MECANICA CEAHLAU S.A.

PRELIMINARY FINANCIAL STATEMENTS:

For the financial year ended on
December 31, 2020

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

The preliminary financial statements as of December 31, 2020 are being audited

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RON	Note	December 31, 2020	December 31, 2019
Assets			
Fixed assets			
Land and land arrangements		7,157,066	6,818,853
Constructions		5,865,705	5,602,343
Technical installations and means of transport		3,732,462	4,388,032
Other tangible assets		143,375	134,553
Tangible assets in progress		68,180	444,245
Tangible assets	**13**	**16,966,788**	**17,388,026**
Intangible assets			
Other intangible assets		55,130	86,791
Concessions, patents, licenses, trademarks, rights and similar assets		4,825	7,583
Intangible assets	**14**	**59,955**	**94.374**
Investment property	**15**	**487,280**	**413,550**
Assets representing rights of use of support assets in leasing contracts	**13**	**949,931**	**577,124**
Total fixed assets		**18,463,954**	**18,473,074**
Current assets			
Inventories	**17**	22,103,732	20,162,146
Trade receivables	**18**	5,658,228	9,876,304
Other receivables	**19**	405,092	308,184
Prepayments		40,529	56,685
Financial assets at fair value through profit or loss	**20**	261,851	253,859
Cash and cash equivalents	**20**	7,242,295	21,433,259
Assets classified as held for sale	**16**	345,510	387,207
Total current assets		**36,057,238**	**52,477,644**
TOTAL ASSETS		**54,521,192**	**70,950,718**
Equities			
Share Capital	**21a**	23,990,846	23,990,846
Legal reserves	**21c**	2,804,874	2,804,874
Revaluation reserve		7,440,280	6,983,395
Retained earnings and other reserve	**21b**	13,564,744	26,697,344
Total equity		**47,800,744**	**60,476,459**

	Nota	December 31, 2020	December 31, 2019
Liabilities			
Long-term liabilities			
Long-term bank loans	**22**	706,983	981,035
Liabilities from leasing contracts	**23**	655,600	309,919
Provision for pensions	**24**	230,518	274,847
Liabilities regarding deferred profit tax	**12**	705,977	312,702
Total long-term liabilities		**2,299,078**	**1,878,503**
Current liabilities			
Short-term bank loans	**22**	292,548	287,135
Liabilities from leasing contracts	**23**	227,412	186,693
Commercial debts	**25**	2,083,934	6,304,906
Other debts	**26**	1,104,351	1,216,853
Provisions for risk and expenses	**24**	713,124	600,169
Total current liabilities		**4,421,369**	**8,595,756**
Total liabilities		**6,720,448**	**10,474,259**
Total equity and liabilities		**54,521,192**	**70,950,718**

The preliminary financial statements were authorized for approval by the Board of Directors on February 25, 2021 and were signed on its behalf by:

Molesag Ion Sorin,
General Manager

Chirila Oana,
Financial Manager

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2020

	Note	December 31, 2020	December 31, 2019
RON			
Sales	**5**	18,823,557	29,500,719
Costs of materials and consumables		(11,231,653)	(18,279,305)
		7,591,904	**11,221,414**
Other operational revenues	**6**	387,189	426,762
Gain/loss from the sale of the assets held for sale		0	11,336,548
Expenses with utilities		(381,369)	(445,177)
Expenses with salaries and other personnel expenses	**7**	(6,464,126)	(6,869,566)
Other administrative expenses	**8**	(2,142,951)	(2,465,234)
Other operational expenses	**9**	(445,669)	(614,073)
Expenses with amortization and impairment of assets and leasing assets	**13,14**	(1,509,017)	(1,503,466)
Gains / losses from revaluation of assets held for sale		(33,561)	0
Gain/ loss from assets sales		0	(3,658)
Gain/ loss from revaluation of investment property		73,730	(8,293)
Gain/loss from revaluation of tangible assets		(91,121)	2,173
Adjustment of the value of current assets	**17**	1,042,620	(2,640,630)
Gain/Loss of provisions for risks and expenses	**25**	(68,625)	(299,861)
Total operational expenses		**(10,020,118)**	**(14,847,785)**
Result of the operational activities		**(2,041,025)**	**8,136,939**
Interest incomes		274,047	225,791
Gains from revaluation of financial assets at fair value through profit or loss		7,991	7,407
Interest expense and discounts granted		(174,215)	(169,106)
Losses from exchange rate differences		(99,473)	(107,225)
Financial net result	**10**	**8,350**	**(43,133)**
Result before tax		**(2,032,675)**	**8,093,806**
Revenue/ (expenses) with current and deferred income tax	**11**	(306,250)	(1,611,645)
Net profit of period		**(2,338,925)**	**6,482,161**

Other comprehensive income		
Deferred tax	(87,026)	-
Revaluation of property, plant and equipment	750,039	4,500
Other comprehensive income	**663,013**	**4,500**
Total comprehensive income for the period	**(1,675,911)**	**6,486,661**
Attributable profit/loss	**(2,338,925)**	**6,482,161**
Number of shares	239,908,460	239,908,460
Result per base share	(0.0097)	0.0270

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MECANICA CEAHLAU S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2020

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

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MECANICA CEAHLAU S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2020

	Attributable to the shareholders of the Company				
	Share Capital	**Legal reserves**	**Revaluation reserve, net of deferred tax**	**Retained earnings and other reserves**	**Total equity**
Balance on December 31, 2019	**23,990,846**	**2.804.874**	**6.983.395**	**26.697.344**	**60.476.459**
Creating legal reserves in period	0	0	0	0	0
Transfer of reserve from the reevaluation to reported result related to excess achieved	0	0	(206.128)	206.127	0
Dividends distributed to shareholders	0	0	0	(10.999.803)	(10.999.803)
Shareholders transactions *restaed	**0**	**0**	**(206.128)**	**(10.793.676)**	**(10.999.803)**
Other elements of global result					
Net profit/loss of the year*	0	0	0	(2.338.925)	(2.338.925)
Increase/ (decrease) revaluation reserves	0	0	750.039	0	750.039
Deferred tax based on equity, net changes	0	0	(87.026)	0	(87.026)
Total other elements of global result*restaed	**0**	**0**	**663.013**	**(2.338.925)**	**(1.675.911)**
Balance on December 31, 2020	**23.990.846**	**2.804.874**	**7.440.281**	**13.564.743**	**47.800.744**

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	December 31, 2020	December 31, 2019
Cash flows from operating activities		
Receipts from customers	28,906,548	35,614,417
Receipts from other debtors	338,332	308,188
Payments to suppliers	(23,084,537)	(23,599,125)
Payments to employees	(3,718,214)	(4,011,020)
Payments to state budget	(5,239,202)	(6,826,811)
Payments to various creditors	(140,670)	(104,445)
Cash generated from operating activities	**(2,937,744)**	**1,381,204**
Paid corporate tax	(212,206)	(3,272,717)
Net cash generated from operations	**(3,149,947)**	**(1,891,513)**
Cash flows from investment activities		
Collected interest	424,947	63,043
Proceeds from the sale of tangible assets	0	21,130,789
Procurement of tangible assets	(184,342)	(640,554)
Net cash generated from investments	**240,606**	**20,553,278**
Cash flows from financing activities		
Collections from short-term loans	963,140	1,232,986
Reimbursement of loans	(1,265,612)	(1,515,118)
Paid interest	(30,494)	(36,865)
Payment of financial leasing debts	(343,634)	(217,354)
Dividends paid	(10,568,505)	(10)
Net cash (used in) financing activities	**(11,245,105)**	**(536,361)**
Net decrease of cash and cash equivalents	**(14,154,448)**	**18,125,404**
Cash and cash equivalences as of the beginning of period	**21,433,259**	**3,332,293**
Exchange rate differences	(33,749)	(24,438)
Cash and cash equivalences as of end of period	**7,245,062**	**21,433,259**

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General Manager

Chirila Oana,
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1. REPORTING ENTITY

Mecanica Ceahlău SA is a company headquartered in Romania. The company has its registered office in Piatra Neamț, 6 Dumbravei street, Neamț county, Romania.

The company operates according to the provisions of Law no.31/1990 for companies, further amended and supplemented.

According to Articles of Incorporation, the main field of activity of the Company is the manufacture of machines and machinery for agriculture and forestry exploitations.

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

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

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

2. BASIS OF PREPARATION

a. Statement of compliance

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

- the criteria for recognition, measurement and evaluation compliant with the International Financial Reporting Standards adopted by the European Union (”IFRS”);
- Law no.82 of 1991 for accounting, republished and updated;
- The provisions of the Order of the Ministry of Public Finances no. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financing Reporting Standards, applicable to the companies whose securities are admitted to trading on a regulated market, with the subsequent amendments and clarifications;

The financial statements for the year ended December 31, 2020 include the statement of financial position, the global result statement, the cash flow statement, the equity change statement and explanatory notes.

The comparative financial information is presented on December 31, 2019, both for the statement of financial position and for the equity change statement, cash flow statement, global result statement and explanatory notes.
The accounting records of the Company are kept in lei (symbol of national currency ”RON”).

The financial statements were authorized for approval by the Board of Directors on February 25, 2021.

b. Financial statements presentation

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

For consistency with the information from the current period, the Company can restat in the Statement of Financial Position, the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Cash Flows and the Notes relating to, certain items for the comparative period.

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

2. DRAFTING GROUNDS (cont.)

c. Basis of the assessment

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

These financial statements were prepared for the use of persons that know the provisions of the International Financing Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, approved by the Order of the Ministry of Public Finances 2844/2016.

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

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

d. Functional and presentation currency

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

Foreign currency transactions are expressed in lei by applying the exchange rate from the date of the transaction. The monetary assets and liabilities expressed in foreign currency at the end of the period are expressed in lei at the exchange rate from that date. Gains and losses from differences of the exchange rate, achieved or not achieved, are registered in the Statement of the global result of the respective period.

e. Use of estimations and professional reasoning

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

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

Information and reasoning related to the application of accounting policies with the highest degree of uncertainty regarding the estimates, which have a significant impact on the amounts recognized in these annual financial statements, are included in the following notes:

- Note 18 – Trade receivables

The estimations and assumptions associated to these estimations are based on the historical experience, as well as other factors considered reasonable in the context of these estimations. The results of these estimations and hypotheses form the basis of judgments regarding the accounting values of assets and debts that may not be obtained from other sources of information.

