the recent events regarding COVID-19 will not have a significant impact on the Company's activity. The Company's management analyzed the impact of the latest events from the perspective of the activity sector, the volume of inventory in the balance, the current cash and cash equivalents availability and the protection measures implemented to protect the employees of the Company.

1. Exposure of Mecanica Ceahlau SA in the specific industry:

The company operates in the agricultural machinery construction industry, which provides farmers with the necessary equipment for soil processing and sowing. Romanian agriculture is and will be in a continuous process of growth / development as a result of the basic needs to provide both food for the population as well as the necessary feed in the livestock farms.

For all the reasons stated below, the demand for agricultural equipment will increase steadily because only under the conditions of mechanized works, with high performance machines, satisfactory productions can be obtained both quantitatively and qualitatively.

The management of the Company estimates that under the current conditions, due to the introduction of quarantine at the level of some European countries, known for their input in the production of agricultural equipment industry (such as Italy, France, Spain, etc.), the demand of the farmers for agricultural equipment addressed to the Company, is likely to increase for the following period of time.

2. Customer relationship:

The specificity of the agricultural activity is that it takes place onthe land field, , far from rural or urban agglomerations. The farmers are key for production of food through supply chain, which is one of the few sectors not affected by a country lock down. people .

3. Impact on the distribution chain:

The distribution of agricultural machines and equipment is done through the network of distributors, with whom, the sales team of the Company is permanently connected through various means of communication (email, telephone, company website);

4. Suppliers, delays or interruptions in supply:

As of December 31, 2019, the Company has sufficient inventory of finished products to continue its activity in the next period, even in the conditions of a temporary delay or interruption in the activity of some suppliers.

The company also has inventories of raw materials and components to support the planned production for the next period. In the conditions in which, the period of crisis is prolonged, the Company is ready to take over the production of the components that usually are purchased from abroad in its own production capacities. The steel sheets (sheets, pipes, profiles, etc.) that represent the main raw materials used in the production are produced in Romania, so the risk of inventory shrinkage is very limited.

5. Financial resources to support the current activity:

The cash and cash equilavent available to the company is sufficient for the company to carry out its activity under normal conditions and to honor all its due obligations.

* See note 3.ab for details on restatement

6. Other aspects:

6.1. Impact on human capital and their impact on production

The Company's management has taken the following measures regarding information and protection of employees regarding Coronavirus:

- The employees were informed and trained on the means of transmission and prevention of Covid 19 virus;

- Statement of employees who have traveled to risk areas or who have come into contact with persons diagnosed with or suspected of having respiratory infection caused by COVID 19. The staff will notify by telephone as soon as possible an illness situation, in accordance with the rules regarding leave and allowances. health insurance for taking measures to ensure the continuity of activity at the organizational structure of which they are part;

- Limiting the direct interaction with the public in order to reduce the risk of illness with maintaining the level of current activity in the production section and compartments, avoiding as far as possible the direct contact between persons / employees and the use of electronic means; Performing homework duties; differentiated work program; limiting as far as possible the travel outside the company of the personnel;

- The IT compartment provides the technical support for the measures taken, ensures the access from the home of the staff to the e-mail addresses of service and support for teleconferences; and so on The managers of the compartments take measures to designate the persons responsible for scanning and transmitting the supporting documents;

6.2 Ensure prevention and reduce the risk of illness through constant ventilation of working areas and distribution of employees at work stations following the distance rule (1m). The rooms are ventilated for 15 minutes each hour; prohibition of gathering of large number of employees on the production halls and keeping a distance of at least one meter from each other;

6.3 Permanent sanitation of workspaces;

6.4 Reducing public transport to and from the company's headquarters - the Company's management has evaluated that approximately 90% of the staff travel by personal car; 5% with public transportation and 5% on foot, bicycle.

Excluding the above, the company did not identify other events subsequent to the reporting date that could have an impact on the financial statements for the financial year ended December 31, 2019.

