Activity report
of the Board of Directors
2023

Annual report according to:	Law nr. 31/1990 R; Law 297/2004; NSC Regulation No. 1/2006; BVB code; Order no. 40/2013 of the Ministry of Public Finance
For the financial year	2023
Date of report:	March 5, 2024
Name of issuing company:	**Mecanica Ceahlău SA**
Registered office:	Piatra Neamţ, str. Dumbravei no. 6, Neamţ county Postal code 610202
Telephone/fax	tel: 0233/215820; 0233/211104; fax 0233/216069
Web **Email**	www.mecanicaceahlau.ro ceahlau@mecanicaceahlau.ro
Tax identification code	RO 2045262
Number in the Trade Register	J27 / 8 / 08.01.1991
Regulated market on which the securities issued are traded	Bucharest Stock Exchange – standard category MECF code
Subscribed and paid-up share capital	23,990,846 Lei
The main characteristics of the securities issued by Mecanica Ceahlău SA	Ordinary, common, nominative, dematerialized and evidenced by registration in the account

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 2023, we continued our partnership with CNH Industrial, for the distribution in Romania of Steyr tractors. The possibility to sell "tractor+implement" packages is a real leverage in the market as many farmers perefer to purchase everything they need from a single supplier.

Also, the collaboration with Bargam Italia continued for the distribution of Projet sprayer machines and self-propelled machines, with Stoll Germany for the distribution in Romania of the front loaders for tractors, with Kayhan Ertugrul and Badilli from Turkey for the assembly and distribution in Romania of baling machines for round and parallelepipedal bales, rakes, mowers and wrapping machines, as well as herbicide machines with capacities between 400 and 3,500 liters.

2023 was the year that marked the beginning of the partnership with Romsan Turkey, for the licensed assembly and distribution of agricultural trailers with a tonnage between 4 and 20 tons, as well as technological trailers.

In order to achieve the internal production of agricultural machines for tillage and seeders, in 2023, Mecanica Ceahlau continued the partnerships with Ofas spa Italy (active organs), Bondioli&Pavessi Italy (reducers and hydraulic distributors), etc.

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, Neamţ 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, 1st 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 Ialomita county, Sineşti village, Sineşti commune, field 281/2/1, plot of land 3, according to Resolution no. 3 of 08.09.2022 of the Board of Directors.

Secondary office (work point) in Dolj county, Braniste locality, T11, P55, according to Resolution no. 3 of 11.07.2023 of the Board of Directors.

The secondary offices are without mandatory reporting and payment obligations.

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 management of the Company continuously monitored the evolution of this conflict in 2023 and witnessed the observed deterioration of the economic environment and especially of Romanian agriculture, its situation becoming one of the worst in the country's recent history. The agreement regarding the transit of grain from Ukraine through Romania has made access to sales routes in the N-E area much more difficult. As a first consequence, grain transportation became more expensive, the Constanta port area being blocked by grain transiting from Ukraine. The price of cereals imported from Ukraine is approximately half of that demanded by Romanian farmers on the domestic market, justified by the high cost of establishing, maintaining and harvesting the products.

The Company is still closely monitoring 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 2023, according to the Investment Program, investment works totaling 837,611 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	233,072	own sources	-	233,072
LOGISTICS AND SALES	378,863	own sources + lease	344,713	34,150
SOFTWARE AND IT SOFTWARE	84,049	own sources	84,049	-
SHOWROOMS/SECONDARY OFFICES	141,627	own sources	111,711	29,916
TOTAL INVESTMENTS	**837,611**		**540,473**	**297,138**

In 2023, there are no ongoing investments due to be completed in 2024.

e). 2 Disposals

In 2023, no fixed assets were scrapped.

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 2023:

	2023	2022*restated	2023 vs 2022*restated %
Net turnover	28,752,823	47,485,787	60,55%
Expenses with materials and consumables	(16,815,965)	(32,116,047)	52,36%
Gross margin	11,936,859	15,369,740	77,66%
Operating expenses	15,840,818	13,756,097	115.15%
Result of operating activities	(3,421,254)	1,972,201	n/a
Net financial result	(266,691)	(84,787)	314.54%
Pre-tax result	(3,687,945)	1,887,414	n/a
Net (expense)/income with current income tax and deferred tax	(215,104)	(195,684)	109.92%
Net result	(3,903,048)	1,691,730	n/a
Average number of employees	91	85	107.06%

a) Profit / (loss)

In 2023, the Company recorded from its operational activities a negative result in amount of 3,421,254 Lei, a negative net financial result of 266,691 Lei, resulting in a gross loss of 3,687,945 Lei.

b) Turnover

	2023	2022
Sales of goods	29,039,647	47,685,978
Commercial discounts granted to distributors	(521,325)	(388,080)
Net income from the sale of goods	**28,518,322**	**47,297,898**
Income from the sale of residual products	80,614	78,762
Provision of services	153,887	109,127
Total net turnover	**28,752,823**	**47,485,787**

The gross turnover of the Company registered at December 31, 2023 is 29,039,647 Lei (at December 31, 2022*restated: 47,685,978 Lei), of which 521,256 Lei from exports (at December 31, 2022: 484.920 Lei) and 28,518,391 obtained domestically (at December 31, 2022*restated: 47,201,058 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 521,325 Lei at December 31, 2023 respectively 388,080 Lei at December 31, 2022 resulting in a net turnover in amount of 28,518,322 Lei at December 31, 2023 and 47,297,898 Lei at December 31, 2022*restated. 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 31.12.2023 and 31.12.2022.

Compared to the same period of the previous year, the net turnover of the Company registered a decrease of 40%.

The causes of the decrease in turnover are represented by three main factors that led to the unprecedented decrease in farmers' ability to invest in new agricultural machinery:

- **geo-political factors**
- **climate factors**
- **economic factors (price of grains and inputs)**

1. Geo-political factors

- The war in Ukraine and the agreement regarding the transit of cereals from this country through Romania;
- Inefficiency of state bodies empowered to control/supervise this transit in combination with the interests of large local traders of grain that aim to double their profits, a large part of grain from Ukraine remains illegal in Romania, the price of which is approximately half the price offered by Romanian farmers;
- State aid for crops affected by natural disasters was delayed in 2023, and the amounts proposed over time were drastically reduced compared to the initial proposal (335 lei/ha - initially 1,000 lei/ha);
- The new session of non-refundable European funds (equipment purchases, mainly, through the programme entitled Installation of Young Farmers) started with the submission of files as late as August 2023, and the projects were implemented only after mid-2024;
- Price variations on the international stock exchange in the global political and economic context.

2. Climate factors

- The drought of 2022 put a heavy toll on 2023. The amount of rain fall was below expectations, and the accumulated water reserve was insufficient, a large part of the country facing soil drought;
- In the winter of 2022-2023, the temperature index increased, the average monthly temperature being 5.8 degrees above the normal for the period, which led to an invasion of diseases and pests so that the costs for treatments increased or the quantity and the quality of the harvest was affected;

- The government issued Emergency Ordinance no. 50 of May 31, 2023 regarding the establishment of a state aid scheme in the form of a grant oferred to agricultural producers for some agricultural crops affected by the pedological drought but which had limited applicability, since many farmers did not benefit from compensation for the affected crops;
- The drought of the 2023 fall led to delays in the sowing of autumn wheat and problems in the rape crop;
- Areas with limited access to water sources for irrigation extend over very large areas.

3. Economic factors (price of grains and inputs)

- Increase in fertilizer prices: “Urea, DAP (Diammonium Phosphate) and MOP (Potassium Chloride) fertilizers are 57%, 76% and 95% higher than their averages from the 2015/19 seasons” (6), which resulted in large set-up costs;
- Increase in the price of natural gas by 40%, electricity by 19% and diesel by 21% (2022 compared to 2021);
- The prices for the harvest in 2023 are half compared to 2022 (lei/kg): 1.5-1.7 for sunflower, 0.7 for wheat, 0.6-0.7 for corn;

Storage in silos (waiting for a better price) led to higher costs compared to the harvest period, and farmers were forced to sell at a low price, but with additional costs

In 2023 the Company realized **Other income** as follows:

	2023	**2022**
Income from compensation and penalties	40,360	11,704
Income from rental of investment properties	391,062	316,818
Other operating income	51,284	30,036
Total other income	**482,706**	**358,558**

c) Costs

	2023	**2022*restated**
Cost of materials and consumables	**(16,815,965)**	**(32,116,047)**
Utility expenses	(1,088,825)	(726,695)
Expenses with salaries, contributions and other assimilated expenses	(8,566,096)	(7,986,367)
Other administrative expenses	(3,341,702)	(3,172,272)
Other operational expenses	(718,783)	(595,169)
Depreciation and depreciation expenses for fixed assets and depreciation expenses for right-of-use leased assets	(2,446,564)	(1,817,709)
Value adjustments on current assets	621,795	(7,141)
Gain/loss from provisions for risks and charges	30,121	15,620
Gains / losses from the disposal of fixed assets	176,022	18,727
Gains /losses from the revaluation of property, plant and equipment	(54,643)	95,969
Gains / losses from the revaluation of assets held for sale	-	(21,488)
Gains / losses from the revaluation of investment properties	(452,142)	440,429
Operating expenses	**(15,840,818)**	**(13,756,097)**
Total Costs	**(32,656,783)**	**(45,872,144)**

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 2023, the interest expenses (including related to leases) are in amount of 262,418 Lei, the expenses from exchange rate differences are in amount of 120,356 Lei, and the discount expenses are in amount of 72,436 Lei.

d) Market share

in 2023, the Company achieved an important market share as regards agricultural equipemnt and machinery as followsw:

- LHP and HHP tractors: approximately 1.9%;
- Agricultural implements: approximately 15% (machinery for soil preparation, seed drills, machinery for crop maintenance, etc.

e) Liquidity (account deposits, deposits with maturity of less than 3 months, deposits with maturity between 3 and 6 months)

Accounts and deposits with maturity of less than 3 months:

Cash, current accounts and cash equivalents	December 31, 2023	December 31, 2022
Cash	1,276	5,199
Current accounts	114,643	5,416,156
Bank deposits	1,500,000	-
Interest	16,393	-
Expected credit loss	714	-
Cash and current accounts – gross amount	**1,631,599**	**5,421,355**

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

Bank deposits with a maturity between 3 and 6 months:

Deposits with banks	December 31, 2023	December 31, 2022
Bank deposits	-	5,000,000
Interest	-	109,018
Expected credit loss	-	(3,853)
Total deposits with banks	**-**	**5,105,165**

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

At December 31, 2023, 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	282,658

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 2023 production structure, the significant share is represented by the range of seed drills for row crops with a percentage of 45%, sowers (mechanical or pneumatic) for straw plants with a percentage of 12%, followed by the range of combiners with a percentage of 11% and the range of cultivators with a percentage of 7%.

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 2023, the domestic market was the main market, the sales volume on this market representing 98% 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	2023	2022	2021
Seed drills	19.5%	19%	23%
Machinery for soil preparation	12.5%	11%	14%
Machinery for crop maintenance	2.8%	7%	6%
Goods in distribution	52.7%	59%	53%
Spare parts	12%	2%	3%
Other	0.5%	2%	1%

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 2023, 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 2023 were:

In 2023, a number of 5 new products were designed, tested and executed:

- *Safir 4 Premium precision seed drill for row crops with stainless steel tank and fertilization system.*
- *Safir 6 Premium precision seed drill for row crops with stainless steel tank and fertilization system.*
- *Safir6 Premium telescoping precision seed drill for row crops (with hydraulically retractable external coulters)*
- *The CFM7 Premium cultivator with basin and stainless-steel fertilization item.*
- *MAS 5 scarifier with aggressive teeth.*

2. New products distributed

As a result of the partnership made with Romsan Turkey, the product portfolio has been enriched with agricultural trailers with a capacity between 4 and 20 tons, as well as technological trailers.