2. DRAFTING GROUNDS (cont.)

f. The impact of the COVID 19 epidemic on the Company's financial position and performance

The epidemic of corona virus ("COVID-19"), which had been declared a pandemic by the World Health Organization on March 11, 2020, significantly affected the economic environment, having multiple effects on all industries to a greater or lesser extent.

The business field of the company is production, marketing and sale of machines and equipment for agriculture activity, affected by both the coronavirus pandemic and the extreme drought, which has been one of the worst in the last 50 years, according to not only farmers but also the authorities, with a direct and significant impact on Romania's PIB (see Note 5 - Revenues).

In the context of safety measures, protection of the health of the population and declaration of emergency in Romania since March 16, 2020, the option Mecanica Ceahlau was to implement the business continuity plan and take all necessary measures to prevent and combat effects of infection with the new coronavirus-Covid 19. For this purpose, they used both the company's own resources and the support solutions provided by the Romanian Government (See Note 7 - Expenditures on salaries, social contributions and other benefits).

In the context of the COVID-19 pandemic, it is expected that there will continue to be a degree of uncertainty in the field in which the company operates. The Company's management does not estimate difficulties in honoring commitments to shareholders and obligations to third parties, the availability of present and future liquidity being in line with the limits imposed by regulations and sufficient to cover payments for the next period.

The company's management has as permanent objectives the analysis of the future impact of the Covid-19 pandemic on the financial performance and the taking of adequate measures to reduce the related risks.

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies have been consistently applied on all periods presented in the consolidated financial statement drafted by the Company,

a. Transactions in foreign currency

The operations expressed in foreign currency are recorded in lei at the official exchange rate communicated by the National Bank of Romania (”BNR”) for the transaction date. Balances in foreign currency are converted in RON at the exchange rates communicated by NBR on December 31, 2020.

Gains and losses arising from the settlement of transactions in a foreign currency and from the translation of monetary assets and liabilities denominated in foreign currency are recognized in the income statement as part of the financial result.

Non-monetary assets and debts are expressed in the foreign currency that are assessed at fair value are converted in the functional currency at the exchange rate of the date in which the fair value was determined. The non-monetary elements that are assessed at historical cost in a foreign currency are converted using the exchange rate of the date in which the transaction was made.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)
a. Transactions in foreign currency (to be continued)

Non-monetary assets and liabilities denominated in a foreign currency that are measured at fair value are translated into the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

Currency	December 31, 2020	December 31, 2019	Variation:
Euro (EUR)	1:LEU 4.8694	1:LEU 4.7793	1,89%
American Dollar(USD)	1:LEU 3.9660	1:LEU 4.2608	(6,92%)

b. Cash and cash equivalents

Cash and cash equivalences include: the effective cash, current accounts, deposits at banks and collectable values (cheques and collected bills).

In the elaboration of cash flow statement as of December 31, 2020, respectively December 31, 2019 the Company considered as cash and cash equivalences: effective cash, current accounts at banks, deposits at banks and collected values (checks and cash receipts).

c. Financial assets and financial liabilities

An asset is a resource controlled by the entity as result of past events and from which it is foreseen that future economic benefits will result for the entity.

A liability represents a current obligation of the entity, resulted from past events, whose deduction is expected to determine an exit of resources by incorporating economic benefits from the entity.

(i) Classification of financial assets

According to IFRS 9, the financial assets are classified in one of the following categories:

- Financial assets evaluated at fair value by the profit and loss account (”FVTPL”):

- investments in administered funds (fund units);
- participation interests in subsidiaries and associated entities (equity shares in Transport Ceahlau SRL).

- Financial assets evaluated at depreciated cost:

- customer receivables and other receivables.

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

Financial assets evaluated at fair value by the profit and loss account (”FVTPL”):

An investment in a security must be evaluated at fair value by the profit and loss account, unless the management makes an irrevocable option, at initial recognition, for measurement at fair value by other elements of the global result.

The financial assets are classified in this category if they are purchased in view of trading.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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

An asset is held in view of trading if it cumulatively fulfils the following conditions:

- It is held for sale and redemption in the near future;
- At initial recognition it is part of a portfolio of financial instruments identified, which are managed together and for which there are proofs of a real recent pattern of profit follow-up on short term.

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

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

A gain or loss on these instruments is recognized directly in the profit and loss account.

Receivables

Receivables are non-derivated financial assets with fixed or determinable payments which are not quoted on an active market.

Receivables include commercial receivables and other receivables. They are mainly composed of customers and similar accounts which include invoices issued at nominal value and estimated receivables for services provided, but invoiced in the period that follows the end of period.

The company holds customers and similar accounts in view of collection of contractual cash flows. Therefore, they are classified as measured at amortised cost.

Final losses may vary from current estimates. Due to the inherent lack of information regarding the financial position of the customers and the lack of legal collection mechanisms, the estimates of probable losses are uncertain. However, the management of the Company has made the best estimate of the loss and considers that this estimate is reasonable in the given circumstances. In the estimation of losses, the Company also took into account the previous experience for a an individual and collective assessment, as presented in Note 3.i.(i). Trade receivables are recorded at the invoiced amount less adjustments for impairment of these receivables (see Note 3.i.(i)).

Trade receivables are recorded at the invoiced amount less adjustments for impairment of these receivables (see Note 3.i.(i)).

Financial debts

The Company initially recognizes debt instruments issued and the subordinated debt at the date of the transaction, when the Company becomes part of the contractual debt terms.

An entity must derecognise a financial liability (or a part of a financial liability) from the financial position statement when and only when it is liquidated - when the obligation specified in contract is extinguished or cancelled or expires.

These financial debts are initially recognized at fair value plus any directly attributable trading costs. Subsequent to initial recognition, these financial debts are measured at amortized cost.

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

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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

(ii) Recognition

The assets and liabilities are recognised when the Company becomes a Party to the conditions of that instrument.

(iii) Compensations

The financial assets and liabilities are compensated and the net result is presented in the financial position statement only when there is a legal seting-off right and if there is the intention of their deduction on a net basis or if the Company intends to earn the asset and extinguish the liability simultaneously.

The income and expenses are presented with net values when this is allowe by the accounting standards or for the profit and loss resulted from a group of similar transactions such as those from the trading activity of the Company.

(iv) Measurement at depreciated cost

The depreciated cost of an financial asset or liability represents the value at which the financial asset or liability is measured at the initial recognition, less the principal payments, to which we add or deduct the depreciation cumulated until that time by using the effective interest method less the reductions related to impairment losses.

(v) Measurement at fair value

The fair value is the price which would be received as a result of sale of an asset or the price which would be paid to transfer a liability by a normal transaction between participants on the market at evaluation date (i.e. an exit price).

(vi) Identification and evaluation of impairment

Financial assets evaluated at depreciated cost:

The Company analyses at each reporting date if there is an objective clue by which a financial asset is impaired. A financial asset is impaired if and only if there are objective clues regarding the impairment appeared as a result of one or many events which took place after the initial recognition of the asset (”loss-generating event”) and the loss-generating event or events have an impact on the future cash flows of the financial asset or the group of financial assets which can be credibly estimated.

(vi) Financial assets evaluated at depreciated cost (to be continued)

If there are objective clues that an impairment loss of financial assets measured at depreciated cost has occurred, then the loss is measured as difference between the book value of asset and the discounted value of future cash flows by using the effective interest rate of financial asset at initial moment.

If a financial asset measured at depreciated cost has a variable interest rate, the discounted rate for evaluation of any impairment loss is the variable current interest rate specified in the contract.

The book value of an asset is reduced by the Company by using a provision account. The impairment losses are recognised in the profit and loss account.

If in the following period an event which took place after the recognition of impairment determines the reduction of impairment loss, the impairment loss recognised previously is carried forward by adjusting the provision account. The reduction of impairment loss is recognised in the profit and loss account.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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

(vii) Derecognition

The Company derecognizes a financial asset when the contractual rights to asset-generated cash flows expire or when the rights to receive the contractual cash flows of the financial asset are transferred, through a transaction where the risks and rewards of ownership of the financial asset are transferred significantly.

d. Tangible assets

(i) Recognition and measurement

The tangible assets recognised as assets are initially evaluated at cost by the Company. The cost of a tangible asset is composed of the purchase price, including the non-recoverable taxes, after the deduction of any price discounts of commercial nature to which we add any cost which can be directly attributed to bringing the asset in the location and in the necessary conditions so that it can be used for the purpose desired by the management, such as: expenses with employees which result directly from the building or purchase of the asset, the arrangement costs of site, initial delivery and handling costs, installation and assembling costs, professional fees.

The tangible assets are initially recognised at production cost if they are earned in own management regime.

The values of tangible assets of the Company as of December 31, 2020 and December 31, 2019 are detailed in Note 13.

The tangible assets are classified by the Company in the following classes of assets of the same nature and with similar uses:

- Land;
- Constructions;
- Technical installations and vehicles;
- Furniture, office equipment;
- Tangible assets under execution.
- Tangible fixed assets under construction
- Assets representing usage rights under a lease

The lands and constructions are highlighted at reevaluated value, which represents the fair value at reevaluation date less any depreciation accrued later and any accrued impairment losses.

The fair value is based on market price quotations, adjusted, if applicable, so that they reflect the differences related to nature, location or conditions of that asset.

The reevaluations are made by specialised appraisers, members of ANEVAR. The frequency of reevaluations is dictated by the dynamics of markets to which the lands and buildings owned by the Company belong.

The other categories of tangible assets are highlighted at cost less the accrued depreciation and the provision for impairment.

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

- as an increase in the revaluation reserve if there was no prior decrease recognized as an expense related to that asset; or
- as an income to offset the expense previously recognized for that asset.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

If the result of a revaluation is a decrease from net book value, then it is treated as follows:

- as an expense with the full amount of the impairment, when in the revaluation reserve no amount is recorded regarding that asset (revaluation surplus); or
- as a decrease in the revaluation reserve with the minimum of the value of that reserve and the value of the decrease, and any remaining uncovered difference is recorded as an expense.