The financial statements were authorized for approval by the Board of Directors on March 17, 2020 and were signed on its behalf by:

Molesag Ion Sorin,
General Manager

Chirila Oana,
Financial Manager

* See note 3.ab for details on restatement

S.C. MECANICA CEAHLĂU S.A.®
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capital social subscris și varsat: 23 990 846 lei
tel.: 0040 233 211104, 213893, 215820; fax 0040 233 216069, 210423,
e-mail:ceahlau@mecanicaceahlau.ro; web:www.mecanicaceahlau.ro

STATEMENT

According to the provisions of Law 24/20017 and Regulation 5/2018 of the ASF, the undersigned Sorin Ion Molesag – General Manager and Oana Chirila – Financial Director, responsible with the drafting of the Financial Statement on December 31, 2019, we declare the following:

- The Financial Statements on December 31, 2019 were drafted in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union, in accordance with the requirements of Romanian accounting rules regulated by the Accounting Law no. 82/1991 republished and updated, of the Order 2844 of 2016 on the approval of the Accounting Regulations in compliance with the International Financial Reporting Standards;.
- The Financial Statements on December 31, 2019 offer an accurate and conform image with the reality of assets, obligations, financial positions, profit and loss account, the company develops its activity in continuity conditions;
- The Report of the Management Board consists of an accurate analysis of the development and performances of the company, as well as a description of the main risks and uncertainties specific to the developed activities:
- We do not have knowledge, at the date of this statement, of other information, events, circumstances that could significantly alter the above made statements;

This statement was made today, 17.03.2020, at the headquarters of Mecanica Ceahlau SA,

GENERAL MANAGER	FINANCIAL DIRECTOR,
Sorin Ion Molesag	Oana Chirila

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Independent Auditors' Report

(free translation[1])

To the Shareholders of Mecanica Ceahlau

Piatra Neamț, strada Dumbravei, nr. 6, județul Neamț, România
Unique Registration Code: 2045262

Report on the Audit of the Financial Statements

Qualified Opinion

1. We have audited the accompanying financial statements of Mecanica Ceahlau ("the Company"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. The financial statements as at and for the year ended 31 December 2019 are identified as follows:

• Net assets/Total equity:	Lei 60,476,459
• Net profit for the year:	Lei 6,482,161

3. In our opinion, except for the effects on the corresponding figures of the matter described in paragraph 4 of the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Order of Minister of Public Finance No. 2844/2016 for approval of accounting regulations in accordance with International Financial Reporting Standards ("OMPF no. 2844/2016").

Basis for Qualified Opinion

4. As described in the paragraph 7 of the Other Matter relating to comparative information section below, the opinion expressed on the financial statements of the Company as at and for the year ended 31 December 2018 was qualified opinion due to the fact the Company did not revalue the land as at 31 December 2017. It was impracticabe for the predecessor auditor to quantify the effects,

[1] TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.

of this matter on Revaluation reserves increases within the Other elements of the Comprehensive income and on the movements of the Revaluation reserves within the Statement of changes in equity for the financial year ended 31 December 2018. Our opinion on the financial statements for the current financial year is also qualified due to the effects of this matter on the comparability of the figures of the current period with the corresponding figures.

5. We conducted our audit in accordance with International Standards on Auditing ("ISAs"), Regulation (EU) no. 537/2014 of the European Parliament and of the Council ("the Regulation") and Law no. 162/2017 ("the Law"). Our responsibilities under those standards and regulations are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code")* together with the ethical requirements that are relevant to our audit of the financial statements in Romania, including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other information – Board of Directors' Report

6. The Board of Directors is responsible for the preparation and presentation of other information. The other information comprises the Board of Directors' Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Board of Directors' Report we read and report whether the Board of Directors' Report is prepared, in all material respects, in accordance with OMPF no. 2844/2016, articles 15 – 19 of the accounting regulations in accordance with International Financial Reporting Standards.

Based solely on the work required to be undertaken in the course of the audit of the financial statements, in our opinion:

a) The information given in the Board of Directors' Report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the financial statements;

b) The Board of Directors' Report has been prepared, in all material respects, in accordance with OMPF no. 2844/2016, articles 15 – 19 of the accounting regulations in accordance with International Financial Reporting Standards.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of our audit we are required to report if we have identified material misstatements in the Board of Directors' Report. As described in the paragraph 4 in the *Basis for Qualified Opinion* section above, the Company has not revalued its lands at 31 December 2017, and for the predecessor auditor it was inpractiabile to quantify the effects of this matter on *Revaluation reserves increases* from *Other comprehensive income* and on changes of *Revaluation reserve, net of deferred tax* from *Statement of Changes in Equity* for the year ending 31 December 2018 . We have concluded that the Board of Directors' Report is materially misstated for the same reasons with respect to amounts or other items in the Board of Directors' Report affected by this matter.