II. The main directions established in order to diversify the product offer for 2024

The launch of a new range of seed drills for row crops that will have a lower own weight/reduced bunker volume ratio (with a focus on cost reduction but also the possibility for users to use tractors with low power), the possibility of a complex configuration of the machine by adding optional elements depending on the terrain, weather conditions, financial availability, with external coulters outside support wheels, etc.

- SUP 350 Diamant seed drill for straw plants

- SUP 400 Diamant seed drill for straw plants

- 24 Diamant seed drill for straw plants

- SUP 29 Diamant seed drill for straw plants

Also, in 2024, the company's product portfolio will be completed with two high-productivity machines for tillage, through which we will be able to address farms with large areas.

- Magnum 6 portable/foldable independent disc harrow

- Solaris 8 portable / foldable combiner

The achievement of such objectives for 2024 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 2023, 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 costs 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 2023 is 28,752,823 Lei (at December 31, 2022*restated: 47,485,787 Lei).

Compared to the same period of the previous year, the Company's turnover registered a decrease of 39%.

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* (Maschio-Gaspardo, Vogel Noot, Class, Lemken, New Holand, John Deere, Case, Horsch Germania, Kuhn, Amazone, Sulky, Sola, Lamusa) 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;

- *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.

1.1.5. The Company's employees / staff

a) The number and degree of labour union membership

In 2023, the Company worked with an average number of 91 employees.

At December 31, 2023, the Company had an actual number of 88 employees structured as follows:

Categories of staff	Actual no. at December 31, 2023
- directly productive workers	31
- indirectly productive workers	10
- TESA staff	47
TOTAL	**88**

The employees are organized in the "TESA" Free Trade Union which has a staff of 20 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 there are suppliers that increase the price of raw materials for unjustified reasons.

- conclusion of long-term contracts with the possibility of benefitting from a fixed price clause.

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 conlict against Ukraine, wich huge impact on the price of grains 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, 2023, 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 given that its clients are the farmers. 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 2023, the Company registered capital expenditure in amount of 837,611 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 Neamţ, 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.

Note: The Tg. Neamt asset is 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.

Machine tools, machinery and technological equipment needed in the production process are in a satisfactory technical condition (those older than 30 years), good (those aged between 10-30 years) or very good condition (those more than 10 years old).

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

At December 31, 2023, the Company owns tangible assets for carrying out its activity with a net value of 21,546,567 Lei, materialized in land, buildings, special constructions, installations, technological equipment, vehicles:

Group	**Inventory value**	**Depreciation value and depreciation adjustments**	**Net value**
Land	8,007,866	-	8,007,866
Buildings	7,917,929	89,368	7,828,561
Technical installations and vehicles	16,224,412	13,376,134	2,848,278
Right-of-use assets	3,530,604	1,022,416	2,508,188
Furniture, office equipment	622,153	268,479	353,674
Property, plant and equipment under construction	-	-	-
TOTAL	**36,302,964**	**14,756,397**	**21,546,567**

At December 31, 2023, 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	595,604	-	595,604	-
TOTAL	**595,604**	**-**	**595,604**	**-**

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 Neamţ, str. Dumbravei no. 6.

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

During 2023, 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, 2023 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, 2023 is affected by the conditions of material uncertainty of the valuation.

At December 31, 2023, the Company does not own assets for sale

3) THE MARKET OF SECURITIES ISSUED BY MECANICA CEAHLĂU SA

Consolidated synthetic structure of holders of financial instruments.

At December 31, 2023, 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
TOTAL	**239,908,460**	**100.0000**

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.

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 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 financial year 2021, amounting to 1,720,446 Lei, will cover the loss of previous years.

The General Meeting of Shareholders of April 20, 2023, it was approved that the profit of financial year 2022, amounting to 1,856,097 lei will cover the loss of previous years.

In 2023, no dividends were granted.

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 01.01.2023 and 31.12.2023, 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 "ASEBUSS" 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. Eşanu 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

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 2023, the Company had no transactions with Transport Ceahlau SRL.

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

	December 31, 2023	31 December 2022
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:

			Percentage of ownership	
	Date of purchase	Date of sale	December 31 2023	December 31 2022
Transport Ceahlau SRL	2004	-	24.28%	24.28%

During 2023 the Company had no transactions with Transport Ceahlau SRL.

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

	December 31, 2023	December 31, 2022
EVER IMO SA (formerly TESATORIILE REUNITE SA)		
Lease liabilities	581,978	644,494
Trade payables	-	1,595
Other payables	-	-
Warranty granted	(20,430)	(20,430)

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

In LEI	**2023**	**2022**
EVER IMO SA (formerly TESATORIILE REUNITE SA)		
Interest expenses related to leases	14,095	17,062
Other operating expenses	44,438	9,859
Depreciation related to leases	71,689	71,689

The participation interests that the Company holds on December 31, 2023 at Transport Ceahlau SRL are presented as follows:

	December 31, 2023	**December 31, 2022**
Unlisted shares at 1 January	**51,000**	**51,000**
Impairment allowances	51,000	51,000
Balance at 31 December	**-**	**-**

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 17 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 25 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 Science and Engineering of Materials, 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 21 years in the economic profession, 17 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, 2023, the structure of the equity holders 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 three 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 2023, 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 2023 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 2023 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 2023, the current reports were drawn up and published in accordance with the legal regulations in force. We mention in this regard that, in 2023, there were three ordinary general meetings of shareholders and two extraordinary meetings 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 2023, the Board of Directors met in 16 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:

- with regard to 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;

- with regard to 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;

- with regard to 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;

- with regard to 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:

- with regard to 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;

- with regard to 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;

- with regard to 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 2023, 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 and quarterly reports 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.

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 2023 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. - 31.12.2023	275,028
Member	Eşanu Vasile-Romeo	01.01. - 31.12.2023	137,513
Member	Ianculescu Carmen	01.01. - 31.12.2023	137,430
Total indemnity expenses – gross amounts			**549,971**

In 2023, bonuses were awarded for 2022 to the members of the Board of Directors.

5.2. Executive Officers

For the executive officers, the monthly remunerations for 2023, approved by Decision no. 9 / 26.04.2021 and Decision no. 2/30.05.2023 of the Ordinary General Meeting of Shareholders, are the following:

- Chief Executive Officer – 3,500 euro net for the period 01.01.-31.05.2023 and 4,000 EUR euro net for ther period 01.06-31.12.2023;
- Sales Manager - 10,000 lei net for the period 01.01.-31.05.2023 and 11,500 Lei net for the period 01.06 - 31.12.2023;
- Chief Financial Officer – 10,000 lei net for the period 01.01.-31.05.2023 and 11,500 Lei net for the period 01.06-31.12.2023.

The denomination in Lei will be 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 2023, the Board of Directors will be able to grant the variable remuneration to the directors, but this remuneration will be within the following limits:

a) 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

b) 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 2023 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 2023	521,784
Sales Manager	Moraru Ioan	01.01.– 31.12.2023	303,591
Chief Financial Officer	Pepene Gabriela	01.05 – 31.12.2023	303,685
Total indemnity expenses - gross amounts			**1,129,060**

In 2023, bonuses for 2022 were awarded to managers.

6) ECONOMIC AND FINANCIAL SITUATION

The financial statements for the financial year ended December 31, 2023 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, 2023

Analytical indicators from the statement of financial position exceeding 10% of the total assets	**Value – lei**	**Percentage (%)**
Land, land development and buildings	15,836,427	21%
Inventories	46,357,720	61%
Analytical indicators from the statement of financial position exceeding 10% of the total equity and liablities		
Revaluation reserves	10,093,223	13%
Paid-up subscribed capital	23,990,846	32%
Retained earnings and other reserves	17,508,677	23%

b) Comprehensive income at December 31, 2023

Analytical indicators from the statement of comprehensive income exceeding 20% of the total turnover	**Value – lei**	**Percentage (%)**
Cost of materials and consumables	16,815,965	57%
Expenses with salaries, contributions and other similar charges	8,566,096	29%

c) Cash flow

At December 31, 2023, the Company ended its activity with a positive treasury balance of 1,631,599 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, 2023 is as follows:

- lei-

Net cash flows at the beginning of the year	5,421,355
Net cash flows from operating activity	(15,616,504)
Net cash flows from investing activities	5,087,217
Net cash flows from financing activities	6,794,330
The effect of the change in foreign exchange on cash	(54,085)
Adjustments of current accounts and deposits	(714)
Net cash flows at the end of the year	**1,631,599**

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 2023:

- receipts from various clients and debtors amounted to 39,437,704 Lei;

- payments to suppliers and employees and various creditors amounted to 48,575,618 Lei;

- taxes and fees payments to the State budget amounted to 6,478,591 Lei.

The operating activity generated in 2023 a cash deficit of 15,616,504 Lei

Payments for the purchase of tangible and intangible assets amounted to 552,974 Lei.

The interest receipts related to deposits placed with banks amounted to 268,221Lei.

The investment activity generated in 2023 a cash deficit of 5,087,217 Lei.

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

The Company repaid the installments for 2023 for the investment loan and paid the lease liabilities.

The financing activity generated in 2023 a cash excess of 6,794,330 Lei.

The level of cash and cash equivalents registered at 31.12.2023 is 1,631,599 Lei. The military aggression of the Russian Federation against Ukraine had a major impact on the European and international markets, especially on the grain and food products market. The impossibility of Ukraine to export its products on the traditional markets and the transit corridors offered by the neighbouring countries, including Romania, caused strong imbalances on the grain market and in general on the food products market, with a major impact on the farmers who were forced to sell their products at prices very close to or even below the cost level, with a direct impact on their ability to invest in new agricultural machinery. The drastic decrease in the level of sales made by the Company in 2023 also led to the increase in stocks, delays in the payment of suppliers as well as the impossibility of honoring commitments to shareholders.

Nevertheless, management continues to have a reasonable expectation that the Company will recover in 2024 (also based on the measures taken lately) and will have sufficient financial resources of its own to ensure financial stability.

d) Achieving the income and expenses budget and the objectives set for 2023

The degree of achievement of the indicators from the Budget of income and expenses for 2023 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 2023	Achieved in 2023	Percentage
1	Turnover	41,600,000	28,752,823	70%
2	Total revenue	46,300,000	29,418,325	64%
3	Total expenses*	(43,600,000)	(33,106,270)	76%
4	**Profit**	**2,300,000**	**(3,903,048)**	**n/a**

*Except the deferred income tax

Turnover compared to the approved budget of income and expenses for 2023, it was achieved at a rate of 70%.

Total income compared to the projection of the 2023 budget of income and expenses achieved at a rate of 64%.

Total expenses compared to the projected 2023 budget of income and expenses are carried out at a rate of 76%.

The net result of 2023 is a loss in amount of 3,903,048 Lei.

Total inventories are in amount of 46,357,720 Lei, 68% more compared to 2022.

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, 2023 are in amount of 4,180,898 Lei, less by 44% compared to 2022 (December 31, 2022*restated: 7,524,067 Lei) and are considered fully performing.

Trade payables in amount of 9,148,315 Lei (December 31, 2022*restated: 7,864,032 Lei) are 16% higher than the previous year.

Other payables in amount of 1,120,374 Lei (December 31, 2022*restated: 2,633,102 Lei), 57% lower 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, 2023, the Company does not register tax debts and debts related to social security.

At December 31, 2023 the Company has an outstanding **investment loan** worth 420,000 Euro over a period of 14 years for the purchase of a laser cutting equipment with a balance of 124,525 Lei and 2 credit lines for working capital, with a balance of 7,981,883 Lei. The investment loan is secured by the security mortgage on the above-mentioned asset, at a net book value of 1,385,954 Lei and December 31, 2023 (December 31, 2022: 1,549,007 Lei). For the credit line of 5,000,000 Lei guarantees in the form of inventories are established at a net book value of 12,186,765 Lei at December 31, 2023 (December 31, 2022: 0 Lei).