(ii) Reclassification in Real estate investments

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

(a) the beginning of the use by the owner for a transfer in the category of Real estate investments in the category of real estate used by the owner;

(b) starting the improvement process in the prospect of sale, for a transfer in the category of Real estate investments in the stock category;

(c) the end of use by the owner for a transfer from the category of real estate used by the owner in the category of Real estate investments;

(d) the start of an operating lease with another party, for a transfer from the stock category to the real estate investment category.

(iii) Subsequent costs

The expenses with maintenance and repairs of tangible assets are recorded by the Company in the global result statement when they appear, and the significant improvements to tangible assets, which increase their value or their life or which significantly increase the capacity to generate economic benefits by them are capitalised.

(iv)* Depreciation *of tangible assets

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

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

Assets in progress are not subjected to amortization.

Lands are not subjected to amortization. The land presented in the financial statements has been revalued by the Company in accordance with legal regulations. The information is presented in Note no.13 (i) (revaluation). If the carrying amount of an asset is greater than the amount to be recovered, the asset is impaired to its recoverable amount.

(v) Sale/* scrapping *of tangible assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

e. Intangible assets

(i) Recognition and assessment

The intangible assets which fulfil the recognition criteria from International Financial Reporting Standards are carried at cost less the cumulated depreciation and impairments.

(ii) Subsequent costs

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits generated by the asset to which it relates. Expenditure that does not meet these criteria is recognized as an expense when incurred.

(iii) **Depreciation** *of intangible assets*

Depreciation is recognized in the statement of comprehensive income based on the linear method over the estimated useful life of the intangible asset. Most of the intangible assets registered by the Company are computer programs. They are linearly amortized over a period of no more than 5 years.

f. Real estate investments

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

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

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

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

(i) Recognition

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

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

(ii) **Measurement**

Initial measurement

A real estate investment is initially evaluated at cost, including the trading costs. The cost of a purchased real estate investment is composed of its purchasing price plus any directly attributed expenses (for example, professional fees for provision of legal services, ownership transfer taxes and other trading costs).

The values of tangible assets of the Company as of December 31, 2020 and December 31, 2019 are detailed in **Note 15**.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

Subsequent Measurement

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

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

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

(iii) Transfers

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

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

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

(iv) Impairment

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

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

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

g. Assets held for sale

The Company will classify a fixed asset (or a group of assets) as held for sale if it is probable that it will generate benefits to the Company as a result of its disposal rather than following its continued use.

For this purpose, the asset (or the group of assets) must be available for immediate sale in its current state, and the sale of the asset must be of high degree of certainty.

In order for the sale of the asset to be highly probable, the appropriate management level must have drawn up a plan for the sale of the asset (or group of assets), and an effective program for identifying the buyer, as well as finalizing the sales plan.

Moreover, the asset (or group of assets) must be able to be sold on an active market at a price that is reasonably related to the fair value. In addition, it expects the sale to qualify for recognition as a " complete sale" within 1 year from the date of classification and the actions required to complete the sales plan reflect that it is a little significant changes to the plan are likely to be required or the plan to be withdrawn.

Assets that meet the criteria for being classified as held for sale are measured at the lowest of the carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

h. Inventory

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

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

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Costs of finished products and semi-finished products include materials, direct labor, other direct costs and overhead costs related to production (based on operating activity). Net realizable value is the estimated sales price in ordinary transactions. Adjustments for stock impairment are recognized for those inventory that are slow, physically or morally worn. Inventories for which it could not be estimated whether in the immediate period they would be consumed or if those inventory represent safety inventory for certain installations are not subject to adjustment.

i. Impairment

The accounting value of Company's non-financial assets, other than inventory and receivables on the deferred tax, are reviewed at each reporting date to determine whether there is any evidence of impairment. An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the estimated recoverable amount.

The recoverable amount of an asset or a cash-generating unit is the maximum of the amount of use and fair value less costs to sell. In determining the value in use, expected future cash flows are updated to determine the present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and asset specific risks. For impairment testing, assets that cannot be individually tested are grouped into the smallest asset group that generates cash inflows from continuous use and are largely independent of cash inflows generated by other assets or groups of assets ("cash-generating unit").

Impairment losses are recognized in the statement of comprehensive income. Impairment losses recognized in relation to cash-generating units are used first to reduce the carrying amount of goodwill allocated to the units, if any, and then pro-rata to reduce the carrying amount of other assets within the unit (group of units).

For all fixed assets, except for goodwill, impairment losses recognized in prior periods are measured at each reporting date to determine whether there is evidence that loss has decreased or is no longer present. An impairment loss is restated if there has been any change in the estimates used to determine the recoverable amount. An impairment loss is restated only to the extent that the carrying amount of the asset does not exceed the carrying amount that could have been determined, net of amortization, had no impairment been recognized.

(i) Financial assets (including receivables)

Adjustment for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms.

The establishment of risk adjustments for the non-collection of trade receivables is made by including in the expense the amount of the need for risk adjustments for non-collection of trade receivables related to the invoices in the balance for which there is objective evidence that the Company will not be able to collect the amounts owed to it and as a result of applying the Expected Credit Loss model.

Classification: Mecanica`s intention is to hold the receivables to collect the contractual cash flows. Therefore, they are classified as measured at amortised cost.

Measurement: The Company perfoms and individual and collective assessment for the recoverability of the trade and other receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)
i. Impairment (to be continued)

Individual analysis: The entity peforms indivually analsys of trade and other receivables recoverability based on the litigation status and days past due. For all customers in litigation and days past due over 180 days a risk provision of 90% from the gross value is booked.

Collective analysis: We have analyzed the list of all invoices issued during the years 2017-2020, and also all collections received by the Company during that time period.

We have added (allocated) to each transaction line the additional available details that we will use (such as Country Zone 1-6 of the client, type of customer).

As per the steps of IFRS 9 guideline for calculation of credit loss allowances for trade receivables with use of provision matrix, we have taken the following 4 steps:

1. The groups of receivables were divided by categories of shared credit risk characteristics.

We have considered the relevant grouping of customers by geographical area in Romania (according to the map in the worksheet "Map of Romania 's Areas). Further, we have grouped customers by their type (i.e. Final Customer, Lessor, or Distributor).

Through these groupings, the credit risk characteristics of customers will be more uniform within the determined categories for a more accurate calculation of expected future credit losses.

2. We have determined the period over which observed historical rate losses are appropriate.

There is no specific guidance in IFRS 9 on how far back the historical data should be evaluated. We have considered a period of the 3 previous years as relevant and reliable for the basis on which to observe the historical rate losses of the Company.

3. We have determined the historical loss rates.

We have calculated the total yearly credit sales of the Company for each of the analysed years. We have also calculated the collections for the sales of each year, and we have calculated the delay with which these were collected.

We have split the collections in time categories - collected when Not Overdue (without delay), collected with delay of 1-30 days, collected with delay of 31-60 days, collected with delay of 61-90 days, collected with 90+ days delay.

Then, there are amounts remaining as not collected at all from the credit sales of these years - these are the historical credit losses.

We have applied the calculation process to each timeband . The historical loss rate for each timeband reflects the percentage of sales that reached at least the designated timeband that were never collected.

4. Forward looking macro-economic factors to adjust historical loss ratios for expected credit loss

The Company analysed the impact from PIB up to 2021, taking in consideration 3 scenarios for the evolution: pessimistic , baseline and optimistic.

The Company derecognizes a write-down of receivables previously constituted at the time of recovery wholly or in proportion to the amount recovered.

The determination of the amount of the adjustment for impairment of the trade receivables to be established is based on the estimates made in collaboration with the Law Office and on the basis of the policies mentioned under (i).

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)
i. Impairment (to be continued)

(ii) Non-financial assets

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

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

j. Employee benefits

(i) Determined contribution plans

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

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

The Company is not engaged in any independent pension scheme and accordingly it has no other obligations. The Company is not involved in any retirement benefits scheme. The Company has no obligation to deliver ulterior services to the former or current employees.

Also, according to the Collective Labor Agreement, when fulfilling the legal conditions for retirement, respectively for uninterrupted seniority in the Company, employees are entitled to receive a reward.

(ii) Short-term benefits

The obligations with short-term benefits given to employees are not discounted and are recognised in the global result statement as the related service is delivered.

The short-term benefits of employees mainly include wages and bonuses. The short-term benefits of employees and contributions to social insurances are recognised in the financial statements of the Company when the services are delivered. The Company recognises a provision for the amounts that are expected to be paid with title of bonuses in cash on short term if the Company has now a legal or implicit obligation to pay those amounts as result of past services delivered by employees and if that given obligation can be credibly estimated.

(iii) Benefits for termination of employment contracts

The company grants the following benefits to employees in the event of termination of the employment contract as a result of retirement, as follows:

- Employees retiring for old age, disability, partially early or early will receive an end-of-career reward as follows:
  - those with seniority in the Company of over 15 years, two average basic salaries negotiated on the company;

  - those with seniority in the Company between 5 and 15 years, one basic average salary negotiated on the company;
- Employees retiring as a result of an accident or an event related to work and who have a seniority in the company of between 0 and 5 years will benefit from a basic salary negotiated on the company.

k. Provisions for risks and expenses

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

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

Provisions for restructuring, litigation, and other provisions for risks and expenses are recognized when the Company has a legal or implicit obligation arising from a previous event, when it is probable that an outflow of resources will be required to settle the obligation and when a credible estimate of the amount of the obligation can be made. Restructuring provisions include the direct costs generated by the restructuring, i.e. those that are necessarily generated by the restructuring process and are not related to the continuous development of the company's business.

(i) Guarantees

Provisions for guarantees to customers are estimated by the Company based on the cost of repairs during the warranty period against the value of turnover in the previous financial year.

(ii) Employee benefits

The Company sets up provisions for the benefits of employees granted upon termination of the employment contract with retirement. Determination of the amount of the provision to be set up shall be made taking into account the provisions of the collective labor agreement of the Company valid at the date of provisioning.

(iii) Disputes

The Company sets up provisions for litigation if there is a legal or implicit obligation arising from a litigation in progress. Determining the amount of the provision to be established is based on the estimates made by the law firm.

