



**Activity report of  
the  
Board of Directors  
Semester I 2023**



**ACTIVITY REPORT  
OF THE BOARD OF DIRECTORS SEMESTER I 2023**

**1. ECONOMICAL AND FINANCIAL SITUATION**

The individual financial statements for semester I 2023 were drafted and submitted in accordance with Order 2844 from 2016 for the approval of the accounting rules pursuant to the International Financial Reporting Standards.

The reporting currency of the financial statements semester I 2023 is the Romanian RON.

The individual financial statements on 30<sup>th</sup> June 2023 were not revised by a statutory financial auditor.

**1.1 Situation of assets, liabilities and equity**

<b>Balance Sheet Elements</b>	<b>30 June 2023</b>	<b>31 December 2022</b>
<b>Assets</b>		
<b>Fixed assets</b>		
Tangible fix assets	17,922,746	18,556,350
Intangible assets	128,496	103,032
Real Estate Investments	1,047,746	898,905
Assets representing rights of use of support assets in leasing contracts	2,784,012	2,271,212
<b>Total Fixed Assets</b>	<b>21,883,000</b>	<b>21,829,499</b>
<b>Current assets total, out of which:</b>	<b>47,087,284</b>	<b>46,992,643</b>
Inventories	36,462,425	26,665,751
Trade receivables	8,330,470	8,787,319
Other receivables	350,999	31,234
Prepaid expenses	322,317	63,959
Financial assets measured at fair value through the profit and loss	283,229	275,441
Financial assets at amortized cost	1,032,755	5,105,166
Cash and current accounts	305,089	5,421,355
Assets classified as held for sale	-	362,419
<b>TOTAL ASSETS</b>	<b>68,970,284</b>	<b>68,822,142</b>
<b>Own equity, of which:</b>	<b>53,534,043</b>	<b>53,512,827</b>
Share capital	23,990,846	23,990,846
Legal reserves	2,983,701	2,983,701
Revaluation reserve	8,631,175	8,887,985
Retained earnings and other reserve	17,928,321	17,650,294
<b>Total debts:</b>	<b>15,436,241</b>	<b>15,309,315</b>
<b>Long term debts, out of which:</b>	<b>7,115,656</b>	<b>3,850,174</b>
Long term loans	2,887,886	123,842
Provisions for employees' benefits	117,887	127,083
Debts on deferred tax	1,975,457	1,761,800
Liabilities from leasing contracts	2,134,436	1,837,449
<b>Current debts total, out of which:</b>	<b>8,320,585</b>	<b>11,459,141</b>



ACTIVITY REPORT OF THE BOARD OF DIRECTORS SEMESTER I 2023

Short term loans	273,346	297,235
Commercial debts	5,659,583	7,774,502
Other debts	1,723,972	2,834,797
Liabilities from leasing contracts	603,348	492,272
Provisions	60,335	60,335
<b>TOTAL OWN EQUITY AND DEBTS</b>	<b>68,970,284</b>	<b>68,822,142</b>

**The equity** increased to the amount of RON 53,534,043 (31<sup>st</sup> December 2022: RON 53,512,827).

In the first semester of 2023, no dividends were distributed to shareholders.

**The current assets** in the amount of RON 47,087,284 (31<sup>st</sup> December 2022: RON 46,992,643) increased with 0.2% compared with 31<sup>st</sup> December 2022 and are made up of:

- **Overall inventories** are in the net amount of RON 36,462,425 up with 37% compared with the stocks from the beginning of 2023 due to the outsourcing of parts and subassemblies, increased acquisition prices as well as the expansion of the goods portfolio in distribution.
- **Commercial receivables** in the amount of RON 8,330,470 increased by 5% compared to the beginning of 2023 due the increase of the turnover and they are considered totally efficient.

	30 June 2023	31 Decembrie 2022	%
Raw materials and materials	5,069,430	3,155,416	160.66%
Work in progress	3,740,040	1,371,093	272.78%
Semi-finished goods	105,709	91,575	115.43%
Finished goods	15,699,276	13,008,683	120.68%
Goods (goods for distribution)	11,847,971	9,038,984	131.08%
<b>Inventories at net value</b>	<b>36,462,425</b>	<b>26,665,751</b>	<b>136.74%</b>

- **Cash and cash equivalents** in the net amount of 305,089 lei, decreasing by 94% compared to cash and cash equivalents from the beginning of 2023 due to, mainly, increased prices of raw materials, utilities, payments to suppliers.

On June 30, 2023 the company has received from clients in the form of guarantees, promissory notes and cheques pursuant to the contractual provisions in the amount of RON 491,387.

- **Other receivables** in amount of RON 350,999 (31<sup>st</sup> December 2022: RON 311,234).
- **Assets classified as held for sale:**

On June 30, 2023, the company does not hold for sale assets.

**The provisions** in the amount of RON 178,212 decreased with 5% compared to 31<sup>st</sup> December 2022 and are made up of:

- Provisions for benefits granted to employees at the termination of the employment contract: RON 117,877;
- Provision for warranties: RON 60,335;



**The long-term debts** in amount of RON 7,115,656 (31<sup>st</sup> Decembrie 2022: RON 3,850,174) have increased with 85% following the registration of leases concluded in the first half of 2023.

**The current debts** compared to 31<sup>st</sup> December 2022 have decreased with 27%, the largest share of debts being held by trade debts which consist of:

	June 30, 2023	December 31, 2022	%
Trade debts	5,494,585	7,990,178	68.77%
Investment suppliers	94,939	60,920	155.84%
Suppliers - Invoices to be received	70,058	(276,596)	125.33%
<b>Total</b>	<b>5,659,583</b>	<b>7,774,502</b>	<b>72.80%</b>

#### Active elements of balance sheet

**which represent at least 10% of the total assets: cash and other liquid assets; reinvested profits; total current assets; company's debt situation; total current liabilities**

#### Assets exceeding 10% of the total assets

Analytical indicators of financial position situation exceeding 10% of the total assets	30.06.2023	31.12.2022	% in total assets 30.06.2023
<b>TOTAL ASSETS</b>			
1. Lands and buildings	7,965,277	7,966,393	12%
2. Inventories	36,462,425	26,665,751	53%
3. Cash and cash equivalents	8,330,470	8,787,319	12%

#### Liabilities exceeding 10% of total liabilities

Analytical indicators of financial position situation exceeding 10% of total liabilities	30.06.2023	31.12.2022	% in total liabilities 30.06.2023
<b>TOTAL LIABILITIES</b>			
1. Revaluation reserve	8,631,175	8,887,985	13%
2. Share Capital	23,990,846	23,990,846	35%
3. Retained earnings and other reserve	17,928,321	17,650,294	26%

**Revaluation reserve** on 30<sup>th</sup> June 2023 related to the revaluations is in the amount of RON 8,631,175.

**Company's share capital** was not modified, it was not increased or decreased. The share capital recorded on 30<sup>th</sup> June 2023 is of RON 23,990,846.

**Dividend payments** in the balance at the end of the semester I 2023 are dividends undistributed from current and previous years in the amount of RON 285,409.

In the first semester of 2023, no dividends were paid through the Central Depository



**1.1. Profit and loss account**

	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Sales	17,306,614	22,333,401
Costs of materials and consumables	(10,089,684)	(14,668,234)
	<b>7,216,930</b>	<b>7,665,167</b>
Other operational revenues	181,468	216,437
Expenses with utilities	(624,779)	(380,860)
Expenses with salaries and other personnel expenses	(4,215,835)	(3,948,798)
Other administrative expenses	(1,556,470)	(1,432,345)
Other operational expenses	(305,014)	(205,823)
Expenses with amortization and impairment of assets and leasing assets	(1,165,022)	(859,853)
Gain/ loss from assets sales	166,081	6,723
Adjustment of the value of current assets	488,504	83,520
Gain/Loss of provisions for risks and expenses	9,206	517,001
<b>Total operational expenses</b>	<b>(7,203,328)</b>	<b>(6,220,435)</b>
<b>Result of the operational activities</b>	<b>195,071</b>	<b>1,661,168</b>
Interest incomes	126,572	79,667
Gains from revaluation of financial assets at fair value through profit or loss	7,787	1,509
Interest expense and discounts granted	(106,426)	(168,965)
Losses from exchange rate differences	(63,780)	(14,180)
<b>Financial net result</b>	<b>(35,846)</b>	<b>(101,970)</b>
<b>Result before tax</b>	<b>159,225</b>	<b>1,559,198</b>
Revenue/ (expenses) with current and deferred income tax	(186,925)	(154,564)
<b>Net profit of period</b>	<b>(27,700)</b>	<b>1,404,634</b>
<b>Other comprehensive income</b>		30,054
Deferred tax	48,916	<b>30,054</b>
<b>Other comprehensive income after tax</b>	<b>48,916</b>	<b>1,434,689</b>
<b>Total comprehensive income for the period</b>	<b>21,216</b>	<b>1,404,634</b>
<b>Attributable profit/loss</b>	<b>(27,700)</b>	0.0059
Result per base share	(0.0001)	



## 1.2. Analytical indicators

<b>Analytical indicators of profit and loss account exceeding 20% of turnover</b>	<b>30.06.2023</b>	<b>30.06.2022</b>	<b>% in TO 30.06.2023</b>
<b>TOTAL NET TURNOVER</b>	<b>17,306,614</b>	<b>22,333,401</b>	
The cost of the goods sold	10,089,684	14,668,234	58%
Expenses with salaries, contributions and other assimilated expenses	4,215,835	3,948,798	24%

<b>Turnover</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Gross sales of goods	17,362,420	22,553,715
Commissions granted to dealers	(195,543)	(296,749)
<b>Net turnover from sales of goods</b>	<b>17,166,877</b>	<b>22,256,966</b>
Sales of residual goods	76,723	34,601
Services rendered	63,014	41,834
<b>Total net turnover</b>	<b>17,306,614</b>	<b>22,333,401</b>

The gross turnover of the Company as of June 30, 2023 is of RON 17,362,420 (June 30,2022: RON 22,553,715), of which RON 521,252 for export (June 30, 2022: RON 73,607) and RON 16,841,168 for intern (June 30, 2022: RON 22,480,108).