Outstanding loans

December 31, 2023

Type of loan	Loan balance (Lei)	Currency of account	Annual interest rate (%)	Final due date of loan
Investments	124,525	EUR	EURIBOR 6M + 2.5%	20/05/2024
Credit line	2,981,883	RON	ROBOR 3M + 1.5%	13/05/2025
Credit line	5,000,000	RON	ROBOR 3M+ 2.5%	19/12/2024
Total	**8,106,408**			

At December 31, 2023 the Company holds leases having as main object vehicles and office space as follows:

	December 31, 2023	December 31, 2022
Debts arising from leasing contracts (over 5 years)	163,433	415,658
Debts arising from leasing contracts (between 1 year and 5 years)	1,774,945	1,346,142
Debts arising from leasing contracts (up to 1 year)	603,578	492,272
Lease liabilities	**2,541,956**	**2,254,072**

Total provisions for risks at December 31, 2023 are in amount of 138,115 Lei, grouped by category and constituted for:

Provisions for risks and charges	December 31, 2023	December 31, 2022
Provision for employee benefits at retirement	96,962	127,083
Fees for warranties	41,153	60,335
Provision for the risk of return of finished products and goods	-	-
Other provisions	-	-
TOTAL	**138,115**	**187,418**

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 the accounting policies manual. It has also taken steps towards:

- 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 2023

Based on the internal audit plan, the activities carried out in 2023 aimed at: audit of purchase and payment operations, M&Q system audit, audit of doubtful and litigating customers, audit of production and services supply; 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.

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

Annex no. 1

A. ITEMS IN THE STATEMENT OF FINANCIAL POSITION

I. Assets that represent 10% of total assets

	Analytical indicators from the statement of financial position	2020	2021	2022	2023	% of TOTAL ASSETS
	TOTAL ASSETS	**54,521,191**	**62,466,480**	**68,822,142**	**74,953,166**	
1.	Land and buildings	13,022,771	13,033,281	14,768,676	15,836,427	21%
2.	Inventories	22,103,732	20,185,315	26,665,751	46,357,720	62%
3.	Trade receivables	5,658,228	4,323,872	8,787,319	4,180,898	6%

II. Liabilities exceeding 10% of total equity and debts

	Analytical indicators from the statement of financial position	2020	2021	2022	2023	% of TOTAL LIABILITIES
	TOTAL EQUITY AND LIABILITIES	**54,521,191**	**62,466,480**	**68,822,142**	**74,953,166**	
1.	Revaluation reserves	7,440,280	7,671,589	8,887,985	10,093,223	13%
2.	Paid-up subscribed capital	23,990,846	23,990,846	23,990,846	23,990,846	32%
3.	Retained earnings and other reserves	16,369,618	18,375,869	20,633,995	17,508,677	23%

B. COMPREHENSIVE INCOME

	Analytical indicators from the statement of comprehensive income	2020	2021	2022*restated	2023	%
	GROSS TURNOVER	**19,435,654**	**36,217,910**	**47,485,787**	**28,752,823**	
1.	Expenses related to materials and consumables	11,231,653	25,514,141	32,116,047	16,815,965	59%
2.	Expenses with salaries, contributions and other similar costs	6,464,126	6,064,645	7,986,367	8,566,096	30%

Annex no. 2

STATEMENT OF CASH FLOWS

For the financial year ended December 31,	2020	2021	2022	2023
Payments from clients and other debtors	29,244,880	47,938,296	54,588,646	39,437,704
Payments to suppliers, employees, the State budget and sundry creditors	(32,185,389)	(36,571,602)	(59,767,541)	(55,054,209)
Cash generated from operating activities	**(2,940,509)**	**11,366,694**	**(5,178,895)**	**(15,616,504)**
Paid income tax	(212,206)	-	-	-
Net cash generated from operating activities	**(3,152,715)**	**11,362,667**	**(5,178,895)**	**(15,616,504)**
Cash flow from investing activities				
Interest earned	424,947	74,524	185,512	268,221
Redemption of fund units	-	-	-	-
Proceeds from the sale of property, plant and equipment	-	-	-	371,970
Acquisitions of property, plant and equipment	(184,342)	(128,335)	(1,483,423)	(552,974)
Short-term investments	-			5,000,000
Bank deposits with maturity > 3 months	-	(5,000,000)	-	-
Net cash generated from investments	**240,605**	**(5,053,811)**	**(1,297,910)**	**5,087,217**
Cash flow from financing activities				
Dividends paid	(10,568,505)	(104)	-	69,741
Proceeds from long-term loans	-			3,000,000
Proceeds from short-term loans	963,140	-	-	5,000,000
Repayment of loans	(1,265,612)	(295,701)	(296,485)	(297,351)
Payment of finance lease liabilities	(343,634)	(397,368)	(548,261)	(806,807)
Interest paid	(30,494)	(21,942)	(17,415)	(171,253)
Net cash (used in) financing activities	**(11,245,105)**	**(715,114)**	**(862,161)**	**6,794,330**
Net increase (decrease) of cash and cash equivalents	**(14,157,215)**	**5,597,768**	**(7,344,262)**	**(3,734,957)**
Cash and cash equivalents on 1 January	21,433,259	7,242,295	12,829,217	5,421,355
The effect of foreign exchange variations on cash	(33,749)	(10,846)	(63,600)	(54,085)
Adjustments of current accounts and deposits				(714)
Cash and cash equivalents at December 31,	**7,242,295**	**12,829,217**	**5,421,355**	**1,631,599**

ANNEX NO. 3

ACHIEVEMENT OF THE BUDGET OF INCOME AND EXPENSES 2023

INDICATORS	**Budget of income and expenses 2022 (lei)**	**Achieved 2022 (lei)**	**Achievement of budget of income and expenses (%)**
0	***1***	***2***	***3***
Gross turnover	41,600,000	29,274,148	70%
Commissions given to distributors	(500,000)	(521,325)	104%
1. Net turnover	**41,100,000**	**28,752,823**	70%
2.1. Other operating income	4,900,000	482,706	10%
3. Operating expenses - total, of which:	**(43,100,000)**	**(32,656,783)**	76%
a) Expenses related to materials and consumables	(29,500,000)	(16,815,965)	57%
b) Expenses with utilities	(2,400,000)	(1,088,825)	45%
c) Administrative and other operating expenses	(2,800,000)	(4,060,485)	145%
d) Expenses with salaries, contributions and other similar expenses	(7,200,000)	(8,566,096)	119%
e) Impairment of tangible and intangible assets	(2,400,000)	(2,446,564)	102%
f) Gains from disposal of non-current assets	-	176,022	-
g) Gains/losses from revaluation		(506,785)	-
h) Gain/loss from impairment of current assets and provisions	1,200,000	651,916	54%
4. Operating result	**2,900,000**	**(3,421,254)**	n/a
5. Financial income – total	300,000	182,796	61%
6. Financial expenses – total	(500,000)	(449,488)	90%
7. Financial result	**(200,000)**	**(266,691)**	133%
8. Total income	**46,300,000**	**29,418,325**	64%
9. Total expenses – except for the deferred income tax	**(43,600,000)**	**(33,106,270)**	76%
10. Pre-tax result	**2,700,000**	**(3,687,945)**	n/a
11. a) Current income tax	-	-	-
11. b) Deferred income tax	(450,000)	(215,104)	48%
12. Net result	**2,250,000**	**(3,903,048)**	n/a

ANNEX NO. 4

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
Section A – Responsibilities			
A.1. 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		
A.2. 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 30.04.2024
A.3. The Board of Directors must consist of at least five members.	NOT		Starting 24.11.2017, the Board of Directors consists of 3 members
A.4. 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		
A.5. 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		

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
A.6. 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 30.04.2024
A.7. The Company must appoint a Secretary of the Board responsible for supporting the work of the Board.	YES		
A.8. 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 30.04.2024
A.9. 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		
A.10. The corporate governance statement shall contain information on the exact number of independent members of the Board of Directors.	YES		
A.11. 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.	**The Company is in the Standard category.**		

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**
Section B - Risk management and internal control system			
B.1. 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.2. The chair of the audit committee must be an independent non-executive member.	YES		
B.3. Within the framework of its responsibilities, the audit committee must carry out an annual evaluation of the internal control system.	YES		
B.4. 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.5. The audit committee must assess conflicts of interest in relation to the transactions of the Company and its subsidiaries with related parties.	YES		
B.6. The audit committee must assess the effectiveness of the internal control system and the risk management system.	YES		
B.7. 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		

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.8. 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.	YES		
B.9. 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.	YES		
B.10. 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.	YES		
B.11. Internal audits must be carried out by a structurally separate division (internal audit department) within the Company or by hiring an independent third entity.	YES		
B.12. 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.	YES		

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
Section C - Just reward and motivation			
C.1. 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. 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. 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. Any essential change in the remuneration policy must be published in good time on the Company's website.	YES		

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
Section D - Adding value through investor relations			
D.1. 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: D.1.1. The main corporate regulations: articles of incorporation, procedures regarding the general meetings of shareholders; 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; D.1.3. Current and periodic reports (quarterly, half-yearly and annual); D.1.4. Information on general meetings of shareholders; D.1.5. Information on corporate events; D.1.6. Name and contact details of a person who will be able to provide relevant information upon request; 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.	YES		

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**
D.2. 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.	YES		
D.3. 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.	YES		
D.4. 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.	YES		
D.5. External auditors will be present at the general meeting of shareholders when their reports are presented at these meetings.		NOT	The Company will take measures to comply with the provisions of the CGC.
D.6. 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.	YES		
D.7. 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.	YES		

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**
D.8. 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.	YES		
D.9. 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.	YES		
D.10. 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.	Not applicable		

MECANICA CEAHLAU SA

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT
DECEMBER 31, 2023

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

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	Note	December 31, 2023	December 31, 2022 restated
Assets			
Non-current assets			
Land and land improvements		8,007,866	7,966,393
Construction		7,828,561	6,802,283
Technical installations and means of transport		2,848,278	3,206,502
Other property, plant and equipment		353,674	411,772
Property, plant and equipment in progress		-	169,400
Property, plant and equipment	**13**	**19,038,380**	**18,556,349**
Intangible assets			
Other intangible assets		110,538	103,032
Intangible assets	**14**	**110,538**	**103,032**
Investment properties	**15**	**595,604**	**898,905**
Assets representing rights of use of underlying assets in leases	**13**	**2,508,188**	**2,271,212**
Total non-current assets		**22,252,709**	**21,829,498**
Current assets			
Inventories	**17**	46,357,720	27,652,470
Trade receivables	**18**	4,180,898	7,524,067
Other receivables	**19**	158,532	311,234
Prepaid expenses		89,051	63,959
Financial assets measured at fair value through the profit and loss	**20**	282,658	275,441
Financial assets at amortised cost	**20**	-	5,105,165
Cash, current accounts and deposits with banks	**20**	1,631,599	5,421,355
Assets classified as held for sale	**16**	-	362,419
Total current assets		**52,700,457**	**46,716,110**
Total assets		**74,953,166**	**68,545,609**
Equity			
Share capital	**21a**	23,990,846	23,990,846
Legal reserves	**21c**	2,983,701	2,983,701
Revaluation reserves		10,093,223	8,887,985
Retained earnings	**21b**	14,524,976	17,485,927
Total equity		**51,592,747**	**53,348,460**

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

	Note	December 31, 2023	December 31, 2022 restated
Liabilities			
Non-current liabilities			
Long-term loans	**22**	2,981,883	123,842
Lease liabilities	**23**	1,938,378	1,761,800
Provision for pensions	**24**	96,962	127,083
Deferred tax liabilities	**12**	2,282,121	1,837,449
Total non-current liabilities		**7,299,344**	**3,850,174**
Current liabilities			
Short-term loans	**22**	5,124,525	297,235
Lease liabilities	**23**	603,578	492,272
Trade payables	**25**	9,148,315	7,864,032
Other payables	**26**	1,120,374	2,633,102
Deferred income		23,131	-
Provisions for risks and charges	**24**	41,153	60,335
Total current liabilities		**16,061,075**	**11,346,975**
Total liabilities		**23,360,419**	**15,197,149**
Total equity and liabilities		**74,953,166**	**68,545,609**

The financial statements were authorized for approval by the Board of Directors on March 5, 2024 and were signed on its behalf by:

ION SORIN MOLESAG,
CHIEF EXECUTIVE OFFICER

GABRIELA PEPENE
CHIEF FINANCIAL OFFICER

	Note	Year ended December 31, 2023	Year ended December 31, 2022 restated
Turnover	**5**	28,752,823	47,485,787
Expenses with stocks		(16,815,965)	(32,116,047)
		11,936,859	**15,369,740**
Other operating income	**6**	482,706	358,558
Utility expenses		(1,088,825)	(726,695)
Expenses with salaries, contributions and other similar charges	**7**	(8,566,096)	(7,986,367)
Other administrative expenses	**8**	(3,341,702)	(3,172,272)
Other operating expenses	**9**	(718,783)	(595,169)
Amortization/Depreciation and impairment expenses for fixed assets and depreciation expenses for assets related to the rights of use of leased assets	**13, 14**	(2,446,564)	(1,817,709)
Gains/(losses) from the revaluation of assets held for sale		-	(21,488)
Gains/(losses) from the revaluation of investment properties		(452,142)	440,429
Gains/(losses) from disposal of non-current assets		176,022	18,727
Gains/(losses) from the revaluation of property, plant and equipment		(54,643)	95,969
Adjustment of the value of current assets	**17**	621,795	(7,141)
Adjustments of provisions	**24**	30,121	15,620
Total operating expenses		**(15,840,818)**	**(13,756,097)**
Result of operating activities		**(3,421,254)**	**1,972,201**
Interest income		175,580	269,813
Gain from the revaluation of financial assets measured at fair value through profit or loss		7,217	8,807
Expenses with interest and discounts granted		(329,132)	(300,102)
Foreign exchange losses		(120,356)	(63,304)
Net financial result	**10**	**(266,691)**	**(84,787)**
Pre-tax result		**(3,687,945)**	**1,887,414**
Current and deferred income tax expense	**11**	(215,104)	(195,684)
Results from continued operations		**(3,903,049)**	**1,691,730**

	Note	Year ended December 31, 2023	Year ended December 31, 2022 restated
Other comprehensive income			
Items that will not be reclassified later into profit or loss			
Deferred tax capital		(229,569)	(231,694)
Increases/ (Decreases) of revaluation reserves, net		2,036,141	1,831,075
Other comprehensive income, after tax		**1,806,572**	**1,599,381**
Total comprehensive income for the period		**(2,096,476)**	**3,291,111**
Profit/(loss) attributable		**(3,903,049)**	**1,691,730**
Number of shares		239,908,460	239,908,460
Earnings per share – basic and dilluted		(0.0163)	0.0071

The financial statements were authorized for approval by the Board of Directors on March 5, 2024 and were signed on its behalf by:

ION SORIN MOLESAG,
CHIEF EXECUTIVE OFFICER

GABRIELA PEPENE
CHIEF FINANCIAL OFFICER

	Share capital	Legal reserves	Revaluation reserves, net of deferred tax	Retained earnings	Total equity
Balance at December 31, 2022 as reported	**23,990,846**	**2,983,701**	**8,887,985**	**17,650,294**	**53,512,827**
Corrections (note 31)				(164,367)	
Balance at December 31,2022 restated	**23,990,846**	**2,983,701**	**8,887,985**	**17,485,928**	**53,348,460**
Transfer to retained earnings corresponding to the surplus realised from revaluation reserves	-	-	(601,335)	586,948	(14,387)
Transactions with shareholders	**-**	**-**	**(601,335)**	**586,948**	**(14,387)**
Other comprehensive income					
Net (loss)/profit for the year	-	-	-	(3,903,048)	(3,903,048)
Increases / (decreases) of revaluation reserves, net	-	-	2,036,141	-	2,036,141
Deferred income tax on account of equity, net changes	-	-	(229,569)	-	(229,569)
Total other comprehensive income	**-**	**-**	**1,806,572**	**(3,903,048)**	**(2,096,476)**
Annulment of dividends with overdue collection period	-	-	-	**355,150**	**355,150**
Balance at December 31, 2023	**23,990,846**	**2,983,701**	**10,093,223**	**14,524,976**	**51,592,747**

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 March 5, 2024 and were signed on its behalf by:

ION SORIN MOLESAG,
CHIEF EXECUTIVE OFFICER

GABRIELA PEPENE
CHIEF FINANCIAL OFFICER

	Share capital	Legal reserves	Revaluation reserves, net of deferred tax	Retained earnings	Total equity
Balance at December 31, 2021	**23,990,846**	**2,890,897**	**7,671,589**	**15,484,975**	**50,038,306**
Set-uo 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)
Transactions with shareholders	**-**	**92,804**	**(382,985)**	**282,839**	**(7,342)**
Other comprehensive income					
Net (loss)/profit for the year	-	-	-	1,691,730	1,691,730
Increases / (decreases) of revaluation reserves, net	-	-	1,831,075	-	1,831,075
Deferred income tax on account of equity, net changes	-	-	(231,694)	-	(231,694)
Total other comprehensive income	**-**	**-**	**1,599,381**	**1,691,730**	**3,291,111**
Annulment of dividends with overdue collection period	**-**	**-**	**-**	**26,384**	**26,384**
Balance at December 31, 2022 restated	**23,990,846**	**2,983,701**	**8,887,985**	**17,485,928**	**53,348,460**

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 March 5, 2024 and were signed on its behalf by:

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GABRIELA PEPENE
CHIEF FINANCIAL OFFICER

Direct method	**Year ended December 31, 2023**	**Year ended December 31, 2022**
Cash flows from operating activities:		
Receipts from customers	39,251,651	54,292,067
Receipts from other debtors	186,053	296,679
Payments to suppliers	(43,086,586)	(46,707,692)
Payments to employees	(5,284,951)	(4,574,353)
Payments to the State budget	(6,478,591)	(8,339,140)
Payments to sundry lenders	(204,081)	(146,356)
Cash generated by / (used in) operating activities	**(15,616,504)**	**(5,178,895)**
Income tax paid	-	-
Net cash generated by operations	**(15,616,504)**	**(5,178,895)**
Cash flows from investing activities		
Interest received	268,221	185,512
Collections from sale of assets held for sale	371,970	-
Acquisitions of property, plant and equipment	(552,974)	(1,488,718)
Short-term investments	5,000,000	-
Net cash generated by /(used in) investments	**5,087,217**	**(1,303,206)**
Cash flows from financing activities		
Short-/long-term loan receipts	8,000,000	-
Repayment of loans	(297,351)	(296,485)
Interest paid	(171,253)	(17,415)
Payment of financial lease liabilities	(806,807)	(548,261)
Payments of dividends approved for distribution in previous years, but not received	69,741	-
Net cash used in financing activities	**6,794,330**	**(862,161)**
Net increase/(decrease) of cash and cash equivalents	**(3,734,957)**	**(7,344,262)**
Cash and cash equivalents at the beginning of the period	**5,421,355**	**12,829,217**
Foreign exchange differences	(54,085)	(63,600)
Adjustments of current accounts and deposits	(714)	-
Cash and cash equivalents at the end of the period	**1,631,599**	**5,421,355**

The financial statements were authorized for approval by the Board of Directors on March 5, 2024 and were signed on its behalf by:

ION SORIN MOLESAG,
CHIEF EXECUTIVE OFFICER

GABRIELA PEPENE
CHIEF FINANCIAL OFFICER

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., Neamţ 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, 2023 is:

December 31, 2023	Number of shares	Amount (lei)	%
Evergent Investments SA	175,857,653	17,585,765	73.3020
New Carpathian Fund	48,477,938	4,847,794	20.2068
Other shareholders, of which:			
- legal persons	722,117	72,212	0.3010
- natural persons	14,850,752	1,485,075	6.1902
TOTAL	**239,908,460**	**23,990,846**	**100.00**

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 Standards);
- 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, 2023 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, 2022 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 29, 2024.

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.

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.

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

For trade receivables, the Company uses the simplified method to measure ECLs and relies upon an allowance matrix based on historical loss rates. Thus, 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 that cannot be obtained from other sources of information.

f. Information on material accounting policies

The Company also adopted *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

g. 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 te 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.

3. MATERIAL ACCOUNTING POLICIES

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

The Company also adopted *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies.

Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements (see Note 2 (f) for further information).

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, 2023.

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, 2023	December 31, 2022	Variation
Euro (EUR)	EUR 1: LEU 4.9746	EUR 1: LEU 4.9474	1.01%
US dollar (USD)	USD 1: LEU 4.4958	USD 1: LEU 4.6346	0.97%

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

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

c. Financial assets and financial liabilities

(i) Classification of financial assets (continued)

- 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.

Analysis of the characteristics of cash flow (SPPI test)

The SPPI test means the analysis of the contractual terms of the financial assets for the purpose of identifying whether cash flows represent solely payments of principal and interest corresponding to the princpal.

IFRS 9 includes three categories for classifying financial assets: measured at amortised cost, measured at fair value through comprehensive income and measured at fair value through profit or loss.

The Company classified financial assets 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:
  - trade receivables
  - bank deposits

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 ("FVOCI"). Management has not chosen to measure financial assets at FVOCI.

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

Financial assets measured at amortised cost ("AC"):

After initial recognition, a financial asset is classified as measured at amortised cost only if two of the following conditions are simultaneously met:

3. MATERIAL ACCOUNTING POLICIES (continued)

c. Financial assets and financial liabilities (continued)

(i) Classification of financial assets (continued)

- the asset is held in a business model whose objective is to keep financial assets for the collection of contractual cash flows;

- the contractual conditions of the financial assets generate at certain dates, cash flows representing solely payments of principal and interest

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.

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.

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, less, 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.

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

c. Financial assets and financial liabilities (continued)

(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.

(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 expected credit loss

Financial assets measured at amortised cost

The carrying amount of an asset may be reduced by the Company by using a provision account for any expected credit loss. Expected credit losses are recognised in the profit or loss account.

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 analyzes the list of all invoices issued in 2023, 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 analyzed.

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

c. Financial assets and financial liabilities (continued)

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 2023 have been calculated. Also, the receipts for the 2023 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. According to the accounting policy, all receivables older than 180 days are fully provisioned.

The calculation process was applied to each time interval. The expected loss for each time frame reflects the percentage of sales that the Company expects to receive based on the expected loss rate.

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

The Company analyzed 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.

The Company uses the simplified approach applicable to other receivables recorded at "other financial assets at amortized cost" because they do not have a significant financing component. Under this approach, the Company measures the loss allowance for these receivables at an amount equal to the lifetime expected credit losses (i.e., eliminates the need to calculate stage 1 credit risk expected losses at an amount equal to the expected credit losses per 12 months and the need to assess the occurrence of a significant increase in credit risk).

(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.

An entity derecognizes 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 canceled or expires.

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, 2023 and December 31, 2022 is detailed in **Note 13.**

3. MATERIAL ACCOUNTING POLICIES (continued)

d. Property, plant and equipment (continued)

(i) Recognition and evaluation (continued)

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;

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;

3. MATERIAL ACCOUNTING POLICIES (continued)

d. Property, plant and equipment (continued)

(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.

(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:

Assets	Years
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 and buildings are presented at revalued amount, which is the fair value at the revaluation date. The determination of fair values and revaluation is performed at the end of each reporting period.

(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

Amorisation 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-linebasis 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.

3. MATERIAL ACCOUNTING POLICIES (continued)

f. Investment property (continued)

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.

(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, 2023 and December 31, 2022 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) Derecognition

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.

3. MATERIAL 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.

3. MATERIAL ACCOUNTING POLICIES (continued)

(i) 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 fulfillment 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.

3. MATERIAL 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.

(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, labor 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 fulfills 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 fulfill the performance obligation in time or whether it will fulfill it at a specific point in time. If the Company does not fulfill a performance obligation in time, the performance obligation is fulfilled at a specific point in time.

The Company analyzed 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.

