



**Activity report  
of the Board of Directors  
2022**



## 1) ANALYSIS OF THE COMPANY'S ACTIVITY

### 1.1. a) Description of the basic activity of the company

**Object of activity** - Mecanica Ceahlău SA ("the Company") has as main field of activity the production of agricultural and forestry machinery, NACE CODE 283. The main activity is "Manufacture of machinery and equipment for agriculture and forest exploitation" – NACE CODE 2830.

The main agricultural machinery and equipment manufactured and marketed by Mecanica Ceahlău cover the entire range of works, from soil preparation for sowing to crop maintenance and harvesting: reversible plows, scarifiers, cultivators, disc harrows and harrows with independent discs, combinators, seed drills for sling plants with skid coulter or double disc coulter, sowers for straw with skid coulter or double disc coulter, slingers, solid fertilizer spreaders, towed and borne sprayer equipment, atomizers, rakes, mowers, and balers.

In 2022 it successfully continued the partnership with CNH Industrial, for the distribution in Romania of Steyr tractors, most farmers purchase tractors and agricultural machines from the same supplier, this being a competitive advantage from a financial point of view through much easier access to purchases with non-reimbursable funds as well as image.

Also, the partnerships with Bargam Italia group Projet for the distribution of sprayer machines and self-propelled machines continued, with Stoll Germany for the distribution in Romania of the front loaders for tractors and the partnership with the trailer manufacturer Bellucci & Rossini Italy for the assembly and distribution under license of the trailers from 4 to 20 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) Date of establishment of the Company

**Legal framework** - Mecanica Ceahlău SA is a joint-stock company, established by Government Decision no. 1254 / 04.12.1990, in Piatra Neamt, Neamț County.

### 1.1. c) Description of any significant merger or reorganization of the Company during the financial year

Secondary office in Bucharest, Sector 1, Poligrafiei Boulevard no. 1A, ANA TOWER office building, 1<sup>st</sup> Floor, classified in NACE class: "Own office activities for the company", according to Resolution of the Board of Directors no. 4 from 22.11.2021.

Secondary headquarters (work point) in Timis county, Giarmata commune, Giarmata locality, Str. Calea Timisoarei no. 24-26, according to Resolution of the Board of Directors no. 1 from 25.05.2018.

Secondary office (work point) in Mures county, the city of Cipau, no. 10A, according to Resolution of the Board of Directors no. 1 from 25.05.2020.

Secondary office (work point) in Braila county, Braila municipality, Road Soseaua de Centura no. 138, according to Resolution of the Board of Directors no. 3 from 22.11.2021.

Secondary office (workpoint) in Ialomița county, Sinești village, Sinești commune, field 281/2/1, plot of land 3, according to Resolution of the Board of Directors no. 3 of 08.09.2022.

The secondary offices are without mandatory reporting and payment obligations.



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### 1.1. d) The impact of the military conflict against Ukraine on the position and financial performance of the Company

#### Russian-Ukrainian military conflict

On February 24, 2022, Russia began military operations against Ukraine. This was preceded by a pooling of troops on the border with Ukraine and diplomatic recognition by Russia on 21 February 2022 of the Donetsk People's Republic and the Luhansk People's Republic.

The Company has no direct or indirect exposures in relation to Ukraine or Russia. The management of the Company analyzed, based on the existing data, the possible developments of the domestic and international economic environment as a result of this event. At this stage, the management of the Company cannot reliably estimate the impact, but given the lack of exposure in the conflict zone, it does not estimate it as significant.

The Company closely monitors the evolution of this conflict, its impact and the measures taken at international level on the domestic economic environment.

### 1.1. e) Description of acquisitions and / or disposals of assets

#### e). 1 Acquisitions

In 2022, according to the Investment Program, investment works totaling 1,644,111 Lei were carried out from own sources and from finance leases on the following chapters:

Name of investment	Value (lei)	Sources of funding	New investments	Modernizations
PRODUCTION ACTIVITY	520,095	own sources	254,049	266,046
LOGISTICS AND SALES	663,046	own sources + lease	422,571	240,475
SOFTWARE AND IT SOFTWARE	91,255	own sources	91,255	-
SHOWROOM/SECONDARY OFFICE	396,742	own sources	396,742	-
<b>TOTAL INVESTMENTS</b>	<b>1,644,111</b>		<b>1,137,590</b>	<b>506,521</b>

In 2022 there are ongoing investments due to be completed in 2023, worth 169.400 Lei.

#### e). 2 Disposals

In 2022, 12 fixed assets were scrapped that no longer brought future economic benefits, approved by BoD Decision.

### 1.1.f. Description of the main results of the evaluation of the Company's activity

#### 1.1.1. Overview

The Company presents the main indicators achieved in 2022:

	2022	2021	2022 vs 2021 %
Net turnover	48,547,343	36,217,910	134,04%
Expenses with materials and consumables	(33,013,236)	(25,514,141)	129,39%
Gross margin	15,534,107	10,703,769	145,13%
Operating expenses	13,756,097	8,541,077	161,06%
Result of operating activities	2,136,568	2,593,314	80,10%
Net financial result	(84,787)	(212,835)	249,41%
Pre-tax result	2,051,781	2,380,480	86,19%
Net (expense)/income with current income tax and deferred tax	(195,684)	(660,034)	170,35%
Net result	1,856,097	1,720,446	107,88%
Average number of employees	85	81	104,94%



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### a) Profit / (loss)

In the financial year 2022, the Company recorded from its operational activities a positive result in amount of 2,136,568 Lei, a negative net financial result in amount of (84,787) Lei, resulting in a gross profit in amount of 2,051,781 Lei.

### b) Turnover

	2022	2021
Sales of goods	48,747,535	36,863,047
Commercial discounts granted to distributors	(388,080)	(824,603)
<b>Net income from the sale of goods</b>	<b>48,359,454</b>	<b>36,038,444</b>
Income from the sale of residual products	78,762	59,070
Provision of services	109,127	120,396
<b>Total net turnover</b>	<b>48,547,343</b>	<b>36,217,910</b>

The gross turnover of the Company registered at December 31, 2022 is 48,747,535 Lei (at December 31, 2021: 36,863,047 Lei), of which 484,920 Lei for export (at December 31, 2021: 683,942 Lei) and 48,262,715 domestically (at December 31, 2021: 36,179,105 Lei).

In order to achieve this volume of sales, trade discounts were granted in the form of bonuses according to the contracts in force in amount of 388,080 Lei at December 31, 2022 respectively 824,603 Lei at December 31, 2021 resulting in a net turnover in amount of 48,359,454 Lei at December 31, 2022 and 36,038,444 Lei at December 31, 2021. The commercial bonus granted to distributors according to the contracts in force represents a variable consideration that the Company has estimated and recognized in the transaction price at 31.12.2022 and 31.12.2021.

Compared to the same period of the previous year, the net turnover of the Company registered an increase of 34%.

#### 4. Positive effects in increasing turnover

The entire product portfolio has been revised, some of which being removed from production, and some have been modernized. In parallel, new generation products (harrows with independent plates, combiners, seeders, etc.) were designed, tested and put on the market.

#### 5. Negative effects of the military conflict against Ukraine

Given the military conflict against Ukraine, a certain degree of uncertainty is still expected to exist in the field in which the Company operates. The Company's management does not expect to encounter difficulties in honoring its commitments to shareholders and liabilities towards third parties.

#### 6. Other negative effects

The agricultural machinery market is still characterized by volatility. The investment appetite of farmers in new equipment will be continuously influenced by the annual rainfall amounts, the lack of an efficient irrigation system at national level, the unpredictable price increases for inputs, the lack of predictability for subsidies, government aid and European funds.

Other elements of risk and uncertainty are represented by the crisis of raw materials and the permanent fluctuation of prices (including energy, gas and fuel), very long delivery times.



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In 2022 the Company realized **Other income** as follows:

	2022	2021
Income from compensation and penalties	11,704	14,455
Income from rental of investment properties	316,818	308,994
Other operating income	30,036	107,174
<b>Total Other income</b>	<b>358,558</b>	<b>430,622</b>

### c) Costs

	2022	2021
<b>Cost of materials and consumables</b>	<b>(33,013,236)</b>	<b>(25,514,141)</b>
Utility expenses	(726,695)	(320,151)
Expenses with salaries, contributions and other assimilated expenses	(7,986,367)	(6,064,645)
Other administrative expenses	(3,172,272)	(2,340,961)
Other operational expenses	(595,169)	(404,879)
Depreciation and depreciation expenses for fixed assets and depreciation expenses for right-of-use leased assets	(1,817,709)	(1,577,378)
Value adjustments on current assets	(7,141)	2,207,160
Gain/loss from provisions for risks and charges	15,620	(9,723)
Gains / losses from the disposal of fixed assets	18,727	-
Gains / losses from the revaluation of property, plant and equipment	95,969	(40,094)
Gains / losses from the revaluation of assets held for sale	(21,488)	38,397
Gains / losses from the revaluation of investment properties	440,429	(28,803)
<b>Operating expenses</b>	<b>(13,756,097)</b>	<b>(8,541,077)</b>
<b>Total Costs</b>	<b>(46,769,333)</b>	<b>(34,055,218)</b>

The main share in the total operating expenses is held by the cost of raw materials and consumables, of distributed goods, followed by expenses with salaries, allowances and salary-related costs and administrative expenses (with external services).

Financial expenses include interest, discounts or discounts granted for advance payments and exchange rate differences. In 2022, the interest expenses (including related to leases) are in amount of 75,599 Lei, the expenses from exchange rate differences are in amount of 63,304 Lei, and the discount expenses are in amount of 224,503 Lei.

### d) Market share

The Company owns an important segment of the market of agricultural machinery and equipment for seeding plants, hoeing plants and sowers of straw plants. The products were modernized during 2022 further to the research in the field of agriculture, soil preparation and sowing.

The estimated market share for these products is between 20 and 30% in terms of number of units sold.

### e) Liquidity (account deposits, deposits with maturity of less than 3 months, etc.)

Cash, current accounts and cash equivalents	December 31, 2022	December 31, 2021
Cash	5,199	13,991
Current accounts	5,416,156	12,815,226
<b>Cash and current accounts – gross amount</b>	<b>5,421,355</b>	<b>12,829,217</b>

The current accounts opened at banks are permanently at the Company's disposal and are not restricted.



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At December 31, 2022, bank deposits have a maturity of less than 3 months, and at December 31, 2021 have a maturity of less than 6 months.

Deposits with banks	December 31, 2022	December 31, 2021
Bank deposits	5,000,000	5,000,000
Interest	109,018	24,355
Expected credit loss	(3,853)	(4,032)
<b>Total deposits with banks</b>	<b>5,105,165</b>	<b>5,020,323</b>

Bank deposits are permanently available to the Company and are not restricted.

At December 31, 2022, the Company holds investments in fund units valued at fair value through profit or loss, as follows:

Fund type	Fund management company	Number of fund units	Value of fund units
Open-end investment fund BT BONDS	BT Asset Management	13,591	275,441

### 1.1.2 Assessment of the technical level of the Company

#### Description of the main products made and goods distributed

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

In the 2022 production structure, the significant share is represented by the range of seeders for hoeing plants with a percentage of 29%, sowers (mechanical or pneumatic) for straw plants with a percentage of 21%, followed by the range of combiners with a percentage of 9% and the range of cultivators with a percentage of 5%.

Besides the range of agricultural machines and equipment produced by the Company, the Company sells tractors, front loaders, sprayer machines, balers, trailers, etc.

#### a). Main markets for each product or service and distribution methods

The products sold by the Company are intended for both the domestic and the foreign market.

In 2022, the domestic market was the main market, the sales volume on this market representing 99% of turnover.

On the domestic market, the Company collaborated with a number of 15 distributors throughout the country, the most important being located in the predominantly agricultural areas.

On the foreign market, the sales volume accounted for approximately 0.9% of turnover. In this market, the connection with traditional customers who know and promote the Company's products is maintained.

#### b). The share of each category of products in the total turnover for the last 3 years

The share of the main products sold in the total turnover of the Company for the last 3 years is as follows:

Share in turnover / Products	2020	2021	2022
Seeders	27%	23%	19%
Machinery for soil preparation	20%	14%	11%
Machinery for crop maintenance	7%	6%	7%
Goods in distribution	28%	53%	59%
Spare parts	14%	3%	2%
Others	4%	1%	2%



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### c. **New products planned for which a substantial volume of assets will be directed in the next financial year as well as the development status of these products**

In 2022, the program of developing its own product portfolio in terms of innovation, quality and appearance continued at a sustained pace.

#### I. **The main directions for diversifying the product offer in 2022 were:**

The 2022 research & development program includes objectives in order to diversify the offer of machines and equipment for agriculture, grouped in two chapters:

##### 1. **design and approval of new agricultural equipment:**

In this direction, a number of 4 new products were designed, tested and executed:

- RUBIN 100/300 irrigation drums (hose diameter of 100mm and length of 300m) - RUBIN irrigation drums 100/350 (hose diameter of 100mm and length of 350m);
- Precision seed drills on 4 rows with double disc furrow and SAFIR 4 fertilization;
- Precision seed drills on 6 rows with double disc furrow and SAFIR 6L fertilization.

##### 2. **modernization of the agricultural machinery and equipment in the portfolio**, by improving the technical and constructive characteristics in order to streamline the manufacturing processes for a number of 10 machines grouped as follows: *sling drills in the SPC Phoenix range, the seed drills for straw plants in the Diamond range, SOLARIS combiners, MAS7 scarifiers, CFM Tellus slings.*

#### II. **The main directions established in order to diversify the product offer for 2023**

The 2023 research & development program includes objectives in order to diversify the offer of machines and equipment for agriculture, grouped in two chapters:

##### 1. **design and approval of new agricultural machinery:**

A series of new machines will be designed, tested and put for mass production, such as:

- Rubin 100/440; 110/400; 110/450 irrigation drums
- Ceres heavy plows of high productivity with 5-7 bodies;
- flexible seed drills for row crops;
- 3-5 meter rollers.

##### 2. **modernization of the agricultural machinery and equipment from the portfolio:**

A number of products/machines will be modernized (increase of technical capabilities and reliability):

- seed drills for row crops with stainless steel fertilizer hoppers
- hoeing machines/ cultivators with stainless steel hoppers

The achievement of such objectives for 2023 will involve the successive implementation of several activities specific to the technical-constructive and technological innovation in correlation with the manufacturing program.



### 1.1.3 Evaluation of the technical-material supply activity (indigenous sources, import sources)

In 2022, the acquisition business was carried out in good conditions compared to the previous year. Some delays occurred though in the supply chain, which did not generate notable delays in the production process. The increasing of purchase prices continued in the first half of the year, but towards the end of the year it remained steady.

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

### 1.1.4 Evaluation of sales activity

#### a) Description of the evolution of sequential sales on the domestic and/or external market and of the medium- and long-term sales perspectives

The Company's gross turnover for 2022 is 48,547,343 Lei (at December 31, 2021: 36,217,910 Lei).

Compared to the same period of the previous year, the Company's turnover registered an increase of 34%.

#### b) Description of the competitive situation in the field of activity of the Company, of the market share of the Company's products or services and of the main competitors

The Company's market competitors are:

- *established producers of agricultural machinery*, with a reputation in the field in the EU, which practice relatively high prices and which seek primarily to conquer the market and obtain the position of market leader. These companies (Maschio-Gaspardo, Vogel Noot, Class, Lemken, New Holland, John Deere, Case, Horsch Germany, Kuhn, Amazone, Sulky, Sola, Lamusa);
- *producers of agricultural machinery* from Poland, Ukraine, Bulgaria, India Mahindra & Mahindra and Turkey, which practice low prices, accepted by a large market segment;
- *second-hand equipment traders* coming mainly from the European Union.

#### c) Description of any significant dependence of the Company on a single client or on a group of clients whose loss would have a negative impact on the Company's revenues.

Generally, the Company addresses farmers who own areas between 50 ha and 3,000 ha, organized as follows:

- companies, agricultural associations, research stations and institutes,
- individual enterprises, authorized natural persons, family businesses;
- Given the large number of farms country-wide and the existing system of organization, it is not possible to end up in a situation where the Company depends on a client or a limited group of customers.





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### 1.1.5. The Company's employees / staff

#### a) The number and degree of labour union membership

In 2022, the Company worked with an average number of 85 employees.

At December 31, 2022, the Company had an actual number of 90 employees structured as follows:

Categories of staff	Actual no. at December 31, 2022
- directly productive workers	29
- indirectly productive workers	12
- TESA staff	49
<b>TOTAL</b>	<b>90</b>

The employees are organized in the "TESA" Free Trade Union which has a staff of 23 members, employees of the production department and functional compartments.

Labor relations are regulated by the labor legislation in Romania. The Company has concluded the Collective Employment Contract with its employees.

The labor relations in the Company are governed by the principle of fair treatment of all employees, being forbidden any direct or indirect discrimination against an employee whose purpose is not to grant, to restrict or remove the recognition of the use or exercise of the rights provided by the labor legislation and the Collective Employment Contract based on sex, sexual orientation, age, race, ethnicity, religion, political choice, social origin, disability, family situation or responsibility, trade union membership or activity.

The levels of remuneration, by professional categories and the standard benefits for the employees are established within the process of negotiating the Collective Employment Contract. As a matter of principle, the increase in the wage fund is aimed at increasing labor productivity.

In accordance with the provisions of the Collective Employment Contract, the employees benefited from work equipment and protection, antidote, social benefits for serious illnesses and other benefits. Meal vouchers are granted for each 8-hour day worked.

#### b) Description of the relations between managers and employees as well as of any conflicting elements that characterize these relations

The relations between the members of the executive management and the employees have as purpose the promotion and application of fair labor principles, capable of allowing the development of the Company's activity in conditions of profitability, financial balance and payment capacity and on this basis to ensure a social protection for the employees, as well as the avoidance of collective labor conflicts.

### 1.1.6. The impact of the Company's basic activities on the environment

Mecanica Ceahlău SA holds Environmental Permit no. 159 of 17.06.2010, revised on 25.09.2020 based on the documentation for the presentation of the activity and the Environmental Status, valid for the entire period in which the Company obtains the annual permit according to art.16, paragraph 2 1 of GEO 195/2005 on environmental protection, as well as Water Management Authorization no. 10 / 30.01.2020, valid until 30.01.2025.

Mecanica Ceahlău SA did not have and is not expected to have legal disputes regarding the violation of the legislation related to environmental protection and follows the implementation of the action plan for the prevention of accidental pollution, with deadlines and responsibilities.



#### 1.1.7. Evaluation of the research and development activity

The main objectives in the research and development activity are:

- extension of the offer portfolio with agricultural machinery and equipment to respond to world trends in the field of agricultural mechanization;
- modernization of the machinery and equipment in the portfolio.

#### 1.1.8. Evaluation of the Company's activity regarding the risk management. Risk management objectives and policies, risk coverage policies

##### a) Description of the Company's exposure to price, credit, liquidity and cash flow risk

In the field of *risk management* the following are taken into account as basic principles: the elaboration of materials regarding the identification, measurement and control of the risks associated with each potential decision, as well as the improvement of the performance of the Company's management in the context of defining, measuring and evaluating the consequences, adopting decisions in a context of uncertainty.

The Company's risk management policies are defined in such a way as to ensure the identification and analysis of the risks faced by the Company, the establishment of appropriate limits and controls, as well as the monitoring of risks and compliance with established limits.

The risk management policies and systems are regularly reviewed to reflect changes in market conditions and in the Company's activities. The Company, through its standards and procedures of training and management, wants to develop an orderly and constructive control environment, within which all employees understand their roles and obligations.

The Company's management has as permanent objectives the analysis of the future impact of the military conflict against Ukraine on the financial performance and taking appropriate measures to reduce the related risks.

##### b) Description of the Company's policies and objectives regarding the risk management

Mecanica Ceahlău SA (the Company) monitors the level of risks through policies under implementation for the following identified risks:

- price risk
- credit risk
- liquidity risk
- market risk
- capital management

##### a. Price risk

The change in the price of the raw materials brings a variation in the price of the products that represent an important operational element of the Company, being a determining factor in the increase of expenses and implicitly of the prices of the products manufactured by the Company.

The management of this risk is carried out by:

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



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### **b. Credit risk**

The financial assets, which may subject the Company to the risk of collection, are mainly trade receivables and cash availability. The Company has put into practice a series of policies that ensure that the sale of products is made to customers with an appropriate collection.

Credit risk is the risk that the Company incurs a financial loss as a result of the failure of a client or counterparty to a financial instrument to perform contractual obligations, and this risk results mainly from the Company's trade receivables and financial investments.

The company has a significant concentration of credit risk. The Company applies specific policies to ensure that the sale of products and services is carried out in such a way that the commercial credit granted is appropriate and continuously monitors the age of receivables.

In order to prevent the impact of the military conflict against Ukraine on the clients' creditworthiness and to limit the exposure to the clients who could be severely affected, the Company carefully monitors and periodically evaluates (with a higher frequency) their financial condition.

The financial flows and the statements of receipts and payments for each partner are permanently monitored and controlled, maintaining a real connection with them, therefore we consider that this risk is small.

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

Credit risk, including the country risk in which the client operates, is managed on each business partner. When it is considered necessary, specific instruments to mitigate the credit risk are requested - advance receipts

The Company does not have any significant exposure to a single partner and does not register a significant concentration of turnover on a single geographical area.

### **c. Liquidity risk**

Liquidity risk is the risk that the Company encounters difficulties in fulfilling the obligations associated with financial liabilities that are settled in cash. The Company's approach to liquidity risk is to ensure, as far as possible, that it has sufficient liquidity at all times to pay debts when they become due, both under normal and difficult conditions, without incurring significant losses or jeopardizing the reputation of the Company.

In general, the Company ensures that it has sufficient cash to cover the expected operating expenses, including the payment of financial obligations.

For the purpose of managing liquidity risk, cash flows are monitored and analysed weekly, monthly, quarterly and annually in order to establish the estimated level of net changes in liquidity.

The Company's management does not estimate difficulties in honoring the commitments towards the shareholders and the obligations towards third parties, the availability of present and future liquidity being in line with the limits imposed by the regulations and sufficient to cover the payments in the next period.

### **d. Market risk**

The Romanian economy is constantly developing, and there is a lot of uncertainty about the possible outlook of politics and economic development in the future. The Company's management cannot foresee the changes that will take place in Romania and their effects on the financial standing, on the operating results and on the Company's cash flows.



#### **d1. Currency risk**

The Company is exposed to foreign exchange risk through its sales, acquisitions, availability and loans that are denominated in currencies other than the Company's functional currency, however the currency in which most transactions are carried out is RON.

The currencies that expose the Company to this risk are mainly EUR. The resulting differences are included in the Statement of Comprehensive Income and do not affect the cash flow until the settlement of the debt. At December 31, 2022, the Company holds cash, trade receivables and trade payables in foreign currency, the rest of the financial assets and financial liabilities are denominated in RON.

#### **d2. Interest rate risk**

Fair value interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rate. The income and cash flow of the Company cannot be affected by the fluctuation of the interest rate on the market, since from the sensitivity analysis determined for the interest-bearing loans existing in the balance at the reporting date it is considered that their fair value does not differ significantly from the accounting values.

#### **e. Capital management**

The Company's objectives in capital management are to ensure the protection and capability to reward its shareholders, to maintain an optimal capital structure to reduce capital costs.

The Company monitors the amount of capital raised based on the degree of indebtedness. This rate is calculated as the ratio between net liabilities and total capital. Net liabilities are calculated as total net cash liabilities. Total capital is calculated as equity to which net liabilities are added.

The management of the Company considers that it takes all the necessary measures to achieve the Company's objectives regarding risk management by:

- preparing strategies for managing the liquidity crisis and establishing measures to meet possible liquidity crises;
- constant monitoring of liquidity;
- forecasts of current liquidity;
- daily monitoring of cash flows and assessment of the effects on its creditors.

#### **1.1.9. The Company's activity in the future**

##### **a) Presentation and analysis of trends, elements, events or uncertainty factors that affect or could affect the liquidity of the Company compared to the same period of the previous year**

The liquidity of the Company is partially dependent on investment programs in agricultural machinery and farmers' tractors. These programs are influenced by factors related to European and governmental policies oriented towards this sector of the economy, a sector that in order to become efficient needs financial support.

In the context of the military conflict against Ukraine, it is expected that, further, there will be a degree of uncertainty in the field in which the Company operates. The Company carefully monitors the developments in the field in which it operates as well as in the economic environment in general, as well as the effects of the economic measures applied at national and international level.