Key Audit Matters

7. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition

Sales – 29,500,719 lei as at 31 December 2019 (31,125,000 as at 31 December 2018)

See Note 3 I. ("Revenue from contracts with customers") and Note 5 ("Revenue") to the financial statements.

The key audit matter	How the matter was addressed in our audit
We considered that there is a risk of material misstatement associated with the recognition of the revenues because the revenues represent the most important element of the statement of comprehensive income and influence most of the key performance and strategic indicators in the financial statements. The revenues mainly include revenues from the sale of finished products and goods traded by the company (equipment for the agricultural industry). The risk of incorrect recognition of revenues arises from the following causes: - Recognition of revenues in the incorrect period; - Manipulating revenues at the end of the financial year through management override of controls.	Our audit procedures included, among others: - Understanding and testing design and implementation of the Company's anti-fraud controls; - Evaluation of whether the criteria for recognizing the Company's revenues were in accordance with the relevant accounting requirements and standards; - On a sample basis obtaining confirmations from third parties of the sales transactions in the year 2019; - Reconciling a sample of revenues transactions recognised in December 2019 with relevant supporting documents, including, among others, invoices, delivery notes, customer acceptance and where applicable with collection documents to determine whether revenue has been recognized in the correct accounting period; - Attendance to the annual inventory count performed by the Company; - Obtaining confirmations on a sample basis of the inventory held by third parties as at 31 December 2019; - Inspection of credit notes issued after the end of the financial year to determine whether the revenues from the current financial year of reporting should be

	adjusted; - Independent assessment of the completeness of the commissions (bonuses) granted to the customer based on the contractual provisions between the Company and customers, as well as of the accounting of these bonuses in financial statements. - Scrutinising the sales ledger to identify unusual transactions and inspecting relevant underlying documentation to assess whether revenue was appropriately recognized.

Emphasis of Matter - comparative information

8. We draw attention to Note 3 ab to the (financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2018 has been restated. Our opinion is not modified in respect of this matter.

Other Matter – Scope of the Audit

9. The financial statements of the Company for the financial year ended 31 December 2018 were audited by another auditor who expressed a modified opinion on those financial statements on 8 March 2019 due to the fact that the Company did not perform the revaluation of land as at 31 December 2017 and thus the predecessor auditor could not determine whether adjustments might have been necessary to the statement of changes in equity for the year ended 31 December 2018. As part of our audit of the financial statements as of 31 December 2019, we audited the adjustments described in Note 3 ab that were applied to restate the comparative information presented as at and for the year ended 31 December 2018. We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended 31 December 2018, other than with respect to the adjustments described in Note 3 ab to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 3 ab are appropriate and have been properly applied.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

10. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with OMPF no. 2844/2016 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

11. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

12. Those charged with governance are responsible for overseeing the Company's financial reporting process.

KPMG

Auditors' Responsibility for the Audit of the Financial Statements

13. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

14. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

15. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

16. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

17. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Report on Other Legal and Regulatory Requirements

18. We were appointed by the General Shareholders' Meeting on 9 May 2019 to audit the financial statements of Mecanica Ceahlau for the year ended 31 December 2019. Our total uninterrupted period of engagement is 1 year, covering the period from 1st of January to 31 December 2019.

19. We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company, which we issued on 17 March 2020. We also remained independent of the audited entity in conducting the audit.
- we have not provided to the Company the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014.

Other matters

20. This independent auditors' report is made solely to the Company's Shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's Shareholders those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Shareholders, as a body, for our audit work, for the report on the audit of the financial statements and the report on other legal and regulatory requirements or for the opinion we have formed.

The engagement partner on the audit resulting in this independent auditors' report is MIHALI HORATIU MIHAI.

Refer to the original signed Romanian version

For and on behalf of KPMG Audit S.R.L.:

Mihali Horatiu Mihai

MIHALI HORATIU MIHAI

registered in the electronic public register of financial auditors and audit firms under no AF3354

KPMG Audit SRL

KPMG Audit SRL

registered in the electronic public register of financial auditors and audit firms under no FA9

Cluj-Napoca, 20 March 2020

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditor financiar: **MIHALI HORATIU MIHAI**
Registrul Public Electronic: **AF3354**

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Firma de audit: **KPMG AUDIT S.R.L.**
Registrul Public Electronic: **FA9**