3. MATERIAL 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
Agricultural machinery and equipment (produced or distributed)	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). The Company recognizes a claim because they represent the moment when the right to consideration becomes unconditional. In general, the direct customer (or distributor) pays an advance of 10-15%, the payment of the difference being made in installments (for a period of less than 1 year). Payment terms are generally 90-180 days from the date of issuing the invoice. The obligation of enforcement is fulfilled at a specific point in time. The trade discounts granted to customers are based on their fulfilment of certain annual sales values. Returns are usually accepted only in exceptional cases and usually returns involve the exchange of a product purchased by the customer with another.	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. The income comprises the amount invoiced for the sale of the products, excluding VAT), less the trade reductions granted to customers. 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. 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. Trade discounts granted to customers (including expenses with provisions related thereto) are deducted from the income from the sale of products.
Income from provision of services	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). Invoices for services are issued on the date of provision of the services. Invoices are generally paid within 30 days from the date of their receipt by the customer. 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).	The income is recognised during the period when the service is provided.

3. MATERIAL ACCOUNTING POLICIES (continuation)

l. Rental income

Type of product / service	Contract description	Accounting policies for income recognition
Income from rental of investment properties	The Company, as a lessor, rents its premises to third parties, the service is prestart as the rental contract is carried out. 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.	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.

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 prevous financial statements are recognised as a loss or gain in the profit or loss account in the period in which they arise.

3. MATERIAL 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.

3. MATERIAL 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.

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.

3. MATERIAL 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. Dividends, until prescription, may be requested for payment by the 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, 2023 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:

Entity	The nature of the relationship
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 analyzed together by its management).

3. MATERIAL ACCOUNTING POLICIES (continued)

aa. Applicable accounting policies

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

The amendments to the existing standards issued by the International Accounting Standard Board ('IASB') and adopted by the European Union ('EU') presented in the table below are in force for the current reporting period, and are mandatorily effective for reporting period that begins on or after 1 January 2023.

Their adoption, where they were applicable to the Company, has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Standard	Title
IFRS 17 Insurance Contracts	New standard IFRS 17 "Insurance Contracts" including the June 2020 and December 2021 Amendments to IFRS 17
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules*

Standards and amendments to existing standards issued by the IASB and adopted by the EU, but not yet effective

At the date of authorisation of these financial statements, the amendments to the existing standards issued by the IASB and adopted by the EU presented in the table below were not in force, therefore the Company has not applied them.

Standard	Title	Effective date
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants	1 January 2024

The Company considers that the adoption of these new amendments to the existing standards, where they are applicable to the Company, will not have a significant impact on its financial statements in the upcoming periods.

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

At present, IFRS as adopted by the EU do not significantly differ from IFRS adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not adopted by the EU as at the date of authorisation of these financial statements:

Standard	Title	EU adoption status
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements (IASB effective date: 1 January 2024)	Not yet adopted by EU
Amendments to IAS 21	Lack of Exchangeability (IASB effective date: 1 January 2025)	Not yet adopted by EU
IFRS 14	Regulatory Deferral Accounts (IASB effective date: 1 January 2016)	the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred by IASB indefinitely but earlier application permitted)	Endorsement process postponed 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.

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, 2023 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 at December 31, 2023 is affected by the conditions of material uncertainty of the valuation.

5. INCOME

	The exercise ended on December 31, 2023	The exercise ended on December 31, 2022 restated
Net income from the sale of goods	**28,518,323**	**47,297,898**
Income from the sale of residual products	80,614	78,762
Provision of services	153,887	109,127
Total net turnover	**28,752,823**	**47,485,787**

The gross turnover of the Company registered at December 31, 2023 is 29,039,647 Lei (at December 31, 2022 restated: 47,685,978 lei), of which 521,256 Lei from exports (at December 31, 2022: 484,920 Lei) and 28,518,391 Lei obtained domestically (December 31, 2022 restated: 47,201,058 Lei).

5. INCOME (continued)

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 521,325 Lei at December 31, 2023 and 388,080 Lei at December 31, 2022 resulting in a net turnover in amount of 28,518,323 Lei at December 31, 2023 and 47,297,898 Lei at December 31, 2022 frestated. 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 31.12.2023 and 31.12.2022.

Compared to the same period of the previous year, the net turnover of the Company registered a decrease of 39%.

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

In 2023, the domestic market was the main sales market, with the sales volume on this market representing 98% of the turnover.

On the domestic market, the Company collaborated with 9 distributors from across the entire country, the most important being located in predominantly agricultural areas.

On the foreign market, the sales volume accounted for 1.9% of the turnover. On this market, the connection is maintained with the traditional customers who know and promote the Company's products.

The causes of the decrease in turnover are represented by three main factors that led to the unprecedented decrease in farmers' ability to invest in new agricultural machinery:

- **geo-political factors**
- **climate factors**
- **economic factors (price of grains and inputs)**

1. Geo-political factors

- The war in Ukraine and the agreement regarding the transit of cereals from this country through Romania;
- Inefficiency of state bodies empowered to control/supervise this transit in combination with the interests of large local traders of grain that aim to double their profits, a large part of grain from Ukraine remains illegal in Romania, the price of which is approximately half the price offered by Romanian farmers;
- State aid for crops affected by natural disasters was delayed in 2023, and the amounts proposed over time were drastically reduced compared to the initial proposal (335 lei/ha - initially 1,000 lei/ha);
- The new session of non-refundable European funds (equipment purchases, mainly, through the programme entitled Installation of Young Farmers) started with the submission of files as late as August 2023, and the projects were implemented only after mid-2024;
- Price variations on the international stock exchange in the global political and economic context.

2. Climate factors

- The drought of 2022 put a heavy toll on 2023. The amount of rain fall was below expectations, and the accumulated water reserve was insufficient, a large part of the country facing soil drought;
- In the winter of 2022-2023, the temperature index increased, the average monthly temperature being 5.8 degrees above the normal for the period, which led to an invasion of diseases and pests so that the costs for treatments increased or the quantity and the quality of the harvest was affected;
- The government issued Emergency Ordinance no. 50 of May 31, 2023 regarding the establishment of a state aid scheme in the form of a grant oferred to agricultural producers for some agricultural crops affected by the pedological drought but which had limited applicability, since many farmers did not benefit from compensation for the affected crops;

5. INCOME (continued)

- The drought of the 2023 fall led to delays in the sowing of autumn wheat and problems in the rape crop;
- Areas with limited access to water sources for irrigation extend over very large areas.

3. Economic factors (price of grains and inputs)

- Increase in fertilizer prices: “Urea, DAP (Diammonium Phosphate) and MOP (Potassium Chloride) fertilizers are 57%, 76% and 95% higher than their averages from the 2015/19 seasons” (6), which resulted in large set-up costs;
- Increase in the price of natural gas by 40%, electricity by 19% and diesel by 21% (2022 compared to 2021);
- The prices for the harvest in 2023 are half compared to 2022 (lei/kg): 1.5-1.7 for flower, 0.7 for wheat, 0.6-0.7 for corn;
- Storage in silos (waiting for a better price) led to higher costs compared to the harvest period, and farmers were forced to sell at a low price, but with additional costs.

6. OTHER OPERATING INCOME

	Year ended December 31, 2023	**Year ended December 31, 2022**
Income from compensation and penalties	40,360	11,704
Income from rental of investment properties	391,062	316,818
Other operating income	51,284	30,036
Total other income	**482,706**	**358,558**

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

Building rental	**2023**	**2024**	**2025**
Rental income	391,062	26,449	27,520

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

	The exercise ended on December 31, 2023	The exercise ended on December 31, 2022
Expenses with salaries	6,250,837	5,948,534
Expenses with salary contributions	311,269	243,958
Expenses with holidays not taken	37,914	-
Expenses related to vouchers granted	287,046	233,542
Other benefits granted to employees	-	1,454
Expenses related to the indemnity of the members of the Board of Directors	549,971	548,398
Expenses related to the executive management's allowance	1,129,060	1,010,481
Income from operating subsidies for the payment of staff	-	-
Total	**8,566,096**	**7,986,367**
Average number of employees	**91**	**85**

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 31.12.2023, the information is presented in Note 24 Provisions "Employee benefits".

8. OTHER ADMINISTRATIVE EXPENSES

	Year ended December 31, 2023	Year ended December 31, 2022
Maintenance and repair costs	291,888	448,905
Royalties, management leases and rentals	29,616	24,703
Insurance premiums	101,955	70,582
Studies and researches	3,130	-
Professional fees	300	10,126
Entertainment, advertising and publicity expenses	231,181	154,658
Transport of goods and personnel	578,539	622,538
Travel, secondments and transfers	253,299	250,569
Postal expenses and telecommunication fees	61,793	57,901
Banking services and assimilated	143,599	62,763
Internal and external audit services	263,177	200,787
Other expenses with third-party services	1,383,225	1,268,740
Total	**3,341,702**	**3,172,272**

(i) Other expenses with third-party services include expenses with security, services at exhibitions and local and international fairs, expenses with software suppliers, etc.

The fees for the audit of the Company’s standalone financial statements for 2023, included in the category of audit and other related services rendered by the statutory auditor, were 223,334 Lei excluding VAT in 2023 (265,767 Lei including VAT), and 415,630 Lei excuding VAT in 2022 (494,600 Lei incuding VAT). Such fees relate to the audit of standalonce financial statements, audit of single electronic reporting ESEF (European Single Electronic Format) and the review of the remuneration report.

9. OTHER OPERATING EXPENSES

	Year ended December 31, 2023	Year ended December 31, 2022
Expenses with taxes, fees and assimilated	308,810	339,482
Expenses with fines and penalties	130,883	(5,442)
Other operating expenses	279,090	261,129
Total	**718,783**	**595,169**

10. NET FINANCIAL RESULT

	Year ended December 31, 2023	Year ended December 31, 2022
Interest income	175,580	269,813
Net gains on financial assets	12,938	8,807
Total financial income	**188,518**	**278,620**
Interest expense	262,418	75,599
FX losses	120,356	63,304
Other financial expenses	72,436	224,504
Total financial expenses	**455,209**	**363,407**
Net financial result	**(266,691)**	**(84,787)**

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, 2023.

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, 2023 is 177,715 Lei and the value of expenses from exchange rate differences is 298,070 Lei.

Other financial expenses represent financial discounts granted to customers.

11. CURRENT AND DEFERRED INCOME TAX EXPENSES

The Company registers a tax loss from previous years, and registers only the profit at the balance sheet date in the profit and loss account.