**b) Presentation and analysis of the effects of current or estimated capital expenditure on the financial situation of the Company compared to last year**

Capital expenditures represent the expenses for the acquisition of non-current assets, their development and modernization.

In 2022, the Company registered capital expenditure in amount of 1,644,111 Lei, for new equipment endowments and modernization of existing facilities.

**c) Presentation and analysis of events, transactions, economic changes that significantly affect the income from the basic activity**

The market of agricultural machinery, and agriculture in general, are permanently subject to high financing constraints and from this point of view farmers present a high degree of vulnerability to exposure to internal or external risks.

**2) PROPERTY, PLANT AND EQUIPMENT OF THE COMPANY**

**a) Specification of the location and characteristics of the main production capacities owned by the Company**

The Company's facilities and production capacities can be found at the headquarters in Piatra Neamt, where the Company's registered office is also located, on Str. Dumbravei no. 6, Piatra Neamt, Neamt county, Romania.

The main sites, property of the Company are:

- Piatra Neamt site, str. Dumbravei no. 6
  - enclosure area = 141.248 sqm, land + buildings
  - built area = 49.214 sqm of which:
    - a) production spaces = 32,609 sqm,
    - b) available spaces = 16,605 sqm
- Tg. Neamt site (outside the built-up area), plot Valea Seacă = 6,691 sqm, available space 6,691 sqm.
- Site in Baldovinești commune, Braila county
  - enclosure area = 5.278 sqm, land

**Note:** The Tg. Neamt and Baldovinești assets are put up for sale.

The registered office benefits from all the facilities necessary for the proper development of the production activity, according to the object of activity.

The production spaces include industrial halls, technological test benches, spaces for administrative and social activities. Also, the Company owns office spaces for technical and economic activities. All these spaces are maintained in good conditions.



## 2.2. Description and analysis of the degree of wear and tear of the Company's properties

At December 31, 2022, the Company owns tangible assets for carrying out its activity with a net value of 20,827,561 Lei, materialized in land, buildings, special constructions, installations, technological equipment, vehicles:

Group	Inventory value	Depreciation value and depreciation adjustments	Net value
Land	7,966,393	-	7,966,393
Buildings	6,883,787	81,504	6,802,283
Technical installations and vehicles	15,801,610	12,595,108	3,206,502
Right-of-use assets	3,129,704	858,492	2,271,212
Furniture, office equipment	601,655	189,884	411,771
Property, plant and equipment under construction	169,400	-	169,400
<b>TOTAL</b>	<b>34,552,548</b>	<b>13,724,988</b>	<b>20,827,562</b>

At December 31, 2022, the Company owns real estate owned for the purpose of renting:

Group	Inventory value	Depreciation value and impairment	Net value	Average wear and tear (%)
Investment properties	898,905	-	898,905	-
<b>TOTAL</b>	<b>898,905</b>	<b>-</b>	<b>898,905</b>	<b>-</b>

Commercial properties rented to third parties on the basis of contracts with a validity of 12 months with the possibility of extension are located at the site in Piatra Neamț, str. Dumbravei no. 6.

## 1.3. Potential issues related to the ownership of the Company's property, plant and equipment

During 2022, there were no issues related to the ownership of the Company's assets.

## 1.4. Other information on property, plant and equipment

At December 31, 2022 the Company determined the fair value of land, buildings and special constructions, real estate investments and assets held for sale. The fair value measurement was made by external, independent valuers, members of the National Association of Valuers in Romania (ANEVAR) with recognised professional qualifications and experience the valuation of all real estate segments. The methods used by the valuer in determining fair value were: the market value method by comparison for land and assets held for sale and the method of income capitalization (income approach) for buildings and real estate investments.

The outbreak of the military conflict against Ukraine on 24 February 2022 has had a significant impact on global financial markets. Market activity is affected in many sectors. At the time of the evaluation, it was considered possible to grant a lower share of previous offers on the market for comparison purposes in order to formulate an opinion on the value of the assets. Indeed, the current response to the military conflict against Ukraine actually means that we are facing an unprecedented set of circumstances on which to base our views. Therefore, the valuation carried out on December 31, 2022 is related to the conditions of material uncertainty of the valuation.



## ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

At December 31, 2022, the Company owns for sale assets identified as follows:

- c) land outside the built-up area, with an area of 6,600 sqm as per documents (6,691 sqm as per measurements) classified as "arable" land, located outside the city of Târgu Neamț, Valea Seaca area, Neamț county identified by cadastral number 50718, registered in Land Book no. 50718 of the locality of Tg. Neamț
- d) building located in the built-up area of Baldovinești Village, Vădeni Commune, Brăila County, which consists of:
  - land located in the built-up area with a total area of 5,278 sqm, identified by cadastral number 240, registered in Land Book no. 71069, plot 208, parcel 1354 of Vădeni locality, classified as "construction yards";
  - related building.

### 3) THE MARKET OF SECURITIES ISSUED BY MECANICA CEHLĂU SA

**Consolidated synthetic structure of holders of financial instruments.**

At December 31, 2022, the consolidated synthetic structure of holders of financial instruments is presented as follows:

Recipient name	Number of holdings	Percentage (%)
Evergent Investments S.A. BACAU locality, Bacau county	175,857,653	73.3020
NEW CARPATHIAN FUND	48,477,938	20.2068
Legal persons	722,117	0.3010
Individuals	14,850,752	6.1902
<b>TOTAL</b>	<b>239,908,460</b>	<b>100.0000</b>

#### 3.1 Specification of the markets in Romania and other countries on which the securities issued by Mecanica Ceahlău SA are negotiated

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

#### 3.2 The Company's dividend policy

The dividend policy aimed at satisfying both the interests of short-term investors and the institutional development in the medium- and long-term, so that a part of the net profit was distributed to reserves, in order to create the own sources necessary for the investment activity.

For 2016, the Ordinary General Meeting of Shareholders of 26.04.2017 approved the granting of the amount of 1,175,551.45 Lei as dividends, respectively 0.0049 Lei per share.

In 2017, no dividends were granted.

For 2018, the Ordinary General Meeting of Shareholders of 11.04.2019 approved the distribution of the net profit made to cover the loss arising from the previous year. No dividends were given.

At the General Meeting of Shareholders of April 22, 2020, the Company's shareholders approved the distribution of a gross dividend of 0.04585 Lei / share (total 10,999,803 Lei), related to the profit of the financial year 2019, the unallocated profit of 2018 and the surplus made from revaluation reserves.

At the General Meeting of Shareholders of April 26, 2021, it was approved that the loss of the financial year 2020, amounting to 2,338,925 Lei, will be covered from the profit of future years.

At the General Meeting of Shareholders of April 20, 2022, it was approved that the profit of the financial year 2021, amounting to 1,720,446 Lei, will cover the loss of previous years.

In 2022, no dividends were granted.



## ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

### 3.3 Description of any activities of the Company to acquire its own shares

Mecanica Ceahlău SA did not acquire its own shares.

### 3.4 The number and nominal value of the shares issued by the parent company, held by the subsidiaries

Mecanica Ceahlău SA has no subsidiaries.

### 3.5 Bonds and/or other debt securities issued by Mecanica Ceahlău SA

Mecanica Ceahlău SA did not issue bonds or other debt securities.

## 4) MANAGEMENT OF THE COMPANY

### 4.1. Company's administrators

#### a. Between 01.01.2022 and 31.12.2022, the Board of Directors consists of 3 members as follows:

**1. Trifa Aurelian-Mircea-Radu** – graduate of the Polytechnic University of Bucharest, Faculty of Aircraft and of the Institute of Public and Business Administration "ASEBUS" Bucharest.

He has experience in the field of Private Equity/Venture Capital Investment Funds, Corporate Governance, Strategic Management, Enterprise Restructuring and Privatization.

Mr. Trifa Aurelian-Mircea-Radu holds the position of Chairman of the Board of Directors since 24.11.2017.

**2. Ianculescu Carmen** – international business consultant, graduate of the Romanian-American University of Bucharest. Other specializations: master's degree in international business.

**3. Eșanu Vasile Romeo** - engineer, graduate of the Polytechnic Institute of Iasi, Faculty of Civil Engineering, installations department. Master in Finance and Accounting - Bacovia University, Faculty of Accounting and Management Information Systems; ANEVAR expert appraiser.

#### b. Agreements or family ties between the director and another person due to whom that person has been appointed director

No agreements or family ties are known between directors and another person due to whom that person has been appointed director.

#### c. Participation of directors in the capital of the Company

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

#### d. List of persons affiliated to the Company

Persons affiliated to the Company are:

- Evergent Investments SA
- NEW CARPATHIAN FUND
- Transport Ceahlau SRL





## ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

### e. Description of any transaction exceeding EUR 50,000 of the type mentioned in art. 225 of Law 297/2004

No transactions, amounts due and receivable with Evergent Investments SA were identified.

No transactions, amounts due and receivable with NEW CARPATHIAN FUND were identified.

### Information on transactions with related parties

During 2022, the Company had no transactions with Transport Ceahlau SRL.

The status of assets and liabilities with Transport Ceahlau is as follows:

	December 31, 2022	31 December 2021
Other receivables	113,817	113,817
Adjustment for other receivables	(113,817)	(113,817)
Other net receivables	-	-
Trade payables	4,951	4,951

The Company applies the same internal policies in contractual relations with related parties as in relations with other contractual partners with whom the Company is not in special relations.

The main object of activity of Transport Ceahlău SRL is the road transport of goods, but the share of the activity carried out is represented by general mechanics operations.

The status of changes in ownership interests at December 31, 2022 is as follows:

	Date of purchase	Date of sale	Percentage of ownership	
			December 31 2022	December 31 2021
Transport Ceahlau SRL	2004	-	24.28%	24.28%

During 2022 the Company had no transactions with Transport Ceahhau SRL.

At the end of the reporting period, the following balances are related to transactions with related parties:

	December 31, 2022	December 31, 2021
<b>EVER IMO SA (formerly TESATORIILE REUNITE SA)</b>		
Lease liabilities	644,494	708,668
Trade payables	1,595	147,912
Other payables		6,798
Warranty granted	(20,430)	(20,430)

During the reporting period, the following transactions with related parties were carried out, mainly represented by rents.

<i>In LEI</i>	2022	2021
<b>EVER IMO SA (formerly TESATORIILE REUNITE SA)</b>		
Interest expenses related to leases	17,062	2,271
Other operating expenses	9,859	11,474
Depreciation related to leases	71,689	11,948



## ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

The participation interests that the Company holds on December 31, 2022 at Transport Ceahlau SRL are presented as follows:

	December 31, 2022	December 31, 2021
<b>Unlisted shares at 1 January</b>	<b>51,000</b>	<b>51,000</b>
Impairment allowances	51,000	51,000
<b>Balance at 31 December</b>	<b>-</b>	<b>-</b>

The Company applies the same internal policies in contractual relations with related parties as in relations with other contractual partners with whom the Company is not in special relations.

### 4.2. Members of the executive management

As of **16.01.2018** the position of **General Manager** is held by **Mr. Molesag Ion-Sorin**, who prior to this date was Chief Operating Officer. Mr. Sorin Molesag has carried out his activity as Chief Operating Officer based on the Mandate Contract dated 10.07.2014. He is an engineer by profession and has professional experience in leadership positions for over 16 years. The mandate was extended, by BoD Resolution no. 1 from 14.01.2022, for a period of 4 years, namely 16.01.2022 – 15.01.2026.

As of date **01.05.2020** the position of **Sales Manager** is held by **Mr. Moraru Ioan**. Mr. Moraru Ioan is a graduate of the Ion Ionescu de la Brad University of Agricultural Sciences and Veterinary Medicine, Iasi, Faculty of Agriculture. He has 24 years of professional experience in sales, he has held a management position since 01.05.2020.

As of **01.05.2021** the position of **Chief Financial Officer** is held by **Mrs. Pepene Gabriela**. Mrs. Gabriela Pepene is a graduate of the "Gheorghe Asachi" Technical University of Iasi, the Faculty of Materials Science and Engineering, the Faculty of Economics and Business Administration, within the "Alexandru Ioan Cuza" University of Iasi, specializing in Accounting and Management Informatics, of the "George Bacovia" Faculty Bacau - master's degree in Business Management. She has a professional experience of 20 years in the economic profession, 16 years in management position; she has held a management position within Mecanica Ceahlau SA since 01.05.2021.

**a) Agreements or family ties between the persons who are part of the executive management and another person due to whom they were appointed member of the executive management**

No agreements or family ties are known between the persons who are part of the executive management and another person due to whom they were appointed member of the executive management.

**b) Participation of the members of the executive management in the share capital of the Company**

At December 31, 2022, the structure of the holders of financial instruments amongst the members of the executive management is presented as follows:

Name and surname	Number of holdings	Percentage (%)
Molesag Sorin	-	-
Pepene Gabriela	-	-
Moraru Ioan	-	-

### 4.3. Legal disputes or administrative procedures in which the directors and members of the executive management have been involved in the last 5 years

As a result of the verifications carried out in the Register of lawsuits kept within the Law Office, the following was found:

The members of the Board of Directors have not been involved in lawsuits in the past 5 years, regarding the activity carried out within the Company; the Law Office does not have data on any administrative procedures in which the five persons were involved.

Regarding the executive management of the Company, they have not been involved in lawsuits in the past 5 years, regarding the activity carried out within the Company. Regarding the possible administrative procedures in which the executive management was involved, the Law Office does not have data in this regard.



#### Other disputes

The Company is the subject of a number of court actions resulting from the normal course of its activity.

In addition to the amounts already recorded in these financial statements, impairment allowances for receivables and described in the notes, the amounts related to other legal actions are recognized when a final and irrevocable decision is obtained or when payments are received.

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

#### 4.4. Corporate governance

During 2022, and in the previous period, Mecanica Ceahlău SA paid attention to the application of the OECD principles of Corporate Governance and the Corporate Governance Code of the Bucharest Stock Exchange.

The Board of Directors consists of 3 members, a number that corresponds to the current and prospective needs of the Company. A chairman was elected to the Board of Directors.

From 29.06.2008 the Audit Committee was established and from 17.11.2009 the Nomination and Remuneration Committee was established. On the occasion of the modification of the membership of the Board of Directors, the membership of the advisory committees was updated and/or supplemented each time.

In accordance with the provisions of the Code of Corporate Governance of the Bucharest Stock Exchange, starting 27.01.2010, the position of Secretary General of the Board of Directors was established with specific attributions in order to ensure the necessary framework for a good preparation of the analyses in the meetings of the Board of Directors and the General Meetings of Shareholders, of the record-keeping and monitoring of the fulfillment of the decisions adopted on the occasion of these analyzes.

Both in 2022 and in previous years, a fair treatment of all holders of shares was ensured, promoting an effective and active communication with them.

The necessary conditions were ensured to inform the shareholders about the financial results as well as on all the relevant aspects of the Company's activity both through the website and through the general secretariat of the Board of Directors.

Given that around 20% of the Company's shares are held by shareholders based abroad, the materials of the call and roll-out of the general meetings have been posted on the Company's website in both Romanian and English.

As a result of the concern of the Board of Directors for the harmonization of the shareholders' interest with that of the Company, in 2022 the Company managed to ensure an important participation of the shareholders in the general meetings, which were carried out with a percentage of representation of 93.5096% of the total shares issued by the Company.

Regarding the analyzed topics and the decisions adopted at the general meetings of shareholders in 2022, the current reports were drawn up and published in accordance with the legal regulations in force. We mention in this regard that, in 2022, there were held two ordinary general meetings of shareholders and an extraordinary meeting of shareholders, in which a number of 22 decisions were adopted, all of them being fulfilled. Briefings and reports were presented in the meetings of the Board of Directors on how these decisions were carried out.

In order to analyze the various aspects of the Company's activity, in 2022, the Board of Directors met in 14 working meetings. Some meetings were attended by executive officers and sometimes, depending on the issues included in the agenda, other persons were invited and participated.

On the agenda of the meetings of the Board of Directors, based on the annual topic list, there were monthly analyses as follows:

- in the field of production and services: implementation of the production program for the previous month and preliminary production for the current month; the draft production program for the following month; the stage of implementation of the second field of activity;



## ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

- in the field of commercial activity: implementation of the sales program for the previous month and preliminary sales for the current month; the draft sales program for the following month; ensuring the material basis necessary for the implementation of the production program for the next month; the situation regarding the Company's disputes and the amounts at issue at the end of the previous month, conciliatory actions initiated and in progress, the results recorded and the amounts recovered;

- in the field of economic and financial activity: realization of the monthly and accumulated budget of income and expenses and the draft budget of income and expenses for the next month;

- in the field of internal control: submission of audit reports according to the annual plan; the program for the implementation of unitary prevention and control; the stage of fulfillment of the decisions adopted by the GMS and BoD.

On a quarterly basis, the Board of Directors analyzed:

- in the field of production activity: the breakdown by months of the Production Program for the following quarter; the achievement of the objectives stipulated by the Investment Program, the Design Research Program, the Equipment Maintenance and Repair Program in the previous quarter and the measures that are envisaged for the implementation of the programs foreseen for the next quarter;

- in the field of commercial activity: the breakdown by months of the Sales Program for the following quarter; the situation of claims registered in commercial relations; analysis of the structure of stocks of finished products and the level of stock required depending on the season;

- in the field of economic and financial activity: quarterly reports related to the first and third quarters; the breakdown by months of the income and expenses budget for the following quarter; the structure of the cost of production and the profitability of the products sold in the previous quarter; a statement of the costs recorded and the value of the production handed over as per the orders closed in the previous quarter.

During 2022, the following were included on the agenda in the meetings of the Board of Directors: analyses regarding the general management; human resources management, research, constructive and technological design, biannual report for the first semester; the result of the stock-count of assets and others.

All the meetings of the Board of Directors ended with the adoption of decisions on the analyzed issues, decisions that were introduced in the recording and monitoring system, established at the level of the general secretariat.

On a monthly basis, through the recording and monitoring system established by the Secretary General of the BoD, the Board of Directors was informed about the decisions adopted and how they were fulfilled.

## 5) INFORMATION ON TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

### 5.1. Members of the Board of Directors

The members of the Board of Directors, according to the administration contracts, have the following rights:

- a) a remuneration in the form of a monthly allowance;
- b) profit sharing according to the provisions of the decision of the general meeting of shareholders and of the articles of incorporation.

The monthly remunerations of the members of the Board of Directors, approved by Decision 9/26.04.2021 of the Ordinary General Meeting of Shareholders, are the following:

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

The denomination in Lei was made at the Euro-Leu exchange rate of the NBR from the date of payment.



## ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

The payment of the remuneration, of participation in the net profit of the Company, as well as the limits and conditions under which these payments are to be made are stipulated in the decision of the General Meeting of Shareholders.

The gross amounts granted in 2022 to the members of the Board of Directors in accordance with the decision of the General Meeting of Shareholders and the management contracts are:

Board of Directors	Name	Term of office	Amount – lei -
President	Trifa Aurelian-Mircea-Radu	01.01. - 31.12.2022	274,142
Member	Eșanu Vasile-Romeo	01.01. - 31.12.2022	137,075
Member	Ianculescu Carmen	01.01. - 31.12.2022	137,181
<b>Total indemnity expenses – gross amounts</b>			<b>548,398</b>

In 2022, additional bonuses were awarded to the members of the Board of Directors.

### 5.2. Executive Officers

For the executive officers, the monthly remunerations for 2022, approved by Decision no. 9 / 26.04.2021 of the Ordinary General Meeting of Shareholders, are the following:

- Chief Executive Officer – 3,500 euro net;
- Sales Manager - 10,000 lei net;
- Chief Financial Officer – 10,000 lei net.

The denomination in Lei was made at the Euro-Leu exchange rate of the NBR on the date of payment.

Depending on the degree of achievement of the collective and individual performance indicators, at the end of 2022, the Board of Directors will be able to grant the variable remuneration to the directors, but this remuneration will be within the following limits:

- Premiums - within the limit of 5% of the salary or indemnity fund, included in the Budget of income and expenses approved by the General Meeting of Shareholders
- Annual individual bonus, at the level of maximum 9 salaries, if the established performance indicators are met.

The gross amounts granted to the executive officers in 2022 in accordance with the decision of the General Meeting of Shareholders and the management contracts are:

Management	Name	Term of office	Amount – lei -
Chief Executive Officer	Molesag Sorin-Ion	01.01 - 31.12.2022	490,475
Sales Manager	Moraru Ioan	01.01 – 31.12.2022	276,516
Chief Financial Officer	Pepene Gabriela	01.05 – 31.12.2022	254,493
<b>Total indemnity expenses - gross amounts</b>			<b>1,021,484</b>

In 2022, additional bonuses were awarded to managers.



## ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

### 6) ECONOMIC AND FINANCIAL SITUATION

The financial statements for the financial year ended December 31, 2022 are prepared in accordance with the Accounting Regulations in accordance with the International Financial Reporting Standards approved by Order of the Minister of Public Finance no. 2844/2016.

The currency for reporting the financial statements is the Leu.

The economic and financial situation compared to the last 3 years is presented in Annex no. 1.

#### a) Financial position at December 31, 2022

Analytical indicators from the statement of financial position exceeding 10% of the total assets	Value – lei	Percentage (%)
Land, land development and buildings	14,768,676	21%
Inventories	26,665,751	39%
Trade receivables	8,787,319	13%
Analytical indicators from the statement of financial position exceeding 10% of the total equity and liabilities		
Revaluation reserves	8,887,985	13%
Paid-up subscribed capital	23,990,846	35%
Retained earnings and other reserves	20,633,995	30%

#### b) Comprehensive income at December 31, 2022

Analytical indicators from the statement of comprehensive income exceeding 20% of the total turnover	Value – lei	Percentage (%)
Cost of materials and consumables	33,013,236	68%
Expenses with salaries, contributions and other similar charges	7,986,367	16%

#### c) Cash flow

At December 31, 2022, the Company ended its activity with a positive treasury balance of 5,421,355 Lei.

The comparative cash flow over the last three years is detailed in Annex no. 2.

Method used in the presentation cash flows it is the direct method.

The structure of cash flows as at December 31, 2022 is as follows:

- lei-

Net cash flows at the beginning of the year	12,829,217
Net cash flows from operating activity	(5,178,895)
Net cash flows from investing activities	(1,303,206)
Net cash flows from financing activities	(862,161)
The effect of the change in foreign exchange on cash	(63,600)
<b>Net cash flows at the end of the year</b>	<b>5,421,355</b>



## ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

In the context of preparing the cash flows:

- cash flows are cash receipts and payments or cash and cash equivalents;
- cash includes the cash available at banks and petty cash;
- cash equivalents include deposits set up with banks, cheques and promissory notes deposited with banks for collection.

The cash flows from the transactions performed in foreign currency are recorded in the functional currency by applying to the value in foreign currency the exchange rate between the functional currency (leu) and the currency from the date of production of the cash flow (the date of making payments and receipts).

Gains and losses arising from changes in foreign exchange rates are not cash flows. However, the effect of the change in the exchange rate on cash and cash equivalents held or owed in foreign currency is reported in the statement of cash flows, but separately from cash flows arising from operation, investments and financing, in order to reconcile cash and cash equivalents at the beginning and end of the reporting period.

The operating activity is the main cash generating activity of the Company.

Thus, in 2022:

- receipts from various clients and debtors amounted to 54,588,646 Lei;
- payments to suppliers and employees and various creditors amounted to 51,428,401 Lei;
- taxes and fees payments to the State budget amounted to 8,339,140 Lei.

The operating activity generated in 2022 a cash deficit of 5,178,895 Lei

Payments for the purchase of tangible and intangible assets amounted to 1,488,718 Lei.

The interest receipts related to deposits placed with banks amounted to 185,512 Lei.

The investment activity generated in 2022 a cash deficit of 1,303,206 Lei.

Within the financing activity, no dividends due to the shareholders were paid.

The Company repaid the installments for 2022 for the investment loan and paid the lease liabilities.

The financing activity generated in 2022 a cash deficit of 862,161 Lei.

The level of cash and cash equivalents registered at 31.12.2022 is 5,421,355 Lei. The impact that the military conflict against Ukraine had on the Company's activity during the reported period was not likely to significantly influence the financial performance of the Company, as it was able to honor in time all its commitments to shareholders and obligations to third parties. Management continues to have a reasonable expectation that the Company has sufficient financial resources of its own to ensure financial stability.



## ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

### d) Achieving the income and expenses budget and the objectives set for 2022

The degree of achievement of the indicators from the Budget of income and expenses for 2022 is presented analytically in Annex 3.

Synthetically, the degree of achievement of the main indicators is the following:

-lei –

No.	Indicators	Budget of income and expenses 2022	Achieved in 2022	Percentage
1	Turnover	44,400,000	48,547,343	109%
2	Total revenue	45,100,000	52,696,113	116%
3	Total expenses*	(42,800,000)	(50,644,331)	118%
4	<b>Profit</b>	<b>1,900,000</b>	<b>1,856,098</b>	<b>98%</b>

\*Except the deferred income tax

**Turnover** compared to the approved budget of income and expenses for 2022, it was achieved at a rate of 109%.

**Total income** compared to the projection of the 2022 budget of income and expenses follows the trend of the turnover achieved at a rate of 116%.

**Total expenses** compared to the projected 2022 budget of income and expenses are carried out at a rate of 118%.

**The net result** of 2022 is a profit in amount of 1,856,098 Lei.

**Total inventories** are in amount of 26,665,751 Lei, 32% increase compared to 2021.

**The trade receivables** represent amounts owed by customers for settlements in the relations with them for products, goods sold and services provided based on invoices.

The net trade receivables at December 31, 2022 are in amount of 8,787,319 Lei, less by 103% compared to 2021 (December 31, 2021: 4,323,872 Lei) and are considered fully performing.

**Trade payables** in amount of 7,774,502 Lei (December 31, 2021: 5,794,206 Lei) are 34% higher than the previous year.

**Other payables** in amount of 2,834,797 Lei (December 31, 2021: 1,569,364 Lei), 80% higher compared to the previous year, mainly include tax debts and debts related to current social insurance which followed the decreasing trend of the average amount.

At December 31, 2022, the Company does not register tax debts and debts related to social security.

At December 31, 2022 the Company contracted an **investment loan** worth 420,000 Euro over a period of 14 years through which a laser cutting equipment was purchased. The investment loan is secured by the security mortgage on the above-mentioned asset.

The net book value at December 31, 2022 is 85,111 Euro.

Investment loan	December 31, 2022	December 31, 2021
Long-term bank loans	123,842	421,177
Short-term bank loans (up to 1 year)	297,235	297,307
<b>Total bank loans</b>	<b>421,077</b>	<b>718,484</b>





## ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

At December 31, 2022 the Company holds leases having as main object vehicles and office space as follows:

	December 31, 2022	December 31, 2021
Debts arising from leasing contracts (over 5 years)	415,658	533,051
Debts arising from leasing contracts (between 1 year and 5 years)	1,346,142	1,066,780
Debts arising from leasing contracts (up to 1 year)	492,272	381,856
<b>Lease liabilities</b>	<b>2,254,072</b>	<b>1,981,687</b>

**Total provisions for risks** at December 31, 2022 are in amount of 187,418 Lei, grouped by category and constituted for:

Provisions for risks and charges	December 31, 2022	December 31, 2021
Provision for employee benefits at retirement	127,083	142,703
Fees for warranties	60,335	80,895
Provision for the risk of return of finished products and goods	-	-
Other provisions	-	730,766
<b>TOTAL</b>	<b>187.418</b>	<b>954,364</b>

## 7) INFORMATION ON INTERNAL CONTROL

### Information on internal control

#### Internal control

In order to ensure a responsible management both from the quality and environmental point of view as well as from the point of view of the control of all the activities carried out in the Company and of the management of the associated risks, the Company focuses on continuing the development of the internal control at the level of the Company.

The duties of fulfilling the policies of the Integrated Quality & Environment Management in direct connection with employees, customers and suppliers belong to the Integrated Management System Department for Quality & Environment.

The specific duties for the supervision of accounting operations, especially the financial control systems and the maintenance of a system of financial control over accounting transactions, lie with the economic department. The internal accounting and financial control of the Company was aimed at ensuring an accounting management and a financial follow-up of the activities in order to meet the defined objectives.

In terms of accounting rules, the Company has developed:

- an accounting policy manual;
- knowledge of the evolution of the accounting and tax legislation;
- specific checks on sensitive points;
- proper identification and treatment of anomalies;
- adapting the software to the needs of the Company;
- compliance with 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**

Internal audit is the independent activity of objective assurance and counseling, designed to add value and improve the Company's operations, assists the Company in achieving its objectives through a systematic and methodical approach that evaluates and improves the effectiveness of risk management, control and governance processes.

The internal audit activity is carried out within Mecanica Ceahlau SA (the Company) as a distinct function and independent of the Company's activities, by the internal audit department that is subordinated to the Board of Directors and to the Chief Executive Officer from an administrative point of view.

The assurance missions carried out by the Internal Audit are of the following types: compliance (conformity) audit that aims to verify compliance with applicable laws, regulations, policies and procedures; performance (operational) audit which has as objective the verification of the quality and adequacy of the systems and procedures, the critical analysis of the organizational structure, the evaluation of the adequacy of the methods, resources and the achievement of the results in relation to the established objectives, and audit of the corporate governance system that has as objective the evaluation of the way in which the management function is exercised in order to achieve the objectives of the organization.

The advisory missions carried out by the Internal Audit within the limits of the internal audit standards and norms are of the following types: formal advisory commitments, planned and materialized in a written document; informal counseling commitments respectively, routine activities such as: participation in standing committees, working groups or teams, projects of limited duration, ad-hoc meetings and exchange of information, and special advisory commitments or another extraordinary event or in a team designated to provide temporary support to meet a special requirement.

The internal auditor reports to the officers, the Audit Committee and the Board of Directors on the purpose, authority, responsibility and performance of the internal audit activity in relation to the annual plan and its compliance with the Code of Ethics and standards. Reporting includes significant aspects regarding risks and control, governance issues and other aspects that require the attention of the executive management and/or the Board of Directors.

Internal audit function: establishes, implements and maintains an annual and multiannual audit plan for examining and evaluating the adequacy and efficiency of the internal control system and procedures of Mecanica Ceahlau SA; issues recommendations based on the results of the activity performed; follows the implementation of the recommendations formulated and reports to the directors, the Audit Committee and the Board of Directors on the purpose, authority, responsibility and performance of the internal audit activity in relation to the plan and on its compliance with the Code of Ethics and standards.

### **Activities carried out by the internal audit in 2022**

Based on the internal audit plan, the activities carried out in 2022 aimed at: audit of engagements and other off-balance sheet items, drawing up of the integrated environmental quality management manual; monitoring the progress made in implementing the internal audit recommendations; verification of compliance aspects, at the request of the CEO.

In addition to the presented activities, other non-audit activities have been carried out, which include: reviewing and updating the internal regulatory framework of the internal audit activity: Internal Audit Charter and the Manual of Policies and Procedures; strategic and annual planning of the internal audit activity; reporting on the internal audit activity, reviewing and updating the internal regulatory framework of the internal audit activity; administrative activities.

The internal auditors report directly to the Audit Committee and the Board of Directors their findings and proposals regarding the significant improvement of the internal controls. Based on the conclusions and recommendations formulated by the internal audit, the executive management ordered the necessary measures to manage the identified risks.

The objectives and purpose of each internal audit mission, the opinion of the internal auditors, the conclusions, the recommendations and the plan of measures for the implementation of the recommendations proposed or applied during the audit activity were included in the internal audit reports that were submitted to the Audit Committee and the Board of Directors.



## ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

The internal auditors follow the progress made in the implementation of the recommendations and report to the executive management on the compliance with the deadlines set for implementation. Also, the internal auditors follow the establishment of measures by the audited structures for the completion of the implementation of the recommendations.

There have been no situations in which the management decides not to take any measure to reduce the risks that are considered as unacceptable for the Company.

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

**CHIEF EXECUTIVE OFFICER,  
Sorin Ion Molesag**

**CHIEF FINANCIAL OFFICER,  
Gabriela Pepene**



**A. ITEMS IN THE STATEMENT OF FINANCIAL POSITION**

**I. Assets that represent 10% of total assets**

	Analytical indicators from the statement of financial position	2019	2020	2021	2022	% of TOTAL ASSETS
	<b>TOTAL ASSETS</b>	<b>70,950,718</b>	<b>54,521,191</b>	<b>62,466,480</b>	<b>68,822,142</b>	
1.	Land and buildings	12,421,196	13,022,771	13,033,281	14,768,676	21%
2.	Inventories	20,162,146	22,103,732	20,185,315	26,665,751	39%
3.	Trade receivables	9,876,304	5,658,228	4,323,872	8,787,319	13%

**II. Liabilities exceeding 10% of total equity and debts**

	Analytical indicators from the statement of financial position	2019	2020	2021	2022	% of TOTAL LIABILITIES
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>70,950,718</b>	<b>54,521,191</b>	<b>62,466,480</b>	<b>68,822,142</b>	
1.	Revaluation reserves	6,983,395	7,440,280	7,671,589	8,887,985	13%
2.	Paid-up subscribed capital	23,990,846	23,990,846	23,990,846	23,990,846	35%
3.	Retained earnings and other reserves	29,502,218	16,369,618	18,375,869	20,633,995	30%

**B. COMPREHENSIVE INCOME**

	Analytical indicators from the statement of comprehensive income	2019	2020	2021	2022	%
	<b>GROSS TURNOVER</b>	<b>30,228,171</b>	<b>19,435,654</b>	<b>36,217,910</b>	<b>48,547,343</b>	
1.	Expenses related to materials and consumables	18,279,305	11,231,653	25,514,141	33,013,236	68%
2.	Expenses with salaries, contributions and other similar costs	6,869,566	6,464,126	6,064,645	7,986,367	16%



STATEMENT OF CASH FLOWS

For the financial year ended December 31,	2019	2020	2021	2022
Payments from clients and other debtors	35,922,605	29,244,880	47,938,296	54,588,646
Payments to suppliers, employees, the State budget and sundry creditors	(34,541,401)	(32,185,389)	(36,571,602)	(59,767,541)
<b>Cash generated from operating activities</b>	<b>1,381,204</b>	<b>(2,940,509)</b>	<b>11,366,694</b>	<b>(5,178,895)</b>
Paid income tax	(3,272,717)	(212,206)	-	-
<b>Net cash generated from operating activities</b>	<b>(1,891,513)</b>	<b>(3,152,715)</b>	<b>11,362,667</b>	<b>(5,178,895)</b>
<b>Cash flow from investing activities</b>				
Interest earned	63,043	424,947	74,524	185,512
Redemption of fund units	-	-	-	-
Proceeds from the sale of property, plant and equipment	21,130,789	-	-	-
Acquisitions of property, plant and equipment	(640,554)	(184,342)	(128,335)	(1,483,423)
Short-term investments	-	-	-	-
Bank deposits with maturity > 3 months	-	-	(5,000,000)	-
<b>Net cash generated from investments</b>	<b>20,553,278</b>	<b>240,605</b>	<b>(5,053,811)</b>	<b>(1,303,206)</b>
<b>Cash flow from financing activities</b>				
Dividends paid	(10)	(10,568,505)	(104)	-
Proceeds from long-term loans	-	-	-	-
Proceeds from short-term loans	1,232,986	963,140	-	-
Repayment of loans	(1,515,118)	(1,265,612)	(295,701)	(296,485)
Payment of finance lease liabilities	(217,354)	(343,634)	(397,368)	(548,261)
Interest paid	(36,865)	(30,494)	(21,942)	(17,415)
<b>Net cash (used in) financing activities</b>	<b>(536,361)</b>	<b>(11,245,105)</b>	<b>(715,114)</b>	<b>(862,161)</b>
<b>Net increase (decrease) of cash and cash equivalents</b>	<b>18,125,404</b>	<b>(14,157,215)</b>	<b>5,597,768</b>	<b>(7,344,262)</b>
Cash and cash equivalents on 1 January	3,332,293	21,433,259	7,242,295	12,829,217
The effect of foreign exchange variations on cash	(24,438)	(33,749)	(10,846)	(63,600)
<b>Cash and cash equivalents at December 31,</b>	<b>21,433,259</b>	<b>7,242,295</b>	<b>12,829,217</b>	<b>5,421,355</b>



ACHIEVEMENT OF THE BUDGET OF INCOME AND EXPENSES 2022

INDICATORS	Budget of income and expenses 2022 (lei)	Achieved 2022 (lei)	Achievement of budget of income and expenses (%)
0	1	2	3
Gross turnover	44,700,000	48,159,263	108%
Commissions given to distributors	(300,000)	(388,080)	129%
<b>1. Net turnover</b>	<b>44,400,000</b>	<b>48,547,343</b>	109%
2.1. Other operating income	500,000	358,558	72%
<b>3. Operating expenses - total, of which:</b>	<b>(42,200,000)</b>	<b>(46,769,332)</b>	111%
a) Expenses related to materials and consumables	(29,000,000)	(33,013,236)	114%
b) Expenses with utilities	(1,800,000)	(726,695)	40%
c) Administrative and other operating expenses	(2,100,000)	(3,767,441)	179%
d) Expenses with salaries, contributions and other similar expenses	(6,800,000)	(7,986,367)	117%
e) Impairment of tangible and intangible assets	(1,700,000)	(1,817,709)	107%
f) Gains/losses from revaluation	-	533,637	-
g) Gain/loss from impairment of current assets and provisions	(900,000)	8,479	101%
<b>4. Operating result</b>	<b>2,700,000</b>	<b>2,136,568</b>	79%
5. Financial income – total	100,000	278,620	279%
6. Financial expenses – total	(500,000)	(363,406)	73%
<b>7. Financial result</b>	<b>(400,000)</b>	<b>(84,787)</b>	21%
<b>8. Total income</b>	<b>45,100,000</b>	<b>49,184,521</b>	109%
<b>9. Total expenses – except for the deferred income tax</b>	<b>(42,800,000)</b>	<b>(47,132,738)</b>	-110%
<b>10. Pre-tax result</b>	<b>2,300,000</b>	<b>2,051,782</b>	89%
11. a) Current income tax	-	-	-
11. b) Deferred income tax	(400,000)	(195,684)	49%
<b>12. Net result</b>	<b>1,900,000</b>	<b>1,856,098</b>	98%



STATUS OF COMPLIANCE WITH THE PROVISIONS OF THE NEW CORPORATE GOVERNANCE CODE OF THE BSE

The stage of compliance with the provisions of the new Corporate Governance Code of BSE	Compliance	No compliance or partial compliance	Reason for non-compliance
<b>Section A – Responsibilities</b>			
<b>A.1.</b> All companies must have an Internal Regulations of the Board that include the terms of reference/responsibilities of the Board and the key management functions of the Company, and which apply, inter alia, the General Principles of this Section.	YES		
<b>A.2.</b> Provisions for the management of conflicts of interest should be included in the Board’s Regulations.		PARTIALLY	The procedure is not included in the Board of Directors’ regulations. Measures to comply with the CGC’s provisions follow. Deadline 30.04.2023
<b>A.3.</b> The Board of Directors must consist of at least five members.	NOT		Starting 24.11.2017, the Board of Directors consists of 3 members
<b>A.4.</b> The majority of the members of the Board of Directors must not have an executive function. In the case of Companies in the Premium Category, no less than two non-executive members of the Board of Directors must be independent. Each independent member of the Board of Directors must submit a statement at the time of their nomination for election or re-election, as well as when there is any change in their status, indicating the elements on the basis of which they are deemed to be independent in terms of character and judgment.	YES		
<b>A.5.</b> Other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions on the Board of non-profit companies and institutions, must be disclosed to shareholders and potential investors before the nomination and during the term of office.	YES		



ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

The stage of compliance with the provisions of the new Corporate Governance Code of BSE	Compliance	No compliance or partial compliance	Reason for non-compliance
<b>A.6.</b> Any member of the Board shall submit to the Board information on any relationship with a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights.		NO	Currently, work is underway on the draft amendment to the regulation of the Board of Directors of the Company, so that this obligation for its members is also included. Deadline 30.04.2023
<b>A.7.</b> The Company must appoint a Secretary of the Board responsible for supporting the work of the Board.	YES		
<b>A.8.</b> The Corporate Governance Statement will inform whether an assessment of the Board under the leadership of the President or the nomination committee has taken place and, if so, will summarise the key measures and the changes resulting therefrom. The Company must have a policy/guide on the evaluation of the Board including the purpose, criteria and frequency of the evaluation process.		NO	The Company will take measures to comply with the provisions of the CGC. Deadline 30.04.2023
<b>A.9.</b> The corporate governance statement should contain information on the number of meetings of the Board and committees during the last year, the participation of directors (in person and in absentia) and a report by the Board and committees on their activities.	YES		
<b>A.10.</b> The corporate governance statement shall contain information on the exact number of independent members of the Board of Directors.	YES		
<b>A.11.</b> The Board of Premium Category Companies must set up a nomination committee made up of non-executive members, which will lead the procedure for the nomination of new board members and make recommendations to the Board. The majority of the members of the nomination committee must be independent.	<b>The Company is in the Standard category.</b>		





ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

The stage of compliance with the provisions of the new Corporate Governance Code of BSE	Compliance	No compliance or partial compliance	Reason for non-compliance
<b>Section B - Risk management and internal control system</b>			
<b>B.1.</b> The Board must set up an audit committee in which at least one member must be an independent non-executive director. In the case of Premium Category companies, the audit committee must consist of at least three members and the majority of the members of the audit committee must be independent.	YES		
<b>B.2.</b> The chair of the audit committee must be an independent non-executive member.	YES		
<b>B.3.</b> Within the framework of its responsibilities, the audit committee must carry out an annual evaluation of the internal control system.	YES		
<b>B.4.</b> The evaluation must take into account the effectiveness and coverage of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Board's audit committee, the timeliness and effectiveness with which the executive management addresses deficiencies or weaknesses identified as a result of internal control and the submission of relevant reports to the Board.	YES		
<b>B.5.</b> The audit committee must assess conflicts of interest in relation to the transactions of the Company and its subsidiaries with related parties.	YES		
<b>B.6.</b> The audit committee must assess the effectiveness of the internal control system and the risk management system.	YES		
<b>B.7.</b> The audit committee must monitor the application of generally accepted legal standards and internal audit standards. The audit committee must receive and evaluate the reports of the internal audit team.	YES		



ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

The stage of compliance with the provisions of the new Corporate Governance Code of BSE	Compliance	No compliance or partial compliance	Reason for non-compliance
<p><b>B.8.</b> Whenever the Code mentions reports or analyses initiated by the Audit Committee, they should be followed by regular (at least annually) or ad-hoc reports to be submitted subsequently to the Board.</p>	YES		
<p><b>B.9.</b> No shareholder may be given preferential treatment over other shareholders in connection with transactions and agreements entered into by the Company with shareholders and their affiliates.</p>	YES		
<p><b>B.10.</b> The Board must adopt a policy to ensure that any transaction of the Company with any of the companies with which it has close relations, the amount of which is equal to or greater than 5% of the net assets of the Company (according to the last financial report) is approved by the Board following a binding opinion of the audit committee.</p>	YES		
<p><b>B.11.</b> Internal audits must be carried out by a structurally separate division (internal audit department) within the Company or by hiring an independent third entity.</p>	YES		
<p><b>B.12.</b> In order to ensure that the core functions of the internal audit department are carried out, it must report functionally to the Board through the audit committee. For administrative purposes and as part of the management's obligations to monitor and reduce risks, it must report directly to the Chief Executive Officer.</p>	YES		



ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

The stage of compliance with the provisions of the new Corporate Governance Code of BSE	Compliance	No compliance or partial compliance	Reason for non-compliance
<p><b>Section C - Just reward and motivation</b></p>			
<p><b>C.1.</b> The Company must publish on its website the remuneration policy and include in the annual report a statement on the implementation of the remuneration policy during the annual period under review.</p> <p>The remuneration policy must be formulated in such a way as to enable shareholders to understand the principles and arguments underlying the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in the two-tier system. It must describe how remuneration is conducted and decided, detail the components of executive management remuneration (such as salaries, annual bonuses, long-term incentives related to the value of shares, benefits in kind, pensions and others) and describe the purpose, principles and assumptions underlying each component (including the general performance criteria of any form of variable remuneration). In addition, the remuneration policy must specify the duration of the chief executive officer's contract and the period of notice provided for in the contract, as well as any compensation for revocation without fair cause.</p> <p>The remuneration report must set out the implementation of the remuneration policy for the persons identified in the remuneration policy during the annual period under review.</p> <p>Any essential change in the remuneration policy must be published in good time on the Company's website.</p>	<p>YES</p>		



ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

The stage of compliance with the provisions of the new Corporate Governance Code of BSE	Compliance	No compliance or partial compliance	Reason for non-compliance
<b>Section D - Adding value through investor relations</b>			
<p><b>D.1.</b> The Company must organize an Investor Relations service – indicating to the general public the person(s) responsible or the organisational unit. In addition to the information required by the legal provisions, the Company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all relevant information of interest to investors, including:</p> <p>D.1.1. The main corporate regulations: articles of incorporation, procedures regarding the general meetings of shareholders;</p> <p>D.1.2. Professional CVs of the members of the Company's management bodies, other professional commitments of the members of the Board, including executive and non-executive positions on boards of directors of companies or non-profit institutions;</p> <p>D.1.3. Current and periodic reports (quarterly, half-yearly and annual);</p> <p>D.1.4. Information on general meetings of shareholders;</p> <p>D.1.5. Information on corporate events;</p> <p>D.1.6. Name and contact details of a person who will be able to provide relevant information upon request;</p> <p>D.1.7. Company presentations (e.g. presentations for investors, presentations on quarterly results, etc.), financial statements (quarterly, half-yearly, annual), audit reports and annual reports.</p>	YES		



ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

The stage of compliance with the provisions of the new Corporate Governance Code of BSE	Compliance	No compliance or partial compliance	Reason for non-compliance
<p><b>D.2.</b> The Company will have a policy on the annual distribution of dividends or other benefits to shareholders. The principles of the annual distribution policy to shareholders will be published on the Company's website.</p>	YES		
<p><b>D.3.</b> The Company will adopt a policy in relation to forecasts, whether they are made public or not. The forecast policy will be published on the Company's website.</p>	YES		
<p><b>D.4.</b> The rules of general meetings of shareholders must not restrict the participation of shareholders in general meetings and the exercise of their rights. The changes to the rules will take effect, at the earliest, starting with the next meeting of shareholders.</p>	YES		
<p><b>D.5.</b> External auditors will be present at the general meeting of shareholders when their reports are presented at these meetings.</p>		NOT	The Company will take measures to comply with the provisions of the CGC.
<p><b>D.6.</b> The Board will provide the annual general meeting of shareholders with a brief assessment of the internal control and management systems for significant risks, as well as opinions on issues subject to the decision of the general meeting.</p>	YES		
<p><b>D.7.</b> Any specialist, consultant, expert or financial analyst may participate in the shareholders' meeting on the basis of a prior invitation from the Board. Accredited journalists may also attend the general meeting of shareholders, unless the Chairman of the Board decides otherwise.</p>	YES		



ACTIVITY REPORT OF THE BOARD OF DIRECTORS 2022

The stage of compliance with the provisions of the new Corporate Governance Code of BSE	Compliance	No compliance or partial compliance	Reason for non-compliance
<p><b>D.8.</b> The quarterly and half-yearly financial reports will include information in both Romanian and English on the key factors that influence changes in sales, operating profit, net profit and other relevant financial indicators, both quarter-on-quarter and year-on-year.</p>	YES		
<p><b>D.9.</b> A company will hold at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions will be published in the investor relations section of the company's website at the time of the meetings/teleconferences.</p>	YES		
<p><b>D.10.</b> Where a company supports different forms of artistic and cultural expression, sports activities, educational or scientific activities and considers that their impact on the innovative character and competitiveness of the company are part of its development mission and strategy, it will publish the policy on its work in this field.</p>	Not applicable		

**MECANICA CEHLAU SA**

**FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED AT  
DECEMBER 31, 2022**

**PREPARED IN ACCORDANCE WITH ORDER 2844/2016  
FOR THE APPROVAL OF ACCOUNTING REGULATIONS IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
ADOPTED BY THE EUROPEAN UNION, AS REVISED**

**MECANICA CEAHLAU SA**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022**  
(all amounts are expressed in "Lei", unless otherwise specified)

	Note	December 31, 2022	December 31, 2021
<b>Assets</b>			
<b>Non-current assets</b>			
Land and land improvements		7,966,393	7,262,721
Construction		6,802,283	5,770,560
Technical installations and means of transport		3,206,502	3,195,674
Other property, plant and equipment		411,772	140,679
Property, plant and equipment in progress		169,400	252,904
<b>Property, plant and equipment</b>	<b>13</b>	<b>18,556,349</b>	<b>16,622,538</b>
<b>Intangible assets</b>			
Other intangible assets		103,032	40,890
Concessions, patents, licenses, trademarks, rights and similar assets		-	2,068
<b>Intangible assets</b>	<b>14</b>	<b>103,032</b>	<b>42,959</b>
<b>Investment properties</b>	<b>15</b>	<b>898,905</b>	<b>458,477</b>
<b>Assets representing rights of use of underlying assets in leases</b>	<b>13</b>	<b>2,271,212</b>	<b>2,000,466</b>
<b>Total non-current assets</b>		<b>21,829,498</b>	<b>19,124,439</b>
<b>Current assets</b>			
Inventories	17	26,665,751	20,185,315
Trade receivables	18	8,787,319	4,323,872
Other receivables	19	311,234	294,868
Prepaid expenses		63,959	37,904
Financial assets measured at fair value through the profit and loss	20	275,441	266,635
Financial assets at amortised cost	20	5,105,165	5,020,323
Cash, current accounts and deposits with banks	20	5,421,355	12,829,217
Assets classified as held for sale	16	362,419	383,907
<b>Total current assets</b>		<b>46,992,643</b>	<b>43,342,040</b>
<b>Total assets</b>		<b>68,822,141</b>	<b>62,466,480</b>
<b>Equity</b>			
Share capital	21a	23,990,846	23,990,846
Legal reserves	21c	2,983,701	2,890,897
Revaluation reserves		8,887,985	7,671,589
Retained earnings	21b	17,650,294	15,484,973
<b>Total equity</b>		<b>53,512,826</b>	<b>50,038,305</b>

The financial statements are being audited. The attached notes are an integral part of the financial statements.