(iv) Other provisions

The Company makes any other provision when the Company has a legal or implicit obligation arising from a previous event, when it is probable that an outflow of resources will be required to settle the obligation and when a credible estimate can be made as to the amount of the obligation.

Provisions for future operating losses are not recognized.

I. Revenues recognition

Revenues from customer’s agreements / from agreements with customers

The Company recognizes the revenues from customer's agreements when (or as long as) it fulfills an enforcement obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as long as) the customer obtains control over that asset.
The company analyzed the main types of revenues applying the 5 steps method of IFRS 15:
Step 1: Identify the contracts with the clients;
Step 2: Identify the obligations resulting from these contracts;
Step 3: Determine the transaction price;
Step 4: Allocation of the transaction price to the obligations to be fulfilled;
Step 5: Revenue recognition upon completion / as the fulfillment of contractual obligations.

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

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

Product type / service	The nature and timing of the enforcement obligation, including significant payment terms	Accounting policies for revenue recognition
Agricultural machinery and equipment (produced or distributed)	The customer obtains control over the product on the date of dispatch to the customer (or the purchase of the product from the company headquarter) or acceptance of the product (the date when the customer obtains the ability to determine the use of the products and gets all the benefits from them).The company is recognizing a debt, because this represents the moment when the right to counterperformance becomes unconditional.In general, the direct customer (or the distributor) pays an advance of 10-15%, paying the difference in installments (for a period of less than 1 year). Payment terms are generally 90-180 days from the date of issue of the invoice. The obligation to execute is fulfilled at a specific time.The commercial discounts granted to customers are based on their fulfilling certain annual sales values.Returns are not accepted as a rule except in exceptional cases and as a rule, returns involve changing a product purchased by the customer, with another.	The revenue is recognized on the date of dispatch to the customer (or purchase of the product from the company headquarters) and acceptance of the product.The income includes the amount invoiced for the sale of the products, excluding VAT), from which the commercial discounts granted to customers are deducted.The company applies the practical exemption from IFRS 15 para 63 on the basis of which it does not adjust the price of transactions with a financial component.As a practical solution, if the company receives short-term advances from customers, or for the recognized revenues, it does not adjust the amounts received or the revenues for the effects of a significant financing component, given that at the beginning of the contract it expects the period elapsed from the transfer. the goods until the collection will be under 1 year.The commercial discounts granted to the clients (including the expenses with the related provisions) are deducted from the revenues from the sale of the products.
Revenue from services	The services provided by the Company are generally related to the products provided (for example, agricultural machinery repair services after the warranty period has expired).Invoices for services are issued on the date of providing the services.Invoices are generally paid within a maximum of 30 days from the date of receipt by the customer.The execution obligation is fulfilled at a specific time.	The income is recognized during the period when the service is provided
Income from the rental of real estate investments	The company, as a lessor, rents its spaces to third parties, the service is prestart as the rental contract unfolds.Invoices are generally paid within a maximum of 30	The revenues from the rents are generated by the real estate investments rented by the Company

	days from the date of receipt by the customer.The execution obligation is fulfilled during the performance of the lease.	in the form of operational leases and are recognized in profit or loss on a linear basis, throughout the contract period. The company, as lessor, does not have leasing contracts classified as financial leasing.

m. Governmental subsidies

The subsidies from the government for the procurement of assets are recognized as deferred income and is allocated as a systematic and ration income the entire life of the asset.

n. Suppliers and similar accounts

Debts to suppliers and other debts, registered initially as fair value and then assessed using the method of effective interest rate, include the counter-value of the invoices issued by suppliers of products, performed works and provided services.

o. Income and expenses from interests

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

p. Revenue and loss from exchage rate differences

Currency transactions are entered in the functional currency (leu) through the conversion of the amount in currency to the official exchange rate notified by Romania's National Bank valid on the transaction date.
On the reporting date, the monetary elements expressed in currency are converted using the closing exchange rate.
Rate differences that occur on the offset of the monetary elements or conversion of monetary elements at rates different from those they were converted in at their initial recognition (over the period), or in the prior financial statements, are recognized as loss or income in the profit or loss account, in the period when they occur.

q. Leasing Contracts as Lessee

(i) Initial Recognition and Evaluation

On the date a contract is initiated, the Company evaluates whether that contract is, or includes a leasing contract. A contract is or contains a leasing contract if this contract awards the right to control the use of an asset identified for a certain periodof time, in exchange for a consideration.
On the date the contracts starts to run, the Company, as lessee, recognizes an asset corresponding to the use right and a debt that stems from the leasing contract.
(ii) Initial evaluation of the asset corresponding to the use right
On the date the contract starts running, the Company, as a lessee evaluates at cost the asset corresponding to the use right.
(iii) Initial evaluation of the debt stemming from the leasing contract
On the running start date, the Company, as lessee evaluates the debt stemming from the leasing contract to the updated value of the leasing payments that are not paid at that date. Leasing payments are updated using the implicit interest rate if that rate can be immediately determined. If this rate cannot be immediately determined, the Company uses its marginal loan rate.
The marginal loan rate of the Company is the interest rate that the Company should pay for a loan on a similarperiod, with a similarguarantee, the funds necessary to obtain an asset with a similarvalue with that corresponding to the use right in a similar economic environment.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

q. Leasing Contracts as Lessee (to be continued)

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

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

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

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

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

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

(vi) Exemptions from recognition

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

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

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

r. Contingents

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

s. Profit tax

The profit tax on December 31, 2020 includes current and deferred tax.

Current tax represents the tax that is to be paid or received for the taxable income or loss achieved during the year, using taxation percentages adopted or largely adopted on the reporting date, as well as any adjustment to the payment obligations of the profit tax associated to the previous years. The current tax to be paid includes also any fiscal receivable that arises from declaring dividends.

Deferred tax is recognized considering the temporary differences between the accounting value of the assets and debts used with the purpose of the financial reporting and the fiscal base used for the calculation of the tax. Deferred tax is not recognized for the following temporary differences:

- initial recognition of the assets or debts arised in a transaction that is not a combination of undertaking and which do not affect the accounting or fiscal profit or loss;
- Differences between the investments in jointly controlled branches or entities, to the extent in which is probable that these are not to be reassessed in the future; and
- Taxable temporary differences resulted from the initial recognition of the trade fund.

Receivables and debts with deferred tax are compensated only if there exists the legal right to compensate debts and receivables with the current tax, and if these refer to the taxes asked by the same fiscal authority to the same entity, or a different taxable entity, but which intends to conclude a convention on the receivables and debts with the current tax on a net base or whose assets and debts from taxation are to be achieved simultaneously.

A receivable on the deferred tax is recognized for not-used fiscal losses, fiscal credits and deductible temporary differences, to the extent in which the achievement of taxable profits is probable, that will be available in the future and that will be used. Receivables on deferred tax are reviewed at each reporting date and are diminished to the extent in which it is not probable that a fiscal benefit will be achieved. The effect of the changes of fiscal rates on the deferred tax is recognized in the Statement of the global results, except the case in which it refers to the positions previously recognized directly in the own equities.

Profit tax is recognized in the financial statement of the global result or in other elements of the global result if the tax is associated to capital elements.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

s. Profit tax (to be continued)

Current tax is the tax paid associated to the profit achieved in the current period, determined based on percentages applied in the date of the reporting and all the adjustments associated to the previous periods.
The current profit tax rate in Romania is of 16%.

The deferred tax is calculated based on the taxation percentages that are to be applied to the temporary differences when resuming them, based on the legislation in force at the reporting date.

t. RESULT PER SHARE

The Company presents the result per basic share for ordinary shares. The result per basic share is determined by dividing the profit or loss assignable to the ordinary shareholders of the Company by the number of ordinary shares related to reporting period.

u. Share Capital

Ordinary shares are recognized in the share capital. The Company recognizes the changes in the share capital in the conditions stipulated by the legislation in force and only after their approval by the General Meeting of Shareholders and registration with the Trade Register. Incremental costs directly assignable to an issue of ordinary shares are deducted from capital, net of taxation effects.

v. Dividends

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

w. Prescribed dividends

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

x. Principle of business continuity

The financial statements have been drafted based on the activity continuity principle that assumes that the Company will normally continue its activity in the predictable future, without entering into the impossibility to continue its activity and without its significant reduction. In order to assess the applicability of the presumption, the management analyzes the presumptions regarding the future cash entries. Based on these analyses, the management believes that the Company can continue its activity in the predictable future and thus, the application of the principle of business continuity in preparation the financial statements is justified.

y. Subsidiaries and associated entities

Subsidiaries are entities under the control of the Company. Control exists when, inter alia, the Company has the power to influence directly or indirectly the financial and operational policies of an entity to obtain benefits from its activity. At the evaluation of control we take into account the potential or convertible voting rights which are exercised at that time.

The associated entities are those companies in which the Company can exert a significant influence, but

not control over the financial and operational policies.

The Company held at December 31, 2020 participation interests of 24,28% in Transport Ceahlau SRL. They are not consolidated because the size criteria according to which the consolidation obligation is established according to the laws in force are not fulfilled.

y. Subsidiaries and associated entities (to be continued)

The Company identified the following affiliated parties:

Entity	Nature of the relationship
SIF Moldova	Parent company
NEW CARPATHIAN FUND	Significant shareholder
Transport Ceahlau SRL	Affiliated company

z. Reporting on segments

A segment is part of the Company that involves in activity segments that may obtain incomes and register expenses (including incomes and expenses corresponding to transactions with other parties of the same entity), whose operation results are followed regularly by the management of the Company in order to make decisions regarding the resources that are to be allocated to the segment and to evaluate its performances and for which distinctive financial information is available. The company does not detain geographical segments or of significant activity according to IFRS 8 "Operational segments" and does not have a management and internal reporting structure divided on segments.

The main incomes described in note 3 are all related to the main objects of activity of the company (the incomes from the sale of finished products, goods and services represent the main activity of the company and they all are analysed by its management).

aa. Applicable accounting policies

<u>Standards and interpretations that have came into force in the current year</u>

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

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Corrections of Errors" - definition of materiality (applicable for annual periods beginning on or after 1 January 2020) - approved by the EU on November 29, 2019.
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" - Reform of the interest rate benchmark (applicable for annual periods beginning on or after 1 January 2020)) - approved by the EU on 15 January 2020.