For the realization of this sales volume the Company granted sales bonuses (commissions) according to contracts in force in amount of RON 195,543 as of June 30, 2023, respectively RON 296,749 as of June 30, 2022, thus resulting in a net turnover of RON 17,166,877 as of June 30, 2023 and RON 22,256,966 as of June 30, 2022. The sales bonus commission granted to distributors according to contracts in force represents a variable consideration which the company estimated and recognized in transaction price on June 30, 2023, respectively on June 30, 2022.

On the internal market, the Company has collaborated with a number of 8 distributors from the entire country, the most important ones being located preponderantly in the agricultural area.

On the external market, the volume of sales was achieved in proportion of 3% from the turnover. On this market, it is maintained the connection with the traditional clients that know and promote the products of the company.

The company possesses an important market segment for the goods seeders for hoeing plants and for seeders for strawy plants. The market share evaluated for these products is situated between 20% and 30% as regards the number of the fund units sold.



## Operational expenditure

Operational expenditure include:

1. Cost of goods sold have decreased with 31% compared to the same period of the previous year;
2. Administrative expenditures have increased with 9% compared to the same period of the previous year as a result of renegotiation of contracts with utility/services suppliers;
3. Other operating expenses have increased with 48% compared to the same period of the previous year;
4. Salaries, social contributions and other benefits are 7% higher compared to the same period of the previous year;

	<b>30 June 2023</b>	<b>30 June 2022</b>	<b>%</b>
Salary expenses	2,933,240	2,805,955	105%
Expenses with salary contributions	154,585	123,966	125%
Expenses with granted vouchers	152,706	102,812	149%
Expenses for unused vacations	-	(9,631)	-
Other benefits to employees	-	1,454	-
Expenses with indemnity of Board of Directors members	295,594	295,863	100%
Expenses with indemnity of executive management	697,710	628,380	111%
Revenue from operating subsidies for the payment of personnel	-	-	-
Expenses/(Income) from reversal of provisions for employee benefits	-	-	-
<b>Total</b>	<b>4,215,835</b>	<b>3,948,798</b>	<b>107%</b>
<b>Average number of employees</b>	<b>92</b>	<b>79</b>	<b>116%</b>

The **financial revenues** include most of the interest income on bank deposits held by the company, revenues pertaining to the evaluation of the fund units held and the revenues from the revaluation of receivables and debts in foreign currency at the end of the period.

The **financial costs** include the discounts granted, the interests and the exchange differences on 30<sup>th</sup> June 2023.

## Profit / (loss)

On 30 June 2023 the company recorded a positive gross result of 159,225 lei, and a positive operational result of 195,071 lei.



**1.3. Cash flows:** all changes registered at cash level during the basic activity, the investments and the financial activity, the cash level at the beginning and end of the period:

The structure of cash flow on 30<sup>th</sup> June 2023, compared with the same period of the previous year:

	<b>June 30, 2023</b>	<b>June 30, 2022</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	21,805,469	25,695,311
Receipts from other debtors	456,711	453,093
Payments to suppliers	(27,053,955)	(24,990,275)
Payments to employees	(2,749,629)	(2,277,081)
Payments to state budget	(3,603,341)	(3,059,911)
Payments to various creditors	(107,255)	(205,449)
<b>Cash generated from operating activities</b>	<b>(11,252,000)</b>	<b>(4,383,713)</b>
Paid corporate tax	-	-
<b>Net cash generated from operations</b>	<b>(4,383,713)</b>	<b>(4,383,713)</b>
<b>Cash flows from investment activities</b>		
Collected interest	202,560	64,597
Proceeds from the sale of tangible assets		
Procurement of tangible assets	(378,353)	(644,917)
Purchases of fund units/deposits with maturity > 3 months	4,000,000	-
<b>Net cash generated from investments</b>	<b>3,824,208</b>	<b>(580,320)</b>
<b>Cash flows from financing activities</b>		
Collections from short-term loans	3,000,000	-
Reimbursement of loans	(260,403)	(148,561)
Paid interest	(37,845)	(8,607)
Payment of financial leasing debts	(353,497)	(265,583)
Dividends paid	-	-
<b>Net cash (used in) financing activities</b>	<b>2,348,256</b>	<b>(422,750)</b>
<b>Net increase/decrease of cash and cash equivalents</b>	<b>(5,079,536)</b>	<b>(5,386,782)</b>
<b>Cash and cash equivalents as of the beginning of period</b>	<b>5,421,355</b>	<b>12,829,217</b>
Exchange rate differences	(36,730)	(18,007)
<b>Cash and cash equivalents as of end of period</b>	<b>305,089</b>	<b>7,424,428</b>





The company has on 30<sup>th</sup> June 2023 investments in fund units, at fair value, as follows:

Type of fund	Fund managing company	Number of fund units	Value of fund units
Open-end investment fund BT Assets	BT Asset Management	13,591	283,229

#### 1.4. Economical and financial indicators

Name of indicator	Method of calculation	30 June 2023	30 June 2022
<b>Liquidity indicators (number of times)</b>			
Current liquidity indicator	Current assets /Current liabilities	5.66	4.60
Immediate liquidity indicator	(Current assets- Stocks)/Current liabilities	1.28	1.95
<b>Activity indicators (number of times)</b>			
Turnover rate of fixed assets	Turnover/Fixed assets	0.79	1.21
Turnover rate of total assets	Turnover/ Total asset	0.25	0.34
Debit-clients turnover rate (no, days)	Average balance of receivables/Turnover x 181	90	34
Debt level indicator	Capital borrowed/Own capital x 100	6.43	6.3
<b>Profitability indicators</b>			
Result per base share (RON/share)	Net Profit /No. of shares	(0,0001)	0,0029

## 2. ANALYSIS OF COMPANY'S ACTIVITY

### 2.1. Presentation and analysis of trends, elements, events or uncertainty factors affecting or which could affect the liquidity of the trading company compared with the previous year.

The liquidity of the company is dependent on the liquidity of the farmers, which is influenced by a series of factors dependent on both government policies oriented towards this sector of the economy and weather and climate conditions (especially drought). The first part of 2023 had two essential components that led to the drastic reduction of the investment momentum of farmers. The first of them was due to the unexpectedly low prices of grain prices as a result of the war in Ukraine and the entry on the European market of massive quantities of products from this country.

The second component is represented by the reduced precipitation, totally insufficient to restore the water requirement from the soil. With the exception of relatively small areas in the west, the rest of the country suffered from the lack of these precipitations.

Even in these conditions, the subsidies and measures to support farmers granted by the government remained at a very low level.



## **2.2 Presentation and analysis of the effects of current or prepaid capital expenditures on the financial situation of the trading company compared with the previous year**

The total value of the investments forecast to be made in 2023 is approx. 850 thousand euros (without VAT), for which resources will be allocated both from own and borrowed sources.

The objectives contained in the Investment Program aim to:

- Creation of a photovoltaic system with a power of 400 KWh;
- Replacing or modernizing morally and physically used equipment;
- Purchase of an industrial robot for welding;
- Equipment with molds and SDVs;
- Establishment of a new showroom in Dolj county;
- Modernization of the production hall;
- Replacement of physically used cars;
- Modernization/expansion of hardware and software systems.

In the first semester of 2023, investments were made in the total amount of 99 thousand euros (without VAT), for the objectives included in the Investment Program as follows:

- development of sales and service activity: new car purchases;
- manufacturing preparation for new products, by equipping with devices;
- IT purchases: computers, design software, windows and office;

The rest of the investments to be made in 2023 will be made in the second semester, but their total value will depend decisively on the following factors:

- obtaining co-financing through the PNDR program of the 400 KWh photovoltaic system;
- the evolution of the agricultural machinery market.

## **2.3. Presentation and analysis of events, transactions, economic changes affecting significantly the revenues from the basic activity**

The agricultural machinery market and the agricultural sector in general are permanently influenced by the lack of financing, by the effects of the drought in the areas where it is large, and from this point of view, farmers show a high degree of vulnerability to exposure to internal or external shocks.

The net turnover achieved in the first semester of 2023 is 17,306,614 lei, 22% lower compared to the same period of the previous year.

The sales from the first semester of 2023 were still affected especially by the increase in the prices of raw materials, materials and utilities.