**MECANICA CEHLAU SA**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022**  
(all amounts are expressed in "Lei", unless otherwise specified)

	Note	December 31, 2022	December 31, 2021
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term loans	22	123,842	421,177
Lease liabilities	23	1,761,800	1,599,831
Provision for pensions	24	127,083	142,703
Deferred tax liabilities	12	1,837,449	1,410,070
<b>Total non-current liabilities</b>		<b>3,850,174</b>	<b>3,573,781</b>
<b>Current liabilities</b>			
Short-term loans	22	297,235	297,307
Lease liabilities	23	492,272	381,856
Trade payables	25	7,774,502	5,794,206
Other payables	26	2,834,797	1,569,364
Provisions for risks and charges	24	60,335	811,662
<b>Total current liabilities</b>		<b>11,459,141</b>	<b>8,854,395</b>
<b>Total liabilities</b>		<b>15,309,315</b>	<b>12,428,176</b>
<b>Total equity and liabilities</b>		<b>68,822,141</b>	<b>62,466,480</b>

The financial statements were authorized for approval by the Board of Directors on February 28, 2023 and were signed on its behalf by:

\_\_\_\_\_  
**MOLESAG ION SORIN,**  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
**PEPENE GABRIELA,**  
CHIEF FINANCIAL OFFICER

The financial statements are being audited. The attached notes are an integral part of the financial statements.

**MECANICA CEAHLAU SA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022**  
(all amounts are expressed in "Lei", unless otherwise specified)

	Note	Year ended December 31, 2022	Year ended December 31, 2021
Turnover	5	48,547,343	36,217,910
Expenses with stocks		(33,013,236)	(25,514,141)
		<b>15,534,107</b>	<b>10,703,769</b>
Other operating income	6	358,558	430,622
Utility expenses		(726,695)	(320,151)
Expenses with salaries, contributions and other similar charges	7	(7,986,367)	(6,064,645)
Other administrative expenses	8	(3,172,272)	(2,340,961)
Other operating expenses	9	(595,169)	(404,879)
Amortization/Depreciation and impairment expenses for fixed assets and depreciation expenses for assets related to the rights of use of leased assets	13, 14	(1,817,709)	(1,577,378)
Gains/(losses) from the revaluation of assets held for sale		(21,488)	38,397
Gains/(losses) from the revaluation of investment properties		440,429	(28,803)
Gains/(losses) from disposal of non-current assets		18,727	-
Gains/(losses) from the revaluation of property, plant and equipment		95,969	(40,094)
Adjustment of the value of current assets	17	(7,141)	2,207,160
Adjustments of provisions	24	15,620	(9,723)
<b>Total operating expenses</b>		<b>(13,756,096)</b>	<b>(8,541,077)</b>
<b>Result of operating activities</b>		<b>2,136,569</b>	<b>2,593,314</b>
Interest income		269,813	87,055
Gain from the revaluation of financial assets measured at fair value through profit or loss		8,807	4,784
Expenses with interest and discounts granted		(300,102)	(237,466)
Foreign exchange losses		(63,304)	(67,207)
<b>Net financial result</b>	10	<b>(84,787)</b>	<b>(212,835)</b>
<b>Pre-tax result</b>		<b>2,051,782</b>	<b>2,380,480</b>
Current and deferred income tax expense	11	(195,684)	(660,034)
<b>Results from continued operations</b>		<b>1,856,098</b>	<b>1,720,446</b>

The financial statements are being audited. The attached notes are an integral part of the financial statements.

**MECANICA CEHLAU SA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022**  
(all amounts are expressed in "Lei", unless otherwise specified)

	Note	Year ended December 31, 2022	Year ended December 31, 2021
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified later into profit or loss</b>			
Deferred tax capital		(231,694)	(44,059)
Increases/ (Decreases) of revaluation reserves, net		1,831,075	561,173
<b>Other comprehensive income, after tax</b>		<b>1,599,381</b>	<b>517,114</b>
<b>Total comprehensive income for the period</b>		<b>3,455,479</b>	<b>2,237,560</b>
<b>Profit/(loss) attributable</b>		<b>1,856,098</b>	<b>1,720,446</b>
Number of shares		239,908,460	239,908,460
Basic earnings per share		0.0077	0.0072

The financial statements were authorized for approval by the Board of Directors on February 28, 2023 and were signed on his behalf by:

\_\_\_\_\_  
**MOLESAG ION SORIN,**  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
**PEPENE GABRIELA,**  
CHIEF FINANCIAL OFFICER

**MECANICA CEHLAU SA**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

	Share capital	Legal reserves	Revaluation reserves, net of deferred tax	Retained earnings	Total equity
<b>Balance at December 31, 2021</b>	<b>23,990,846</b>	<b>2,890,897</b>	<b>7,671,589</b>	<b>15,484,973</b>	<b>50,038,305</b>
Set-up of legal reserves from profit during the period	-	92,804	-	(92,804)	-
Transfer to retained earnings corresponding to the surplus realised from revaluation reserves	-	-	(382,985)	375,643	(7,342)
<b>Transactions with shareholders</b>	<b>-</b>	<b>92,804</b>	<b>(382,985)</b>	<b>282,838</b>	<b>(7,342)</b>
<b>Other comprehensive income</b>					
Net (loss)/profit for the year	-	-	-	1,856,098	1,856,098
Increases / (decreases) of revaluation reserves, net	-	-	1,831,375	-	1,831,075
Deferred income tax on account of equity, net changes	-	-	(231,694)	-	(231,694)
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,599,381</b>	<b>1,856,098</b>	<b>3,455,479</b>
Dividends distributed to shareholders	-	-	-	26,384	26,384
<b>Balance at December 31, 2022</b>	<b>23,990,846</b>	<b>2,983,701</b>	<b>8,887,985</b>	<b>17,650,295</b>	<b>53,512,826</b>

Details of revaluation reserves are included in Note 21b, and those for legal reserves in note 21c.

The financial statements were authorized for approval by the Board of Directors on February 28, 2023 and were signed on its behalf by:

\_\_\_\_\_  
**MOLESAG ION SORIN,**  
 CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
**PEPENE GABRIELA,**  
 CHIEF FINANCIAL OFFICER

The financial statements are being audited. The attached notes are an integral part of the financial statements.

**MECANICA CEHLAU SA**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

	Share capital	Legal reserves	Revaluation reserves, net of deferred tax	Retained earnings	Total equity
<b>Balance at December 31, 2020</b>	<b>23,990,846</b>	<b>2,804,874</b>	<b>7,440,280</b>	<b>13,564,744</b>	<b>47,800,744</b>
Set-up of legal reserves from profit during the period	-	86,022	-	(86,022)	-
Transfer to retained earnings corresponding to the surplus realised from revaluation reserves	-	-	(285,816)	285,805	(11)
Dividends distributed to shareholders	-	-	-	-	-
<b>Transactions with shareholders</b>	<b>-</b>	<b>86,022</b>	<b>(285,816)</b>	<b>199,783</b>	<b>(11)</b>
<b>Other comprehensive income</b>					
Net (loss)/profit for the year	-	-	-	1,720,446	1,720,446
Increases / (decreases) of revaluation reserves, net	-	-	561,184	-	561,184
Deferred income tax on account of equity, net changes	-	-	(44,059)	-	(44,059)
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>517,125</b>	<b>1,720,446</b>	<b>2,237,571</b>
<b>Balance at December 31, 2021</b>	<b>23,990,846</b>	<b>2,890,897</b>	<b>7,671,589</b>	<b>15,484,973</b>	<b>50,038,305</b>

Details of revaluation reserves are included in Note 21b, and those for legal reserves in note 21c.

The financial statements were authorized for approval by the Board of Directors on February 28, 2023 and were signed on its behalf by:

\_\_\_\_\_  
**MOLESAG ION SORIN,**  
 CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
**PEPENE GABRIELA,**  
 CHIEF FINANCIAL OFFICER

The financial statements are being audited. The attached notes are an integral part of the financial statements.

**MECANICA CEAHLAU SA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022**  
(all amounts are expressed in "Lei", unless otherwise specified)

Direct method	Year ended December 31, 2022	Year ended December 31, 2021
<b>Cash flows from operating activities:</b>		
Receipts from customers	54,292,067	47,749,971
Receipts from other debtors	296,679	190,325
Payments to suppliers	(46,707,692)	(25,620,405)
Payments to employees	(4,574,353)	(3,519,597)
Payments to the State budget	(8,339,140)	(6,986,633)
Payments to sundry lenders	(146,356)	(444,967)
<b>Cash generated by / (used in) operating activities</b>	<b>(5,178,895)</b>	<b>11,368,694</b>
Income tax paid	-	-
<b>Net cash generated by operations</b>	<b>(5,178,895)</b>	<b>11,368,694</b>
<b>Cash flows from investing activities</b>		
Interest received	185,512	74,524
Acquisitions of property, plant and equipment	(1,488,718)	(128,335)
Deposits with maturity >3 months	-	(5,000,000)
<b>Net cash generated by /(used in) investments</b>	<b>(1,303,206)</b>	<b>(5,053,811)</b>
<b>Cash flows from financing activities</b>		
Short-term loan receipts	-	-
Repayment of loans	(296,485)	(295,701)
Interest paid	(17,415)	(21,942)
Payment of financial lease liabilities	(548,261)	(397,368)
Dividends paid	-	(104)
<b>Net cash used in financing activities</b>	<b>(862,161)</b>	<b>(715,114)</b>
<b>Net increase/(decrease) of cash and cash equivalents</b>	<b>(7,344,262)</b>	<b>5,597,768</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>12,829,217</b>	<b>7,242,295</b>
Foreign exchange differences	(63,600)	(10,846)
<b>Cash and cash equivalents at the end of the period</b>	<b>5,421,355</b>	<b>12,829,217</b>

The financial statements were authorized for approval by the Board of Directors on February 28, 2023 and were signed on its behalf by:

**MOLESAG ION SORIN,**  
CHIEF EXECUTIVE OFFICER

**PEPENE GABRIELA,**  
CHIEF FINANCIAL OFFICER

**MECANICA CEHLAU SA**  
**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

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**1. REPORTING ENTITY**

Mecanica Ceahlău SA ("the Company") is a company based in Romania. The company has its registered office in Piatra Neamt, 6 Dumbravei St., Neamț county, Romania.

The Company operates in accordance with the provisions of Law 31/1990 on companies, as revised.

According to the statute, the main field of activity of the Company is the manufacture of machinery and equipment for agriculture and forestry.

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

The Company's shares are registered on the Bucharest Stock Exchange, standard category, with the MECF symbol.

The shareholding structure at December 31, 2022 is:

<b>December 31, 2022</b>	<b>Number of shares</b>	<b>Amount (lei)</b>	<b>%</b>
Evergent Investments SA	175,857,653	17,585,765	73.3020
New Carpathian Fund	48,477,938	4,847,794	20.2068
<i>Other shareholders, of which:</i>			
- legal persons	722,117	72,212	0.3010
- natural persons	14,850,752	1,485,075	6.1902
<b>TOTAL</b>	<b>239,908,460</b>	<b>23,990,846</b>	<b>100.00</b>

The records of the shares and shareholders are kept in accordance with the law by Depozitarul Central SA Bucharest.

**2. THE BASES OF PREPARATION**

**a. Statement of compliance**

The financial statements shall be prepared by the Company in accordance with:

- International Financial Reporting Standards adopted by the European Union ('IFRS');
- Accounting Law 82/1991, republished and revised;
- the provisions of Order of the Minister of Public Finance no. 2844/2016, for the approval of accounting regulations in accordance with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, as revised;

The financial statements for the financial year ended December 31, 2022 include the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and explanatory notes.

Comparative financial information is presented at December 31, 2021 for the statement of financial position, the separate statement of changes in equity, the statement of comprehensive income and the statement of cash flows.

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

The financial statements were authorized for issuance by the Board of Directors on February 28, 2023.

**MECANICA CEAHLAU SA**  
**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

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**2. BASIS FOR PREPARATION (continued)**

**b. Presentation of financial statements**

The financial statements are presented in accordance with the requirements of IAS 1 "Presentation of Financial Statements".

The Company has adopted a presentation based on the nature of assets and liabilities in the statement of financial position and a presentation of income and expenses according to their nature in the statement of comprehensive income, considering that these methods of presentation provide information that is reliable and more relevant than that which would have been presented under other methods permitted by the IAS.

For consistency with the information in the current period, the Company may reclassify certain items for the comparative period in the Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows and in the related Notes.

These financial statements were drawn up on the basis of the going concern principle, which implies that the Company will continue its activity in the foreseeable future. The Management of the Company believes that the Company will normally continue its activity in the future and, consequently, the financial statements have been drawn up on this basis.

**c. Bases of measurement**

The financial statements were prepared at historical cost, except for land and buildings that are held at revalued amount and investment properties that are held at fair value.

These financial statements have been prepared for the use of those who know the provisions of the International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, approved by MoPFO 2844/2016.

The attached financial statements are not intended to present the financial position in accordance with regulations and accounting principles accepted in countries and jurisdictions other than Romania. Also, the financial statements are not intended to present the result of operations, cash flows and a complete set of notes to the financial statements in accordance with regulations and accounting 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 Order of the Minister of Public Finance no. 2844/2016 as revised.

Consequently, these financial statements should not be considered as the sole source of information by a potential investor or by another user.

**d. Functional and presentation currency**

The Company's management considers that the functional currency, as defined by IAS 21 "Effects of the change in the exchange rate", is the Romanian leu ("RON"). The separate financial statements are presented in lei, rounded to the nearest leu, the functional currency of the Company.

Transactions in foreign currency are expressed in RON by applying the exchange rate from the transaction date. Monetary assets and liabilities expressed in foreign currency at the end of the period are expressed in lei at the exchange rate of that date. Gains and losses from exchange rate differences, realized or not realized, are recorded in the statement of comprehensive income of the respective period.

**e. Use of professional estimates and judgements**

The preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS") requires the Company's management to use estimates, professional judgments and assumptions that affect the application of accounting policies and the reported value of assets, liabilities, income and expenses. The estimates and assumptions associated with these estimates are based on historical experience, as well as other factors considered reasonable in the context of these estimates. The results of these estimates are based on professional judgments regarding the carrying amounts of assets and liabilities when those values cannot be obtained from other sources of information. Actual results may differ from estimated values.

The assumptions underlying the estimates are periodically reviewed by the Company. The effect of these revisions is recognized in the period in which the estimates are revised, if the revisions affect only that period, or in the period in which the estimates are revised and future periods if the revisions affect both the current period and future periods.



**MECANICA CEAHLAU SA**  
**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

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**2. BASIS FOR PREPARATION (continued)**

**e. Use of professional estimates and judgements (continued)**

The information and rationale related to the application of accounting policies with the greatest degree of estimation uncertainty, which have a significant impact on the amounts recognised in these annual financial statements, are included in the following notes:

- Note 18 - Trade receivables

The estimates and assumptions associated with these estimates are based on historical experience, as well as on other factors considered reasonable in the context of these estimates. The results of these estimates and assumptions form the basis of judgments regarding the book values of assets and liabilities that cannot be obtained from other sources of information.

**f. The impact of the military conflict in Ukraine on the position and financial performance of the Company**

The Company operates in the field of production and sale of machines and equipment for agriculture.

The agricultural machinery market is still characterized by volatility. The investment appetite of farmers in new equipment will be continuously influenced by the annual rainfall amounts, the lack of an efficient irrigation system at national level, the unpredictable price increases for inputs, lack of predictability for subsidies, government aid and European funds.

Other elements of risk and uncertainty are represented by the crisis of raw materials and the permanent fluctuation of prices (including energy, gas and fuel), very long delivery times.

(See Note 5 - Income).

In the context of the military conflict in Ukraine, it is expected that, further, there will be a degree of uncertainty in the field in which the Company operates. The Company's management does not estimate difficulties in honoring the commitments towards the shareholders and the obligations towards third parties, the availability of present and future liquidity being in line with the limits imposed by the regulations and sufficient to cover the payments in the next period.

The Company's management has as permanent objectives the analysis of the future impact of the military conflict in Ukraine on the financial performance and taking appropriate measures to reduce the related risks.

**MECANICA CEHLAU SA**  
**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

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**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies have been consistently applied over all periods presented in the separate financial statements drawn up by the Company.

**a. Transactions in foreign currency**

The operations expressed in foreign currency are recorded in RON at the official exchange rate communicated by the National Bank of Romania ("NBR") for the date of transactions. The balances in foreign currency are converted into lei at the exchange rates communicated by the National Bank of Romania at December 31, 2022.

Gains and losses resulting from the settlement of transactions in a foreign currency and from the conversion of monetary assets and liabilities denominated in a foreign currency are recognised in the separate statement of comprehensive income within the financial result.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are valued at historical cost in a foreign currency are converted using the exchange rate at the transaction date.

The exchange rates of the main foreign currencies according to the NBR reporting are as follows:

Currency	December 31, 2022	December 31, 2021	Variation
Euro (EUR)	EUR 1: LEU 4.9474	EUR 1: LEU 4.9481	1.00%
US dollar (USD)	USD 1: LEU 4.6346	USD 1: LEU 4.3707	1.06%

**b. Cash and cash equivalents**

Cash and cash equivalents include: actual cash, current accounts, deposits set up with banks with maturity up to 3 months and values to be collected (cheques and trade notes receivables).

**c. Financial assets and financial liabilities**

**(i) Classification of financial assets**

In accordance with IFRS 9, financial assets are classified in one of the following categories:

- Financial assets at fair value through profit or loss ("FVTPL"):
  - investments in managed funds (fund units);
  - participations in subsidiaries and associated entities (shares in Transport Ceahlau SRL).
- Financial assets at amortised cost:

After initial recognition, a financial asset is classified as measured at amortised cost only if two conditions are simultaneously met: - the asset is held under a business model whose objective is to hold financial assets in order to receive the contractual cash flows;- the contractual terms of the financial asset give rise, on specified dates, to cash flows representing exclusively payments of principal and interest.

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

***Financial assets at fair value through profit or loss ("FVTPL"):***

An investment in a security is measured at fair value through profit or loss, unless the management makes an irrevocable option, at the time of initial recognition, for measurement at fair value through other comprehensive income.

Financial assets are classified in this category if they are acquired for trading purposes.

**MECANICA CEHLAU SA**  
**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c. Financial assets and financial liabilities (continued)**

An asset is held for trading if it cumulatively meets the following conditions:

- It is owned for sale and redemption purposes in the near future;
- The initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a real recent pattern of short-term profit tracking.

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

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

A gain or loss on these instruments is recognised directly in profit or loss.

IFRS 9 provides an approach to the classification and measurement of financial assets that reflects the business model in which financial assets and cash flow characteristics are managed.

**The business models** used by the Company to manage its financial assets are:

- To collect contractual cash flows:

The financial assets that are held under this business model are managed to obtain cash flows by collecting contractual payments over the life of the instrument. This means that the Company manages the assets held in the portfolio to collect those contractual cash flows (instead of managing the overall return on the portfolio by both holding and selling the assets).

Assets held under this business model are not necessarily retained until they mature, "rare frequency" sales are also possible when the credit risk of those instruments has increased. An increase in the frequency of sales in a certain period is not necessarily contrary to this business model, if the Company can explain the reasons that led to these sales and demonstrate that the sales do not reflect a change in the current business model.

- To collect contractual cash flows and for sale:

The financial assets that are held under this business model are managed both for the collection of contractual cash flows and for the sale of financial assets.

- Other business models:

Other business models include maximizing cash flows through sale, trading, asset management based on fair value, financial instruments bought for sale or trading and measured at fair value through profit or loss.

The management of this portfolio is based on the evolution of the market value of the respective assets and includes frequent sales and purchases for profit maximization purposes.

**Receivables**

Receivables represent financial assets held within a business model whose objective is to keep those assets in order to collect the contractual cash flows and whose contractual terms give rise, on specified dates, to cash flows representing solely payments of principal and interest.

**MECANICA CEAHLAU SA**  
**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c. Financial assets and financial liabilities (continued)**

***Receivables (continued)***

Receivables include trade and other receivables. They are mainly made up of clients and assimilated accounts that include invoices issued at face value and estimated receivables related to the services provided, but invoiced in the period after the end of the period.

Final losses may vary from current estimates. Due to the inherent lack of information related to the financial position of the clients and the lack of legal collection mechanisms, the estimates regarding probable losses are uncertain. However, the management of the Company has made the best estimate of the losses and considers that this estimate is reasonable in the given circumstances. In estimating the losses, the Company also took into account previous experience, in view of both individual and collective estimates, as presented in Note 3.i.(i).

Trade receivables are registered at the invoiced value. Subsequently, the Company recognises the expected credit losses as required by IFRS 9.

***Financial liabilities***

Financial liabilities are recognized on the date on which the Company becomes a part of the contractual provisions of the instrument (transaction date). Financial liabilities are measured at the time of initial recognition at fair value, plus or minus, in the case of financial liabilities that are not at fair value through profit or loss, the transaction costs directly attributable to the acquisition of those financial liabilities.

An entity derecognises a financial liability (or part of a financial liability) from the Statement of Financial Position when, and only when, it is settled—that is, when the obligation specified in the contract is extinguished or cancelled or expires.

These financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. After initial recognition, these financial liabilities are valued at amortised cost.

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

***(ii) Recognition***

Financial assets and liabilities are recognized on the date on which the Company becomes a contractual party to the terms of that instrument.

***(iii) Offsets***

Financial assets and liabilities are set off and the net result is presented in the statement of financial position only when there is a legal right to set off and if there is an intention to settle them on a net basis or if the Company intends to realise the asset and settle the liability simultaneously.

Income and expenses are presented net only when permitted by accounting standards, or for profit and loss resulting from a group of similar transactions such as those from the trading activity of the Company.

***(iv) Measurement at amortised cost***

The amortised cost of an asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, less principal payments plus or minus the accumulated depreciation up to that point using the effective interest method, less write-downs due to impairment.

**MECANICA CEAHLAU SA**  
**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c. Financial assets and financial liabilities (continued)**

**(v) Fair value measurement**

Fair value is the price that would be received as a result of the sale of an asset or the price that would be paid to transfer a liability through an orderly transaction between market participants at the measurement date, (i.e. an exit price.)

**(vi) Identification and evaluation of value impairment**

*Financial assets measured at amortised cost*

The amortised cost of a financial asset or liability is the amount at which the financial asset or financial liability is measured at the initial recognition, less repayments of principal, plus or minus the accumulated depreciation using the effective interest method of any difference between the starting amount and the maturity value, less, in the case of financial assets, reductions in expected credit losses.

The carrying amount of an asset is reduced by the Company by using a provision account. Impairment losses are recognised in the profit or loss account.