The company considers that the adoption of these amendments did not have a significant impact on its annual financial statements.

The following amendments to the existing standards issued by the IASB and adopted by the EU up to the date of authorization of these financial statements are not yet in force:

- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leasing" - Phase Two (for annual periods beginning on or after 1 January 2021) - approved by the EU on 13 January 2021.

The company considers that the adoption of these amendments will not have a significant impact on their own annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

Standards and interpretations issued by IASB not yet adopted by EU

On the reporting date of the present financial statements, IFRS, as adopted by the EU do not significantly differ from the regulations adopted by IASB with the exception of the following amendments:

- Amendments to IAS 1 "Presentation of Financial Statements" - classification of debt as current and long-term (applicable for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" Onerous Contracts - The cost of performing the contract (applicable for annual periods beginning on or after January 1, 2022);
- Amendments to IFRS 10 „Consolidated financial statements" and IAS 28 „Investment in associated and joint ventures" – Sale or asset contribution between an investor and its associate ro joint venture and other amendments (the actual application date has been postponed indefinitely up to the completion of the research project regarding the equivalence method);
- Amendments to various standards as a result of "Improvements to IFRS (2018-2020 cycle)" resulting from the annual IFRS improvement project (IFRS 1, IFRS 9, IFRS 16 and IAS 41) with the primary purpose of eliminating inconsistencies and clarify certain wording. Amendments to IFRS 1, IFRS 9 and IAS 41 will be applicable for annual periods beginning on or after 1 January 2022. Amendments to IAS 41 refer to illustrative examples only, so no effective date has been set.

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

4. DETERMINATION OF THE FAIR VALUE

Certain accounting policies of the Company and requirements for the presentation of the information require the determination of the fair value both for the financial assets and debts as well a for the non-financial ones. Fair values were determined with the purpose of the assessment and/or presentation of information based on the methods below described. When appropriate, additional information on the hypotheses used in determining the fair value are presented in the notes specific for that certain asset or debt.

The fair value represents the prices that would be received following the sale of an asset or the price that would be paid to transfer a debt by a normal transaction between the participants at the market, at the date of the assessment, regardless if this price is observable or estimated used a direct assessment technique. In the estimation of the fair value of an asset or a debt, the Company takes into consideration the characteristics of the asset or debt that the participants at the market would take into consideration for the determination of the price of the asset or the debt, at the date of the assessment. The fair value with purposes of assessment and/or presentation in the financial statements is determined on such a base, except for the assessments that are similar to the fair value, but do not represent the fair value, such as the net achievable value in IAS 2 or the use value in IAS 36.

Additionally, for purposes of financial reporting, the assessments at fair value are classified in Level 1, 2 or 3. depending on the degree in which the information necessary for the determination of the fair value are observable and the importance of this information for the Company, as follows:

- Level 1 Information - listed prices (unadjusted), on active markets, for assets and debts identical with those that the company assesses;
- Level 2 Information - information, other than the prices listed included in Level 1, that are observable for the assessed asset or debt, directly or indirectly; and
- Level 3 Information - information unobservable for the asset or debt .

4. DETERMINATION OF THE FAIR VALUE (to be continued)

On December 31, 2020, the Company determined fair values for Land, Buildings and special constructions, real estate investments and assets held for sale. The fair value valuation was performed by external, independent real estate appraisers, members of the National Association of Appraisers in Romania (ANEVAR) with recognized professional qualifications and experience in appraising all real estate segments. The methods used by the appraiser in determining the fair value were: the market value method by comparison for land and assets held for sale and the income capitalization method (income approach) for construction and real estate investments.

The outbreak of the new Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on March 11, 2020, has had a significant impact on global financial markets. Travel restrictions have been implemented by many countries. Travel restrictions have been implemented by many countries. Market activity is affected in many sectors. At the valuation date, it was considered possible to grant a smaller share of previous offers in the market, for comparison purposes, in order to formulate an opinion on the value of the assets. Indeed, the current response to COVID-19 actually means that we are facing an unprecedented set of circumstances on which to base our views. Therefore, the valuation performed on 31 December 2020 is related to the conditions of material uncertainty of the valuation.

5. REVENUES

	December 31, 2020	December 31, 2019
Gross sales of goods	19,230,024	30,228,171
Commissions granted to dealers	(612,097)	(1,351,126)
Net turnover from sales of goods	**18,617,927**	**28,877,045**
Sales of residual goods	113,173	525,584
Services rendered	92,457	98,090
Total net turnover	**18,823,557**	**29,500,719**

The gross turnover of the Company as of December 31, 2020 is of RON 19,435,654 (December 31,2019: RON 30,851,845), of which RON 182.189 for export (as of December 31, 2019: RON 239.515) and 19,253,465 for domestic (as of December 31, 2019: RON 30,612,330).

For the realisation of this sales volume the Company granted sales bonuses (commissions) according to contracts in force in amount of RON 612.097 as of December 31, 2020, respectively RON 1.351.126 as of December 31, 2019, resulting in a net turnover in the amount of RON 18,823,557 as of December 31, 2020, respectively RON 29,500,719 as of December 31, 2019. The sales bonus commission granted to distributors according to contracts in force represents a variable consideration which the company estimated and recognised in transaction price on December 31, 2020, respectively on December 31, 2019.

Comparative to the same period of the previous year, the company's net turnover decreased by 36%, the main causes being: coronavirus pandemic and extreme drought, which was one of the worst in the last 50 years, as farmers and the authorities said, with a direct and significant impact on Romania's PIB.

1. Negative effects of extreme drought

Unfortunately, this year's extreme drought has devastated on large agricultural areas in the country, and the forecasts of the US Department of Agriculture (USDA) and the European Commission on grain production and exports have become increasingly pessimistic, starting in May, especially for the Black Sea area. Many of the crops sown in the fall of 2019 and in the spring of this year were destroyed, with damage recorded on about 2.4 million hectares out of a total of almost 6 million hectares sown.

5. REVENUES (to be continued)

Official data announced by the Ministry of Agriculture show that over 1.18 million hectares of wheat, rye, triticale, barley, new barley, oats and rapeseed, crops established last fall, were destroyed by drought and over 1.21 million hectares with corn and sunflower, from the main crops sown in spring. Romanian farmers, very vulnerable to extreme weather, have suffered serious damage in the agricultural year 2019/2020, claiming that it is the hardest in the last 50 years.

2. The negative effects of the COVID-19 epidemic

The agricultural sector has faced with special situations due to the coronavirus pandemic, producing negative effects on farmers' activity and on their possibility to sell production. Even if the activity in the sector never stopped closing HORECA or other activities that were directly related to agriculture and the food industry, during the year there appeared problems and losses in this sector.

6. Other operational revenues

	December 31, 2020	December 31, 2019
Revenue from indemnities and penalties	15,851	4,278
Revenue from rental of real estate investments	294,437	299,701
Other operating incomes	76,901	122,783
Other operational revenues	**387,189**	**426,762**

They mainly include income from renting fixed assets.

7. EXPENSES WITH SALARIES AND OTHER PERSONNEL EXPENSES

	December 31, 2020	December 31, 2019
Salaries expenses	4,900,250	5,249,090
Expenses with salary contributions	126,623	151,211
Expenses with unused vacation leave	0	5,644
Expenses with granted vouchers	232,002	304,787
Other benefits to employees	21,260	112,482
Expenses with indemnity of Board of Directors members	496,432	487,051
Expenses with indemnity of executive management	788,028	715,065
Revenue from operating subsidies for the payment of personnel	(110,990)	(155,764)
Total	**6,464,126**	**6.869.566**
Average number of employees	**101**	**121**

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

The short-term benefits granted to employees are recognized as expenses at the time of rendering the services.
The Company created provisions for benefits of employees granted at the cessation of employment contract with the retirement according to the provisions of Collective Employment Contract valid on December 31, 2020, the information is presented in Note 25 Provisions ”Benefits of employees”.

In order to protect employees against infection with the new coronavirus COVID-19, the Company has implemented a General Plan of measures on specific rules, which is an integral part of the Prevention and Protection Plan in order to improve safety and health conditions at Mecanica Ceahlau for year 2020.

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

The protection measures applied have helped in most cases to eliminate the risk of occurrence and development of outbreaks of infection within the Society.

Given that the production of agricultural machinery and equipment decreased, the company's decision was to keep the production capacities unaffected and to maintain its staff and qualifications and the partial use of the support measures offered by OUG132/2020, namely the measure of the reduced work program.

The company benefited from the measure in September and November 2020. Within the program, the company received a salary subsidy of RON 64,866.

The company presented the subsidy received in "Income from operating subsidies for staff payments" in the statement of Overall Result.

8. OTHER ADMINISTRATIVE EXPENSES

	December 31, 2020	December 31, 2019
Expenses with maintenance and repairs	140,410	107,909
Expenses with royalties, leases and rents	14,345	10,583
Expenses with insurance premiums	80,206	76,830
Expenses with professional training	2,143	1,668
Protocol, advertising and publicity expenses	68,338	76,246
Expenses with transport of goods and staff	324,064	400,981
Expenses with travels, secondments and transfers	91,609	165,589
Postal and telecommunication taxes expenses	45,780	40,291
Expenses with banking and similar services	140,904	89,198
Expenses with internal and external audit services	134,405	233,945
Other expenses with services provided by third parties	1,100,747	1,261,994
Total	**2,142,951**	**2,465,234**

9. OTHER OPERATING EXPENSES

	December 31, 2020	December 31, 2019
Expenses with taxes, duties and similar expenses	324,746	403,079
Penalties	18,333	38,509
Other operating expenses	102,620	172,485
Total	**445,699**	**614,073**

10. FINANCIAL REVENUES AND EXPENSES

	December 31, 2020	December 31, 2019
Interest income	274,047	225,791
Net gain on financial assets	7,991	7,407
Financial revenues total	**282,038**	**233,198**
Interest expenses	68,494	55,504
Net foreign exchange loss	99,473	107,225
Other financial expenses	105,721	113,602
Financial expenses total	**273,688**	**276,331**
Net financial result	**8,350**	**(43,133)**

10. FINANCIAL REVENUES AND EXPENSES (to be continued)

Financial revenues are recognized in the Global result statement under an accrual-based accounting system using the effective interest rate method.