### **3. CHANGES AFFECTING THE COMPANY'S CAPITAL AND MANAGEMENT**

#### **3.1. Conduct of Ordinary and Extraordinary Shareholders' Meetings**

**3.1.1. The Ordinary General Meeting of Shareholders took place on April 20, 2023, where the following agenda items were approved:**

##### **FOR THE ORDINARY GENERAL MEETING:**

1. Presentation, discussion and approval of the Activity Report of the Board of Directors for the year 2022;
2. Presentation, discussion and approval of the individual financial statements for the year 2022, accompanied by the opinion of the independent financial auditor;
3. Approval of the distribution of the net profit achieved in 2022 by destination;
4. Approval of the discharge of administrators for the year 2022;
5. Approval of the administrators' profit participation;
6. Approval of the general remuneration limits for administrators and directors of the company, according to Art. 15318 of Law no. 31/1990 republished and updated;
7. Presentation and submission to the advisory vote of the Remuneration Report for the 2022 financial year
8. Approving the authorization of the General Director to carry out all the necessary documents for the registration of the AGOA decision at the Office of the Trade Registry and to take steps to ensure the publicity of the adopted decisions. The General Director can also mandate other persons to carry out the previously mentioned registrations;

##### **FOR THE EXTRAORDINARY GENERAL MEETING:**

#### **1. Completion of the Company's Articles of Association with the following secondary activities:**

- 4531 Wholesale trade of parts and accessories for motor vehicles
- 4532 Retail trade of parts and accessories for motor vehicles
- 4791 Retail trade through mail order houses or via the Internet

#### **2. Restriction of the object of activity as follows:**

The main activity is:

2830 - Manufacture of machinery and equipment for agriculture and forestry

Secondary activities:

- 1624 - Manufacture of wooden packaging
- 1629 - Manufacture of other wooden products; manufacturing articles from cork, straw and other woven plant materials
- 2453 - Casting of light non-ferrous metals
- 2511 - Manufacture of metal constructions and component parts of metal structures
- 2561 - Treatment and coating of metals
- 2562 - General mechanical operations
- 2573 - Manufacture of tools
- 2829 - Manufacture of other machines and equipment for general use n.e.c.
- 2920 - Production of car bodies; manufacturing of trailers and semi-trailers
- 3312 - Car repair
- 3511 - Electricity production



- 3513 - Electricity distribution
- 3514 - Commercialization of electricity
- 3600 - Catchment, treatment and distribution of water
- 4531 - Wholesale trade of parts and accessories for motor vehicles
- 4532 - Retail trade of parts and accessories for motor vehicles
- 4661 - Wholesale of agricultural machinery, equipment and supplies
- 4677 - Wholesale of waste and scrap
- 4791 - Retail trade through mail order houses or via the Internet
- 6820 - Leasing and subletting of own or leased real estate
- 7219 - Research-development in other natural sciences and engineering
- 7731 - Rental and leasing activities with agricultural machinery and equipment
- 8121 - General cleaning activities of buildings

In case of approval of the amendment of the constitutive act, the rewriting and republishing of the updated version of the Constitutive Act in the Official Gazette of Romania, part IV is approved.

3. Authorization of the President of the Board of Directors to sign the modified and updated form of the Constitutive Act.
4. Empowering the General Director to carry out all the necessary documents for the registration of the AGEA decision at the Office of the Trade Registry and to take steps to ensure the publicity of the adopted decisions. The General Director can also mandate other persons to carry out the previously mentioned registrations.

**3.1.2. The Ordinary General Meeting of Shareholders took place on May 30, 2023, where the following agenda items were approved:**

**FOR THE ORDINARY GENERAL MEETING:**

1. The election of the secretariat of the AGOA meeting among the company's shareholders, in accordance with the provisions of Law no. 31/1990 art. 129, par. (2);
2. Approval of the general remuneration limits for the administrators and directors of the company, according to Art. 15318 of Law no. 31/1990 on companies;
3. Approval of the prescription of dividends related to the financial year 2019 established by the AGOA of 22.04.2020, not raised until 13.07.2023 and their registration in the company's accounting according to the applicable regulations;
4. Approving the authorization of the General Director to carry out all the necessary documents for the registration of the AGOA decision at the Office of the Trade Registry and to take steps to ensure the publicity of the adopted decisions. The general director can also mandate other persons to carry out the previously mentioned registrations;

**Through the half-year report, related to the first semester of 2023, disseminated according to the regulations in force, the Board of Administration presented the priority actions considered in the relevant period, actions in progress. Among the actions initiated by the Board of Directors starting with the second semester of 2023, we particularly mention:**



1. The analyzes carried out on the stage of fulfillment of the Revenue and Expenditure Budget and the measures adopted for the development and modernization of the logistics and distribution activity;
  2. The analyzes carried out on the proposals for equipping with equipment and the approval of the maximum budgets for the re-equipment and redevelopment of Mecanica Ceahlău;
- In accordance with the legal regulations in force and the principles of corporate governance, in the first semester of 2023, the Board of Directors met in 9 meetings, during which it discussed and adopted 21 decisions regarding the company's current activity. The members of the Advisory Committees and the Executive Management made an important contribution to the preparation and holding of the meetings of the Board of Directors.

### **3.2. Description of cases when the company could not observe the financial obligations during the semester I 2023**

During the analyzed period, the company complied with its financial obligations.

### **3.3. Description of any changes regarding the rights of the holders of securities issued by the company**

During the analyzed period there were changes in the shareholding so that on June 30, 2023, according to the registration with the Central Depository, the shareholder structure is the following:

	<b>Number of shares</b>	<b>%</b>
EVERGENT INVESTMENTS SA	175,857,653	73.3020 %
NEW CARPATHIAN FUND	48,477,938	20.2068 %
Legal entities	722,117	0.3010%
Individuals	14,850,752	6.1902%
<b>TOTAL</b>	<b>239,908,460</b>	<b>100.00 %</b>

All holders of securities issued by the company benefitted from equal rights.

## **4. SIGNIFICANT TRANSACTIONS**

**As for the issuers of shares, information concerning the major transactions concluded by the issuer with the persons acting in a concerted way or in which these persons were involved during this relevant period of time.**

In semester I 2023, the company did not conclude major transactions with the persons acting in a concerted way or in which these persons were involved.



PRESIDENT OF THE BOARD OF DIRECTORS,  
Trifa Aurelian Mircea Radu

Chief Executive Officer,  
*Sorin Ion Molesag*

Chief Financial Officer,  
*Gabriela Pepene*

**MECANICA CEHLAU SA**

**FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED AT  
JUNE 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, AS REVISED**

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**MECANICA CEAHLAU SA**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023**  
(all amounts are expressed in "Lei", unless otherwise specified)

	Note	June 30, 2023	December 31, 2022
<b>Assets</b>			
<b>Non-current assets</b>			
Land and land improvements		7,965,277	7,966,393
Construction		6,386,260	6,802,283
Technical installations and means of transport		2,967,895	3,206,502
Other property, plant and equipment		384,144	411,771
Property, plant and equipment in progress		219,171	169,400
<b>Property, plant and equipment</b>	<b>13</b>	<b>17,922,746</b>	<b>18,556,350</b>
<b>Intangible assets</b>			
Other intangible assets		128,496	103,032
Concessions, patents, licenses, trademarks, rights and similar assets		-	-
<b>Intangible assets</b>	<b>14</b>	<b>128,496</b>	<b>103,032</b>
<b>Investment properties</b>	<b>15</b>	<b>1,047,746</b>	<b>898,905</b>
<b>Assets representing rights of use of underlying assets in leases</b>	<b>13</b>	<b>2,784,012</b>	<b>2,271,212</b>
<b>Total non-current assets</b>		<b>21,883,000</b>	<b>21,829,498</b>
<b>Current assets</b>			
Inventories	17	36,462,425	26,665,751
Trade receivables	18	8,330,470	8,787,319
Other receivables	19	350,999	311,234
Prepaid expenses		322,317	63,959
Financial assets measured at fair value through the profit and loss	20	283,229	275,441
Financial assets at amortised cost	20	1,032,755	5,105,165
Cash, current accounts and deposits with banks	20	305,089	5,421,355
Assets classified as held for sale	16	-	362,419
<b>Total current assets</b>		<b>47,087,284</b>	<b>46,992,643</b>
<b>Total assets</b>		<b>68,970,284</b>	<b>68,822,141</b>
<b>Equity</b>			
Share capital	21a	23,990,846	23,990,846
Legal reserves	21c	2,983,701	2,983,701
Revaluation reserves		8,631,175	8,887,985
Retained earnings	21b	17,928,321	17,650,294
<b>Total equity</b>		<b>53,534,043</b>	<b>53,512,827</b>

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

**MECANICA CEHLAU SA**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023**  
(all amounts are expressed in "Lei", unless otherwise specified)

	Note	June 30, 2023	December 31, 2022
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term loans	22	2,887,886	123,842
Lease liabilities	23	2,134,436	1,761,800
Provision for pensions	24	117,877	127,083
Deferred tax liabilities	12	1,975,457	1,837,449
<b>Total non-current liabilities</b>		<b>7,115,656</b>	<b>3,850,174</b>
<b>Current liabilities</b>			
Short-term loans	22	273,346	297,235
Lease liabilities	23	603,348	492,272
Trade payables	25	5,659,583	7,774,502
Other payables	26	1,723,972	2,834,797
Provisions for risks and charges	24	60,335	60,335
<b>Total current liabilities</b>		<b>8,320,585</b>	<b>11,459,141</b>
<b>Total liabilities</b>		<b>15,436,241</b>	<b>15,309,315</b>
<b>Total equity and liabilities</b>		<b>68,970,284</b>	<b>68,822,141</b>

The financial statements were authorized for approval by the Board of Directors on August 9, 2023 and were signed on its behalf by:

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

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

**MECANICA CEHLAU SA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023**  
(all amounts are expressed in "Lei", unless otherwise specified)

	Note	Year ended June 30, 2023	Year ended June 30, 2022
Turnover	5	17,306,614	22,333,401
Expenses with stocks		(10,089,684)	(14,668,234)
		<b>7,216,930</b>	<b>7,665,167</b>
Other operating income	6	181,468	216,437
Utility expenses		(624,779)	(380,860)
Expenses with salaries, contributions and other similar charges	7	(4,215,835)	(3,948,798)
Other administrative expenses	8	(1,556,470)	(1,432,345)
Other operating expenses	9	(305,014)	(205,823)
Amortization/Depreciation and impairment expenses for fixed assets and depreciation expenses for assets related to the rights of use of leased assets	13, 14	(1,165,022)	(859,853)
Gains/(losses) from the revaluation of assets held for sale		-	-
Gains/(losses) from the revaluation of investment properties		-	-
Gains/(losses) from disposal of non-current assets		166,081	6,723
Gains/(losses) from the revaluation of property, plant and equipment		-	-
Adjustment of the value of current assets	17	488,504	83,520
Adjustments of provisions	25	9,206	517,001
<b>Total operating expenses</b>		<b>(7,203,328)</b>	<b>(6,220,435)</b>
<b>Result of operating activities</b>		<b>195,071</b>	<b>1,661,168</b>
Interest income		126,572	79,667
Gain from the revaluation of financial assets measured at fair value through profit or loss		7,787	1,509
Expenses with interest and discounts granted		(106,426)	(168,965)
Foreign exchange losses		(63,780)	(14,180)
<b>Net financial result</b>	10	<b>(35,846)</b>	<b>(101,970)</b>
<b>Pre-tax result</b>		<b>159,225</b>	<b>1,559,198</b>
Current and deferred income tax expense	11	(186,925)	(154,564)
<b>Results from continued operations</b>		<b>(27,700)</b>	<b>1,404,634</b>

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

**MECANICA CEHLAU SA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023**  
(all amounts are expressed in "Lei", unless otherwise specified)

	Year ended June 30, 2023	Year ended June 30, 2022
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified later into profit or loss</b>		
Deferred tax capital	48,916	30,054
Increases/ (Decreases) of revaluation reserves, net	-	-
<b>Other comprehensive income, after tax</b>	<b>48,916</b>	<b>30,054</b>
<b>Total comprehensive income for the period</b>	<b>21,216</b>	<b>1,434,689</b>
<b>Profit/(loss) attributable</b>	<b>(27,700)</b>	<b>1,404,634</b>
Number of shares	239,908,460	239,908,460
Basic earnings per share	(0.0001)	0.0059

The financial statements were authorized for approval by the Board of Directors on August 9, 2023 and were signed on his behalf by:

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

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

**MECANICA CEHLAU SA**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

	Share capital	Legal reserves	Revaluation reserves, net of deferred tax	Retained earnings	Total equity
<b>Balance at December 31, 2022</b>	<b>23,990,846</b>	<b>2,983,701</b>	<b>8,887,985</b>	<b>17,650,294</b>	<b>53,512,827</b>
Set-up of legal reserves from profit during the period	-	-	-	-	-
Transfer to retained earnings corresponding to the surplus realised from revaluation reserves	-	-	(305,727)	305,727	-
<b>Transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>(305,727)</b>	<b>305,727</b>	<b>-</b>
<b>Other comprehensive income</b>					
Net (loss)/profit for the year	-	-	-	(27,700)	27,700
Increases / (decreases) of revaluation reserves, net	-	-	-	-	-
Deferred income tax on account of equity, net changes	-	-	48,916	-	48,916
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>48,916</b>	<b>(27,700)</b>	<b>21,216</b>
Dividends distributed to shareholders	-	-	-	-	-
<b>Balance at June 30, 2023</b>	<b>23,990,846</b>	<b>2,983,701</b>	<b>8,631,174</b>	<b>17,928,321</b>	<b>53,534,043</b>

Details of revaluation reserves are included in Note 20b, and those for legal reserves in note 20c.

The financial statements were authorized for approval by the Board of Directors on August 9, 2023 and were signed on its behalf by:

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

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

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

**MECANICA CEHLAU SA**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

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

Details of revaluation reserves are included in Note 20b, and those for legal reserves in note 20c.

The financial statements were authorized for approval by the Board of Directors on August 9, 2023 and were signed on its behalf by:

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

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

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

**MECANICA CEAHLAU SA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023**  
(all amounts are expressed in "Lei", unless otherwise specified)

Direct method	Year ended June 30, 2023	Year ended June 30, 2022
<b>Cash flows from operating activities:</b>		
Receipts from customers	21,805,469	25,695,311
Receipts from other debtors	456,711	453,093
Payments to suppliers	(27,053,955)	(24,990,275)
Payments to employees	(2,749,629)	(2,277,081)
Payments to the State budget	(3,603,341)	(3,059,911)
Payments to sundry lenders	(107,255)	(205,449)
<b>Cash generated by / (used in) operating activities</b>	<b>(11,252,000)</b>	<b>(4,383,713)</b>
Income tax paid	-	-
<b>Net cash generated by operations</b>	<b>(11,252,000)</b>	<b>(4,383,713)</b>
<b>Cash flows from investing activities</b>		
Interest received	202,560	64,597
Acquisitions of property, plant and equipment	(378,353)	(644,917)
Deposits with maturity >3 months	4,000,000	-
<b>Net cash generated by / (used in) investments</b>	<b>(3,824,208)</b>	<b>(580,320)</b>
<b>Cash flows from financing activities</b>		
Short-term loan receipts	3,000,000	-
Repayment of loans	(260,403)	(148,561)
Interest paid	(37,845)	(8,607)
Payment of financial lease liabilities	(353,497)	(265,583)
Dividends paid	-	-
<b>Net cash used in financing activities</b>	<b>2,348,256</b>	<b>(422,750)</b>
<b>Net increase/(decrease) of cash and cash equivalents</b>	<b>(5,079,536)</b>	<b>(5,386,782)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>5,421,355</b>	<b>12,829,217</b>
Foreign exchange differences	(36,730)	(18,007)
<b>Cash and cash equivalents at the end of the period</b>	<b>305,089</b>	<b>7,424,428</b>

The financial statements were authorized for approval by the Board of Directors on August 9, 2023 and were signed on its behalf by:

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

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

**MECANICA CEHLĂU SA**  
**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

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**1. REPORTING ENTITY**

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

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

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

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

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

The shareholding structure at June 30, 2023 is:

<b>June 30, 2023</b>	<b>Number of shares</b>	<b>Amount (lei)</b>	<b>%</b>
Evergent Investments SA	175,857,653	17,585,765	73.3020
New Carpathian Fund	48,477,938	4,847,794	20.2068
<i>Other shareholders, of which:</i>			
- legal persons	722,117	72,212	0.3010
- natural persons	14,850,752	1,485,075	6.1902
<b>TOTAL</b>	<b>239,908,460</b>	<b>23,990,846</b>	<b>100.00</b>

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

**2. THE BASES OF PREPARATION**

**a. Statement of compliance**

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

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

The financial statements for the financial year ended June 30, 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, at June 30, 2022 for 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 August 9, 2023.



**MECANICA CEHLAU SA**  
**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

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

**b. Presentation of financial statements**

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

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

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

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

**c. Bases of measurement**

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

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

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

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

**d. Functional and presentation currency**

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

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

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

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

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

**MECANICA CEAHLAU SA**  
**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

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

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

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

- Note 18 - Trade receivables

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

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

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

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

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

(See Note 5 - Income).

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

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

**MECANICA CEHLAU SA**  
**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

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**3. SIGNIFICANT ACCOUNTING POLICIES**

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

**a. Transactions in foreign currency**

The operations expressed in foreign currency are recorded in RON at the official exchange rate communicated by the National Bank of Romania ("NBR") for the date of transactions. The balances in foreign currency are converted into lei at the exchange rates communicated by the National Bank of Romania at June 30, 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:

<b>Currency</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>	<b>Variation</b>
Euro (EUR)	EUR 1: LEU 4.9634	EUR 1: LEU 4.9454	1.00%
US dollar (USD)	USD 1: LEU 4.5750	USD 1: LEU 4.7424	0.96%

**b. Cash and cash equivalents**

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

**c. Financial assets and financial liabilities**

**(i) Classification of financial assets**

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

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

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

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

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

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

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

**MECANICA CEHLAU SA**  
**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

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

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

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

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

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

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

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

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

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

- To collect contractual cash flows:

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

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

- To collect contractual cash flows and for sale:

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

- Other business models:

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

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

**Receivables**

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

**MECANICA CEAHLAU SA**  
**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023**  
**(all amounts are expressed in "Lei", unless otherwise specified)**

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

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

***Receivables (continued)***

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

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

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

***Financial liabilities***

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

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

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

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

***(ii) Recognition***

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

***(iii) Offsets***

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

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

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

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

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

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

**(v) Fair value measurement**

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

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

*Financial assets measured at amortised cost*

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

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

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

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

**(vii) Derecognition**

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

**d. Property, plant and equipment**

**(i) Recognition and evaluation**

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

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

The value of the Company's property, plant and equipment at June 30, 2023 and December 31, 2022 is detailed in **Note 13**. Property, plant and equipment are classified by the Company into the following classes of assets of the same nature and with similar uses:

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

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

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

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

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

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

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

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

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

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

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

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

**(ii) Reclassification in investment property**

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

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

**(iii) Subsequent costs**

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

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

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

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

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

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

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

Non-current assets under construction are not depreciated.