Income tax	Year ended December 31, 2023	Year ended December 31, 2022
Current income tax	-	-
Deferred income tax expense	215,104	195,684
Total income tax expense	**215,104**	**195,684**

11. CURRENT AND DEFERRED INCOME TAX EXPENSES (continued)

INCOME TAX	Year ended December 31, 2023	Year ended December 31, 2022 restated
Profit before tax	**(3,687,945)**	**1,887,414**
Income tax expense calculated at the standard rate of 16%	(590,071)	301,986
The tax effect of:		
- non-deductible tax expenses	324,197	429,479
- non-taxable income	(423,636)	(665,024)
- items similar to income	93,912	60,103
- items similar to expenses	(572)	(29)
- impact of tax loss	596,171	(126,515)
- deferred income tax expense	215,104	195,684
Income tax	**215,104**	**195,684**

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, 2023, the elements of time differences are determined for the following components of the statement of financial position:

	ASSETS	LIABILITIES	NET
Property, plant and equipment	-	1,328,889	1,328,889
Provisions and adjustments	3,466,633	-	(3,466,633)
Revaluation reserves	-	16,047,870	16,047,870
Reserves from tax incentives	-	353,133	353,133
Total	**3,466,633**	**17,729,892**	**14,263,258**
Net temporary differences – 16% rate	-	-	14,263,258
Deferred tax liabilities	**-**	**-**	**2,282,121**

At December 31, 2022 deferred tax liabilities are attributed to the following items:

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

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

COST	Land, land improvement and buildings	Technical installations and vehicles	Other property, plant and equipment	Property, plant and equipment in progress	Right-of-use assets in leases	Total
Balance at December 31, 2022	**14,850,180**	**15,801,610**	**601,655**	**169,400**	**3,129,705**	**34,552,550**
Additions of fixed assets	135,387	268,114	20,499	106,013	1,045,984	1,575,997
Of which, transfers from non-current assets in progress	-	*201,398*	*11,318*	-	-	*212,715*
Revaluation increases	2,094,075	-	-	-	-	2,094,075
Disposals of fixed assets	-	(115,282)	-	(275,413)	(375,115)	(765,810)
Reclassifications to right-of-use assets of underlying assets in leases	-	269,970	-	-	(269,970)	-
Revaluation decreases	(126,964)	-	-	-	-	(126,964)
Reversal of accumulated depreciation	(1,026,884)	-	-	-	-	(1,026,884)
Balance at December 31, 2023	**15,925,795**	**16,224,412**	**622,153**	**-**	**3,530,604**	**36,302,964**
ACCUMULATED DEPRECIATION						
Balance at December 31, 2022	**-**	**12,476,739**	**189,883**	**-**	**858,492**	**13,525,114**
Depreciation charges	1,026,898	714,276	78,595	-	600,112	2,419,881
Reclassifications to right-of-use assets of underlying assets in leases	-	201,759	-	-	(201,759)	-
Reversal of accumulated depreciation	(1,026,884)	-	-	-	-	(1,026,884)
Accumulated depreciation of disposals	-	(115,282)	-	-	(234,428)	(349,710)
Balance at December 31, 2023	**14**	**13,277,493**	**268,479**	**-**	**1,022,416**	**14,568,401**
IMPAIRMENT ALLOWANCES						
Balance at December 31, 2022	**81,504**	**118,369**	**-**	**-**	**-**	**199,872**
Adjustments made during the year	7,850	-	-	-	-	7,850
Reversals of impairment allowances	-	(19,727)	-	-	-	(19,727)
Balance at December 31, 2023	**89,354**	**98,641**	**-**	**-**	**-**	**187,995**
CARRYING AMOUNT						
Balance at December 31, 2022	**14,768,676**	**3,206,502**	**411,771**	**169,400**	**2,271,212**	**20,827,561**
Balance at December 31, 2023	**15,836,427**	**2,848,278**	**353,674**	**-**	**2,508,188**	**21,546,567**

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

COST	Land, land improvement and buildings	Technical installations and vehicles	Other property, plant and equipment	Property, plant and equipment in progress	Right-of-use assets in leases	Total
Balance at December 31, 2021	**13,117,017**	**15,481,420**	**306,291**	**252,904**	**2,485,444**	**31,643,076**
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)
Balance at December 31, 2022	**14,850,180**	**15,801,610**	**601,655**	**169,400**	**3,129,704**	**34,552,549**
ACCUMULATED DEPRECIATION						
Balance at December 31, 2021	**2,232**	**12,147,650**	**165,611**	**-**	**484,978**	**12,800,471**
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)
Balance at December 31, 2022	**-**	**12,476,739**	**189,884**	**-**	**858,492**	**13,525,115**
IMPAIRMENT ALLOWANCES						
Balance at December 31, 2021	**81,504**	**138,096**	**-**	**-**	**-**	**219,600**
Adjustments made during the year	-	-	-	-	-	-
Reversals of impairment allowances	-	(19,728)	-	-	-	(19,728)
Balance at December 31, 2022	**81,504**	**118,369**	**-**	**-**	**-**	**199,872**
CARRYING AMOUNT						
Balance at December 31, 2021	**13,033,281**	**3,195,674**	**140,679**	**252,904**	**2,000,466**	**18,623,005**
Balance at December 31, 2022	**14,768,676**	**3,206,502**	**411,771**	**169,400**	**2,271,212**	**20,827,561**

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 2023, 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 Lilieci showroom was inaugurated.

During 2023, the Company did not scrap items of property, plant and equipment.

Revaluation

Land and buildings are stated at revalued amount, which is the fair value at the revaluation date less any amortization accumulated subsequently and any accumulated impairment losses.

The fair value is based on the adjusted market price quotations, where the case, in order to reflect the differences in the nature, location or conditions of such asset. Revaluations are conducted by specialised valuers, members of ANEVAR. The frequency of revaluations is influenced by the dynamics of the markets where the land and buildings held by the Company are located. The other categories of property, plant and equipment are carried at cost, less the accumulated amortization and the value of the impairment allowance, where the case.

At December 31, 2023 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

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

14. INTANGIBLE ASSETS (continued)

	Patents, licenses and trademarks	Other fixed assets	Total
COST			
Balance at December 31, 2022	**528,327**	**966,659**	**1,494,986**
Purchases	-	46,066	46,066
Balance at December 31, 2023	**528,327**	**1,012,724**	**1,541,051**
ACCUMULATED AMORTISATION			
Balance at December 31, 2022	**528,327**	**863,627**	**1,391,953**
Amortisation during the year	-	38,560	38,560
Balance at December 31, 2023	**528,327**	**902,187**	**1,430,514**
IMPAIRMENT ALLOWANCE			
Balance at December 31, 2022	**-**	**-**	**-**
Reversal of impairment allowances	-	-	-
Balance at December 31, 2023	**-**	**-**	**-**
CARRYING AMOUNT			
Balance at December 31, 2022	**-**	**103,032**	**103,032**
Balance at December 31, 2023	**-**	**110,538**	**110,538**

The intangible assets as at December 31, 2023, in net amount of 110,538 Lei (December 31, 2022: 103,032 Lei), represent the unamortized part of the licenses, technological documentation and the software used.

During 2023, 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.

15. INVESTMENT PROPERTIES

	December 31, 2023	December 31, 2022
Net value	595,604	898,905

	December 31, 2023	December 31, 2022
Opening balance	**898,905**	**458,477**
Acquisitions / Reclassification of investment properties	148,841	-
Outflows/Reclassifications into assets held for sale	-	-
Changes in fair value	(452,142)	440,428
Closing balance as at 31 December	**595,604**	**898,905**

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, 2023 was 391,062 Lei, and of 316,818 Lei at December 31, 2022. 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, 2023 and December 31, 2022.

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.

16. ASSETS HELD FOR SALE

	December 31, 2023	December 31, 2022
Opening balance at 1 January	**362,419**	**383,907**
Acquisitions/reclassifications	(148,841)	-
Sales	(213,578)	-
Changes in fair value	-	(21,488)
Closing balance at 31 December	**-**	**362,419**

At December 31, 2023 the Company does not own assets for sale.

At December 31, 2022, the Company owned 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 Neamţ, Valea Seaca area, Neamt county identified by cadastral number 50718, registered in Land Book no. 50718 of the locality of Tg. Neamţ

16. ASSETS HELD FOR SALE (continued)

b) building located in the built-up area of Baldovineşti 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.

At December 31, 2023, 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

	December 31, 2023	December 31, 2022 restated
Raw materials and materials	2,248,442	3,155,416
Work in progress	1,960,425	1,371,093
Semi-finished goods	111,787	91,575
Finished products	22,351,040	13,083,284
Merchandise	19,686,027	9,951,103
Inventories at net value	**46,357,720**	**27,652,470**

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, 2023, the value of the impairment allowance for inventoris is 596,104 Lei (December 31, 2022: 907,710 Lei).

	2023	2022
Opening balance at 1 January	**(907,710)**	**(683,942)**
Set-ups	(297,583)	(251,447)
Reversals	609,189	27,679
Closing balance at 31 December	**(596,104)**	**(907,710)**

18. TRADE RECEIVABLES

	December 31, 2023	December 31, 2022 restated
Trade receivables – less than 180 days overdue	4,610,328	7,975,783
Impairment allowances for trade receivables – less than 180 days overdue	(429,430)	(451,716)
Net receivables – less than 180 days overdue	**4,180,898**	**7,524,067**
Trade receivables – more than 180 days overdue	1,800,067	2,071,359
Impairment allowances for trade receivables — more than 180 days overdue	(1,800,067)	(2,071,359)
Net receivables – more than 180 days overdue	-	-
Net, total trade receivables	**4,180,898**	**7,524,067**

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

At December 31, 2023, net trade receivables in amount of 4,180,898 Lei (December 31, 2022 restated: 7,524,067 Lei) are considered fully performing.

At December 31, 2023 the Company set up allowanced for the impariment of trade receivables in total amount of 2,229,497 Lei (December 31, 2022: 2,523,075 Lei).

Individual evaluation:

The Company performs individual analyses of the degree of recovery of trade receivables, based on the expected loss rate model 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:

	Expected average weighted loss rate at December 31, 2023	Impairment December 31, 2023	Gross value December 31, 2023	Expected average weighted loss rate at December 31, 2022	Impairment December 31, 2022	Gross value December 31, 2022
Overdue over 180 days	100%	1,800,067	1,800,067	100%	2,071,359	2,071,359

Collective evaluation:

	Expected average weighted loss rate at December 31, 2023	Impairment December 31, 2023	Gross value December 31, 2023	Expected average weighted loss rate at December 31, 2022	Impairment December 31, 2022 restated	Gross value December 31, 2022 restated
Not overdue	6%	111,731	1,696,200	2.7%	266,711	6,397,554
Overdue between 0 and 30 days	11.1%	66,284	974,644	5.9%	10,915	642,068
Overdue between 31 and 60 days	33.3%	31,019	209,497	11%	20,018	177,539
Overdue between 61 and 90 days	39.4%	53,981	314,584	12.8%	142,060	731,829
Overdue over 90 days	40.5%	166,415	1,415,402	55.4%	3,346	26,793
		429,430	**4,610,328**		**443,050**	**7,975,783**

19. OTHER RECEIVABLES

	December 31, 2023	December 31, 2022
Sundry debtors	145,796	322,108
Other receivables (bank interests, contributions and VAT)	126,554	121,988
Tax recoverable	-	-
Adjustment for other receivables – sundry debtors	(113,817)	(132,861)
Total	**158,532**	**311,234**

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 expected loss rates 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 113,817 Lei.

	Impairment December 31, 2023	Gross value December 31, 2023	Impairment December 31, 2022	Gross value December 31, 2022
Overdue over 180 days	113,817	113,817	132,995	132,995

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

(i) Cash, current accounts and cash equivalents

	December 31, 2023	December 31, 2022
Cash	1,276	5,199
Current accounts	114,643	5,416,156
Bank deposits with maturity up to 3 months	1,500,000	-
Interest attached	16,393	-
Expected credit loss	(714)	-
Cash and current accounts – gross amount	**1,631,599**	**5,421,355**

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

(ii) Deposits placed with banks

	December 31, 2023	December 31, 2022
Bank deposits with maturity of more than 3 months	-	5,000,000
Attached interest	-	109,018
Expected credit loss	-	(3,853)
Total deposits placed with banks	**-**	**5,105,165**

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

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

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

	December 31, 2023	December 31, 2022
Financial assets – Fund units	282,658	275,441
Total	**282,658**	**275,441**

The Company owns at December 31, 2023 investments in fund units, at fair value, as follows:

Fund type	Fund management company	Number of fund units	Value of fund units
Open-end investment fund BT OBLIGATIUNI	BT Asset Management	13,591	282,658

In 2023, the fund units held at BT Asset Management valued at fair value through profit or loss recorded an increase (the change in fair value being upwards) of 7,217 Lei.

The shares of Transport Ceahlau SRL are fully adjusted.

21. CAPITAL AND RESERVES

a. Share capital

Share capital subscised and paid up at December 31, 2023	**23,990,846 Lei**
Number of shares subscribed and paid up at December 31, 2023	**239,908,460 shares**
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, 2023, the share capital of the Company was not modified in the sense of increase or decrease.

The share capital registered at December 31, 2023 is 23,990,846 Lei.