The net gains relating to financial assets held at fair value through the profit and loss account is an increase in the value of the owned fund units, pursuant to the valuation on December 31, 2020.

Financial expenses include the interests and discounts granted, as well as the foreign exchange losses.

Gain and losses from exchange rate differences are reported on a net basis. The value of foreign exchange gains on December 31, 2020 is of RON 24,741 while the value of foreign exchange losses is RON 124,214.
Other financial expenses are represented by financial discounts granted to customers.

11. PROFIT TAX

Profit tax	**December 31, 2020**	**December 31, 2019**
Current income tax expense	-	2,009,737
(Income) / Expense with deferred tax	306,250	(398,092)
TOTAL	**306,250**	**1,611,645**

	December 31, 2020	**December 31, 2019**
Profit before tax from continuous operations	**(2,032,675)**	**8,093,806**
Tax using the Company's domestic tax rate	(325,228)	1,295,009
Tax effect of:		
Non-deductible expenses	(550,554)	737,138
Tax-exempt income	326,100	(355,752)
Tax incentives (legal reserve)	(28,662)	(64,750)
Profit tax	**(578,344)**	**1,611,645**

12. DEFERRED TAX ASSETS AND LIABILITIES

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

On December 31, 2020, deferred tax receivables were recognized for those provisions in the balance that were non-deductible at the time of calculating the current profit tax.

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

Debts regarding deferred profit tax on December 31, 2020 are generated by the elements detailed in the following table:

	ASSETS	LIABILITIES	NET
Tangible assets	-	1,157,710	1,157,710
Trade receivables	9,974,184	-	(9,974,184)
Reserves from revaluation of tangible assets	-	12,889,605	12,889,605
Reserves from tax facilities	-	339,223	339,223
Total	**9,974,184**	**14,386,538**	**4,412,354**
Temporary net differences -			4,412,354
Liabilities regarding deferred profit tax (at 16% rate)			**705,977**

12. DEFERRED TAX ASSETS AND LIABILITIES (to be continued)

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

	ASSETS* restated	LIABILITIES* restated	NET* restated
Tangible assets	-	978,573	978,573
Trade receivables	11,709,105	-	(11,709,105)
Reserves from revaluation of tangible assets	-	12,345,694	12,345,694
Reserves from tax facilities	-	339,223	339,223
Total	**11,709,109**	**13,663,490**	**1,954,385**
Temporary net differences			1,954,385
Liabilities regarding deferred profit tax (at 16% rate)			**312,702**

13. TANGIBLE ASSETS AND RIGHTS OF USE OF ASSETS

	Lands	Technical installations and means of transport	Furniture, equipment office	Property Corporal running	Assets representing usage rights in leasing contracts	Total
COST						
Balance on December 31, 2018	**13,259,741**	**16,059,704**	**226,497**	**255,082**	**-**	**29,801,024**
Assets representing rights of use	**-**	**-**	**-**	**-**	467,864	**467,864**
Balance on December 31, 2018*restated	**13,259,741**	**16,059,704**	**226,497**	**255,082**	**467,864**	**30,268,888**
Fixed assets inputs	96,890	224,711	125,723	547,082	-	994,406
Increases from revaluation	6,673	-	-	-	-	6,673
Disposed fixed assets	-	(437,373)	(1,559)	(357,919)	(30,799)	(827,650)
Reclassifications to assets representing rights to use the underlying assets in leasing contracts	-	(851,223)	-	-	851,223	-
Reclassification to assets held for sale	(315,707)	-	-	-	-	(315,707)
Reclassification to real estate investments	(62,707)	-	-	-	-	(62,707)
Balance on December 31, 2019	**12,984,890**	**14,995,819**	**350,661**	**444,245**	**1,288,288**	**30,063,903**
CUMULATED DEPRECIATION						
Balance on December 31, 2018*restated	**-**	**10,626,495**	**214,012**	**-**	**-**	**10,840,507**
Depreciation expenses	497,890	749,183	3,655	-	214,551	1,465,279
Reclassifications to assets representing rights to use the underlying assets in leasing contracts	-	(524,000)	-	-	524,000	-
Cumulative depreciation related to outflows	-	(421,439)	(1,559)	-	(21,387)	(450,385)
Balance on December 31, 2019	**497,890**	**10,430,239**	**216,108**	**-**	**711,164**	**11,855,401**
IMPAIRMENT ADJUSTMENTS						
Balance on December 31, 2018*restated	**57,954**	**197,276**	**-**	**-**	**-**	**255,230**
Adjustments established during the year	7,850	-	-	-	-	7,850
Write-backs of adjustments from impairment	-	(19,728)	-	-		(19,728)
Balance on December 31, 2019	**65,804**	**177,548**	**-**	**-**	**-**	**243,352**
Balance on December 31, 2018*restated	**13,201,787**	**5,235,933**	**12,485**	**255,082**	**-**	**18,705,287**
Balance on December 31, 2019	**12,421,196**	**4,388,032**	**134,553**	**444,245**	**577,124**	**17,965,150**

13. TANGIBLE ASSETS AND RIGHTS OF USE OF ASSETS

	Lands and buildings	Technical installations and means of transport	Furniture, equipment office	Fixed assets tangible under execution	Assets representing usage rights in leasing contracts	Total
COST						
Balance on December 31, 2019	**12,984,890**	**14,995,819**	**350,661**	**444,246**	**1,288,288**	**30,063,903**
Fixed assets inputs	453,005	19,412	26,241	75,186	626,523	1,200,367
Increases from revaluation	773,690	-	-	-	-	773,690
Fixed assets outflows	-	(289,476)	(85,813)	(451,252)	-	(826,542)
Decreases in revaluation	(106,636)	-	-	-	-	(106,636)
Cumulative depreciation reversal	(1,008,524)	-	-	-	-	(1,008,524)
Balance on December 31, 2020	**13,096,425**	**14,725,754**	**291,088**	**68,180**	**1,914,811**	**30,096,259**
ACCUMULATED DEPRECIATION						
Balance on December 31, 2019	**497,890**	**10,430,239**	**216,108**	**-**	**711,164**	**11,855,401**
Depreciation expenses	510,634	694,708	17,419	-	253,716	1,476,477
Cumulative depreciation reversal	(1,008,524)	-	-	-	-	(1,008,524)
Cumulative depreciation related to outflows	-	(289,476)	(85,813)	-	-	(375,290)
Balance on December 31, 2020	**-**	**10,835,470**	**147,713**	**-**	**964,880**	**11,948,064**
IMPAIRMENT ADJUSTMENTS						
Balance on December 31, 2019	**65,804**	**177,548**	**-**	**-**	**-**	**243,352**
Adjustments established during the year	7,850	-	-	-	-	7,850
Write-backs of adjustments from impairment	-	(19,726)	-	-	-	(19,726)
Balance on December 31, 2020	**73,654**	**157,822**	**-**	**-**	**-**	**231,476**
ACCOUNTING VALUES						
Balance on December 31, 2019	**12,421,196**	**4,388,032**	**134,553**	**444,246**	**577,124**	**17,965,151**
Balance on December 31, 2020	**13,022,771**	**3,732,462**	**143,375**	**68,180**	**949,931**	**17,916,719**

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

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

In 2020, the acquisitions, mainly included fixed assets specific to the company's activity (presses and devices needed in the production process), the video surveillance system was received and the Steyr Parts store was opened.

During 2020, the Company disposed of a number of 52 fully depreciated property, plant and equipment, which no longer brought any benefit.

At December 31, 2020, the Company analyzed the existence of impairment indicators for the fixed assets in management. As a result of the procedures performed, the management of the Company considers that at this date there were no indicators of impairment.

(i) Revaluations

On 31 December 2005, all assets in the property of the Company were re-valued in accordance with the regulations in effect at that time, based on a report drawn up by an independent assessor. The assessments were based on fair value, respectively the closest as value of the transactions on that date. The re-valuation surplus was recognized as a reassessment reserve in the equity.

On 31 December 2007, the Company has reassessed the tangible assets - group: "Buildings", based on a report drawn up by an independent assessor, member of ANEVAR. The assessments were based on fair value, respectively the closest as value of the transactions and the inflation index on that date. The re-valuation surplus was recognized as a reassessment reserve in the equity.

On 31 December 2010, the Company has reassessed the tangible assets - group: „Buildings" of the Company by an own commission of specialists and reviewed by as assessor, ANEVAR member. The reassessment focused on the adjustment of the net book values of tangible assets in the "Buildings" group to their fair value, that is the closest in value to the transactions at that date, considering their physical condition and market value. The re-valuation surplus was recognized as a reassessment reserve in the equity. The decrease that compensates the previous increase of the same asset is diminished from the previously established reserve; all the other decreases are recognized as cost in the Statement of the global result.

On 31 December 2013, the Company has reassessed the tangible assets - group: "Buildings" of the Company were reassessed by an independent assessor, member of ANEVAR. The reassessment focused on the adjustment of the net book values of tangible assets, special buildings and constructions, to their fair value. The reassessment surplus was recognized as a reassessment reserve in the equity, respectively as an income if, pursuant to a previous reassessment, a reassessment expense was recorded. The decrease that compensates the previous increase of the same asset is diminished from the previously established reserve; all the other decreases are recognized as cost in the Statement of the global result.

On 31 December 2018, the Company has reassessed the tangible assets - group: "Constructions" and "Land" based on a report drawn up by an independent valuer, ANEVAR member. The evaluation is according with international valuation standards. The reevaluation aimed at adjustment of net book values of tangible assets, lands, buildings and special constructions at fair value. The methods used by the appraiser in determining the fair value were: the method of market comparison for land and the net replacement cost for buildings.

The reassessment surplus was recognized as a revaluation reserve in the equity, respectively as an income if, pursuant to a previous revaluation, a revaluation expense was recorded. The decrease which compensates the previous increase of the same asset is reduced from the previously made reserve; all the other decreases are recognised as cost in the Statement of Profit and Loss and Other comprehensive income.