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

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

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

**e. Intangible assets**

**(i) Recognition and evaluation**

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

**(ii) Subsequent costs**

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

**(iii) Amortisation of intangible assets**

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

**f. Investment properties**

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

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

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

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



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

**f. Investment property (continued)**

**(i) Recognition**

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

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

**(ii) Valuation**

**Initial valuation**

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

The value of the Company's investment properties at June 30, 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) Impairment**

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

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

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

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

**g. Assets held for sale**

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

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

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

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

**h. Inventories**

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

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

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

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

**i. Impairment**

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

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

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

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

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

**i. Impairment (continued)**

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

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

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

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

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

Thus:

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

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

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

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

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

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

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

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

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

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

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

**i. Impairment (continued)**

**(ii) Non-financial assets**

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

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

**j. Employee benefits**

**(i) Defined contribution plans**

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

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

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

**(ii) Short-term benefits**

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

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

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

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

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

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

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

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

**j. Provisions for risks and charges**

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

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

**(i) Guarantees**

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

**(ii) Employee benefits**

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

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

**(iii) Litigation**

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

**(iv) Other provisions**

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

Provisions for future operating losses shall not be recognised.

**k. Revenues from contracts with customers**

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

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

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

Step 1: Identify contracts with customers;

Step 2: Identify the obligations resulting from these contracts;

Step 3: Determine the transaction price;

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

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

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

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

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

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

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

**l. Rental income**

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

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

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

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

**m. Government subsidies**

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

**n. Suppliers and assimilated accounts**

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

**o. Interest income and expenses**

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

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

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

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

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

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

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

*Initial recognition and evaluation*

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

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

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

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

*Initial evaluation of the lease liability*

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

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

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

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

*Subsequent evaluation of the lease liability*

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

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

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

*Derogations from recognition*

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

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

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



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

**r. Contingent liabilities**

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

**s. Income tax**

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

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

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

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

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

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

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

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

The current corporate tax rate in Romania is 16%.

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

**t. Earnings per share**

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

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

**u. Share capital**

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

**v. Dividends**

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

**w. Dividends prescribed**

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

**x. The going concern principle**

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

**y. Associated entities**

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

The Company owns at June 30, 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:

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

**z. Segment reporting**

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

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

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

**aa. Applicable accounting policies**

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

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

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

The Company considers that the adoption of these amendments did not have a significant impact on its annual financial statements. The following standards and amendments to existing standards issued by the IASB and adopted by the EU are not in force at June 30, 2023:

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

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

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

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

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

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

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**4. FAIR VALUE MEASUREMENT**

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

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

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

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

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

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

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**5. INCOME**

	<b>The exercise ended on June 30, 2023</b>	<b>The exercise ended on June 30, 2022</b>
Gross income from the sale of goods	17,362,420	22,553,715
Trade discounts granted to distributors	(195,543)	(296,749)
<b>Net income from the sale of goods</b>	<b>17,166,877</b>	<b>22,256,966</b>
Income from the sale of residual products	76,723	34,601
Provision of services	63,014	41,834
<b>Total net turnover</b>	<b>17,306,614</b>	<b>22,333,401</b>

The gross turnover of the Company registered at June 30, 2023 is 17,362,420 Lei (at June 30, 2022: 22,553,715 lei), of which 521,252 Lei for export (at June 30, 2022: 73,607 Lei) and 16,841,168 Lei domestically (June 30, 2022: 22,480,108 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 195,543 Lei at June 30, 2023 respectively 296,749 Lei at June 30, 2022 resulting in a net turnover in amount of 17,166,877 Lei at June 30, 2023 and 22,256,966 Lei at June 30, 2022. 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 30.06.2023 and 30.06.2022.

Compared to the same period of the previous year, the net turnover of the Company registered a decrease of 23%.

1. Negative effects in increasing turnover

The entire product portfolio has been revised, some of which being removed from production, and some have been modernized. In parallel, new generation products (harrows with independent plates, combiners, seeders, etc.) were designed, tested and put on the market, but the internal conditions on the agri-business market are damaged by the low prices for grains in Ukraine.

2. Negative effects of the military operations against Ukraine

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

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

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

3. Other negative effects

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

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

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**6. OTHER OPERATING INCOME**

	<b>Year ended June 30, 2023</b>	<b>Year ended June 30, 2022</b>
Income from compensation and penalties	14,126	8,384
Income from rental of investment properties	158,341	155,636
Other operating income	9,001	52,417
<b>Total other income</b>	<b>181,468</b>	<b>216,437</b>

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

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

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

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

	<b>Year ended June 30, 2023</b>	<b>Year ended June 30, 2022</b>
Expenses with salaries	2,933,240	2,805,955
Expenses with salary contributions	154,585	123,966
Expenses with holidays not taken	-	(9,631)
Expenses related to vouchers granted	152,706	102,812
Other benefits granted to employees	-	1,454
Expenses related to the indemnity of the members of the Board of Directors	295,594	295,863
Expenses related to the executive management's allowance	679,710	628,380
Income from operating subsidies for the payment of staff	-	-
<b>Total</b>	<b>4,215,835</b>	<b>3,948,798</b>
<b>Average number of employees</b>	<b>92</b>	<b>79</b>

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

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

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**8. OTHER ADMINISTRATIVE EXPENSES**

	<b>Year ended June 30, 2023</b>	<b>Year ended June 30, 2022</b>
Maintenance and repair costs	185,029	179,716
Royalties, management leases and rentals	16,319	11,406
Insurance premiums	53,406	28,161
Professional fees	-	10,208
Entertainment, advertising and publicity expenses	172,005	43,594
Transport of goods and personnel	323,854	315,204
Travel, secondments and transfers	108,842	70,930
Postal expenses and telecommunication fees	29,241	29,943
Banking services and assimilated	50,402	27,654
Internal and external audit services	793	21,367
Other expenses with third-party services	616,577	694,161
<b>Total</b>	<b>1,556,470</b>	<b>1,432,345</b>

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

**9. OTHER OPERATING EXPENSES**

	<b>Year ended June 30, 2023</b>	<b>Year ended June 30, 2022</b>
Expenses with taxes, fees and assimilated	126,150	143,782
Expenses with fines and penalties	1,125	6,157
Other operating expenses	177,739	68,198
<b>Total</b>	<b>305,014</b>	<b>205,823</b>

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**10. NET FINANCIAL RESULT**

	<b>Year ended June 30, 2023</b>	<b>Year ended June 30, 2022</b>
Interest income	126,572	79,667
Net gains on financial assets	7,787	1,509
<b>Total financial income</b>	<b>134,360</b>	<b>81,176</b>
Interest expense	72,952	36,241
FX losses	63,780	14,180
Other financial expenses	33,473	132,725
<b>Total financial expenses</b>	<b>170,206</b>	<b>183,146</b>
<b>Net financial result</b>	<b>(35,846)</b>	<b>(101,970)</b>

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

The net gain on financial assets held at fair value through profit or loss is the increase in value of the fund units held as a result of the measurement at June 30, 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 June 30, 2023 is 111,034 Lei and the value of expenses from exchange rate differences is 174,814 Lei.

Other financial expenses represent financial discounts granted to customers.

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

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

	<b>Year ended June 30, 2023</b>	<b>Year ended June 30, 2022</b>
<b>Income tax</b>		
Current income tax	-	-
Deferred income tax expense	186,925	154,564
<b>Total income tax expense</b>	<b>186,925</b>	<b>154,564</b>



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**12. DEFERRED TAX ASSETS AND LIABILITIES**

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

At June 30, 2023, the elements of time differences are determined for the following components of the statement of financial position:

	<b>ASSETS</b>	<b>LIABILITIES</b>	<b>NET</b>
Property, plant and equipment	-	1,337,668	1,337,668
Provisions and adjustments	3,651,531	-	(3,651,531)
Revaluation reserves	-	14,307,336	14,307,336
Reserves from tax incentives	-	353,133	353,133
<b>Total</b>	<b>3,651,531</b>	<b>15,998,137</b>	<b>12,346,606</b>
Net temporary differences – 16% rate	-	-	12,346,606
<b>Deferred tax liabilities</b>	-	-	<b>1,975,457</b>

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

	<b>ASSETS</b>	<b>LIABILITIES</b>	<b>NET</b>
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
<b>Total</b>	<b>4,828,280</b>	<b>16,312,333</b>	<b>11,484,053</b>
Net temporary differences – 16% rate	-	-	11,484,053
<b>Deferred tax liabilities</b>	-	-	<b>1,837,449</b>