If in a subsequent period an event which occurred after the time of recognition of the impairment causes the impairment loss to be reduced, the impairment loss previously recognised is reversed by adjusting the provision account. The reduction of the impairment loss is recognised in the profit or loss account.

The model for the calculation of expected credit risk adjustments in accordance with IFRS 9 is detailed in Note 3 i.(i).

**(vii) Derecognition**

The Company derecognises a financial asset when contractual rights to the cash flows generated by the asset expire, or when the rights to receive the contractual cash flows of the financial asset are transferred through a transaction through which the risks and benefits of ownership of the financial asset are materially transferred.

**d. Property, plant and equipment**

**(i) Recognition and evaluation**

Property, plant and equipment recognised as assets are initially valued at cost by the Company. The cost of an item of property, plant and equipment consists of the purchase price, including non-recoverable taxes, after deducting any price reductions of a commercial nature plus any cost that can be directly attributed to bringing the asset to the location and under the conditions necessary for it to be used for the purpose of management, such as for example: expenses with employees arising directly from the construction or acquisition of the asset, the costs of arranging the site, the initial costs with delivery and handling, the costs of installation and assembly, professional fees.

Property, plant and equipment are initially recognized at the cost of production if they are made by the Company.

The value of the Company's property, plant and equipment at December 31, 2022 and December 31, 2021 is detailed in **Note 13**. Property, plant and equipment are classified by the Company into the following classes of assets of the same nature and with similar uses:

- land and land improvements;
- buildings;
- technical installations and vehicles;
- furniture, office equipment;
- property, plant and equipment in progress;
- assets representing rights of use under a lease.

**MECANICA CEAHLAU SA**  
**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d. Property, plant and equipment (continued)**

**(i) Recognition and evaluation (continued)**

Land and buildings are presented at revalued amount, which is the fair value at the date of revaluation less any accumulated depreciation thereafter and any accumulated impairment losses.

Fair value is based on market price quotes adjusted, where appropriate, to reflect differences in the nature, location or conditions of that asset.

Revaluations are carried out by specialized valuers, members of ANEVAR. The frequency of revaluations is dictated by the dynamics of the markets to which the land and buildings owned by the Company belong.

The other categories of property, plant and equipment are shown at cost, less accumulated depreciation and the provision for impairment of value.

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

- as an increase in the revaluation reserve if there has been no previous decrease recognised as an expense on that asset; or
- as an income to compensate for the expense with the decrease previously recognized to that asset.

If the result of the revaluation is a decrease in the net carrying amount, it shall be treated as follows:

- as an expense with the full amount of depreciation, when an amount relating to that asset (revaluation surplus) is not recorded in the revaluation reserve;
- as a decrease in the revaluation reserve by the minimum between the value of that reserve and the amount of the decrease, and any difference remaining uncovered shall be recorded as an expense.

**(ii) Reclassification in investment property**

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

- (a) commencement of use by the entity for a transfer from investment property to owner-occupied property;
- (b) the start of the improvement process in view of sale, for a transfer from the category of investment property to the category of stocks;
- (c) termination of use by the holder for a transfer from the category of real estate used by the holder to the category of investment property;

**(iii) Subsequent costs**

The expenses with the maintenance and repair of property, plant and equipment are recorded by the Company in the statement of comprehensive income as they occur, and the significant improvements made to property, plant and equipment, which increase their value or lifespan, or which significantly increase their capacity to generate economic benefits, are capitalized.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d. Property, plant and equipment (continued)**

**(iv) Depreciation of property, plant and equipment**

Depreciation is calculated using the straight-line method over the estimated useful life of the assets.

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

<b>Active</b>	<b>Years</b>
Buildings	10 - 50
Technical installations and machinery	2 - 28
Other installations, motor vehicles, tools and furniture	5 - 15

Non-current assets under construction are not depreciated.

Land is not depreciated. The lands presented in the financial statements have been revalued by the Company in accordance with the legal regulations. The information is presented in Note 13 point (i) (revaluation). If the carrying amount of an asset is greater than the amount expected to be recovered, the asset is credited to its recoverable amount.

**(v) Sale /disposal of property, plant and equipment**

Property, plant and equipment that is scrapped or sold is removed from the balance sheet together with the corresponding accumulated depreciation. Any profit or loss arising from such an operation is included in the current profit or loss account.

**e. Intangible assets**

**(i) Recognition and evaluation**

Intangible assets that meet the recognition criteria of International Financial Reporting Standards are recorded at cost less the accumulated depreciation and loss of value.

**(ii) Subsequent costs**

Subsequent costs with intangible assets are capitalised only when they increase the future economic benefits generated by the asset to which they relate. Expenses which do not meet these criteria are recognised as expense when they are incurred.

**(iii) Amortisation of intangible assets**

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated lifetime of the intangible asset. Most of the intangible assets registered by the Company are represented by software. They are amortised on a straight-line basis over a period of no more than 5 years.

**f. Investment properties**

Investment properties are real estate (land, buildings or parts of a building) owned by the Company for the purpose of renting or increasing the value or both, and not:

- to be used in the production or supply of goods or services or for administrative purposes; or
- to be sold during the normal course of business.

Certain properties include a part that is held for rent or for the purpose of increasing value and another part that is held for the purpose of producing goods, providing services or administrative purposes.

If these parts can be sold separately (or leased separately under finance leases), then they are accounted for separately. If the parts cannot be sold separately, the property is treated as investment property only if the part used for the production of goods, the provision of services or for administrative purposes is insignificant.

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**f. Investment property (continued)**

**(i) Recognition**

An investment property is recognised as an asset if, and only if:

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

**(ii) Valuation**

**Initial valuation**

An investment property is initially valued at cost, including transaction costs. The cost of a purchased investment property consists of its purchase price plus any directly attributable expenses (e.g. professional fees for the provision of legal services, transfer fees of the property and other transaction costs).

The value of the Company's investment properties at December 31, 2022 and December 31, 2021 is detailed in **Note 15**.

**Subsequent valuation**

The Company's accounting policy regarding the subsequent valuation of investment property is based on the fair value model. This policy is applied uniformly to all investment property. The fair value of investment properties is assessed by valuers who are members of the National Association of Valuers in Romania (ANEVAR). Fair value is based on market price quotes adjusted, where appropriate, to reflect differences in the nature, location or conditions of that asset. These valuations are periodically reviewed by the Company's management.

Gains or losses resulting from changes in the fair value of investment property are recognised in the profit or loss of the period in which they occur.

The fair value of investment property reflects market conditions at the balance sheet date.

**(iii) Transfers**

Transfers to or from investment property are made when and only when there is a change in the use of that asset.

For the transfer of an investment property measured at fair value to property, plant and equipment, the implicit cost of the asset for the purpose of accounting for its subsequent accounting will be its fair value from the date of the change in use.

If a property used by the Company becomes an investment property that will be recognised at fair value, the Company applies IAS 16 Property, plant and equipment until the date of the change in use. The Company treats any difference from that date in the carrying amount of the property in accordance with IAS 16 and its fair value in the same way as a revaluation in accordance with IAS 16.

**(iv) Impairment**

The Company's accounting policy regarding the subsequent measurement of investment property is based on the fair value model. This policy is applied uniformly to all investment properties. The fair value of investment properties is assessed by valuers who are members of the National Association of Valuers in Romania (ANEVAR). Fair value is based on market price quotes adjusted, where appropriate, to reflect differences in the nature, location or conditions of that asset. These valuations are periodically reviewed by the Company's management.

The carrying amount of an investment property is derecognised upon disposal or when the investment is permanently retired and no future economic benefits are expected from its disposal.

Gains or losses arising from the disposal or sale of an investment property are recognised to profit or loss when it is scrapped or sold.



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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**g. Assets held for sale**

The Company classifies a non-current asset as held for sale if its carrying amount will be recovered primarily through a sale transaction and not through its continuous use.

In this case, the asset must be available for immediate sale as it stands at the time, subject only to the usual terms in the case of sales of such assets, and its sale must have a high probability.

For the probability of sale to be high, managers at an appropriate level must be committed to implementing a plan to sell the asset and an active program to find a buyer and complete the plan must have been launched.

The Company values a non-current asset classified as held for sale at the lowest of its carrying amount and fair value less costs of sale.

**h. Inventories**

Inventories are declared at the minimum value between cost and net realisable value.

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

The net realisable value represents the estimated sale value less the estimated costs of completion and the expenses occasioned by the sale.

The costs of finished products and semi-finished products include materials, direct work, other direct costs and overhead costs related to production (based on operating activity). Net realisable value is the estimated selling price in ordinary transactions. Impairment allowances for stocks of materials are recognised for those stocks that are slow-moving or worn out. Those stocks for which it has been possible to estimate whether they will be released for consumption in the period immediately following, or whether those stocks represent back-up stocks for certain installations, are not subject to impairment.

**i. Impairment**

The accounting values of the Company's non-financial assets, other than inventories and deferred tax assets, are revised at each reporting date to determine if there is evidence of impairment. If there is evidence of impairment, the recoverable value of the asset (or cash-generating unit) is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds the estimated recoverable amount.

The recoverable value of a cash-generating asset or unit is the higher of its value in use and fair value less costs of sale. When determining the value in use, expected future cash flows are discounted to determine the present value, using a pre-tax discount rate that reflects current market valuations of the time value of money and asset-specific risks. For impairment testing, assets that cannot be tested individually are grouped at the level of the smallest group of assets that generate cash inflows and that are largely independent of cash inflows generated by other assets or groups of assets ("cash-generating unit").

Impairment losses are recognized in the separate statement of comprehensive income. Impairment losses recognised in relation to the units generating pro rata cash in order to reduce the carrying amount of the other assets within the unit (group of units).

Impairment losses recognised in previous periods are assessed at each reporting date to determine whether there is evidence that the loss has been reduced or no longer exists. An impairment loss is reversed if there have been changes in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that could have been determined, net of depreciation, if no impairment had been recognised.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**i. Impairment (continued)**

**(i) Financial assets (including receivables)**

**Classification:** The intention of Mecanica Ceahlau is to hold the receivables in order to collect the contractual cash flows. They are therefore classified as carried at amortised cost. Other financial assets at amortised cost are bank deposits with an initial maturity of more than 3 months, cash and bank accounts.

**Measurement:** The Company performs both an individual and a collective analysis for the recovery of trade and other receivables.

**Individual analysis:** The Company individually performs analyses of the degree of recovery of trade receivables and other receivables, based on the litigation status and the delays reported on the due date according to the invoices / other documents. For all clients in dispute and for receivables overdue for more than 180 days, a provision of 100% of the gross value is recorded.

**Collective analysis:** The management analyses the list of all invoices issued in 2022, as well as all the Company's receipts during that period. The collective analysis targeted the categories of customers that each exceed 2% of the total sales; thus, the categories "final customer", "distributor", "parts distributor" were analysed. The result was a sales coverage of 97.8%.

Thus:

- *Stage 1:* includes (i) newly recognised exposures, with the exception of those that have not been purchased or issued and impaired; (ii) exposures for which the credit risk has not deteriorated significantly since the initial recognition; (iii) low credit risk exposures (low credit risk exemption).
- *Stage 2:* includes exposures that, while performing, have experienced a significant deterioration in credit risk since initial recognition.
- *Stage 3:* includes impaired credit exposures.

The expected credit loss is the difference between all the contractual cash flows that are due to the Company and all the cash flows that the Company expects to receive, discounted at the initial effective interest rate.

For Stage 1 exposures, expected credit loss is equal to the calculated expected loss on a time horizon of up to a year. For Stage 2 or Stage 3 exposures, expected credit loss is equal to the expected loss calculated over a time horizon corresponding to the entire duration of exposure.

The total annual receivables of the Company for 2022 have been calculated. Also, the receipts for the 2022 sales were calculated and the delay with which they were collected was calculated.

The receipts were divided into time categories – receipts without exceeded maturity (without delay), late receipts of 1-30 days, late receipts of 31-60 days, late receipts of 61-90 days, receipts with more than 90 days delay. Then there are the amounts that have not been collected at all from the 2022 receivables - these are the expected losses from the receivables.

The calculation process was applied to each time interval. The expected loss for each time frame reflects the percentage of sales that has reached at least the designated time frame that has never been collected.

Role of macroeconomic factors for the adaptation of historical losses with expected losses.

The Company analysed the impact of the evolution of the GDP growth estimate in 2023, taking into account 3 scenarios for the evolution: pessimistic, baseline and optimistic.

The Company derecognises an impairment of receivables previously set up at the time of recovery in whole or in proportion to the recovered part.

For Other assets at amortised cost, the Company uses the general approach for determining the expected credit loss, presented above in this note.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**i. Impairment (continued)**

**(ii) Non-financial assets**

Property, plant and equipment and other long-term assets are revised 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 recognised in the statement of comprehensive income.

**j. Employee benefits**

**(i) Defined contribution plans**

The Company makes payments on behalf of its own employees to the pension system of the Romanian state, health insurance and the unemployment fund, during the normal course of business.

All employees of the Company are members and also have the legal obligation to contribute (through social contributions) to the pension system of the Romanian State (a defined contribution plan of the State). All related contributions are recognised in the profit or loss account of the period when they are made. The Company has no other additional obligations.

The Company is not committed in any independent pension scheme and therefore has no other obligations in this respect. According to the collective labour agreement, the Company is not obliged to provide post-retirement benefits to former or current employees.

**(ii) Short-term benefits**

Liabilities with short-term benefits granted to employees are not discounted and are recognized in the statement of comprehensive income as the related service is provided.

The short-term benefits of employees include salaries and bonuses. The short-term benefits of the employees and the social security contributions are recognized in the financial statements of the Company when the services are provided. The Company recognizes a provision for amounts expected to be paid as short-term cash premiums under the conditions in which the Company currently has.

The Company has a legal or implicit obligation to pay those amounts as a result of past services rendered by employees and whether that obligation can be reliably estimated.

**(iii) Benefits for termination of employment contracts**

In accordance with the Collective Employment Contract, upon the fulfilment of the legal conditions for retirement, respectively for uninterrupted seniority within the Company, the employees are entitled to receive a monetary allowance.

The Company offers employees the following benefits in case of termination of the employment contract as a result of retirement, as follows:

- Employees who retire for old age, disability, partial or full early retirement will receive a career-end reward as follows:
  - those with more than 15 years of experience in the Company, two basic salaries negotiated at Company level;
  - those with seniority in the Company between 5 and 15 years, one basic salary negotiated at Company level;
- Employees who retire as a result of an accident or an event related to work and who have a seniority in the Company between 0 and 5 years will benefit from one basic salary negotiated at Company level.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**j. Provisions for risks and charges**

Provisions are recognised when the Company has a legal or constructive obligation arising from a past event, when the settlement of the obligation is likely to require an outflow of resources and when a reliable estimate of the amount of the obligation can be made.

Provisions for restructuring, litigation, as well as other provisions for risks and charges are recognised at the time when the Company has a legal or constructive obligation arising from a past event, when an outflow of resources is likely to be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. The restructuring provisions comprise the direct costs generated by the restructuring, i.e. those which are necessarily generated by the restructuring process and are not linked to the continuous conduct of the Company's business.

**(i) Guarantees**

The provision for guarantees granted to customers are estimated by the Company on the basis of the costs incurred in repairs made during the guarantee period in relation to the amount of turnover in the preceding financial year.

**(ii) Employee benefits**

The Company makes provision for employee benefits granted upon termination of the employment contract upon retirement. The determination of the amount of the provision to be constituted is made taking into account the provisions of the collective employment contract of the Company valid on the date the provision is set up.

The method used was the projected credit unit method, according to the provisions of IAS 19. The actuarial assumption included the analysis of the mortality, retirement age, labour force, salary increase, salary taxes, interest rate tables.

**(iii) Litigation**

The Company makes provision for disputes in the event of a legal or constructive obligation arising from an ongoing dispute. The amount of the provision to be set up is determined on the basis of the estimates made by the law firm.

**(iv) Other provisions**

The Company constitutes any other provisions when the Company has a legal or constructive obligation arising from a past event, when the settlement of the obligation is likely to require an outflow of resources and when a reliable estimate of the amount of the obligation can be made.

Provisions for future operating losses shall not be recognised.

**k. Revenues from contracts with customers**

The Company recognises revenues from contracts with customers when (or as) it fulfils a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer acquires control of that asset.

For each performance obligation identified, the Company determines at the beginning of the contract whether it will fulfil the performance obligation in time or whether it will fulfil it at a specific point in time. If the Company does not fulfil a performance obligation in time, the performance obligation is fulfilled at a specific point in time.

The Company analysed the main types of income by applying the 5-step method within IFRS 15:

Step 1: Identify contracts with customers;

Step 2: Identify the obligations resulting from these contracts;

Step 3: Determine the transaction price;

Step 4: Assign the transaction price to the obligations to be fulfilled;

Step 5: Recognize the revenues at the completion of contractual obligations / as the contractual obligations are fulfilled.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**k. Revenues from contracts with customers (continued)**

The table below provides information on the nature and timing of the performance obligation, including significant payment terms for the main categories of revenue from contracts with customers:

Type of product / service	Nature and timing of the performance obligation, including significant payment terms	Accounting policies for income recognition
<p><b>Agricultural machinery and equipment (produced or distributed)</b></p>	<p>The customer obtains control over the product at the time of receipt of the product or its acceptance (representing the date on which the customer obtains the ability to determine the use of the products and obtains all the benefits from them).</p> <p>The Company recognizes a claim because they represent the moment when the right to consideration becomes unconditional.</p> <p>In general, the direct customer (or distributor) pays an advance of 10-15%, the payment of the difference being made in instalments (for a period of less than 1 year). Payment terms are generally 90-180 days from the date of issuing the invoice.</p> <p>The obligation of enforcement is fulfilled at a specific point in time.</p> <p>The trade discounts granted to customers are based on their fulfilment of certain annual sales values.</p> <p>Returns are usually accepted only in exceptional cases and usually returns involve the exchange of a product purchased by the customer with another.</p>	<p>Income is recognised on the date of dispatch to the customer (or purchase of the product from the Company's premises) and acceptance of the product.</p> <p>The income comprises the amount invoiced for the sale of the products, excluding VAT), less the trade reductions granted to customers.</p> <p>The Company applies the practical exemption in IFRS 15 para. 63 according to which it does not adjust the price of transactions with a financial component.</p> <p>As a practical solution, if the Company collects short-term advances from customers, or for recognized revenues, it does not adjust the amounts collected or the income to the effects of a significant financing component, given that at the beginning of the contract it expects that the period elapsed from the transfer of goods to collection will be less than 1 year.</p> <p>Trade discounts granted to customers (including expenses with provisions related thereto) are deducted from the income from the sale of products.</p>
<p><b>Income from provision of services</b></p>	<p>The services provided by the Company are generally related to the products supplied (for example, repair services of agricultural machinery after the expiry of the warranty period).</p> <p>Invoices for services are issued on the date of provision of the services.</p> <p>Invoices are generally paid within 30 days from the date of their receipt by the customer.</p> <p>The obligation to perform is fulfilled at a specific point in time (the duration of the provision of the service does not generally exceed 20 days).</p>	<p>The income is recognised during the period when the service is provided.</p>

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**3. SIGNIFICANT ACCOUNTING POLICIES (continuation)**

**l. Rental income**

Type of product / service	Nature and timing of the performance obligation, including significant payment terms	Accounting policies for income recognition
<b>Income from rental of investment properties</b>	<p>The Company, as a lessor, rents its premises to third parties, the service is prestart as the rental contract is carried out.</p> <p>Invoices are generally paid within 30 days from the date of their receipt by the customer. The performance obligation is fulfilled during the performance of the rental agreement.</p>	<p>The rental income is generated by the investment properties rented by the Company and are recognized in the statement of comprehensive income on a straight-line basis, throughout the contract period.</p>

The Company, as lessor, must classify each of its leases as either operating lease or finance lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards of ownership of an underlying asset.

Rental income is generated by investment properties rented by the Company in the form of operating leases and is recognized in profit or loss on a straight-line basis throughout the contract period.

The Company, as lessor, does not have leases classified as finance leases.

**m. Government subsidies**

Government subsidies for the purchase of non-current assets are recognised as deferred income and allocated as systematic and rational income over the life of the asset.

**n. Suppliers and assimilated accounts**

Liabilities to suppliers and other liabilities, initially recorded as fair value and subsequently measured using the effective interest rate method, include the equivalent value of invoices issued by suppliers of products, works performed and services rendered.

**o. Interest income and expenses**

Interest income and expenses are recognised in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that accurately discounts the expected future cash payments and receipts over the expected life of the financial asset or liability (or, where applicable, for a shorter duration) to the carrying amount of the financial asset or liability.

**p. Gains and losses on exchange rate differences**

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

At the reporting date, monetary items denominated in a foreign currency are converted using the closing exchange rate.

Exchange rate differences which occur when the monetary items are settled or the monetary items are converted at rates different from those at which they were converted to initial recognition (during the period) or into the previous financial statements are recognised as a loss or gain in the profit or loss account in the period in which they arise.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**q. Leases in which the Company is lessor**

*Initial recognition and evaluation*

At the time of initiating a contract, the Company assesses whether that contract is, or includes, a lease. A contract is or contains a lease if that contract grants the right to control the use of an identified asset for a certain period of time in exchange for consideration.

At the commencement date, the Company, as a lessee, recognises a right-of-use asset and a liability arising from the lease.

*Initial evaluation of the right-of-use asset*

At the date of commencement of the contract, the Company evaluates at cost the right-of-use asset.

*Initial evaluation of the lease liability*

At the commencement date, the Company assesses the liability arising from the lease at the present value of the lease payments that are not paid at that date. Lease payments are updated using interest rate implicit in the lease whether that rate can be determined immediately. If this rate cannot be determined immediately, the Company uses its incremental borrowing rate.

The Company's marginal lending rate is the interest rate that the Company should pay to borrow for a similar period, with a similar guarantee, the funds needed to obtain an asset of an amount similar to that of the right-of-use asset in a similar economic environment.

*Subsequent evaluation of the right-of-use asset*

After the commencement date, the Company assesses the right-of-use asset by applying the cost-based model, i.e. it values the right-of-use asset at cost, minus any accumulated depreciation and impairment losses.

*Subsequent evaluation of the lease liability*

After the commencement date, the Company assesses the liability arising from the lease by increasing the carrying amount to reflect the interest associated with the liability arising from the lease and write-down to reflect lease payments made, reflecting, where appropriate, any changes to the lease.

The interest on the lease liability for each period over the term of the contract is the amount that produces a constant periodic interest rate on the balance of the lease liability.

After the commencement date, the interest on the lease liability is reflected in profit or loss.

*Derogations from recognition*

The Company, as a lessee, chooses to apply the derogations permitted by IFRS 16:

- short-term leases; and
- leases for which the underlying asset has a small value.

Consequently, in the case of short-term leases and leases where the underlying asset has a low value, the Company recognises the lease payments associated with those leases as an expense, on a straight-line basis throughout the lease term.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**r. Contingent liabilities**

Contingent liabilities are not recognised in the accompanying financial statements. They are presented if there is a possibility of an outflow of resources that represent possible but not probable economic benefits, and/or the value can be estimated reliably. A contingent asset is not recognised in the accompanying financial statements, but is presented when an entry of economic benefits is probable.

**s. Income tax**

The income tax comprises the current tax and the deferred tax.

The current tax represents the tax that is expected to be paid or received for the taxable income or loss realized in the year, using tax rates adopted or largely adopted on the reporting date, as well as any adjustment to the corporate tax payment obligations related to the previous years. The current tax payable also includes any tax receivable arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- differences regarding investments in subsidiaries or joint arrangements to the extent that they will not reverse in the foreseeable future; and
- taxable temporary differences resulting from the initial recognition of goodwill.

Deferred tax assets and liabilities are offset only if there is a legal right to compensate current tax assets and liabilities, and if they refer to taxes levied by the same tax authority to the same entity, or a different taxable entity, but which intends to conclude a convention on current tax assets and liabilities on a net basis or whose assets and liabilities from taxation will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that taxable profits will be made that will be available in the future and will be used. Deferred tax assets are reviewed at each reporting date and are diminished to the extent that it is no longer likely that a tax benefit will be realized. The effect of changes in tax rates on the deferred tax is recognised in the statement of comprehensive income, unless it relates to previously recognised positions directly in equity.

Income tax is recognised in the separate statement of comprehensive income or in other comprehensive income if the tax is related to capital items.