13. TANGIBLE ASSETS (to be continued)

On December 31, 2020, the fixed assets were revalued - the group: "Constructions" and "Lands" based on a report prepared by an external, independent real estate appraiser, member of the National Association of Appraisers in Romania (ANEVAR) with recognized professional qualifications and experience in evaluation of all real estate segments. The valuation complies with the international valuation standards. The revaluation aimed at adjusting the net book values of property, plant and equipment, land, buildings and special constructions to fair value. The methods used by the appraiser in determining the fair value were: the market value method by comparison for land and the income capitalization method (income approach) for buildings.

The revaluation surplus was recognized as a revaluation reserve in equity, respectively as income if, as a result of a previous revaluation, a revaluation expense was recorded. The decrease that compensates the previous increase of the same asset is diminished from the previously constituted reserve; all other decreases are recognized as a cost in the statement of comprehensive income.

On 31 December 2020, the evaluator considered the potential impact of COVID-19 by modifying the previous year's assumptions as follows:
- rents lower than the existing values in the market - decreased by 1% - 5%;
- lower levels of employment rates - lower by 5%;
- taking into account the specific local conditions and the market value of rents for comparable real estate as well as the risks related to such activity, a discount rate of 12% by 2% higher was considered, despite the lower inflation prospects, in order to reflects greater uncertainty about cash flows.

14. INTANGIBLE ASSETS

	Brevets, licenses and trademarks	Other assets	Total
COST			
Balance on December 31, 2018*restated	**528,327**	**879,856**	**1,408,183**
Purchases	-	9,196	9,196
Balance on December 31, 2019	**528,327**	**889,052**	**1,417,379**
ACCUMULATED AMORTIZATION			
Balance on December 31, 2018*restated	**248,792**	**754,953**	**1,003,745**
Amortization during the year	92,489	47,308	139,797
Balance on December 31, 2019	**341,281**	**802,261**	**1,143,542**
IMPAIRMENT ADJUSTMENTS			
Balance on December 31, 2018*restated	**269,195**	-	**269,195**
Write-backs of adjustments from impairment	89,732	-	89,732
Balance on December 31, 2019	**179,462**	-	**179,463**
Balance on December 31, 2018*restated	**10,340**	**124,903**	**135,243**
Balance on December 31, 2019	**7,583**	**86,791**	**94,374**

14. INTANGIBLE ASSETS (to be continued)

	Brevets, licenses and trademarks	Other assets	Total
COST			
Balance on December 31, 2019	**528,327**	**889,052**	**1,417,379**
Purchases	0	9,998	9,998
Intangible assets outflows	0	51,216	51,216
Balance on December 31, 2020	**528,327**	**847,835**	**1,376,162**
DEPRECIATION AND DEPRECIATION LOSS			
Balance on December 31, 2019	**341,281**	**802,261**	**1,143,542**
Depreciation during the year	92,489	41,660	134,149
Cumulative depreciation related to outputs	0	51,216	51,216
Balance on December 31, 2020	**433,770**	**792,705**	**1,226,475**
DEPRECIATION ADJUSTMENTS			
Balance on December 31, 2019	**179,462**	-	**179,462**
Adjustments made during the year	-	-	-
Resumption of impairment adjustments	89,732	-	89,732
Balance on December 31, 2020	**89,731**	-	**89,731**
ACCOUNTING VALUES			
Balance on December 31, 2019	**7,583**	**86,791**	**94,374**
Balance on December 31, 2020	**4,825**	**55,130**	**59,956**

Intangible assets as of December 31, 2020, at the net value of RON 59,956 (December 31, 2019: 94,374 RON), represent the unamortized part of licenses, technological documentation and computer programs used.
During 2020, the Company disposed of 23 fully depreciated intangible assets, which did not bring any benefit.
Impairment losses recognized in profit or loss were classified as depreciation and amortization.

Amortization of intangible assets

The amortization period for intangible assets is limited to 10 years.

15. REAL ESTATE INVESTMENTS

	December 31, 2020	December 31, 2019
Net value	487,280	413,550

	December 31, 2020	December 31, 2019
Balance on	**413,550**	**430,636**
Increases/Reclassifications in Real estate investments	0	62,707
Reductions/Reclassifications in assets held for sale	0	(71,500)
Fair value modifications	73,730	(8,293)
Balance on December 31	**487,280**	**413,550**

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

Commercial properties are leased to third parties on the basis of contracts valid for 12 months with the possibility of extension.

Certain properties also include a part that is owned for leasing purposes and another part owned for the production of goods, provision of services or for administrative purposes. In case that the part owned for leasing purposes does not occupy a significant share, the property continues to be treated as a tangible asset,

The company uses the fair value method, as presented in note 3, item f. „Real estate investments".

The value of rental income as of December 31, 2020 was 294,437 lei. The commercial properties owned by the company are mainly leased to some industrial companies (plastics producers and metal parts) companies that were not significantly affected by the COVID-19 pandemic. The monthly rent was invoiced according to the contracts in force and there were no requests to postpone the rent payment.

The company did not make significant repairs and had no other costs with real estate investments as of December 31, 2020.

The valuation at fair value of real estate investments was performed by an external, independent real estate appraiser, member of the National Association of Appraisers in Romania (ANEVAR) with recognized professional qualifications and experience in appraising all real estate segments. The measurement of the fair value of the real estate investment was made using the income capitalization method.

On 31 December 2020, the evaluator considered the potential impact of COVID-19 by modifying the previous year's assumptions as follows:

- rents lower than the existing values in the market - decreased by 1% - 5%;
- lower levels of employment rates - lower by 5%;
- taking into account the specific local conditions and the market value of rents for comparable real estate as well as the risks related to such activity, a discount rate of 12% by 2% higher was considered, despite the lower inflation prospects, in order to reflects greater uncertainty about cash flows.

16. ASSETS HELD FOR SALE

	December 31, 2020	December 31, 2019
Balance on December 1	**387,207**	**12,015,414**
Purchases/ Reclassifications	-	387,207
Sales	-	(12,015,414)
Changes in fair value	(41,697)	0
Balance on December 31	**345,510**	**387,207**

As of December 31, 2020, the company holds for sale assets identified as follows:

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

The valuation at fair value was performed by an external, independent real estate appraiser, member of the National Association of Appraisers in Romania (ANEVAR) with recognized professional qualifications and experience in appraising all real estate segments. The revaluation aimed at adjusting the net book values of the assets held for sale at fair value. The method used by the appraiser in determining the fair value was: the market value method. The evaluator considered the potential impact of the COVID-19 epidemic.

17. INVENTORIES

	December 31, 2020	December 31, 2019
Raw materials and materials	1,124,321	1,256,496
Work in progress	321,686	247,002
Semi-finished goods	68,252	68,507
Finished goods	14,639,195	13,104,519
Goods purchased for resale	5,950,279	5,485,622
Inventory at net value	**22,103,732**	**20,162,146**

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

In accordance with the current asset value adjustment policy, value adjustments for inventories are made:
- global - depending on seniority and dynamics;

- individually - based on the findings of the inventory commissions.

As of December 31, 2020, the value of the adjustments for the depreciation of stocks is of RON 830,602 (December 31, 2019 of RON 870,206).

18. TRADE RECEIVABLES

	December 31, 2020	December 31, 2019
Trade receivables - stages 1 and 2	5.289.099	10.778.334
Adjustments for impairment of trade receivables - stage 1 and 2	(573.748)	(1.636.120)
Net trade receivables, stages 1 and 2	**4.715.351**	**9.142.214**
Trade receivables - stage 3	7.588.676	7.340.905
Adjustments for impairment of trade receivables - stages 3	(6.645.799)	(6.606.815)
Net trade receivables, stage 3	**942.877**	**734.090**
Net trade receivables	**5.658.228**	**9.876.304**

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

On December 31, 2020, the net trade receivables amounting to RON 5,658,228 (December 31, 2019: RON 9,876,304) are considered performing in full.

On December 31, 2020, the Company has received from customers promissory notes and cheques in amount of RON 283,655 (December 31, 2019 in amount of RON 58,498) according to the contract clauses.

On December 31, 2020, are established impairments of trade receivables in total amount of RON 7,219,547 (December 31, 2019: RON 8,242,935), Impairments have been recognized both due to the fact that there is no clear evidence that these receivables will be recovered, as well as based on the application of the Expected Credit Loss model in accordance with IFRS 9.

Assessed individually:

The entity peforms individually analsys of trade receivables recoverability based on the litigation status and days past due. For all customers in litigation and days past due over 180 days a provision of 100% from the gross value is booked.

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

	Impairment December 31, 2020	Gross value December 31, 2020	Impairment December 31, 2019	Gross value December 31, 2019
Due for over 180 days	6,645,799	7,588,676	6,606,815	7,340,905

Assessed collectively:

	Impairment December 31, 2020	Gross value December 31, 2020	Impairment December 31, 2019	Gross value December 31, 2019
Undue	61,445	2,974,181	973,748	8,800,942
Due for 0 to 30 days	33,614	669,750	35,027	902,639
Due for 31 to 60 days	67,977	660,220	74,667	112,864
Due for 61 to 90 days	73,762	477,011	53,383	184,353
Due for over 90 days	336,949	507,937	499,295	777,536
	573,748	**5,289,099**	**1,636,120**	**10,778,334**

19. OTHER RECEIVABLES

	December 31, 2020	December 31, 2019
Different debitors	145,623	143,922
Other receivables (bank interest, contributions and VAT)	110,327	208,148
Tax recoverable	282,137	69,931
Adjustment for other receivables - miscellaneous debtors	(132,995)	(113,817)
Total	**405,092**	**308,184**

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

The entity peforms indivually analsys of sundry debtors recoverability based on the litigation status and days past due. For all customers in litigation and days past due over 180 days a risk provision of 100% from the gross value is booked.

In order to cover the risk of non-recovery of certain categories of receivables - various debtors, the Company registered adjustments for the depreciation of various debtors in the amount of RON 132,995.