The shareholding structure of the Company is:

December 31, 2023	Number of shares	Amount (lei)	%
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
Other shareholders, of which:			
- legal persons	803,720	80,372	0.335
- natural persons	14,769,149	1,476,915	6.1562
TOTAL	**239,908,460**	**23,990,846**	**100.00**

21. CAPITAL AND RESERVES (continued)

a. Share capital (continued)

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

b. Reserves

	December 31, 2023	**December 31, 2022**
Reserves from the revaluation of property, plant and equipment	12,080,357	10,645,550
Deferred income tax recognised on account of reserves	(1,987,134)	(1,757,565)
TOTAL	**10,093,223**	**8,887,985**

	December 31, 2023	**December 31, 2022 restated**
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	7,931,791	7,344,843
Retained earnings representing unallocated profit / (uncovered loss)	(2,627,088)	920,811
Other reserves distributed from profit, non-taxable	5,059,940	5,059,940
Other taxable reserves	827,622	827,622
TOTAL	**14,524,976**	**17,485,927**

"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, 2023 is 2,983,701 Lei (December 31, 2022: 2,983,701 lei).

Legal reserves cannot be distributed to shareholders.

d. Dividends

In 2023 and 2022, no dividends were allocated or distributed. According to the legislation in force, shareholders may request the payment of dividends for a period of 3 years since the payment date set in the General Meeting of Shareholders .

21. CAPITAL AND RESERVES (continued)

e. Earnings per share

The earnings per share are calculated by dividing the net loss attributable to the shareholders of the Company at December 31, 2023 in amount of 3,903,049 Lei (December 31, 2022 restated: net attributable profit: 1,691,730 Lei) by the number of ordinary outstanding shares of 239,908,460 shares (December 31, 2022: 239,908,460 shares).

Profit attributable to ordinary shareholders	**December 31, 2023**	**December 31, 2022 restated**
Profit (Loss) of the period	(3,903,049)	1,691,730
Number of ordinary shares	239,908,460	239,908,460
Earnings per share	(0.0163)	0.0071

22. LOANS

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

	December 31, 2023	**December 31, 2022**
Long-term bank loans	2,981,883	123,842
Short-term bank loans (up to 1 year)	5,124,525	297,235
Total bank loans	**8,106,408**	**421,077**

The tables below present detailed information on the loans contracted by the Company at December 31, 2023 and December 31, 2022:

December 31, 2023

Type of credit	**Loan balance (Lei)**	**Account currency**	**Annual interest rate (%)**	**Final maturity of the loan**
Investment	124,525	EUR	EURIBOR 6M +2.5%	20/05/2024
Credit line	2,981,883	RON	ROBOR 3M +1.5%	13/05/2025
Credit line	5,000,000	RON	ROBOR 3M + 2.5%	19/12/2024
Total	**8,106,408**			

December 31, 2022

Type of credit	**Loan balance (Lei)**	**Account currency**	**Annual interest rate (%)**	**Final maturity of the loan**
Investment	421,077	EUR	EURIBOR 6M + 2.5%	20/05/2024
Total	**421,077**			

At December 31, 2023, 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 and 2 credit lines for working capital. The investment loan is secured by the security mortgage on the above-mentioned asset, at a net book value of lei 1,385,954 at December 31, 2023 (December 31, 2022: Lei 1,549,007). For the credit line worth Lei 5,000,000 guarantees in the form of inventories are set up, in net book value of Lei 12,186,765 at December 31, 2023 (December 31, 2022: Lei 0).

23. LEASE LIABILITIES

Leases in which the Company is the lessee

The Company rents land and office space. Leases usually span over over a period of 5 to 10 years. In addition, the Company rents transport vehicles. Leases usually run for a period of 5 years.

Leases do not transfer ownership of the underlying asset at the end of the lease term.

The renewal and extension of the term must be agreed upon by both parties by signing an addendum.

The Company determined the marginal loan rate based on the interest rate applied by financial institutions to similar entities for loans with the same characteristics as leases (in terms of currency and maturity).

The Company includes in the car lease payments the costs incurred in connection with the lease that are not part of the cost of the right-of-use underlying asset (such as maintenance or insurance).

Information is presented below regarding the leases where the Company acts as lessee.

(i) Right-of-use asset

The right-of-use asset related to leased properties (buildings) are presented as property, plant and equipment.

2023	**Land and buildings**	**Equipment (transport vehicles)**	**Total**
Balance at 1 January	**1,895,940**	**377,142**	**2,271,212**
Depreciation	(442,066)	(158,046)	(600,112)
Reclassification of underlying assets to right-of-use assets in leases	-	201,759	201,759
Cumulative depreciation on outflows	234,428	-	234,428
Additions of right-of-use assets	678,439	367,545	1,045,984
Disposals of right-of-use assets	(375,115)	-	(375,115)
Disposals of right-of-use assets (Reclassifications to underlying assets to right-of-use assets in leases)	-	(269,970)	(269,970)
Balance at 31 December	**1,991,627**	**516,560**	**2,508,187**

2022	**Land and buildings**	**Equipment (transport vehicles)**	**Total**
Balance at 1 January	**1,661,479**	**338,987**	**2,000,466**
Depreciation	(309,647)	(106,885)	(418,401)
Reclassification of underlying assets to right-of-use assets in leases	-	44,887	44,887
Additions of right-of-use assets	544,107	167,485	711,592
Disposals of right-of-use assets (Reclassifications to underlying assets to right-of-use assets in leases)	-	(67,332)	(67,332)
Balance at 31 December	**1,895,940**	**377,142**	**2,271,212**

23. LEASE LIABILITIES (continued)

(ii) Amounts recognised in profit or loss

	2023	2022
Interest on leases	91,165	58,191

(iii) Values recognised in the cash flow statement

	2023	2022
Cash outflows related to leases	806,807	548,261

	December 31, 2023	December 31, 2022
Gross lease liabilities		
Lliabilities arising from leases (over 5 years)	302,452	435,325
Lliabilities arising from leases (between 1 year and 5 years)	1,808,762	1,452,791
Lliabilities arising from leases (up to 1 year)	654,357	518,519
Total gross liabilities	**2,765,571**	**5,406,635**
Lease liabilities		
Lliabilities arising from leases (over 5 years)	163,433	415,658
Lliabilities arising from leases (between 1 year and 5 years)	1,774,945	1,346,142
Lliabilities arising from leases (up to 1 year)	603,578	492,272
Total	**2,541,956**	**2,254,072**

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

24. PROVISIONS FOR RISKS AND CHARGES

	Returns and other provisions	Employee benefits - pensions	Total
Balance at December 31, 2022	**60,335**	**127,083**	**187,418**
Provisions established during the period	-	-	-
Provisions reversed during the period	19,182	30,121	49,303
Provisions reclassified to trade and other payables	-	-	-
Balance at December 31, 2023	**41,153**	**96,962**	**138,115**
Long-term	-	96,962	96,962
Current	41,153	-	41,153

24. PROVISIONS FOR RISKS AND CHARGES (continued)

	Returns and other provisions	Employee benefits - pensions	Total
Balance at December 31, 2021	**811,662**	**142,704**	**954,364**
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 to trade and other payables	741,297	-	741,297
Balance at December 31, 2022	**60,335**	**127,083**	**187,418**
Long-term	-	127,083	127,083
Current	60,335	-	60,335

Warranties

The provisions for warranties in amount of 41,153 Lei (60,335 Lei at December 31, 2022) were set up taking into account the expenses related to the service activity for agricultural machineery in the 2-year warranty period.

Employee benefits – pension provision

The provisions in amount of 96,962 Lei (127,083 Lei at December 31, 2022) 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.

25. TRADE PAYABLES

	December 31, 2023	December 31, 2022 restated
Internal and external suppliers	8,798,972	7,998,511
Payables for distributors' commissions	695	81,197
Investment providers	11,264	60,920
Suppliers – invoices not received	(337,383)	(276,596)
Total	**9,148,315**	**7,864,032**

26. OTHER PAYABLES

	December 31, 2023	December 31, 2022 restated
Salaries and related social contributions	588,897	1,216,297
Other debts (VAT payment and guarantees)	440,469	986,014
Dividends to be paid	-	285,409
Advances received	91,008	145,382
Total	**1,120,374**	**2,633,102**

Other debts existing in the balance at December 31, 2023 include provisions for untaken leaves concluded in amount of 40,032 Lei (6,486 Lei at December 31, 2022), provisions for bonuses of board members and executive officers in amount of 0 Lei (336,742 Lei at December 31, 2022), for sales team commissions in amount of 108,663 Lei (350,000 Lei at December 31, 2022) and for the prize fund of 0 Lei (48,067 Lei at December 31, 2022).

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 2023, no dividends were allocated or distributed.

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.

The level of cash and cash equivalents registered at 31.12.2023 is 1,631,599 Lei. The military aggression of the Russian Federation against Ukraine had a major impact on the European and international markets, especially on the grain and food products market. The impossibility of Ukraine to export its products on the traditional markets and the transit corridors offered by the neighbouring countries, including Romania, caused strong imbalances on the grain market and in general on the food products market, with a major impact on the farmers who were forced to sell their products at prices very close to or even below the cost level, with a direct impact on their ability to invest in new agricultural machinery. The drastic decrease in the level of sales made by the Company in 2023 also led to the increase in stocks, delays in the payment of suppliers as well as the impossibility of honoring commitments to shareholders. Nevertheless, management continues to have a reasonable expectation that the Company will recover in 2024 (also based on the measures taken lately) and will have sufficient financial resources of its own to ensure financial stability.

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.

28. FINANCIAL INSTRUMENTS (continued)

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 (creditworthiness check, financial rating, payment incidents and obtaining checks and promissory notes) 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.

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.

The Company considers the following are events of default for the purposes of internal credit risk management because historical experience indicates that financial assets that meet any of the following criteria are generally not recoverable:

- when there is a breach of financial agreements by the debtor;
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (disregarding any collateral held by the Company).

Regardless of the above analysis, the group considers default to have occurred when a financial asset is more than 180 days past due, unless the group has reasonable and reliable information to prove that another delay criterion is more appropriate.

The company writes off a financial asset when there is information indicating that the debtor is in severe financial distress and there is no realistic prospect of recovery, e.g. when the debtor was placed in liquidation. Written off financial assets may still be subject to enforcement in accordance with the group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss. Cash and cash equivalents are placed only in leading banking institutions, considered to have a high solvency.

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:

	December 31, 2023	December 31, 2022 restated
Gross trade receivables	6,410,395	10,047,142
Expected credit losses for receivables	(2,229,497)	(2,523,075)
Net trade receivables	4,180,898	7,524,067
Other receivables	158,532	311,234
Investment securities	282,658	5,275,441
Cash, current accounts and deposits placed with banks	1,631,599	5,421,355
	6,253,686	**18,532,097**

28. FINANCIAL INSTRUMENTS (continued)

i) Credit risk (continued)

	2023 Stages 1 and 2	**2023 Stage 3**	**2022 Stages 1 and 2**	**2022 Stage 3**
Opening balance at 1 January	**(451,716)**	**(2,071,359)**	**(265,273)**	**(3,501,709)**
Set-ups	-	(348,581)	(186,443)	(104,764)
Reversals	22,286	619,873		1,535,114
Closing balance at 31 December	**(429,430)**	**(1,800,067)**	**(451,716)**	**(2,071,359)**

On the domestic market, the Company collaborated with as much as 9 distributors accross the country, the most important ones 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.

At December 31, 2023, 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.