Current tax is the tax paid on the profit made in the current period, determined on the basis of the percentages applied at the reporting date and all adjustments related to the previous periods.

The current corporate tax rate in Romania is 16%.

Deferred tax is calculated on the basis of the tax percentages that are expected to be applicable to temporary differences upon reversal, based on the legislation in force at the reporting date.

**t. Earnings per share**

The Company presents the earnings per share for ordinary shares. The earnings per share are determined by dividing the profit or loss attributable to the ordinary shareholders of the Company by the number of ordinary shares for the reporting period.



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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**u. Share capital**

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

**v. Dividends**

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

**w. Dividends prescribed**

Dividends payable not collected within 3 years from the date of declaration are prescribed according to the law. Prescribed dividends are transactions with shareholders and are recognized in equity, in retained earnings.

**x. The going concern principle**

The financial statements were drawn up on the basis of the going concern principle, which implies that the Company will normally continue its operation in the foreseeable future, without entering into the impossibility to continue the activity or without its significant reduction. To assess the applicability of this assumption, management looks at forecasts of future cash inflows. Based on these analyses, the management believes that the Company will be able to continue its activity in the foreseeable future and therefore the application of the going concern principle in the preparation of financial statements is justified.

**y. Associated entities**

Associated entities are those companies in which the Company can exercise significant influence, but not control over financial and operational policies.

The Company owns at December 31, 2022 24.28% in Transport Ceahlau SRL. It is not consolidated because Transport Ceahlau SRL is an immaterial company, being dormant.

The Company has identified the following related parties:

<b>Entity</b>	<b>The nature of the relationship</b>
Evergent Investments SA	Parent company
NEW CARPATHIAN FUND	Significant shareholder
Transport Ceahlau SRL	Associated entity

**z. Segment reporting**

A segment is a part of the Company that engages in segments of activity from which it can obtain income and record expenses (including income and expenses corresponding to transactions with other parts of the same entity), whose operational results are regularly monitored by the Company's management in order to make decisions regarding the resources to be allocated to the segment and to evaluate its performance and for which separate financial information is available. The Company does not have significant geographic or activity segments according to IFRS 8, "Operational segments" and does not have an internal management and reporting structure divided into segments.

The main income described in Note 3 is all related to the main objects of activity of the Company (the income from the sale of finished products, goods and services represents the main activity of the Company and is analysed together by its management).

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**aa. Applicable accounting policies**

**Standards and interpretations that have entered into force in the current year**

The following amendments to the existing standards issued by the International Accounting Standard Board ('IASB') and adopted by the European Union ('EU') entered into force this year:

- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022). The early application is permitted.
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IAS 41 only regards an illustrative example, so no effective date is stated.

The Company considers that the adoption of these amendments did not have a significant impact on its annual financial statements. The following standards and amendments to existing standards issued by the IASB and adopted by the EU are not in force at December 31, 2022:

- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 4 "Insurance Contracts"** – Extension of the Temporary Exemption from Applying IFRS 9 (the expiry date for the temporary exemption from IFRS 9 was extended to annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** and Practice Statement (2): Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023)

The Company believes that the adoption of these standards and amendments to the standards will not have a material impact on its annual financial statements.

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

At the time of the authorisation of these financial statements, IFRS as adopted by the EU does not differ significantly from the regulations adopted by the IASB, except for the following amendments:

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Non-current liabilities and *covenants* (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IFRS 16 "Leases"** - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

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

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**4. FAIR VALUE MEASUREMENT**

Certain accounting policies of the Company and disclosure requirements require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for the purpose of measuring and/or presenting information using the methods described below. Where applicable, additional information about the assumptions used in determining fair value is disclosed in the notes specific to that asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is observable or estimated using a direct valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability that market participants would take into account in determining the price of the asset or liability at the measurement date. Fair value for valuation purposes and/or presentation in financial statements is determined on such a basis, except for measurements that are similar to fair value but do not represent fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are classified in Tier 1, 2 or 3, depending on the degree to which the information necessary to determine fair value is observable and the importance of this information for the Company, as follows:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – information, other than the quoted prices included in Level 1, which is observable for the asset or liability valued, directly or indirectly; and
- Level 3 – unobservable information for the asset or liability.

At December 31, 2022 the Company determined the fair values of land, buildings and special constructions, investment properties and assets held for sale. The fair value measurement was made by external, independent real estate valuers, members of the National Association of Valuers in Romania (ANEVAR) with recognised professional qualifications and experience in evaluating all real estate segments. The methods used by the valuer in determining fair value were: the market value method by comparison for land and assets held for sale.

The outbreak of the military conflict against Ukraine on February 24, 2022 has had a significant impact on global financial markets. Market activity is affected in many sectors. At the time of the evaluation, it was considered possible to grant a lower share of previous offers on the market for comparison purposes in order to formulate an opinion on the value of the assets. Indeed, the current response to the military conflict against Ukraine actually means that we are facing an unprecedented set of circumstances on which to base our views. Therefore, the valuation carried out on December 31, 2022 is related to the conditions of material uncertainty of the valuation.

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**5. INCOME**

	<b>The exercise ended on December 31, 2022</b>	<b>The exercise ended on December 31, 2021</b>
Gross income from the sale of goods	48,747,534	36,863,047
Trade discounts granted to distributors	(388,080)	(824,603)
<b>Net income from the sale of goods</b>	<b>48,359,454</b>	<b>36,038,444</b>
Income from the sale of residual products	78,762	59,070
Provision of services	109,127	120,396
<b>Total net turnover</b>	<b>48,547,343</b>	<b>36,217,910</b>

The gross turnover of the Company registered at December 31, 2022 is 48,747,534 Lei (at December 31, 2021: 36,863,047 lei), of which 484,920 Lei for export (at December 31, 2021: 683,942 Lei) and 48,262,715 Lei domestically (December 31, 2020: 36,179,105 Lei).

In order to achieve this volume of sales, trade discounts were granted in the form of bonuses according to the contracts in force in amount of 388,080 Lei at December 31, 2022 respectively 824,603 Lei at December 31, 2021 resulting in a net turnover in amount of 48,359,454 Lei at December 31, 2022 and 36,038,444 Lei at December 31, 2021. The commercial bonus granted to distributors according to the contracts in force represents a variable consideration that the Company has estimated and recognized in the transaction price at 31.12.2022 and 31.12.2021.

Compared to the same period of the previous year, the net turnover of the Company registered an increase of 34%.

1. Positive effects in increasing turnover

The entire product portfolio has been revised, some of which being removed from production, and some have been modernized. In parallel, new generation products (harrows with independent plates, combiners, seeders, etc.) were designed, tested and put on the market.

2. Negative effects of the military operations against Ukraine

On February 24, 2022, Russia began military operations against Ukraine. This was preceded by amassing of troops on the border with Ukraine and Russia's diplomatic recognition on 21 February 2022 of the Donetsk People's Republic and the Luhansk People's Republic.

The Company has no direct or indirect exposures to Ukraine or the Russian Federation. The Company's management analysed, based on existing data, the possible developments of the domestic and international economic environment as a result of this event. At this stage, the Company's management cannot reliably estimate the impact, but given the lack of exposure to the conflict zone, does not estimate it to be significant.

The Company carefully monitors the evolution of this conflict, its impact and the measures taken at the international level on the domestic economic environment.

3. Other negative effects

The agricultural machinery market is still characterized by volatility. The investment appetite of farmers in new equipment will be continuously influenced by the annual rainfall amounts, the lack of an efficient irrigation system at national level, the unpredictable price increases for inputs, the lack of predictability for subsidies, government aid and European funds.

Other elements of risk and uncertainty are represented by the crisis of raw materials and the permanent fluctuation of prices (including energy, gas and fuel), very long delivery times.

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**6. OTHER OPERATING INCOME**

	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
Income from compensation and penalties	11,704	14,455
Income from rental of investment properties	316,818	308,994
Other operating income	30,036	107,173
<b>Total other income</b>	<b>358,558</b>	<b>430,622</b>

It mainly includes income from the rental of immovable properties, such as buildings and access spaces.

<b>Building rental</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Rental income	316,818	20,438	26,449

The Company has seven lease agreements underway, as follows: one land lease, four contracts for renting of technical spaces and / or offices, two contracts for renting space for automated coffee machines.

**7. EXPENSES WITH SALARIES, SOCIAL CONTRIBUTIONS AND OTHER BENEFITS**

	<b>The exercise ended on December 31, 2022</b>	<b>The exercise ended on December 31, 2021</b>
Expenses with salaries	5,948,534	4,500,192
Expenses with salary contributions	243,958	135,875
Expenses with holidays not taken	-	2,254
Expenses related to vouchers granted	233,542	203,485
Other benefits granted to employees	1,454	19,380
Expenses related to the indemnity of the members of the Board of Directors	548,398	504,830
Expenses related to the executive management's allowance	1,010,481	757,455
Income from operating subsidies for the payment of staff	-	(58,826)
<b>Total</b>	<b>7,986,367</b>	<b>6,064,645</b>
<b>Average number of employees</b>	<b>85</b>	<b>81</b>

Expenses with salaries, allowances, contributions and other similar expenses includes expenses with salaries, allowances and other benefits, as well as related contributions, of employees, members of the Executive Management and of the Board of Directors.

Short-term employee benefits are recognized as an expense when services are rendered. The Company has established provisions for employee benefits granted at the end of the employment contract once the retirement contract according to the provisions of the Collective Employment Contract valid at 31.12.2022, the information is presented in Note 24 Provisions "Employee benefits".

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**8. OTHER ADMINISTRATIVE EXPENSES**

	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
Maintenance and repair costs	448,905	137,820
Royalties, management leases and rentals	24,703	34,937
Insurance premiums	70,582	70,491
Professional fees	10,126	5,952
Entertainment, advertising and publicity expenses	154,658	75,146
Transport of goods and personnel	622,538	423,133
Travel, secondments and transfers	250,569	95,155
Postal expenses and telecommunication fees	57,901	49,710
Banking services and assimilated	62,763	51,697
Internal and external audit services	200,787	173,400
Other expenses with third-party services	1,268,740	1,223,520
<b>Total</b>	<b>3,172,272</b>	<b>2,340,961</b>

- i) Other expenses with services performed by third parties include security expenses, fair services and domestic and international exhibitions, expenses with software suppliers, etc.

**9. OTHER OPERATING EXPENSES**

	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
Expenses with taxes, fees and assimilated	339,482	338,453
Expenses with fines and penalties	(5,442)	11,877
Other operating expenses	261,129	54,549
<b>Total</b>	<b>595,169</b>	<b>404,879</b>

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**10. NET FINANCIAL RESULT**

	Year ended December 31, 2022	Year ended December 31, 2021
Interest income	269,813	87,055
Net gains on financial assets	8,807	4,784
<b>Total financial income</b>	<b>278,620</b>	<b>91,839</b>
Interest expense	75,599	56,300
FX losses	63,304	67,207
Other financial expenses	224,504	181,167
<b>Total financial expenses</b>	<b>363,407</b>	<b>304,673</b>
<b>Net financial result</b>	<b>(84,787)</b>	<b>(212,835)</b>

Financial income is recognised in the statement of comprehensive income on the basis of accrual accounting using the effective interest rate method.

The net gain on financial assets held at fair value through profit or loss is the increase in value of the fund units held as a result of the measurement at December 31, 2022.

Financial expenses include interest, discounts or discounts granted and exchange rate differences. Foreign exchange gains and losses are reported on a net basis. The value of income from exchange rate differences at December 31, 2022 is 252,919 Lei and the value of expenses from exchange rate differences is 316,233 Lei.

Other financial expenses represent financial discounts granted to customers.

**11. CURRENT AND DEFERRED INCOME TAX EXPENSES**

The company registers a fiscal loss from previous years, registering in the profit and loss account only the profit on the balance sheet date. The fiscal loss recorded will be recovered from the taxable profits obtained in the following years.

	Year ended December 31, 2022	Year ended December 31, 2021
<b>Income tax</b>		
Current income tax	-	-
Deferred income tax expense	195,684	660,034
<b>Total income tax expense</b>	<b>195,684</b>	<b>660,034</b>
<b>INCOME tax</b>		
<b>Profit before tax</b>	<b>2,051,781</b>	<b>2,380,480</b>
Income tax expense calculated at the standard rate of 16%	328,285	380,877
<b>The tax effect of:</b>		
- non-deductible tax expenses	429,479	355,374
- non-taxable income	(655,024)	(924,701)
- items similar to income	(60,103)	(45,729)
- impact of tax loss	47,637	234,179
- deferred income tax expense	195,684	660,034
<b>Income tax</b>	<b>195,684</b>	<b>660,034</b>

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**12. DEFERRED TAX ASSETS AND LIABILITIES**

Deferred tax liabilities are represented by the amounts of income tax payable in future accounting periods in respect of taxable temporary differences. In determining the deferred income tax, the tax rate provided for in the tax regulations in force on the date of drawing up the financial statements, respectively 16%, is used.

At December 31, 2022, the elements of time differences are determined for the following components of the statement of financial position:

	<b>ASSETS</b>	<b>LIABILITIES</b>	<b>NET</b>
Property, plant and equipment	-	1,346,137	1,346,137
Provisions and adjustments	4,828,280	-	(4,828,280)
Revaluation reserves	-	14,613,063	14,613,063
Reserves from tax incentives	-	353,133	353,133
<b>Total</b>	<b>4,828,280</b>	<b>16,312,333</b>	<b>11,484,053</b>
Net temporary differences – 16% rate	-	-	11,484,053
<b>Deferred tax liabilities</b>	-	-	<b>1,837,449</b>

At December 31, 2021 deferred tax liabilities are attributed to the following items:

	<b>ASSETS</b>	<b>LIABILITIES</b>	<b>NET</b>
Property, plant and equipment	-	1,279,705	1,279,705
Commercial receivables	5,984,872	-	(5,984,872)
Revaluation reserves	-	13,164,973	13,164,973
Reserves from tax incentives	-	353,133	353,133
<b>Total</b>	<b>5,984,872</b>	<b>14,797,811</b>	<b>8,812,939</b>
Net temporary differences – 16% rate	-	-	8,812,939
<b>Deferred tax liabilities</b>	-	-	<b>1,410,070</b>



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**13. PROPERTY, PLANT AND EQUIPMENT AND RIGHTS OF USE OF ASSETS**

<b>COST</b>	<b>Land, land improvement and buildings</b>	<b>Technical installations and vehicles</b>	<b>Other property, plant and equipment</b>	<b>Property, plant and equipment in progress</b>	<b>Right-of-use assets in leases</b>	<b>Total</b>
<b>Balance at December 31, 2021</b>	<b>13,117,017</b>	<b>15,481,420</b>	<b>306,291</b>	<b>252,904</b>	<b>2,485,444</b>	<b>31,643,076</b>
Additions of fixed assets	511,944	609,024	322,328	331,731	711,592	2,486,619
Of which, transfers from non-current assets in progress	54,652	86,152	274,431	-	-	415,235
Revaluation increases	1,967,797	-	-	-	-	1,967,797
Disposals of fixed assets	-	(356,166)	(26,964)	(415,235)	-	(798,365)
Reclassifications to right-of-use assets of underlying assets in leases	-	67,332	-	-	(67,332)	-
Revaluation decreases	(48,096)	-	-	-	-	(48,096)
Reversal of accumulated depreciation	(698,482)	-	-	-	-	(698,482)
<b>Balance at December 31, 2022</b>	<b>14,850,180</b>	<b>15,801,610</b>	<b>601,655</b>	<b>169,400</b>	<b>3,129,704</b>	<b>34,552,549</b>
<b>ACCUMULATED DEPRECIATION</b>						
<b>Balance at December 31, 2021</b>	<b>2,232</b>	<b>12,147,650</b>	<b>165,611</b>	<b>-</b>	<b>484,978</b>	<b>12,800,471</b>
Depreciation charges	696,250	640,368	51,237	-	418,401	1,806,255
Reclassifications to right-of-use assets of underlying assets in leases	-	44,887	-	-	(44,887)	-
Reversal of accumulated depreciation	(698,482)	-	-	-	-	(698,482)
Accumulated depreciation of disposals	-	(356,166)	(26,964)	-	-	(383,130)
<b>Balance at December 31, 2022</b>	<b>-</b>	<b>12,476,739</b>	<b>189,884</b>	<b>-</b>	<b>858,492</b>	<b>13,525,115</b>
<b>IMPAIRMENT ALLOWANCES</b>						
<b>Balance at December 31, 2021</b>	<b>81,504</b>	<b>138,096</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>219,600</b>
Adjustments made during the year	-	-	-	-	-	-
Reversals of impairment allowances	-	(19,728)	-	-	-	(19,728)
<b>Balance at December 31, 2022</b>	<b>81,504</b>	<b>118,369</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>199,872</b>
<b>CARRYING AMOUNT</b>						
<b>Balance at December 31, 2021</b>	<b>13,033,281</b>	<b>3,195,674</b>	<b>140,679</b>	<b>252,904</b>	<b>2,000,466</b>	<b>18,623,005</b>
<b>Balance at December 31, 2022</b>	<b>14,768,676</b>	<b>3,206,502</b>	<b>411,771</b>	<b>169,400</b>	<b>2,271,212</b>	<b>20,827,561</b>

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**13. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE OF ASSETS (continued)**

<b>COST</b>	<b>Land, land improvement and buildings</b>	<b>Technical installations and vehicles</b>	<b>Other property, plant and equipment</b>	<b>Property, plant and equipment in progress</b>	<b>Right-of-use assets in leases</b>	<b>Total</b>
<b>Balance at December 31, 2020</b>	<b>13,096,425</b>	<b>14,725,670</b>	<b>291,088</b>	<b>68,180</b>	<b>1,914,811</b>	<b>30,096,259</b>
Additions of fixed assets	94,395	76,743	15,202	184,725	1,345,097	1,716,162
Revaluation increases	562,081	-	-	-	-	562,081
Disposals of fixed assets	-	(5,984)	-	-	(89,558)	(95,541)
Reclassifications to right-of-use assets of underlying assets in leases	-	684,906	-	-	(684,906)	-
Revaluation decreases	(41,002)	-	-	-	-	(41,002)
Reversal of accumulated depreciation	(594,882)	-	-	-	-	(594,882)
<b>Balance at December 31, 2021</b>	<b>13,117,017</b>	<b>15,481,420</b>	<b>306,291</b>	<b>252,904</b>	<b>2,485,444</b>	<b>31,643,076</b>
<b>ACCUMULATED DEPRECIATION</b>						
<b>Balance at December 31, 2020</b>	<b>-</b>	<b>10,835,470</b>	<b>147,713</b>	<b>-</b>	<b>964,880</b>	<b>11,948,063</b>
Depreciation charges	597,114	639,516	17,898	-	288,303	1,542,831
Reclassifications to right-of-use assets of underlying assets in leases	-	678,647	-	-	(678,647)	-
Reversal of accumulated depreciation	(594,882)	-	-	-	-	(594,882)
Accumulated depreciation of disposals	-	(5,984)	-	-	(89,558)	(95,541)
<b>Balance at December 31, 2021</b>	<b>2,232</b>	<b>12,147,650</b>	<b>165,611</b>	<b>-</b>	<b>484,978</b>	<b>12,800,471</b>
<b>IMPAIRMENT ALLOWANCES</b>						
<b>Balance at December 31, 2020</b>	<b>73,654</b>	<b>157,822</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>231,476</b>
Adjustments made during the year	7,850	-	-	-	-	7,850
Reversals of impairment allowances	-	(19,726)	-	-	-	(19,726)
<b>Balance at December 31, 2021</b>	<b>81,504</b>	<b>138,096</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>219,600</b>
<b>CARRYING AMOUNT</b>						
<b>Balance at December 31, 2020</b>	<b>13,022,771</b>	<b>3,732,462</b>	<b>143,375</b>	<b>68,180</b>	<b>949,931</b>	<b>17,916,719</b>
<b>Balance at December 31, 2021</b>	<b>13,033,281</b>	<b>3,195,674</b>	<b>140,679</b>	<b>252,904</b>	<b>2,000,466</b>	<b>18,623,005</b>

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**13. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE OF ASSETS (continued)**

Impairment losses recognised in profit or loss were classified in depreciation and impairment expenses for fixed assets.

In 2022, the acquisitions mainly included fixed assets specific to the Company's activity (presses and devices necessary in the production process), the video surveillance system was received and the Lileci showroom was inaugurated.

During 2022, the Company scrapped 12 fully depreciated items of property, plant and equipment, which no longer brought any benefit.

At December 31, 2022, the Company analyzed the existence of impairment indicators of the fixed assets under management. As a result of the procedures performed, the Company's management considers that at this time there were no indicators of impairment.

**(i) Revaluation**

On December 31, 2005, all the non-current assets owned by the Company were revalued according to the regulation in force at that time, based on a report drawn up by an independent valuer. The valuations were based on the fair value, i.e. the closest in value of the transactions on that date. The revaluation surplus has been recognised as a revaluation reserve in equity.

On December 31, 2007, the Company reassessed the property, plant and equipment – group: "Buildings" based on a report prepared by an independent valuer member of ANEVAR. The valuations were based on the fair value, i.e. the closest in value of transactions, and the inflation index of that date. The revaluation surplus has been recognised as a revaluation reserve in equity.

On December 31, 2010, the property, plant and equipment – group: "Buildings" of the Company were revalued by its own commission of specialists and reviewed by a valuer member of ANEVAR. The revaluation concerned the adjustment of the net carrying amounts of property, plant and equipment, group "Buildings" to the respective fair value, the closest in value to the transactions of that date, taking into account their physical condition and market value. The revaluation surplus has been recognised as a revaluation reserve in equity. The decrease that compensates for the previous increase of the same asset is reduced from the reserve previously constituted; all other decreases are recognised as cost in the Statement of Comprehensive Income.

On December 31, 2013, the property, plant and equipment – group: "Buildings" of the Company were revalued based on a report drawn up by an independent valuer member of ANEVAR. The revaluation concerned the adjustment of the net carrying amounts of property, plant and equipment, buildings and special constructions to fair value. The revaluation surplus was recognised as a revaluation reserve in equity, i.e. as income if, as a result of a previous revaluation, a revaluation expense was recorded. The decrease that compensates for the previous increase of the same asset is reduced from the reserve previously constituted; all other decreases are recognised as cost in the Statement of Comprehensive Income.

On December 31, 2018, the property, plant and equipment – group: "Buildings" and "Lands" was revalued based on a report prepared by an independent valuer member of ANEVAR. The valuation is in accordance with international valuation standards. The revaluation concerned the adjustment of the net carrying amounts of property, plant and equipment, land, buildings and special constructions to fair value. The methods used by the valuer in determining fair value were: the method of market comparison for land and net replacement cost for buildings and the method of income capitalization (income approach) for buildings.

The revaluation surplus was recognised as a revaluation reserve in equity, i.e. as income if, as a result of a previous revaluation, a revaluation expense was recorded. The decrease that compensates for the previous increase of the same asset is reduced from the reserve previously constituted; all other decreases are recognised as cost in the Statement of Comprehensive Income.

On December 31, 2020, the property, plant and equipment – group "Buildings" and "Land" was revalued based on a report prepared by an independent external valuer, member of the National Association of Valuers in Romania (ANEVAR) with recognized professional qualifications and experience in evaluating all real estate segments. The valuation is in accordance with international valuation standards. The revaluation concerned the adjustment of the net carrying amounts of property, plant and equipment, land, buildings and special constructions to fair value. The methods used by the valuer in determining fair value were: the market value method by comparison for land and the income capitalization method (income approach) for buildings.

The revaluation surplus was recognised as a revaluation reserve in equity, i.e. as income if, as a result of a previous revaluation, a revaluation expense was recorded. The decrease that compensates for the previous increase of the same asset is reduced from the reserve previously constituted; all other decreases are recognised as cost in the Statement of Comprehensive Income.

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**13. PROPERTY, PLANT AND EQUIPMENT AND RIGHTS OF USE OF ASSETS (continued)**

**(i) Revaluation (continued)**

At December 31, 2021 the property, plant and equipment – group: "Buildings" and "Land" was revalued based on a report prepared by an external, independent valuer, member of the National Association of Valuers in Romania (ANEVAR) with recognised professional qualifications and experience in evaluating all real estate segments. The valuation is in accordance with international valuation standards. The revaluation concerned the adjustment of the net carrying amounts of property, plant and equipment, land, buildings and special buildings at fair value. The methods used by the valuer in determining fair value were: the market value method by comparison for land and the income capitalization method (income approach) for buildings.