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

<b>COST</b>	<b>Land, land improvement and buildings</b>	<b>Technical installations and vehicles</b>	<b>Other property, plant and equipment</b>	<b>Property, plant and equipment in progress</b>	<b>Right-of-use assets in leases</b>	<b>Total</b>
<b>Balance at December 31, 2022</b>	<b>14,850,180</b>	<b>15,801,610</b>	<b>601,655</b>	<b>169,400</b>	<b>3,129,704</b>	<b>34,552,549</b>
Additions of fixed assets	-	61,834	11,318	61,088	788,984	923,224
Of which, transfers from non-current assets in progress	-	-	-	-	-	-
Revaluation increases	-	-	-	-	-	-
Disposals of fixed assets	111,711	58,049	-	11,318	-	181,077
Reclassifications to right-of-use assets of underlying assets in leases	-	-	-	-	-	-
Revaluation decreases	-	-	-	-	-	-
Reversal of accumulated depreciation	-	-	-	-	-	-
<b>Balance at June 30, 2023</b>	<b>14,961,891</b>	<b>15,805,395</b>	<b>612,973</b>	<b>219,171</b>	<b>3,918,688</b>	<b>35,294,696</b>
<b>ACCUMULATED DEPRECIATION</b>						
<b>Balance at December 31, 2022</b>	<b>-</b>	<b>12,476,739</b>	<b>189,884</b>	<b>-</b>	<b>858,492</b>	<b>13,525,115</b>
Depreciation charges	528,850	310,305	38,945	-	276,184	1,154,284
Reclassifications to right-of-use assets of underlying assets in leases	-	-	-	-	-	-
Reversal of accumulated depreciation	-	-	-	-	-	-
Accumulated depreciation of disposals	-	58,049	-	-	-	58,049
<b>Balance at June 30, 2023</b>	<b>528,850</b>	<b>12,728,995</b>	<b>228,829</b>	<b>-</b>	<b>1,134,676</b>	<b>14,737,448</b>
<b>IMPAIRMENT ALLOWANCES</b>						
<b>Balance at December 31, 2022</b>	<b>81,504</b>	<b>118,369</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>199,873</b>
Adjustments made during the year	-	-	-	-	-	-
Reversals of impairment allowances	-	(9,864)	-	-	-	(9,864)
<b>Balance at June 30, 2023</b>	<b>81,504</b>	<b>108,505</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>190,009</b>
<b>CARRYING AMOUNT</b>						
<b>Balance at December 31, 2022</b>	<b>14,768,676</b>	<b>3,206,502</b>	<b>411,771</b>	<b>169,400</b>	<b>2,271,212</b>	<b>20,827,561</b>
<b>Balance at June 30, 2023</b>	<b>14,351,537</b>	<b>2,967,895</b>	<b>384,144</b>	<b>219,171</b>	<b>2,784,012</b>	<b>20,706,758</b>

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

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

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

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).

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

At June 30, 2023, the Company analysed the existence of impairment indicators of the fixed assets under management. As a result of the procedures performed, the Company's management considers that at this time there were no indicators of impairment.

**(i) Revaluation**

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

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

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

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

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

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

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

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

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

**(i) Revaluation (continued)**

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

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

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

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

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**13. INTANGIBLE ASSETS**

	Patents, licenses and trademarks	Other fixed assets	Total
<b>COST</b>			
Balance at December 31, 2022	528,327	966,659	1,494,986
Purchases	-	46,066	46,066
<b>Balance at June 30, 2023</b>	<b>528,327</b>	<b>1,012,725</b>	<b>1,541,052</b>
<b>ACCUMULATED AMORTISATION</b>			
Balance at December 31, 2022	528,327	863,627	1,391,954
Amortisation during the year	-	20,602	20,602
<b>Balance at June 30, 2023</b>	<b>528,327</b>	<b>884,229</b>	<b>1,412,556</b>
<b>IMPAIRMENT ALLOWANCE</b>			
Balance at December 31, 2022	-	-	-
Reversal of impairment allowances	-	-	-
<b>Balance at June 30, 2023</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CARRYING AMOUNT</b>			
Balance at December 31, 2022	-	103,032	103,032
<b>Balance at June 30, 2023</b>	<b>-</b>	<b>128,496</b>	<b>128,496</b>

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**13. INTANGIBLE ASSETS (continued)**

	Patents, licenses and trademarks	Other fixed assets	Total
<b>COST</b>			
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
<b>ACCUMULATED AMORTISATION</b>			
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
<b>IMPAIRMENT ALLOWANCE</b>			
Balance at December 31, 2021	-	-	-
Reversal of impairment allowances	-	-	-
Balance at December 31, 2022	-	-	-
<b>CARRYING AMOUNT</b>			
Balance at December 31, 2021	2,068	40,890	42,959
Balance at December 31, 2022	-	103,032	103,032

The intangible assets as at June 30, 2023, in net amount of 128,496 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.

**Amortisation of intangible assets**

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

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**14. INVESTMENT PROPERTIES**

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Net value	1,047,748	898,905
	<b>June 30, 2023</b>	<b>December 31, 2022</b>
<b>Opening balance</b>	<b>898,905</b>	<b>458,477</b>
Acquisitions / Reclassification of investment properties	148,841	-
Outflows/Reclassifications into assets held for sale	-	-
Changes in fair value	-	440,428
<b>Closing balance</b>	<b>1,047,746</b>	<b>898,905</b>

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

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

The value of rental income as at June 30, 2023 was 158,341 Lei, and of 155,636 Lei at June 30, 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 June 30, 2023 and June 30, 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.



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**15. ASSETS HELD FOR SALE**

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
<b>Opening balance</b>	<b>362,419</b>	<b>383,907</b>
Acquisitions/reclassifications	(148.841)	-
Sales	(213.578)	-
Changes in fair value	-	(21,488)
<b>Closing balance</b>	<b>-</b>	<b>362,419</b>

At June 30, 2023, the Company does not own for sale assets.

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.

**16. INVENTORIES**

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Raw materials and materials	5,069,430	3,155,416
Work in progress	3,740,040	1,371,093
Semi-finished goods	105,709	91,575
Finished products	15,699,276	13,008,683
Merchandise	11,847,971	9,038,984
<b>Inventories at net value</b>	<b>36,462,425</b>	<b>26,665,751</b>

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

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

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

At June 30, 2023, the value of the impairment allowance for inventories is 703,118 Lei (December 31, 2022: 907,710 Lei).

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**17. TRADE RECEIVABLES**

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Trade receivables – Stages 1 and 2	8,773,520	9,239,035
Impairment allowances for trade receivables – Stages 1 and 2	(443,050)	(451,716)
<b>Net receivables – Stages 1 and 2</b>	<b>8,330,470</b>	<b>8,787,319</b>
Trade receivables – Stage 3	1,808,418	2,071,359
Impairment allowances for trade receivables – Stage 3	(1,808,418)	(2,071,359)
<b>Net receivables – Stage 3</b>	<b>-</b>	<b>-</b>
<b>Net, total trade receivables</b>	<b>8,330,470</b>	<b>8,787,319</b>

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

At June 30, 2023, net trade receivables in amount of 8,330,470 Lei (December 31, 2022: 8,787,319 Lei) are considered fully performing.

At June 30, 2023, the Company received from customers promissory notes and cheques in amount of 491,387 Lei (December 31, 2022: 530,820 Lei) according to the contractual clauses. The value of the receivables covered by promissory notes and cheques are recorded off-balance sheet.

At June 30, 2023, the Company set up allowance for the impairment of trade receivables in total amount of 2,251,468 Lei (December 31, 2022: 2,523,075 Lei). Impairments were recognised based on the application of the Expected Credit Loss model under IFRS 9.

Individual evaluation:

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

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

	<b>Impairment June 30, 2023</b>	<b>Gross value June 30, 2023</b>	<b>Impairment December 31, 2022</b>	<b>Gross value December 31, 2022</b>
Overdue over 180 days	1,808,418	1,808,418	2,080,025	2,071,359
Collective evaluation:				
	<b>Impairment June 30, 2023</b>	<b>Gross value June 30, 2023</b>	<b>Impairment December 31, 2022</b>	<b>Gross value December 31, 2022</b>
Not overdue	266,712	7,848,666	266,711	7,660,806
Overdue between 0 and 30 days	10,915	439,154	10,915	642,068
Overdue between 31 and 60 days	20,017	89,724	20,018	177,539
Overdue between 61 and 90 days	142,060	221,667	142,060	731,829
Overdue over 90 days	3,346	174,308	3,346	26,793
	<b>443,050</b>	<b>8,773,520</b>	<b>443,050</b>	<b>9,239,035</b>

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**18. OTHER RECEIVABLES**

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Sundry debtors	444,684	322,108
Other receivables (bank interests, contributions and VAT)	20,133	121,988
Tax recoverable	-	-
Adjustment for other receivables – sundry debtors	(113,817)	(132,861)
<b>Total</b>	<b>350,999</b>	<b>311,234</b>

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

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

In order to cover the risk of non-recovery of certain categories of receivables – sundry debtors, the Company registered allowances for the impairment of sundry debtors in amount of 113,861 Lei.

	<u>Impairment</u>	<u>Gross value</u>	<u>Impairment</u>	<u>Gross value</u>
	<u>June 30, 2023</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>December 31, 2022</u>
Overdue over 180 days	113,817	113,817	132,861	132,861

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

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Cash	11,139	5,199
Current accounts	293,950	5,416,156
Bank deposits with maturity up to 3 months	-	-
Expected credit loss	-	-
<b>Cash and current accounts – gross amount</b>	<b>305,089</b>	<b>5,421,355</b>

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

**(ii) Deposits placed with banks**

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Bank deposits with maturity of more than 3 months	1,000,000	5,000,000
Attached interest	33,030	109,018
Expected credit loss	(276)	(3,853)
<b>Total deposits placed with banks</b>	<b>1,032,755</b>	<b>5,105,165</b>

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

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

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Financial assets – Fund units	283,229	275,441
Equity securities and fair value adjustment of shares in Transport Ceahlau SRL	-	-
<b>Total</b>	<b><u>283,229</u></b>	<b><u>275,441</u></b>

The Company owns at June 30, 2023 investments in fund units, at fair value, as follows:

<u>Fund type</u>	<u>Fund management company</u>	<u>Number of fund units</u>	<u>Value of fund units</u>
Open-end investment fund BT OBLIGATIUNI	BT Asset Management	13,591	283,229

The shares of Transport Ceahlau SRL are fully adjusted.