28. FINANCIAL INSTRUMENTS (continued)

ii) Liquidity risk (continued)

Exposure to liquidity risk

The contractual maturities of the financial assets and liabilities are the following:

In LEI	**Carrying amount**	**Amount not discounted**	**Within 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**More than 1 year**	**No predetermined maturity**
December 31, 2023							
Financial assets							
Cash and current accounts	115,920	115,920	115,920	-	-	-	-
Deposits placed with banks with an original maturity of less than 3 months	1,515,679	1,524,032	1,524,032	-	-	-	-
Deposits placed with banks with an original maturity of more than 3 months	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	282,658	282,658	-	-	-	-	282,658
Trade receivables	4,180,898	4,180,898	2,492,830	439,081	1,209,323	39,664	-
Other receivables	158,532	158,532	129,036	-	-	29,496	-
Total financial assets	**6,253,687**	**6,262,039**	**4,261,818**	**439,081**	**1,209,323**	**69,160**	**282,658**
Financial liabilities							
Loans	8,106,408	8,793,991	77,323	151,109	5,500,062	3,065,498	-
Other payables	1,120,373	1,120,373	1,070,200	17,405	-	32,769	-
Trade and other payables	9,148,314	9,148,314	4,363,734	4,776,816	-	7,764	-
Lease liabilities	2,541,956	2,765,571	54,451	109,540	490,366	2,111,214	-
Total financial liabilities	**20,917,051**	**21,828,250**	**5,565,709**	**5,054,869**	**5,990,428**	**5,217,244**	**282,658**

28. FINANCIAL INSTRUMENTS (continued)

ii) Liquidity risk (continued)

Exposure to liquidity risk (continued)

In LEI	Restated carrying amount	Amount not discounted	Within 1 month	Between 1 and 3 months	Between 3 and 12 months	More than 1 year	No predetermined maturity
December 31, 2022							
Financial assets							
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	-	-	-	-	275,441
Trade receivables	7,524,067	7,524,067	6,759,665	747,291	17,111	-	-
Other receivables	311,233	311,233	311,233	-	-	-	-
Total financial assets	**18,637,261**	**18,721,749**	**15,598,487**	**747,291**	**2,100,531**	**-**	**275,441**
Financial liabilities							
Loans	421,077	428,758	25,657	51,077	227,488	124,536	-
Other payables	2,633,102	2,633,102	2,063,656	145,382	391,295	32,769	-
Trade and other payables	7,864,032	7,864,032	878,272	6,904,563	81,197	-	-
Lease liabilities	2,254,072	2,406,636	46,918	93,877	377,725	1,888,116	-
Total financial liabilities	**13,172,283**	**13,332,528**	**3,014,503**	**7,194,899**	**1,077,705**	**2,045,421**	**-**

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.

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, 2023, 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.

December 31, 2023	**EUR (1 EUR = 4.9746)**	**RON 1 RON**	**TOTAL**
Cash, current accounts and deposits with banks	9,734	1,621,865	1,631,599
Financial assets measured at fair value through profit or loss	-	282,658	282,658
Trade and other receivables	27,494	4,311,935	4,339,429
Total financial assets	**37,228**	**6,216,458**	**6,253,686**

December 31, 2023	**EUR (1 EUR = 4.9746)**	**RON**	**1 RON TOTAL**
Bank loans	(124,525)	(7,981,883)	(8,106,408)
Lease loans	(2,541,956)	-	(2,541,956)
Trade and other payables	(6,112,220)	(4,156,468)	(10,268,688)
Total financial liabilities	**(8,778,700)**	**(12,138,352)**	**(20,917,052)**

December 31, 2022 restated	**EUR (1 EUR = 4.9474)**	**RON 1 RON**	**TOTAL**
Cash, current accounts and deposits with banks	1,093,635	4,327,720	5,421,355
Investment securities	-	275,441	275,441
Trade and other receivables	136,479	7,698,822	7,835,301
Total financial assets	**1,230,114**	**12,302,983**	**13,533,097**

December 31, 2022	**EUR (1 EUR = 4.9474)**	**RON**	**1 RON TOTAL**
Bank loans	(421,077)	-	(421,077)
Lease loans	(2,254,073)	-	(2,254,073)
Trade and other payables	(7,026,602)	(3,470,532)	(10,497,134)
Total financial liabilities	**(9,701,751)**	**(3,470,532)**	**(13,172,284)**

28. FINANCIAL INSTRUMENTS (continued)

iii) Market risk (continued)

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 ± 5% of the RON/EUR exchange rate, at December 31, 2023, all other variables remaining constant, is ±367,1423 Lei (December 31, 2022 restated: ±355,809 Lei).

Interest rate risk

The Company is exposed to interest rate risk (i.e. ROBOR 3M for credit lines in LEI, EURIBOR 6M for the investment loan). 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, 2023 and December 31, 2022, 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

The impact on the Company's net profit of a +/- 100 BP change in the interest rate of floating interest rate bearing assets and liabilities and expressed in other currencies corroborated with a change of +/- 500 BP in the interest rate of floating interest rate bearing assets and liabilities and expressed in Lei is -/+ 336,285 Lei at December 31, 2023 (December 31, 2022: -/+ 3,537 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.

	December 31, 2023	**December 31, 2022 restated**
Financial liabilities	**20,917,052**	**13,172,284**
Cash, current accounts and deposits with banks	1,631,599	5,421,355
Financial assets measured at fair value through profit or loss	282,658	275,441
Financial assets measured at amortised cost	-	5,105,165
Net financial liabilities	**19,002,795**	**2,370,323**
Equity	**51,592,747**	**53,348,460**
Net liability ratio	**(0.37)**	**(0.04)**

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.

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, 2023, the Company has issued a letter of guarantee related to the main supplier of goods, CNHI International, as follows:

Bank	Beneficiary	Value	Currency	Date of issue	Due date
Banca Transilvania	CNHI International JSC	900,000	Euro	15.05.2023	29.05.2026

The bank letter of guarantee is secured by a movable mortgage over 2 properties (and and buildings), at a net book value of Lei 1,330,350 at December 31, 2023 (December 31, 2022: Lei 1,241,782).

(c) Insurances concluded

At December 31, 2023 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:

Entity	The nature of the relationship
Evergent Investments SA	Parent company
New Carpathian Fund	Significant shareholder
Transport Ceahlau SRL	Related party

30. RELATED PARTIES (continued)

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.

The participation interests that the Company holds at December 31, 2023 in Transport Ceahlau SRL are presented as follows:

	December 31, 2023	December 31, 2022
Unlisted shares at 1 January	**51,000**	**51,000**
Purchases	-	-
Disposals	-	-
Impairment allowances	51,000	51,000
Balance at 31 December	**-**	**-**

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, 2023, is as follows:

			Percentage of ownership	
	Date of purchase	Date of sale	December 31, 2023	December 31, 2022
Transport Ceahlau SRL	2004	-	24.28%	24.28%

Information on transactions with related parties

During 2023, the Company had no transactions with Transport Ceahlau SRL.

The status of amounts receivable from and payable to Transport Ceahlau is as follows:

	December 31, 2023	December 31, 2022
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:

	December 31, 2023	December 31, 2022
EVER IMO SA – same majority shareholder		
Lease liabilities	581,978	644,494
Trade payables	-	1,595
Other payables	-	-
Warranty granted	(20,430)	(20,430)

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

30. RELATED PARTIES (continued)

Information on transactions with related parties (continued)

In LEI	**2023**	**2022**
EVER IMO SA		
Interest expenses related to leases	14,095	17,062
Other operating expenses	44,438	9,859
Depreciation related to leases	71,689	71,689

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, 2023.

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) Salaries and social security

	December 31, 2023	**December 31, 2022**
Executive management	1,129,060	1,010,454
Members of the Board of Directors	549,971	548,398
Total	**1,679,031**	**1,558,852**

b) Salary and social security-related liabilities

	December 31, 2023	**December 31, 2022**
Executive management	11,530	18,246
Members of the Board of Directors	-	-
Total	**11,530**	**18,246**

31. CORRECTIONS

At December 31, 2023, the Company reconsidered the classification of certain transactions (sales returns) in the 2022 reporting period. Previously, the Company treated these returns as non-adjusting post-balance sheet events. This reassessment was recorded as adjusting post-balance sheet events (reversal of the initial sales transactions) by restating each affected line in the Statement of financial position as at December 31, 2022, and the Statement of comprehensive income for the year 2022 respectively..

The impact of these changes on equity (at December 31, 2022) was separately disclosed in the Statement of changes in equity.

The tables below summarize this impact:

Statement of separate financial position

In LEI	December 31, 2022 (reported)	Corrections	December 31, 2022 (corrected)
Current assets			
Inventories	26,665,751	986,719	27,652,470
Trade receivables	8,787,319	(1,263,252)	7,524,067
Equity			
Result carried forward and other reserves	17,650,294	(164,367)	17,485,927
Current payables			
Trade payables	7,774,502	89,530	7,864,032
Other payables	2,834,797	(201,696)	2,633,102

Statement of comprehensive income

In LEI	December 31, 2022 (reported)	Corrections	December 31, 2022 (corrected)
Turnover	48,547,343	-1,061,556	47,485,787
Expenses with inventories	-33,013,236	897,189	-32,116,047
Result from continued activities	1,856,098	(164.367)	1,691,730
Total comprehensive income for the period	3,455,479	(164.367)	3.291.111
Earnings per share – basic and dilluted	0.0077		0.0071

The correction had no effect on the cash flow statement.

The financial statements were authorized for approval by the Board of Directors on March 5, 2024 and were signed on its behalf by:

ION SORIN MOLESAG,
CHIEF EXECUTIVE OFFICER

GABRIELA PEPENE
CHIEF FINANCIAL OFFICER

MECANICA CEAHLĂU
MECANICA CEAHLAU S.A.
610202 Piatra Neamț - România; Str. Dumbravei nr. 6;
J27/8/1991; CUI: 2045262;
Cont BCR: RO45 RNCB 0196 0277 9794 0001,
Capital social subscris și vărsat: 23.990.846 lei
Tel: +40 233 211 104; Fax: +40 233 216 069
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, 2023, we declare the following:

- The Financial Statements on December 31, 2023 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, 2023 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, 05.03.2024, at the headquarters of Mecanica Ceahlau SA,

Managing Director
Sorin Ion Molesag

Chief Financial Officer,
Gabriela Pepene

Deloitte Audit S.R.L.
The Mark Tower,
82-98 Calea Griviței,
Sector 1, 010735
Bucharest, Romania

T: +40 21 222 16 61
F: +40 21 222 16 60
www.deloitte.ro

INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
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 as at December 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

2. The financial statements as at December 31, 2023 are identified as follows:

• Net assets / Equity	RON	51,592,747
• Net loss for the financial year	RON	(3,903,049)

3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

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 (herein after referred to as "the Regulation") and Law 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements (herein after referred to as "the Law 162/2017". 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law 162/2017 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. We have determined that there are no key audit matters to be communicated in our report.

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, 2023, 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.

Deloitte.

Other responsibilities of reporting with respect to other information – Administrators' report

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, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

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 these 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, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU;

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the financial statements prepared as at December 31, 2023, 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.

Other reporting responsibilities with respect to other information – Remuneration report

With respect to the Remuneration report, we read it to determine if it presents, in all material respects, the information required by article 107, paragraphs (1) and (2) of Law 24/2017 regarding the issuers of financial instruments and market operations, republished. 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, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU 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, actions taken to eliminate threats or safeguards applied.

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

15. We were appointed by the General Meeting of Shareholders on October 13, 2022 to audit the financial statements of Mecanica Ceahlau S.A. for the financial year ended December 31, 2023. The uninterrupted total duration of our commitment is 2 years, covering the financial years ended December 31, 2023 and December 31, 2024.

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 audited entity.

- 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 Zeno Caprariu.

Report on compliance with Law no. 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements ("Law 162/2017"), and Commission Delegated Regulation (EU) 2018/815 on the European Single Electronic Format Regulatory Technical Standard ("ESEF")

We have undertaken a reasonable assurance engagement on the compliance with Law 162/2017, and Commission Delegated Regulation (EU) 2018/815 applicable to the financial statements included in the annual financial report of Mecanica Ceahlau S.A. ("**the Company**") as presented in the digital files which contain this audit report ("**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 the Digital Files that comply with ESEF. This responsibility includes:

- the design, implementation and maintenance of internal controls 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, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU;

Those charged with governance are responsible for overseeing the preparation of the Digital Files that comply with ESEF.

Deloitte.

(II) Auditor's Responsibilities for the 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.

Our firm applies International Standard on Quality Management 1 ("ISQM1"), and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing and extent 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, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU;

- 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 31 December 2023 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 opinion relating to the financial statements of the Company for the year ended 31 December 2023 is set out in the "*Report on the audit of the financial statements*" section above.

Zeno Caprariu, Audit Partner

For signature, please refer to the original Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under number AF 2693

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under number FA 25

The Mark Building, 84-98 and 100-102 Calea Grivitei, 9th Floor, District 1
Bucharest, Romania
March 5, 2024