The revaluation surplus was recognised as a revaluation reserve in equity, i.e. as income if, as a result of a previous revaluation, a revaluation expense was recorded. The decrease that compensates for the previous increase of the same asset is reduced from the reserve previously constituted; all other decreases are recognised as cost in the Statement of Comprehensive Income.

At December 31, 2022 the property, plant and equipment – group: "Buildings" and "Land" was revalued based on a report prepared by an external, independent valuer, member of the National Association of Valuers in Romania (ANEVAR) with recognised professional qualifications and experience in evaluating all real estate segments. The valuation is in accordance with international valuation standards. The revaluation concerned the adjustment of the net carrying amounts of property, plant and equipment, land, buildings and special buildings at fair value. The methods used by the valuer in determining fair value were: the market value method by comparison for land and the income capitalization method (income approach) for buildings.

The revaluation surplus was recognised as a revaluation reserve in equity, i.e. as income if, as a result of a previous revaluation, a revaluation expense was recorded. The decrease that compensates for the previous increase of the same asset is reduced from the reserve previously constituted; all other decreases are recognised as cost in the Statement of Comprehensive Income

**14. INTANGIBLE ASSETS**

	<b>Patents, licenses and trademarks</b>	<b>Other fixed assets</b>	<b>Total</b>
<b>COST</b>			
<b>Balance at December 31, 2020</b>	<b>528,327</b>	<b>847,835</b>	<b>1,376,162</b>
Purchases	-	27,569	27,569
<b>Balance at December 31, 2021</b>	<b>528,327</b>	<b>875,404</b>	<b>1,403,731</b>
<b>ACCUMULATED AMORTISATION</b>			
<b>Balance at December 31, 2020</b>	<b>433,770</b>	<b>792,705</b>	<b>1,226,475</b>
Amortisation during the year	92,489	41,809	134,297
<b>Balance at December 31, 2021</b>	<b>526,259</b>	<b>834,513</b>	<b>1,360,772</b>
<b>IMPAIRMENT ALLOWANCE</b>			
<b>Balance at December 31, 2020</b>	<b>89,732</b>	-	<b>89,732</b>
Reversal of impairment allowances	(89,732)	-	(89,732)
<b>Balance at December 31, 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CARRYING AMOUNT</b>			
<b>Balance at December 31, 2020</b>	<b>4,825</b>	<b>55,130</b>	<b>59,955</b>
<b>Balance at December 31, 2021</b>	<b>2,068</b>	<b>40,890</b>	<b>42,959</b>

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**14. INTANGIBLE ASSETS (continued)**

	Patents, licenses and trademarks	Other fixed assets	Total
<b>COST</b>			
<b>Balance at December 31, 2021</b>	<b>528,327</b>	<b>875,404</b>	<b>1,403,731</b>
Purchases	-	91,255	91,255
<b>Balance at December 31, 2022</b>	<b>528,327</b>	<b>966,659</b>	<b>1,494,986</b>
<b>ACCUMULATED AMORTISATION</b>			
<b>Balance at December 31, 2021</b>	<b>526,259</b>	<b>834,513</b>	<b>1,360,772</b>
Amortisation during the year	2,068	29,114	31,181
<b>Balance at December 31, 2022</b>	<b>528,327</b>	<b>863,627</b>	<b>1,391,954</b>
<b>IMPAIRMENT ALLOWANCE</b>			
<b>Balance at December 31, 2021</b>	-	-	-
Reversal of impairment allowances	-	-	-
<b>Balance at December 31, 2022</b>	-	-	-
<b>CARRYING AMOUNT</b>			
<b>Balance at December 31, 2021</b>	<b>2,068</b>	<b>40,890</b>	<b>42,959</b>
<b>Balance at December 31, 2022</b>	-	<b>103,032</b>	<b>103,032</b>

The intangible assets as at December 31, 2022, in net amount of 103,032 Lei (December 31, 2021: 42,959 Lei), represent the unamortized part of the licenses, technological documentation and the software used.

During 2022, the Company did not scrap any intangible assets.

Value appreciations were recognised in profit or loss and were classified in depreciation and impairment expenses for non-current assets.

**Amortisation of intangible assets**

The depreciation period of intangible assets is no more than 10 years.

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**15. INVESTMENT PROPERTIES**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Net value	898,905	458,477
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Opening balance</b>	<b>458,477</b>	<b>487,280</b>
Acquisitions / Reclassification of investment properties	-	-
Outflows/Reclassifications into assets held for sale	-	-
Changes in fair value	440,428	(28,803)
<b>Closing balance as at 31 December</b>	<b>898,905</b>	<b>458,477</b>

Investment properties are real estate (land, buildings or parts of a building) owned by the company for the purpose of renting, operating lease or increasing the value thereof.

Commercial properties are rented to third parties on the basis of contracts with a validity of 12 months with the possibility of extension.

The value of rental income as at December 31, 2022 was 316,818 Lei, and of 308,994 Lei at December 31, 2021. The commercial properties owned by the Company are mainly rented to industrial companies (producing plastics and metal parts), companies that have not been significantly affected by the military conflict against Ukraine. The monthly rent was invoiced according to the contracts in force and there were no requests to postpone the payment of the rent.

The Company did not make significant repairs and had no other costs with investment properties at December 31, 2022 and December 31, 2021.

The fair value measurement of investment properties was carried out by an external, independent valuer member of the National Association of Valuers in Romania (ANEVAR) with recognized professional qualifications and experience in the valuation of all real estate segments. The measurement of the fair value of the investment property was made using the income capitalization method.

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**16. ASSETS HELD FOR SALE**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Opening balance at 1 January</b>	<b>383,907</b>	<b>345,510</b>
Acquisitions/reclassifications	-	-
Sales	-	-
Changes in fair value	(21,488)	38,397
<b>Closing balance at 31 December</b>	<b>362,419</b>	<b>383,907</b>

At December 31, 2022, the Company owns for sale assets identified as follows:

- a) land outside the built-up area, with an area of 6,600 sqm as per documents (6,691 sqm as per measurements) classified as "arable" land, located outside the city of Târgu Neamț, Valea Seaca area, Neamț county identified by cadastral number 50718, registered in Land Book no. 50718 of the locality of Tg. Neamț
- b) building located in the built-up area of Baldovinești Village, Vădeni Commune, Brăila County, which consists of:
  - land located in the built-up area with a total area of 5,278 sqm, identified by cadastral number 240, registered in Land Book no. 71069, plot 208, parcel 1354 of Vădeni locality, classified as "construction yards";
  - related building.

The fair value measurement was made by an external, independent valuer member of the National Association of Valuers in Romania (ANEVAR) with recognised professional qualifications and experience in evaluating all real estate segments. The revaluation concerned the adjustment of net carrying amounts of the assets held for sale at fair value. The method used by the valuer in determining fair value was: the market value method. The valuer took into account the potential impact of the military conflict against Ukraine.

**17. INVENTORIES**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Raw materials and materials	3,155,416	1,593,806
Work in progress	1,371,093	795,627
Semi-finished goods	91,575	60,274
Finished products	13,008,683	11,569,633
Merchandise	9,038,984	6,165,974
<b>Inventories at net value</b>	<b>26,665,751</b>	<b>20,185,315</b>

The amount of any reduction in the carrying amount of inventories to net realisable value and all losses of inventories are recognised as an expense during the period in which the write-down or loss occurs.

In accordance with the policy of setting up the adjustment of the value of current assets, the value adjustments for stocks are made:

- global – depending on seniority and dynamics;
- individually - based on the findings of the stock-count committees.

At December 31, 2022, the value of the impairment allowance for inventories is 907,710 Lei (December 31, 2021: 683,942 Lei).

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**18. TRADE RECEIVABLES**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Trade receivables – Stages 1 and 2	9,239,035	4,571,506
Impairment allowances for trade receivables – Stages 1 and 2	(451,716)	(265,273)
<b>Net receivables – Stages 1 and 2</b>	<b>8,787,319</b>	<b>4,306,233</b>
Trade receivables – Stage 3	2,071,359	3,519,348
Impairment allowances for trade receivables – Stage 3	(2,071,359)	(3,501,709)
<b>Net receivables – Stage 3</b>	<b>-</b>	<b>17,639</b>
<b>Net, total trade receivables</b>	<b>8,787,319</b>	<b>4,323,872</b>

The fair value of trade receivables reflects their value less impairment.

At December 31, 2022, net trade receivables in amount of 8,787,319 Lei (December 31, 2021: 4,323,872 Lei) are considered fully performing.

At December 31, 2022, the Company received from customers promissory notes and cheques in amount of 530,820 Lei (December 31, 2021: 452,300 Lei) according to the contractual clauses. The value of the receivables covered by promissory notes and cheques are recorded off-balance sheet.

At December 31, 2022 the Company set up allowance for the impairment of trade receivables in total amount of 2,523,075 Lei (December 31, 2021: 3,766,982 Lei). Impairments were recognised based on the application of the Expected Credit Loss model under IFRS 9.

Individual evaluation:

The Company performs individual analyses of the degree of recovery of trade receivables, based on overdue maturity and litigation status. For receivables with a maturity exceeding 180 days and for those in litigation, a provision of 100% of the gross value is recorded.

The seniority structure of trade receivables at the reporting date was:

	<b>Impairment December 31, 2022</b>	<b>Gross value December 31, 2022</b>	<b>Impairment December 31, 2021</b>	<b>Gross value December 31, 2021</b>
Overdue over 180 days	2,080,025	2,071,359	3,501,709	3,519,348
Collective evaluation:				
	<b>Impairment December 31, 2022</b>	<b>Gross value December 31, 2022</b>	<b>Impairment December 31, 2021</b>	<b>Gross value December 31, 2021</b>
Not overdue	266,711	7,660,806	50,341	3,604,912
Overdue between 0 and 30 days	10,915	642,068	48,376	397,474
Overdue between 31 and 60 days	20,018	177,539	17,641	124,824
Overdue between 61 and 90 days	142,060	731,829	77,082	287,191
Overdue over 90 days	3,346	26,793	71,833	157,106
	<b>443,050</b>	<b>9,239,035</b>	<b>265,273</b>	<b>4,571,506</b>



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**19. OTHER RECEIVABLES**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Sundry debtors	322,108	168,880
Other receivables (bank interests, contributions and VAT)	121,988	258,983
Tax recoverable	-	-
Adjustment for other receivables – sundry debtors	(132,861)	(132,995)
<b>Total</b>	<b>311,234</b>	<b>294,868</b>

The fair value of other receivables reflects their value less impairment.

The Company performs individual analyses of the degree of recovery of sundry debtors based on overdue maturity and litigation status. For receivables with a maturity of over 180 days and in litigation, a provision of 100% of the gross value is recorded.

In order to cover the risk of non-recovery of certain categories of receivables – sundry debtors, the Company registered allowances for the impairment of sundry debtors in amount of 132,995 Lei.

	<b>Impairment December 31, 2022</b>	<b>Gross value December 31, 2022</b>	<b>Impairment December 31, 2021</b>	<b>Gross value December 31, 2021</b>
Overdue over 180 days	132,995	132,995	132,995	132,995

**20. CASH, CURRENT ACCOUNTS, DEPOSITS WITH BANKS AND FINANCIAL ASSETS AT FAIR VALUE**

**(i) Cash, current accounts and cash equivalents**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash	5,199	13,991
Current accounts	5,416,156	12,815,226
Bank deposits with maturity up to 3 months	-	-
Expected credit loss	-	-
<b>Cash and current accounts – gross amount</b>	<b>5,421,355</b>	<b>12,829,217</b>

Current accounts opened with banks are permanently at the disposal of the Company.

**(ii) Deposits placed with banks**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Bank deposits with maturity of more than 3 months	5,000,000	5,000,000
Attached interest	109,018	24,355
Expected credit loss	(3,853)	(4,032)
<b>Total deposits placed with banks</b>	<b>5,105,165</b>	<b>5,020,323</b>

Bank deposits are permanently available to the Company and are not restricted.

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**20. CASH, CURRENT ACCOUNTS, DEPOSITS WITH BANKS AND FINANCIAL ASSETS AT FAIR VALUE (continued)**

**(iii) Financial assets at fair value through profit or loss**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets – Fund units	275,441	266,635
Equity securities and fair value adjustment of shares in Transport Ceahlau SRL	-	-
<b>Total</b>	<b><u>275,441</u></b>	<b><u>266,635</u></b>

The Company owns at December 31, 2022 investments in fund units, at fair value, as follows:

<u>Fund type</u>	<u>Fund management company</u>	<u>Number of fund units</u>	<u>Value of fund units</u>
Open-end investment fund BT OBLIGATIUNI	BT Asset Management	13,591	275,441

In 2022, the fund units held at BT Asset Management valued at fair value through other comprehensive income recorded an increase (the change in fair value being upwards) of 8,806 Lei.

The shares of Transport Ceahlau SRL are fully adjusted.

**21. CAPITAL AND RESERVES**

**a. Share capital**

<b>Share capital subscribed and paid up at December 31, 2022</b>	<b><u>23,990,846 Lei</u></b>
<b>Number of shares subscribed and paid up at December 31, 2022</b>	<b><u>239,908,460 shares</u></b>
Nominal value of a share	0.10 Lei
Characteristics of shares issued, subscribed and paid up	Ordinary, nominative, dematerialized

The Company's securities (shares) are registered and traded in the Standard category of the Bucharest Stock Exchange. All shares confer the same voting rights. At December 31, 2022, the share capital of the Company was not modified in the sense of increase or decrease.

The share capital registered at December 31, 2022 is 23,990,846 Lei.

The shareholding structure of the Company is:

<u>December 31, 2022</u>	<u>Number of shares</u>	<u>Amount (lei)</u>	<u>%</u>
Evergent Investments SA – formerly SIF Moldova	175,857,653	17,585,765	73.3020
New Carpathian Fund	48,477,938	4,847,794	20.2068
<i>Other shareholders, of which:</i>			
- legal persons	803,720	80,372	0.335
- natural persons	14,769,149	1,476,915	6.1562
<b>TOTAL</b>	<b><u>239,908,460</u></b>	<b><u>23,990,846</u></b>	<b><u>100.00</u></b>

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**21. CAPITAL AND RESERVES (continued)**

**a. Share capital (continued)**

<b>December 31, 2022</b>	<b>Number of shares</b>	<b>Amount (lei)</b>	<b>%</b>
Evergent Investments SA	175,857,653	17,585,765	73.3020
New Carpathian Fund	48,477,938	4,847,794	20.2068
<i>Other shareholders, of which:</i>			
- legal persons	722,117	72,212	0.3010
- natural persons	14,850,752	1,485,075	6.1902
<b>TOTAL</b>	<b>239,908,460</b>	<b>23,990,846</b>	<b>100.00</b>

**b. Reserves**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Reserves from the revaluation of property, plant and equipment	10,645,550	9,197,460
Deferred income tax recognised on account of reserves	(1,757,565)	(1,525,871)
<b>TOTAL</b>	<b>8,887,985</b>	<b>7,671,589</b>

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Retained earnings representing the surplus realised from gross revaluation reserves	3,957,513	3,967,513
Deferred income tax related to realized and untaxed revaluation reserves	(634,802)	(634,802)
Retained earnings representing the surplus realised from net revaluation reserves	7,344,843	6,969,201
Retained earnings representing unallocated profit / (uncovered loss)	1,085,178	(704,501)
Other reserves distributed from profit, non-taxable	5,059,940	5,059,940
Other taxable reserves	827,622	827,622
<b>TOTAL</b>	<b>17,650,294</b>	<b>15,484,973</b>

"Other reserves distributed from profit, non-taxable" – represents the distribution to other reserves of the net profit for the years 2013, 2014, 2015 and 2019.

**c. Legal reserves**

The Company distributes to legal reserves 5% of the profit before tax, up to the limit of 20% of the share capital. These amounts are deducted from the taxable amount when calculating corporate tax. The value of the legal reserve at December 31, 2022 is 2,983,701 Lei (December 31, 2021: 2,890,897 lei).

Legal reserves cannot be distributed to shareholders.

**d. Dividends**

In 2022, respectively in 2021, no dividends were allocated or distributed.

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**21. CAPITAL AND RESERVES (continued)**

**e. Earnings per share**

The earnings per share are calculated by dividing the net profit attributable to the shareholders of the Company at December 31, 2022 in amount of 1,856,097 Lei (December 31, 2021: (1,720,446 Lei) by the number of ordinary outstanding shares of 239,908,460 shares (December 31, 2021: 239,908,460 shares).

<b>Profit attributable to ordinary shareholders</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Profit (Loss) of the period	1,856,097	1,720,446
Number of ordinary shares	239,908,460	239,908,460
Earnings per share	0.0077	0.0072

**22. LOANS**

This note provides information on the contractual terms of the Company's interest-bearing loans, valued at amortised cost.

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Long-term bank loans	123,842	421,177
Short-term bank loans (up to 1 year)	297,235	297,307
<b>Total bank loans</b>	<b>421,077</b>	<b>718,484</b>

The tables below present detailed information on the loans contracted by the Company at December 31, 2022 and December 31, 2021:

<b>December 31, 2022</b>				
<b>Type of credit</b>	<b>Loan balance (Lei)</b>	<b>Account currency</b>	<b>Annual interest rate (%)</b>	<b>Final maturity of the loan</b>
Investment	421,077	EUR	EURIBOR 6 months +2.5%	20/05/2024
<b>Total</b>	<b>421,077</b>			
<b>December 31, 2021</b>				
<b>Type of credit</b>	<b>Loan balance (Lei)</b>	<b>Account currency</b>	<b>Annual interest rate (%)</b>	<b>Final maturity of the loan</b>
Investment	718,484	EUR	EURIBOR 6 months +2.5%	20/05/2024
<b>Total</b>	<b>718,484</b>			

At December 31, 2022, the Company has an ongoing investment loan worth 420,000 Euro for a period of 14 years in order to purchase a laser cutting equipment. The investment loan is secured by the security mortgage on the above-mentioned asset.

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**23. LEASE LIABILITIES**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Gross lease liabilities</b>		
Lliabilities arising from leases (over 5 years)	435,325	565,479
Lliabilities arising from leases (between 1 year and 5 years)	1,452,791	1,176,553
Lliabilities arising from leases (up to 1 year)	518,519	428,144
<b>Total gross liabilities</b>	<b>2,406,635</b>	<b>2,170,175</b>
<b>Lease liabilities</b>		
Lliabilities arising from leases (over 5 years)	415,658	533,051
Lliabilities arising from leases (between 1 year and 5 years)	1,346,142	1,066,780
Lliabilities arising from leases (up to 1 year)	492,272	381,856
<b>Total</b>	<b>2,254,072</b>	<b>1,981,687</b>

The Company registers leases having as main object means of transport, showrooms and office spaces.

**24. PROVISIONS FOR RISKS AND CHARGES**

	<b>Returns and other provisions</b>	<b>Employee benefits - pensions</b>	<b>Total</b>
<b>Balance at December 31, 2021</b>	<b>811,662</b>	<b>142,704</b>	<b>954,364</b>
Provisions established during the period	1,469,384	29,022	1,498,407
Provisions reversed during the period	1,479,414	44,643	1,524,057
Provisions reclassified in trade and other payables	741,297	-	741,297
<b>Balance at December 31, 2022</b>	<b>60,335</b>	<b>127,083</b>	<b>187,418</b>
Long-term	-	127,083	127,083
Current	60,335	-	60,335
	<b>Returns and other provisions</b>	<b>Employee benefits - pensions</b>	<b>Total</b>
<b>Balance at December 31, 2020</b>	<b>713,123</b>	<b>230,518</b>	<b>943,641</b>
Provisions established during the period	1,120,081	-	1,120,081
Provisions reversed during the period	1,021,542	87,815	1,109,357
<b>Balance at December 31, 2021</b>	<b>811,662</b>	<b>142,704</b>	<b>954,364</b>
Long-term	-	142,704	142,704
Current	811,662	-	811,662

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**24. PROVISIONS FOR RISKS AND CHARGES (continued)**

**Warranties**

The provisions for warranties in amount of 60,335 Lei (80,895 Lei at December 31, 2021) were set up taking into account the expenses related to the service activity for agricultural machinery in the 2-year warranty period.

**Employee benefits – pension provision**

The provisions in amount of 127,083 Lei (142,704 Lei at December 31, 2021) are set up for the benefits granted to the employees at the end of the employment contract once they retire as a result of some provisions of the collective employment contract.

**Other provisions – reclassified in trade and other payables**

Other provisions existing in the balance at December 31, 2022 represent provisions for rights not granted according to contracts concluded in amount of 6,486 Lei (13,715 Lei at December 31, 2021), for patent copyrights in amount of 0 Lei (16,245 Lei at December 31, 2021), provisions for bonuses of board members and executive officers in amount of 336,742 Lei (295,977 Lei at December 31, 2021), for sales team commissions in amount of 350,000 Lei (342,995 Lei at December 31, 2021) and for the prize fund of 48,067 Lei (75,547 Lei at December 31, 2021).

**25. TRADE PAYABLES**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Internal and external suppliers	7,908,981	5,480,155
Payables for distributors' commissions	81,197	171,955
Investment providers	60,920	187,210
Suppliers – invoices not received	(276,596)	(45,114)
<b>Total</b>	<b>7,774,502</b>	<b>5,794,206</b>

**26. OTHER PAYABLES**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Salaries and related social contributions	1,216,297	415,796
Other debts (VAT payment and guarantees)	1,187,709	596,860
Dividends to be paid	285,409	311,796
Advances received	145,382	244,912
<b>Total</b>	<b>2,834,797</b>	<b>1,569,364</b>

Dividends for payment not collected within 3 years from the date of declaration are prescribed according to the law, except for the amounts seized by the tax authorities.

In 2022, no dividends were allocated or distributed and no prescribed dividends were recorded.

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**27. CASH FLOW INFORMATION**

The method used in presenting the Statement of Cash Flows is the direct method.

The statement of cash flows shows the cash and cash equivalents classified by operating, investing and financing activities, thus highlighting how the Company generates and uses cash and cash equivalents.

In the context of preparing the Statement of Cash Flows:

- cash flows are cash receipts and payments and cash equivalents;
- cash includes cash availability from banks and petty cash;
- cash equivalents include deposits set up with banks, cheques and promissory notes deposited with banks for collection.

The cash flows from the transactions performed in foreign currency are recorded in the functional currency by applying to the value in foreign currency the exchange rate between the functional currency (leu) and the currency from the date of production of the cash flow (the date of making payments and receipts).

Gains and losses arising from changes in foreign exchange rates are not cash flows. However, the effect of the change in the exchange rate on cash and cash equivalents held or owed in foreign currency is reported in the statement of cash flows, but separately from cash flows arising from operation, investments and financing, in order to reconcile cash and cash equivalents at the beginning and end of the reporting period.

The operating activity is the main cash generating activity of the Company.

Thus, in 2022:

- receipts from sundry customers and debtors amounted to 54,588,646 Lei;
- payments to suppliers and employees and sundry creditors amounted to 51,428,401 Lei;
- taxes and fees payments to the State Budget amounted to 8,339,140 Lei.

The operating activity generated in 2022 a cash deficit of 5,178,895 Lei.

Payments for the purchase of tangible and intangible assets amounted to 1,488,718 Lei.

The interest receipts related to deposits placed with banks amounted to 185,512 Lei.

The investment activity generated in 2022 a cash deficit of 1,303,206 Lei.

Within the financing activity, no dividends due to the shareholders were paid.

The Company repaid the instalments for 2022 for the investment loan and paid the debts related to the leases.

The financing activity generated in 2022 a cash deficit of 862,161 Lei.

The level of cash and cash equivalents registered at 31.12.2022 is 5,421,355 Lei. The impact that the military conflict against Ukraine had on the Company's activity during the reported period was not likely to significantly influence the financial performance of the Company, as it was able to honour in time all its commitments to shareholders and obligations to third parties. Management continues to have a reasonable expectation that the Company has sufficient financial resources of its own to ensure financial stability.

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**28. FINANCIAL INSTRUMENTS**

**Overview**

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

- credit risk
- liquidity risk
- market risk

These notes present information on the Company's exposure to each of the aforementioned risks, the Company's objectives for risk assessment and management, and the procedures used for capital management.

The Company's management has as permanent objectives the analysis of the future impact of the military conflict against Ukraine on the financial performance and taking appropriate measures to reduce the related risks.