**20. CAPITAL AND RESERVES**

**a. Share capital**

<b>Share capital subscribed and paid up at June 30, 2023</b>	<b><u>23,990,846 Lei</u></b>
<b>Number of shares subscribed and paid up at June 30, 2023</b>	<b><u>239,908,460 shares</u></b>
Nominal value of a share	0.10 Lei
Characteristics of shares issued, subscribed and paid up	Ordinary, nominative, dematerialized

The Company's securities (shares) are registered and traded in the Standard category of the Bucharest Stock Exchange. All shares confer the same voting rights. At June 30, 2023, the share capital of the Company was not modified in the sense of increase or decrease.

The share capital registered at June 30, 2023 is 23,990,846 Lei.

The shareholding structure of the Company is:

<u>June 30, 2023</u>	<u>Number of shares</u>	<u>Amount (lei)</u>	<u>%</u>
Evergent Investments SA – formerly SIF Moldova	175,857,653	17,585,765	73.3020
New Carpathian Fund	48,477,938	4,847,794	20.2068
<i>Other shareholders, of which:</i>			
- legal persons	803,720	80,372	0.335
- natural persons	14,769,149	1,476,915	6.1562
<b>TOTAL</b>	<b><u>239,908,460</u></b>	<b><u>23,990,846</u></b>	<b><u>100.00</u></b>

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

**a. Share capital (continued)**

June 30, 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
<i>Other shareholders, of which:</i>			
- legal persons	722,117	72,212	0.3010
- natural persons	14,850,752	1,485,075	6.1902
<b>TOTAL</b>	<b>239,908,460</b>	<b>23,990,846</b>	<b>100.00</b>

**b. Reserves**

	June 30, 2023	December 31, 2022
Reserves from the revaluation of property, plant and equipment	10,339,823	10,645,550
Deferred income tax recognised on account of reserves	(1.708.649)	(1,757,565)
<b>TOTAL</b>	<b>8,631,175</b>	<b>8,887,985</b>

	June 30, 2023	December 31, 2022
Retained earnings representing the surplus realised from gross revaluation reserves	3,957,513	3,957,513
Deferred income tax related to realized and untaxed revaluation reserves	(634,802)	(634,802)
Retained earnings representing the surplus realised from net revaluation reserves	7,650,570	7,344,843
Retained earnings representing unallocated profit / (uncovered loss)	1,057,478	1,085,178
Other reserves distributed from profit, non-taxable	5,059,940	5,059,940
Other taxable reserves	827,622	827,622
<b>TOTAL</b>	<b>17,928,321</b>	<b>17,650,294</b>

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

**c. Legal reserves**

The Company distributes to legal reserves 5% of the profit before tax, up to the limit of 20% of the share capital. These amounts are deducted from the taxable amount when calculating corporate tax. The value of the legal reserve at June 30, 2023 is 2,983,701 Lei (December 31, 2022: 2,983,701 lei).

Legal reserves cannot be distributed to shareholders.

**d. Dividends**

In 2023, respectively in 2022, no dividends were allocated or distributed.

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

**is. Earnings per share**

The earnings per share are calculated by dividing the net loss attributable to the shareholders of the Company at June 30, 2023 in amount of 27.700 Lei (December 31, 2022: 1,856,097 Lei) by the number of ordinary outstanding shares of 239,908,460 shares (December 31, 2022: 239,908,460 shares).

<b>Profit attributable to ordinary shareholders</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Profit (Loss) of the period	(27,700)	1,856,097
Number of ordinary shares	239,908,460	239,908,460
Earnings per share	(0.0001)	0.0077

**21. LOANS**

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Long-term bank loans	2,887,886	123,842
Short-term bank loans (up to 1 year)	273,346	297,235
<b>Total bank loans</b>	<b>3,161,232</b>	<b>421,077</b>

The tables below present detailed information on the loans contracted by the Company at June 30, 2023 and December 31, 2022:

<b>June 30, 2023</b>				
<b>Type of credit</b>	<b>Loan balance (Lei)</b>	<b>Account currency</b>	<b>Annual interest rate (%)</b>	<b>Final maturity of the loan</b>
Investment	273,346	EUR	EURIBOR 6 luni +2,5%	20/05/2024
Credit line	2,887,886	RON	Euribor 3 luni + 1.5%	15/05/2025
<b>Total</b>	<b>3,161,232</b>			
<b>December 31, 2022</b>				
<b>Type of credit</b>	<b>Loan balance (Lei)</b>	<b>Account currency</b>	<b>Annual interest rate (%)</b>	<b>Final maturity of the loan</b>
Investment	421,077	EUR	EURIBOR 6 months +2.5%	20/05/2024
<b>Total</b>	<b>421,077</b>			

At June 30, 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 a credit line of 3,000,000 lei. The investment loan is secured by the security mortgage on the above-mentioned asset.

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**22. LEASE LIABILITIES**

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
<b>Lease liabilities</b>		
Liabilities arising from leases (over 5 years)	217,150	415,658
Liabilities arising from leases (between 1 year and 5 years)	1,917,285	1,346,142
Liabilities arising from leases (up to 1 year)	603,348	492,272
<b>Total</b>	<b>2,737,784</b>	<b>2,254,072</b>

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

**23. PROVISIONS FOR RISKS AND CHARGES**

	<b>Returns and other provisions</b>	<b>Employee benefits - pensions</b>	<b>Total</b>
<b>Balance at December 31, 2022</b>	<b>60,335</b>	<b>127,083</b>	<b>187,418</b>
Provisions established during the period	-	-	-
Provisions reversed during the period	-	9,206	9,206
Provisions reclassified in trade and other payables	-	-	-
<b>Balance at June 30, 2023</b>	<b>60,335</b>	<b>117,878</b>	<b>178,212</b>
Long-term	-	117,878	117,878
Current	60,335	-	60,335
	<b>Returns and other provisions</b>	<b>Employee benefits - pensions</b>	<b>Total</b>
<b>Balance at December 31, 2021</b>	<b>811,662</b>	<b>142,704</b>	<b>954,364</b>
Provisions established during the period	1,469,384	29,022	1,498,407
Provisions reversed during the period	1,479,414	44,643	1,524,057
Provisions reclassified in trade and other payables	741,297	-	741,297
<b>Balance at December 31, 2022</b>	<b>60,335</b>	<b>127,083</b>	<b>187,418</b>
Long-term	-	127,083	127,083
Current	60,335	-	60,335

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

**Warranties**

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

**Employee benefits – pension provision**

The provisions in amount of 117,878 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.

**24. TRADE PAYABLES**

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Internal and external suppliers	5,453,440	7,908,981
Payables for distributors' commissions	41,145	81,197
Investment providers	94,939	60,920
Suppliers – invoices not received	70,058	(276,596)
<b>Total</b>	<b>5,659,583</b>	<b>7,774,502</b>

**25. OTHER PAYABLES**

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Salaries and related social contributions	634,060	1,216,297
Other debts (VAT payment and guarantees)	702,903	1,187,709
Dividends to be paid	285,409	285,409
Advances received	101,601	145,382
<b>Total</b>	<b>1,723,972</b>	<b>2,834,797</b>

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

In 2023, no dividends were allocated or distributed and no prescribed dividends were recorded.



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**26. CASH FLOW INFORMATION**

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

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

In the context of preparing the Statement of Cash Flows:

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

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

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

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

Thus, in 2023:

- receipts from sundry customers and debtors amounted to 22,262,180 Lei;
- payments to suppliers and employees and sundry creditors amounted to 29,910,839 Lei;
- taxes and fees payments to the State Budget amounted to 3,603,341 Lei.

The operating activity generated in 2023 a cash deficit of 11,252,000 Lei.

Payments for the purchase of tangible and intangible assets amounted to 378,353 Lei.

The interest receipts related to deposits placed with banks amounted to 202,560 Lei.

The investment activity generated in 2023 a cash surplus of 3,824,208 Lei.

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

The Company repaid the instalments for 2023 for the investment loan and paid the debts related to the leases.

The financing activity generated in 2023 a cash surplus of 2,348,256 Lei.

The level of cash and cash equivalents registered at 31.06.2013 is 305,089 Lei. The impact that the military conflict against Ukraine had on the Company's activity during the reported period was not likely to significantly influence the financial performance of the Company, as it was able to honour in time all its commitments to shareholders and obligations to third parties. Management continues to have a reasonable expectation that the Company has sufficient financial resources of its own to ensure financial stability.

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**27. FINANCIAL INSTRUMENTS**

**Overview**

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

- credit risk
- liquidity risk
- market risk

These notes present information on the Company's exposure to each of the aforementioned risks, the Company's objectives for risk assessment and management, and the procedures used for capital management.

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

**General framework for risk management**

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

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

The Company's internal auditor shall carry out standard and ad-hoc tasks of reviewing the controls and risk management procedures, the results of which are presented to the Board of Directors.

**i) Credit risk**

The treatment of counterparty risk is based on internal and external success factors to the Company.

The financial assets, which may subject the Company to the risk of collection, are mainly trade receivables and cash availability. The Company has put into practice a series of policies that ensure that the sale of products is made to customers with an appropriate collection. The value of the gross receivables represents the maximum amount exposed to the risk of collection. The situation of receivables by seniority is presented in Note 18, Receivables.

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

The Company does not have a significant concentration of credit risk. The Company applies specific policies to ensure that the sale of products and services is carried out in such a way that the commercial credit granted is appropriate and continuously monitors the age of receivables. In this regard, measures have been taken to verify the creditworthiness of customers and the Company's exposure to credit risk, as well as to negotiate partnerships with non-banking financial institutions financing entities.

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

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**27. FINANCIAL INSTRUMENTS (continued)**

**i) Credit risk (continued)**

*Exposure to credit risk*

The carrying amount of financial assets is the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Gross trade receivables	10,581,937	11,310,394
Allowances for impairment of receivables	(2,251,468)	(2,523,075)
<b>Net trade receivables</b>	<b>8,330,470</b>	<b>8,787,319</b>
Other receivables	350,999	299,514
Investment securities	1,283,229	5,275,441
Cash, current accounts and deposits placed with banks	305,089	5,421,355
	<b>10,269,786</b>	<b>19,783,629</b>

On the internal market, the Company collaborated with a number of 8 distributors across the country, the most important being located in predominantly agricultural areas.

On the foreign market, the sales volume accounted for less than 1% of turnover. In this market, the connection with traditional customers who know and promote the Company's products is maintained. Credit risk, including the country risk in which the client operates, is managed on each business partner. When it is considered necessary, specific instruments are required to mitigate the credit risk, respectively advance payments from customers, before the delivery of goods. These are presented in the financial statements as Other payables, advances received.

The Company has established a credit policy according to which each new customer is analysed individually from the point of view of creditworthiness and in some cases it requires references provided by banks before firm sales contracts are concluded.

For the purpose of monitoring the credit risk related to customers, they are grouped according to the characteristics of the credit risk, taking into account their classification as legal or natural persons, internal or external customers, age, maturity and the existence of previous financial difficulties. Customers classified as having a high risk are monitored, and future sales are made on the basis of advance payments or using various banking instruments to guarantee receipts.

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

The Company's policy is to provide service for the products provided within a warranty period of 24 months.

At June 30, 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.

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

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**27. FINANCIAL INSTRUMENTS (continued)**

**iii) Market risk**

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

**Currency risk**

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

**Exposure to currency risk**

The currencies that expose the Company to this risk are mainly EUR. The resulting differences are included in the Statement of Comprehensive Income and do not affect the cash flow until the settlement of the debt. At June 30, 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.

**Interest risk**

The Company is exposed to interest rate risk. The change in the market interest rate directly affects the income and expenses of variable interest-bearing financial assets and liabilities, as well as the fair value of those bearing fixed interest rates.

At June 30, 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**

<b>June 30, 2023</b>	<b>EUR (1 EUR = 4.9634)</b>	<b>RON 1 RON</b>	<b>TOTAL</b>
Cash, current accounts and deposits with banks	24,177	280,912	305,089
Financial assets measured at fair value through profit or loss	-	1,283,229	1,283,229
Trade and other receivables	36,381	8,645,087	8,681,468
<b>Total financial assets</b>	<b>60,559</b>	<b>10,209,228</b>	<b>10,269,786</b>

<b>June 30, 2023</b>	<b>EUR (1 EUR = 4.9634)</b>	<b>RON 1 RON</b>	<b>TOTAL</b>
Bank loans	(3,161,232)	-	(3,161,232)
Lease loans	(2,737,784)	-	(2,737,784)
Trade and other payables	(2,914,141)	(4,469,414)	(7,383,555)
<b>Total financial liabilities</b>	<b>(8,813,158)</b>	<b>(4,469,414)</b>	<b>(13,282,572)</b>

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**27. FINANCIAL INSTRUMENTS (continued)**

**iii) Market risk (continued)**

**Sensitivity analysis (continued)**

<b>December 31, 2022</b>	<b>EUR</b> <b>(1 EUR = 4.9474)</b>	<b>RON</b> <b>1 RON</b>	<b>TOTAL</b>
Cash, current accounts and deposits with banks	1,093,635	4,327,720	5,421,355
Financial assets measured at fair value through profit or loss	-	5,275,441	5,275,441
Trade and other receivables	136,479	8,962,074	9,098,553
<b>Total financial assets</b>	<b>1,230,114</b>	<b>18,565,235</b>	<b>19,795,349</b>

<b>December 31, 2022</b>	<b>EUR</b> <b>(1 EUR = 4.9474)</b>	<b>RON</b> <b>1 RON</b>	<b>TOTAL</b>
Bank loans	(421,077)	-	(421,077)
Lease loans	(2,254,073)	-	(2,254,073)
Trade and other payables	(7,138,767)	(3,470,532)	(10,609,299)
<b>Total financial liabilities</b>	<b>(9,813,917)</b>	<b>(3,470,532)</b>	<b>(13,284,449)</b>

The Company has not concluded hedging contracts regarding obligations in foreign currency or exposure to interest rate risk.

The impact on the Company's profit of a change of  $\pm 5\%$  of the RON/EUR exchange rate, at June 30, 2023, all other variables remaining constant, is  $\pm 223,471$  Lei (December 31, 2022:  $\pm 173,527$  Lei).

**iv) Capital management**

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

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
<b>Financial liabilities</b>	<b>13,282,572</b>	<b>13,284,448</b>
Cash, current accounts and deposits with banks	305,089	5,421,355
Financial assets measured at fair value through profit or loss	283,229	275,441
Financial assets measured at amortised cost	1,000,000	5,000,000
<b>Net financial liabilities</b>	<b>11,694,254</b>	<b>2,587,652</b>
<b>Equity</b>	<b>53,534,043</b>	<b>53,512,827</b>
<b>Net liability ratio</b>	<b>(0.22)</b>	<b>(0.05)</b>

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

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**28. 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 June 30, 2023, the Company has issued a letter of guarantee related to the main supplier of goods, CNHI International, as follows:

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

**(c) Insurances concluded**

At June 30, 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.

**29. RELATED PARTIES**

Evergent Investments SA is the majority shareholder of Mecanica Ceahlău SA, owning 73,3020 % of the total operations. The Company is part of the consolidation perimeter of Evergent Investments SA.

NEW CARPATHIAN FUND is a significant shareholder in Mecanica Ceahlau SA, owning 20,2068 % of the total shares.

Details about other parties affiliated with Mecanica Ceahlău SA: Transport Ceahlău SRL.

The related parties to the Company and the relationships therewith are presented below:

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

No transactions, amounts due to and receivable from Evergent Investments SA have been identified.

No transactions, amounts due to and receivable from NEW CARPATHIAN FUND have been identified.

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**29. RELATED PARTIES (continued)**

The participation interests that the Company holds at June 30, 2023 in Transport Ceahlau SRL are presented as follows:

	<b>June 30, 2022</b>	<b>December 31, 2022</b>
<b>Unlisted shares at 1 January</b>	<b>51,000</b>	<b>51,000</b>
Purchases	-	-
Disposals	-	-
Impairment allowances	51,000	51,000
<b>Balance</b>	<b>-</b>	<b>-</b>

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

The status of movements of shares at June 30, 2023, is as follows:

	<b>Date of purchase</b>	<b>Date of sale</b>	<b>Percentage of ownership</b>	
			<b>June 30, 2023</b>	<b>December 31, 2022</b>
Transport Ceahlau SRL	2004	-	24.28%	24.28%

**Information on transactions with related parties**

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

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Other receivables	113,817	113,817
Adjustment for other receivables	(113,817)	(113,817)
Other net receivables	-	-
Trade payables	4,951	4,951

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

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
<b>EVER IMO SA</b>		
Lease liabilities	613,764	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.



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**29. RELATED PARTIES (continued)**

**Information on transactions with related parties (continued)**

<i>In Lei</i>	<b>2023</b>	<b>2022</b>
<b>EVER IMO SA</b>		
Interest expenses related to leases	7,752	17,062
Other operating expenses	18,551	9,859
Depreciation related to leases	35,844	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 June 30, 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) Salary rights granted**

	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Executive management	679,710	618,748
Members of the Board of Directors	295,594	295,863
<b>Total</b>	<b>975,304</b>	<b>914,611</b>

**b) Related balance**

	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Executive management	6,461	20,731
Members of the Board of Directors	-	-
<b>Total</b>	<b>6,461</b>	<b>20,731</b>

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The financial statements were authorized for approval by the Board of Directors on August 9, 2023 and were signed on its behalf by:

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**MOLESAG ION SORIN,**  
CHIEF EXECUTIVE OFFICER

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**PEPENE GABRIELA,**  
CHIEF FINANCIAL OFFICER

## STATEMENT

According to the provisions of Law 24/2017 and Regulation 5/2018 of the ASF, the undersigned Sorin Ion Molesag – Chief Executive Officer and Gabriela Pepene – Chief Financial Officer, responsible with the drafting of the Financial Statement on June 30, 2023, we declare the following:

- The Financial Statements on June 30, 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 June 30, 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, 09.08.2023, at the headquarters of Mecanica Ceahlau SA,

Chief Executive Officer  
Sorin Ion Molesag

Chief Financial Officer,  
Gabriela Pepene