**General framework for risk management**

The Company's risk management policies are defined in such a way as to ensure the identification and analysis of the risks faced by the Company, the establishment of appropriate limits and controls, as well as the monitoring of risks and compliance with established limits.

The risk management policies and systems are regularly reviewed to reflect changes in market conditions and in the Company's activities. The Company, through its standards and procedures of training and management, wants to develop an orderly and constructive control environment, within which all employees understand their roles and obligations.

The Company's internal auditor shall carry out standard and ad-hoc tasks of reviewing the controls and risk management procedures, the results of which are presented to the Board of Directors.

**i) Credit risk**

The treatment of counterparty risk is based on internal and external success factors to the Company.

The financial assets, which may subject the Company to the risk of collection, are mainly trade receivables and cash availability. The Company has put into practice a series of policies that ensure that the sale of products is made to customers with an appropriate collection. The value of the gross receivables represents the maximum amount exposed to the risk of collection. The situation of receivables by seniority is presented in Note 18, Receivables.

Credit risk is the risk that the Company incurs a financial loss as a result of the failure of a client or counterparty to a financial instrument to perform contractual obligations, and this risk results mainly from the Company's trade receivables and financial investments.

The Company does not have a significant concentration of credit risk. The Company applies specific policies to ensure that the sale of products and services is carried out in such a way that the commercial credit granted is appropriate and continuously monitors the age of receivables. In this regard, measures have been taken to verify the creditworthiness of customers and the Company's exposure to credit risk, as well as to negotiate partnerships with non-banking financial institutions financing entities.

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



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**28. FINANCIAL INSTRUMENTS (continued)**

**i) Credit risk (continued)**

**Exposure to credit risk**

The carrying amount of financial assets is the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Gross trade receivables	11,310,394	8,090,854
Allowances for impairment of receivables	(2,523,075)	(3,766,982)
<b>Net trade receivables</b>	<b>8,787,319</b>	<b>4,323,872</b>
Other receivables	299,514	319,223
Investment securities	5,275,441	5,266,635
Cash, current accounts and deposits placed with banks	5,421,355	12,825,185
	<b>19,783,629</b>	<b>22,734,915</b>

On the internal market, the Company collaborated with a number of 15 distributors across the country, the most important being located in predominantly agricultural areas.

On the foreign market, the sales volume accounted for less than 1% of turnover. In this market, the connection with traditional customers who know and promote the Company's products is maintained. Credit risk, including the country risk in which the client operates, is managed on each business partner. When it is considered necessary, specific instruments are required to mitigate the credit risk, respectively advance payments from customers, before the delivery of goods. These are presented in the financial statements as Other payables, advances received.

The Company has established a credit policy according to which each new customer is analyzed individually from the point of view of creditworthiness and in some cases it requires references provided by banks before firm sales contracts are concluded.

For the purpose of monitoring the credit risk related to customers, they are grouped according to the characteristics of the credit risk, taking into account their classification as legal or natural persons, internal or external customers, age, maturity and the existence of previous financial difficulties. Customers classified as having a high risk are monitored, and future sales are made on the basis of advance payments or using various banking instruments to guarantee receipts.

In order to prevent the impact of the military conflict against Ukraine on the clients' creditworthiness and to limit the exposure to clients who could be severely affected, the Company carefully monitors and periodically evaluates (with a higher frequency) their financial standing.

The Company's policy is to provide service for the products provided within a warranty period of 24 months.

At December 31, 2022, the net carrying amounts of cash and cash equivalents, suppliers and customers, short-term commitments and liabilities approximated their fair values due to short-term maturities.

**ii) Liquidity risk**

Liquidity risk is the risk that the Company encounters difficulties in fulfilling the obligations associated with financial liabilities that are settled in cash. The Company's approach to liquidity risk is to ensure, as far as possible, that it has sufficient liquidity at all times to pay debts when they become due, both under normal and difficult conditions, without incurring significant losses or jeopardizing the reputation of the Company.

In general, the Company ensures that it has sufficient cash to cover the expected operating expenses, including the payment of financial obligations.

For the purpose of managing liquidity risk, cash flows are monitored and analysed weekly, monthly, quarterly and annually in order to establish the estimated level of net changes in liquidity.

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**28. FINANCIAL INSTRUMENTS (continued)**

**ii) Liquidity risk (continued)**

*Exposure to liquidity risk*

The contractual maturities of the financial assets and liabilities are the following:

<i>In LEI</i>	<b>Carrying amount</b>	<b>Amount not discounted</b>	<b>Within 1 month</b>	<b>Between 1 and 3 months</b>	<b>Between 3 and 12 months</b>	<b>More than 1 year</b>	<b>No predetermined maturity</b>
<b>December 31, 2022</b>							
<b>Financial assets</b>							
Cash and current accounts	5,421,355	5,421,355	5,421,355	-	-	-	-
Deposits placed with banks with an original maturity of less than 3 months	-	-	-	-	-	-	-
Deposits placed with banks with an original maturity of more than 3 months	5,105,165	5,189,653	3,106,234	-	2,083,419	-	-
Financial assets at fair value through other comprehensive income	275,441	275,441	-	-	-	-	275,442
Trade receivables	8,787,319	8,787,319	8,022,917	747,291	17,111	-	-
Other receivables	311,233	311,233	311,233	-	-	-	-
<b>Total financial assets</b>	<b>19,900,514</b>	<b>19,985,001</b>	<b>16,861,739</b>	<b>747,291</b>	<b>2,100,531</b>	<b>-</b>	<b>275,442</b>
<b>Financial liabilities</b>							
Loans	421,077	428,758	25,657	51,077	227,488	124,537	-
Other payables	2,834,797	2,834,798	2,265,352	145,382	391,295	32,769	-
Trade and other payables	7,774,502	7,774,502	788,742	6,904,563	81,197	-	-
Lease liabilities	2,254,072	2,406,636	46,918	93,877	377,725	1,888,116	-
<b>Total financial liabilities</b>	<b>13,284,448</b>	<b>13,444,694</b>	<b>3,126,669</b>	<b>7,194,899</b>	<b>1,077,704</b>	<b>2,045,422</b>	<b>-</b>

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**28. FINANCIAL INSTRUMENTS (continued)**

**ii) Liquidity risk (continued)**

*Exposure to liquidity risk (continued)*

<i>In LEI</i>	<b>Carrying amount</b>	<b>Amount not discounted</b>	<b>Within 1 month</b>	<b>Between 1 and 3 months</b>	<b>Between 3 and 12 months</b>	<b>More than 1 year</b>	<b>No predetermined maturity</b>
<b>December 31, 2021</b>							
<b>Financial assets</b>							
Cash and current accounts	12,829,217	12,829,217	12,829,217	-	-	-	-
Deposits placed with banks with an original maturity of less than 3 months	-	-	-	-	-	-	-
Deposits placed with banks with an original maturity of more than 3 months	5,020,323	5,041,951	3,023,867	-	2,018,084	-	-
Financial assets at fair value through other comprehensive income	266,635	266,635	-	-	-	-	266,635
Trade receivables	4,323,872	4,323,872	3,903,667	317,293	102,912	-	-
Other receivables	294,868	294,868	294,868	-	-	-	-
<b>Total financial assets</b>	<b>22,734,914</b>	<b>22,756,542</b>	<b>20,051,619</b>	<b>317,293</b>	<b>2,120,996</b>	<b>-</b>	<b>266,635</b>
<b>Financial liabilities</b>							
Loans	718,484	740,619	26,301	52,302	233,197	428,819	-
Other payables	1,569,364	1,569,364	1,546,002	-	-	23,362	-
Trade and other payables	5,794,206	5,794,206	793,063	5,001,143	-	-	-
Lease liabilities	1,981,687	2,170,175	55,410	69,346	303,387	1,742,031	-
<b>Total financial liabilities</b>	<b>10,063,741</b>	<b>10,274,364</b>	<b>2,420,776</b>	<b>5,122,791</b>	<b>536,585</b>	<b>2,194,212</b>	<b>-</b>

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**28. FINANCIAL INSTRUMENTS (continued)**

**iii) Market risk**

The Romanian economy is constantly developing, and there is a lot of uncertainty about the possible outlook of politics and economic development in the future. The Company's management cannot foresee the changes that will take place in Romania and their effects on the financial standing, on the operating results and on the Company's cash flows.

**Currency risk**

The Company is exposed to foreign exchange risk through its sales, acquisitions, availability and loans that are denominated in currencies other than the Company's functional currency, however the currency in which most transactions are carried out is RON.

**Exposure to currency risk**

The currencies that expose the Company to this risk are mainly EUR. The resulting differences are included in the Statement of Comprehensive Income and do not affect the cash flow until the settlement of the debt. At December 31, 2022, the Company holds cash, trade receivables and trade payables in foreign currency, the rest of the financial assets and financial liabilities are denominated in RON.

**Interest risk**

The Company is exposed to interest rate risk. The change in the market interest rate directly affects the income and expenses of variable interest-bearing financial assets and liabilities, as well as the fair value of those bearing fixed interest rates.

At December 31, 2022 and December 31, 2021, most of the Company's assets and liabilities bear no interest. As a result, the Company is not significantly affected by the risk of interest rate fluctuations.

The Company does not use derivatives to protect itself from interest rate fluctuations, the interest rate risk being insignificant.

**Sensitivity analysis**

<b>December 31, 2022</b>	<b>EUR</b> <b>(1 EUR = 4.9474)</b>	<b>RON</b> <b>1 RON</b>	<b>TOTAL</b>
Cash, current accounts and deposits with banks	1,093,635	4,327,720	5,421,355
Financial assets measured at fair value through profit or loss	-	5,275,441	5,275,441
Trade and other receivables	136,479	8,962,074	9,098,553
<b>Total financial assets</b>	<b>1,230,114</b>	<b>18,565,235</b>	<b>19,795,349</b>

<b>December 31, 2022</b>	<b>EUR</b> <b>(1 EUR = 4.9474)</b>	<b>RON</b>	<b>1 RON TOTAL</b>
Bank loans	(421,077)	-	(421,077)
Lease loans	(2,254,073)	-	(2,254,073)
Trade and other payables	(7,138,767)	(3,470,532)	(10,609,299)
<b>Total financial liabilities</b>	<b>(9,813,917)</b>	<b>(3,470,532)</b>	<b>(13,284,449)</b>

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**28. FINANCIAL INSTRUMENTS (continued)**

**iii) Market risk (continued)**

**Sensitivity analysis (continued)**

<b>December 31, 2021</b>	<b>EUR</b> <b>(1 EUR = 4.9481)</b>	<b>RON</b> <b>1 RON</b>	<b>TOTAL</b>
Cash, current accounts and deposits with banks	3,063,633	9,765,584	12,829,217
Investment securities	-	5,266,635	5,266,635
Trade and other receivables	12,454	4,347,303	4,618,740
<b>Total financial assets</b>	<b>3,076,087</b>	<b>19,379,522</b>	<b>22,714,592</b>

<b>December 31, 2021</b>	<b>EUR</b> <b>(1 EUR = 4.9481)</b>	<b>RON</b>	<b>1 RON TOTAL</b>
Bank loans	(718,484)	-	(718,484)
Lease loans	(1,981,687)	-	(1,981,687)
Trade and other payables	(4,852,493)	(2,511,077)	(7,363,570)
<b>Total financial liabilities</b>	<b>(7,552,664)</b>	<b>(2,511,077)</b>	<b>(10,063,741)</b>

The Company has not concluded hedging contracts regarding obligations in foreign currency or exposure to interest rate risk.

The impact on the Company's profit of a change of  $\pm 5\%$  of the RON/EUR exchange rate, at December 31, 2022, all other variables remaining constant, is  $\pm 173,527$  Lei (December 31, 2021:  $\pm 231,219$  Lei).

**iv) Capital management**

The Company's objectives in capital management are to ensure the protection and capability to reward its shareholders, to maintain an optimal capital structure to reduce capital costs.

The Company monitors the amount of capital raised based on the degree of indebtedness. This rate is calculated as the ratio between net liabilities and total capital. Net liabilities are calculated as total net cash liabilities. Total capital is calculated as equity to which net liabilities are added.

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Financial liabilities</b>	<b>13,284,448</b>	<b>10,063,741</b>
Cash, current accounts and deposits with banks	5,421,355	12,825,185
Financial assets measured at fair value through profit or loss	275,441	5,266,635
Financial assets measured at amortised cost	5.000.000	5.000.000
<b>Net financial liabilities</b>	<b>2,587,652</b>	<b>8,028,079</b>
<b>Equity</b>	<b>53,512,827</b>	<b>50,038,305</b>
<b>Net liability ratio</b>	<b>(0.05)</b>	<b>(0.16)</b>

The Company's management does not estimate difficulties in honoring the commitments towards the shareholders and the obligations towards third parties, the availability of present and future liquidity being in line with the limits imposed by the regulations and sufficient to cover the payments in the next period.

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**29. COMMITMENTS AND CONTINGENCIES**

**(a) Taxation**

The Romanian tax system is in a phase of consolidation and harmonization with the European legislation. However, there are still different interpretations of the tax law. In certain situations, the tax authorities may treat certain aspects differently, proceeding to the calculation of additional taxes and fees and the related interest and late payment penalties (0.05% per day). In Romania, the tax year remains open for tax verification for 5 years. The Company's management considers that the tax obligations included in these financial statements are appropriate.

**(b) Commitments**

At December 31, 2022, the Company has issued a letter of guarantee related to the main supplier of goods, CNHI International, as follows:

<b>Bank</b>	<b>Beneficiary</b>	<b>Value</b>	<b>Currency</b>	<b>Date of issue</b>	<b>Due date</b>
Banca Transilvania	CNHI International JSC	300,000	Euro	15.07.2021	19.04.2024

**(c) Insurances concluded**

At December 31, 2022 the Company concluded insurance policies for property, plant and equipment.

**(d) Court actions**

The Company is the subject of a number of court actions resulting from the normal course of its activity, especially related to the recovery of receivables with clients.

In addition to the amounts already recorded in these financial statements, impairment allowances for receivables and described in the notes, the amounts related to other legal actions are recognized when a final and irrevocable decision is obtained or when payments are received.

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

**(e) Quality - environment compliance program**

The Company has implemented the "Quality-Environment" Integrated Management System certified by the external auditor TÜV THÜRINGEN for ISO 9001: 2015 and ISO 14001: 2015. The certificate is for the application of the requirements corresponding to the reference standards has been demonstrated and is certified, according to the certification procedures.

**30. RELATED PARTIES**

Evergent Investments SA is the majority shareholder of Mecanica Ceahlău SA, owning 73,3020 % of the total operations. The Company is part of the consolidation perimeter of Evergent Investments SA.

NEW CARPATHIAN FUND is a significant shareholder in Mecanica Ceahlau SA, owning 20,2068 % of the total shares.

Details about other parties affiliated with Mecanica Ceahlău SA: Transport Ceahlău SRL.

The related parties to the Company and the relationships therewith are presented below:

<b>Entity</b>	<b>The nature of the relationship</b>
Evergent Investments SA	Parent company
New Carpathian Fund	Significant shareholder
Transport Ceahlau SRL	Related party

No transactions, amounts due to and receivable from Evergent Investments SA have been identified.

No transactions, amounts due to and receivable from NEW CARPATHIAN FUND have been identified.

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**30. RELATED PARTIES (continued)**

The participation interests that the Company holds at December 31, 2022 in Transport Ceahlau SRL are presented as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Unlisted shares at 1 January</b>	<b>51,000</b>	<b>51,000</b>
Purchases	-	-
Disposals	-	-
Impairment allowances	51,000	51,000
<b>Balance at 31 December</b>	<b>-</b>	<b>-</b>

The main object of activity of Transport Ceahlău SRL is the road transport of goods, but the share of the activity carried out is represented by general mechanics operations.

The status of movements of shares at December 31, 2022, is as follows:

	<b>Date of purchase</b>	<b>Date of sale</b>	<b>Percentage of ownership</b>	
			<b>December 31, 2022</b>	<b>December 31, 2021</b>
Transport Ceahlau SRL	2004	-	24.28%	24.28%

**Information on transactions with related parties**

During the year 2022 the Company had no transactions with Transport Ceahlau SRL.

The status of amounts receivable from and payable to Transport Ceahlau is as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other receivables	113,817	113,817
Adjustment for other receivables	(113,817)	(113,817)
Other net receivables	-	-
Trade payables	4,951	4,951

The Company applies the same internal policies in contractual relations with related parties as in relations with other contractual partners with which the Company is not in special relations.

At the end of the reporting period, the following balances are related to transactions with related parties:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>EVER IMO SA</b>		
Lease liabilities	644,494	708,668
Trade payables	1,595	147,912
Other payables	-	6,798
Warranty granted	(20,430)	(20,430)

During the reporting period, the following transactions with related parties were carried out, mainly represented by rents.

**MECANICA CEHLAU SA**  
**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

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**30. RELATED PARTIES (continued)**

**Information on transactions with related parties (continued)**

<i>In Lei</i>	<u>2022</u>	<u>2021</u>
<b>EVER IMO SA</b>		
Interest expenses related to leases	17,062	2,271
Other operating expenses	9,859	11,474
Depreciation related to leases	71,689	11,948

**Transactions with key management personnel**

The key management staff is represented by:

- Mr. Sorin Molesag – Chief Executive Officer
- Mrs. Gabriela Pepene – Chief Financial Officer
- Mr. Ioan Moraru – Sales Manager

**Loans to key management personnel**

The Company has not granted advances, credits or loans to the members of the administrative, management and supervisory bodies at December 31, 2022.

**Benefits of key management personnel**

The salary rights of the officers and managers are established by the Board of Directors in accordance with the legal provisions and the management contracts.

**a) Salary rights granted**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Executive management	1,010,454	757,455
Members of the Board of Directors	548,398	504,830
<b>Total</b>	<b>1,558,852</b>	<b>1,262,285</b>

**b) Related balance**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Executive management	18,246	35,517
Members of the Board of Directors	-	-
<b>Total</b>	<b>18,246</b>	<b>35,517</b>

The financial statements were authorized for approval by the Board of Directors on February 28, 2023 and were signed on its behalf by:

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**MOLESAG ION SORIN,**  
CHIEF EXECUTIVE OFFICER

---

**PEPENE GABRIELA,**  
CHIEF FINANCIAL OFFICER





## S.C. MECANICA CEHLĂU S.A.®

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



### STATEMENT

According to the provisions of Law 24/20017 and Regulation 5/2018 of the ASF, the undersigned Sorin Ion Molesag – Managing Director and Gabriela Pepene – Chief Financial Officer, responsible with the drafting of the Financial Statement on December 31, 2022, we declare the following:

- The Financial Statements on December 31, 2022 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, 2022 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, 28.02.2023, at the headquarters of Mecanica Ceahlau SA,

Managing Director  
Sorin Ion Molesag

Chief Financial Officer,  
Gabriela Pepene

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Mecanica Ceahlau S.A.

### Report on the Audit of the financial statements

#### Opinion

1. We have audited the financial statements of Mecanica Ceahlau S.A. (the "Company"), with registered office in Piatra Neamt, Str. Dumbravei nr. 6, identified by unique tax registration code 2045262 which comprise the statement of financial position at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.
2. The financial statements at December 31, 2022 are identified as follows:
  - Net asset/Total equity RON 53,512,826
  - Net profit for the financial year RON 1,856,098
3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, with subsequent amendments.

#### Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named the "Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the 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 opinion.

#### Key Audit Matters

5. 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.

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Income recognition</b></p>	
<p>The income generated primarily from the sale of finished products and traded goods, including equipment for the agricultural industry, is the Company's core business.</p> <p>Recognition of income from the sale of finished products and goods depends on the proper assessment of the amount of the contractual consideration, including any commissions or discounts granted in certain sales transactions carried out under the contractual provisions and their registration in the period they refer to, according to the business terms provided in the contracts with customers.</p> <p>We consider that income recognition is a significant audit area, as the Company's management may incorrectly account for income from the sale of finished products and goods due to the nature of the sales transactions and contractual clauses regarding the manner and date of transfer of ownership of the goods sold.</p> <p>In addition, income is one of the most important key performance indicators of the Company, and management's compensation plans are based on the achievement of income-related objectives.</p> <p>The Company's disclosures on income are included in Notes 3k and 5 to the financial statements.</p>	<p>Our audit procedures to address the risk of material misstatement of income recognition included the following:</p> <ul style="list-style-type: none"> <li>• We reviewed the Company's accounting policies regarding income recognition;</li> <li>• We reviewed the design and implementation of existing key internal controls over sales transactions for finished products and goods;</li> <li>• We have confirmed the income with the most important customers selected on the basis of a random sample at December 31, 2022 in order to assess the completeness of the transactions executed by the Company with such customers;</li> <li>• We selected a random sample of income, which we compared with the relevant supporting documents to ensure the accuracy and completeness of the income recorded and validated the financial period in which they were supposed to be recorded based on the date of transfer of risks and rewards. finished products or goods sold from the Company as seller, to the customer as buyer;</li> <li>• We reviewed the income by comparing the current period with the previous period for: sales, product volumes, customer volumes and margin;</li> <li>• We reviewed the commissions granted to customers as a result of the contractual provisions between the Company and the customers, as well as their registration in accounting and their presentation in the financial statements;</li> <li>• We reviewed the subsequent returns related to sales from 2022 until the date of approval of the financial statements by the Company's management and analyzed whether they were correctly reflected in the accounting records and financial statements.</li> </ul>

## Other information

6. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators' report and the Remuneration Report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements for the year ended December 31, 2022, 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 Administrators' Report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, with subsequent amendments.

With respect to the Remuneration Report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, article no. 107.

On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

- a) The information included in the Administrators' Report and the Remuneration Report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with the financial statements;
- b) The Administrators' Report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, with subsequent amendments;
- c) the Remuneration Report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, article no. 107.

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the financial statements prepared at December 31, 2022, we are required to report if we have identified a material misstatement of this Administrators' Report and the Remuneration Report. We have nothing to report in this regard.

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

7. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, with subsequent amendments 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.
8. 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.
9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

10. 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 auditor's 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.
11. 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 auditor's 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 auditor's 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.
12. 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.
  13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
  14. 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 auditor's 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.

## **Report on Other Legal and Regulatory Requirements**

### ***Requirements for audits of public interest entities***

15. We have been appointed by the General Assembly of Shareholders dated 26 April 2021 to audit the financial statements of Mecanica Ceahlau SA for the financial year ended December 31, 2022. The uninterrupted total duration of our commitment is two year, covering the financial year ended December 31, 2021 and December 31, 2022.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the Company.
- No **non-audit services** referred to in Article 5 (1) of EU Regulation No.537 / 2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Claudiu Ghiurluc.

### ***Report on compliance with the Commission Delegated Regulation (EU) 2018/815 on the European Single Electronic Format Regulatory Technical Standard ("ESEF")***

16. We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2019/815 applicable to the financial statements included in the annual financial report of Mecanica Ceahlau SA ("the Company") as presented in the digital files which contain this audit report (the "Digital Files").

(I) *Responsibilities of Management and Those Charged with Governance for the Digital Files prepared in compliance with ESEF*

Management is responsible for preparing Digital Files that comply with the ESEF. This responsibility includes:

- the design, implementation and maintenance of internal control relevant to the application of ESEF;
- ensuring consistency between the Digital Files and the financial statements to be submitted in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, with subsequent amendments;

Those charged with governance are responsible for overseeing the preparation of the Digital Files that comply with ESEF.

## *(II) Auditor's Responsibilities for Audit of the Digital Files*

Our responsibility is to express a conclusion on whether the financial statements included in the annual financial report complies in all material respects with the requirements of ESEF based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing and extend of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the Company's process for preparation of the Digital Files in accordance with ESEF, including relevant internal controls;
- reconciling the Digital Files with the audited financial statements of the Company to be submitted in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, with subsequent amendments;
- evaluating if the financial statements contained in the annual report have been prepared in a valid XHTML format;

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion, the financial statements for the year ended December 31, 2022 included in the annual financial report in the Digital Files comply in all materials respects with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the financial statements. Our audit opinion relating to the financial statements of the Company for the year ended December 31, 2022 is set out in the *Report on the audit of financial statements* section above.

Claudiu Ghiurluc, Audit Partner

*For signature, please refer to the original signed Romanian version.*

*Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF 3113*

On behalf of:

**DELOITTE AUDIT SRL**

*Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA 25*

The Mark Building, 84-98 and 100-102 Calea Grivitei, 9<sup>th</sup> Floor, District 1  
Bucharest, Romania  
February 28, 2023