	Impairment December 31, 2020	Gross value December 31, 2020	Impairment December 31, 2019	Gross value December 31, 2019
Due for over 180 days	132,995	132,995	113,817	113,817

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

(i) Cash and current accounts

	December 31, 2020	December 31, 2019
Cash	13,024	12,020
Current bank accounts	2,232,038	2,622,812
Cash and current accounts - gross value	**2,245,062**	**2,634,832**

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

(ii) Bank deposits

	December 31, 2020	December 31, 2019
Fixed term bank deposits	5,000,000	18,800,000
Expected credit loss related to bank deposits	(2,767)	(1,573)
Total bank deposits	**4,997,233**	**18,798,427**

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

20. CASH, CURRENT ACCOUNTS, BANK DEPOSITS AND FINANCIAL ASSETS AT FAIR VALUE (to be continued)

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

	December 31, 2020	December 31, 2019
Financial assets - fund units	261,851	253,859
Securities of Transport Ceahlau SRL	51,000	51,000
Adjustment of fair value of securities	(51,000)	(51,000)
Total	**261,851**	**253,859**

As of December 31, 2020, the company holds investments in fund units, at fair value, as follows:

Fund type	Fund management company	Number of fund units	Value of fund units
Open-end investment fund BT OBLIGATIUNI	BT Asset Management	13,591	261,851

In 2020, the fund units held at BT Asset Management valued at fair value through other elements of the overall result registered an increase (the change in fair value being in the sense of increase) of RON 7,991.

21. CAPITAL AND RESERVES

a. Share Capital

Subscribed and paid-in share capital on December 31, 2020	**RON 23,990,846**
Number of subscribed and paid-in shares on December 31, 2020	**239,908,460 shares**
Nominal value of one share	RON 0.10
Characteristics of the issued shares, subscribed and paid-in	Ordinary, nominative, dematerialized

The securities of the Company (shares) are registered and traded in the category Standard of Bucharest Stock Exchange. All shares have the same voting right.

As of December 31, 2020, the share capital of the Company was not modified, meaning its increase or decrease.

The share capital registered on as of December 31, 2020 is of RON 23,990,846.

The Company's shareholder structure is the following:

December 31, 2019	Number of shares	Amount (RON)	%
SIF Moldova	175,857,653	17,585,765	73.3020
NEW CARPATHIAN FUND	48,477,938	4,847,794	20.2068
Other shareholders, of which:			
- legal entities	803,720	80,372	0.3350
- individuals	14,769,149	1,476,915	6.1562
TOTAL	**239,908,460**	**23,990,846**	**100.00**

21. CAPITAL AND RESERVES (to be continued)

December 31, 2020	Number of shares	Amount (RON)	%
SIF Moldova	175,857,653	17,585,765	73.3020
NEW CARPATHIAN FUND	48,477,938	4,847,794	20.2068
Other shareholders, of which:			
- legal entities	722,117	72,212	0.3010
- individuals	14,850,752	1,485,075	6.1902
TOTAL	**239,908,460**	**23,990,846**	**100.00**

b. Reserves

	December 31, 2020	December 31, 2019
Reserves from the re-valuation of tangible assets	8,922,092	8,378,181
Deferred tax related to unrealised revaluation reserve	(1,481,812)	(1,394,786)
Total	**7,440,280**	**6,983,395**

	31 decembrie 2020	31 decembrie 2019
Retained earnings representing the realized revaluation reserve surplus - gross	3,967,513	3,967,513
Deferred tax from realized and non taxable revaluation reserve	(634,802)	(634,802)
Retained earnings representing the realized revaluation reserve surplus - net	14,847,573	5,589,557
Profit/loss carried forward	3,035,726	(1,797,920)
Other reserve	5,481,334	5,712,695
TOTAL	**26,697,344**	**12,837,043**

c. Legal reserves

The company distributes at legal reserves 5% from the profit before taxation, up to the limit of 20% of the share capital. These amounts are deducted from the tax base for calculating the corporate tax. The value of the legal reserve as of December 31, 2020 is RON 2,804,874 (December 31, 2019: RON 2,804,874).

The legal reserves cannot be distributed to the shareholders.

d. Dividends

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

21. CAPITAL AND RESERVES (to be continued)

e. RESULT PER SHARE

The result per share is calculated by dividing the net profit attributable to the company's shareholders on December 31, 2020 in the amount of (RON 2,338,925) (December 31, 2019: RON 6,482,161) to the number of ordinary shares in circulation of 239,908,460 shares (December 31 2019: 239,908,460 shares).

Profit distributable to ordinary shareholders	December 31, 2020	December 31, 2019
Profit for the period	(2,338,925)	6,482,161
Number of ordinary shares	239,908,460	239,908,460
Gains per share	(0.0097)	0.0270

22. LOANS

This note supplies information on the contractual terms of the loans carrier of interests of the Company, assessed at amortized cost.

	December 31, 2020	December 31, 2019
Long-term bank loans	706,983	981,035
Short term bank loans (up to 1 year)	292,548	287,135
Loans	**999,531**	**1,268,170**

The tables below present detailed information regarding the loans contracted by the Company on December 31, 2020 and December 31, 2019:

December 31, 2020

Credit type	Loan balance (RON)	Account currency	Annual interest rate (%)	The final maturity of the loan
Investment	999,531	EUR	EURIBOR 6 months +2,5%	20/05/2024
Credit facility	-	EUR	EURIBOR at 3 months +1,85% per year	28/02/2021
Total	**999,531**			

December 31, 2019

Credit type	**Loan balance (RON)**	**Account currency**	**Annual interest rate (%)**	**The final maturity of the loan**
Investment	1,268,170	EUR	EURIBOR 6 months +2,5%	20/05/2024
Credit facility	-	EUR	EURIBOR at 3 months +1,85% per year	28/02/2020
Total	**1,268,170**			

As of December 31, 2020, the company has an ongoing investment credit in the amount of EUR 420,000 for a period of 14 years for the procurement of a cutting equipment with laser The investment credit is guaranteed with mortgage on the asset above mentioned.

As of December 31, 2020, the company has a loan granted by Banca Comerciala Romana S.A. used to finance the current activity in the amount of EUR 200,000. The value of the loan used on December 31, 2020 was RON -. The facility is secured by a stock mortgage.

23. LIABILITIES FROM LEASING CONTRACTS

	December 31, 2020	December 31, 2019
Long-term debt		
Leasing agreements related debts (between 1 year and 5 years)	655,600	309,919
Total long-term debt	**655,600**	**309,919**
Short term debts		
Debts arising from leasing contracts	227.412	186.693
Total short-term debt	**227,412**	**186,693**
Total financial leasing debts	**883,012**	**496,612**

The company has leases having as object mainly means of transport, showrooms and office space.

24. PROVISIONS FOR RISK AND EXPENSES

	Other provision	Benefits of employees	Total
Balance on December 31, 2019	**600,169**	**274,847**	**875,016**
Provisions created during the period	222,908	-	222,908
Provisions released during the period	109,954	44,329	154,283
Balance on December 31, 2020	**713,123**	**230,518**	**943,641**
Long-term	0	230,518	230,518
Current	713,123	-	713,123

GUARANTEES

The provisions for guarantees in the amount of RON 76,872 were established taking into account the expenses related to the service activity for the agricultural machines in the warranty period.

Employee benefits

Provisions amounting to RON 230,518 are established for benefits granted to employees at the termination of the employment contract together with retiring following certain provisions of the collective employment contract.

Other provisions

Other provisions existing in balance on December 31, 2020 represent:

- Provisions for the non-granted rights according to the contracts concluded in the amount of RON 57,730;
- Provision for return risk for products and goods in the amount of RON 578,521;

25. TRADE DEBTS

	December 31, 2020	December 31, 2019
Trade debts - short-term debts	1,850,585	6,057,681
Investment suppliers	-	18,228
Suppliers - Invoices to be received	233,349	228,996
Total	**2,083,934**	**6,304,906**

26. OTHER DEBTS

	December 31, 2020	December 31, 2019
Social insurances and other taxes	453,413	398,400
Dividends to be paid	311,899	86,971
Other debts – advance	45,161	68,392
Other creditors, (VAT and quarantees)	293,878	663,091
Total	**1,104,351**	**1,216,853**

Dividends not paid within 3 years from the date of declaration are prescribed by law, except for the amounts seized by the tax authorities.
At the General Meeting of Shareholders on April 22, 2020, the Company's shareholders approved the prescription of dividends related to the financial years 2012, 2014 and 2015 established by the AGOA of 29.04.2013, 17.04.2015, respectively 25.04.2016, not collected until of 17.08.2019. Income from prescription dividends amounting to RON 60,585 was registered.

27. CASH FLOW INFORMATION

The method used in presenting the Cash Flow Statement is the direct method.

The Cash Flow Statement presents cash flows and cash equivalents classified by operating, investing and financing activities, thus highlighting the way in which the Company generates and uses cash and cash equivalents.

In the context of drawing up the Cash Flow Statement:

- cash flows are cash receipts and payments and cash equivalents;

- cash includes cash and cash equivalents from banks and cashiers;

- cash equivalents include deposits made with banks, CECs and promissory notes deposited with banks for collection.

Cash flows from transactions in foreign currency are recorded in the functional currency by applying to the value in foreign currency the exchange rate between the functional currency (RON) and the currency from the date of cash flow (date of payments and receipts).

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

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

As much, in 2020:

- the receipts from various clients and debtors were in the amount of RON 29,244,879;

- payments to suppliers and various employees and creditors amounted to RON 26,943,421;

- the payments of taxes to the State Budget were in the amount of RON 5,451,408;

27. CASH FLOW INFORMATION (to be continued)

The operating activity generated in 2020 a cash deficit of RON 3,149,944

Payments for the acquisition of tangible and intangible assets amounted to RON 184,342.

Receipts from interest related to deposits placed with banks amounted to RON 424,947.

The investment activity generated in 2020 a cash surplus amounting to RON 240,606.

Within the financing activity, the amount of RON 10,568,505 was paid, representing dividends due to the shareholders.

During 2020, the Company used the 200,000 euro credit facility, which was reimbursed until the end of the year.

The company repaid the installments related to the year 2020 for the investment loan and paid the debts related to the leasing contracts.

The financing activity generated in 2020 a cash deficit amounting to RON 11,245,105.

The level of cash and cash equivalents registered on 31.12.2020 is RON 7,245,062.
The impact that the COVID-19 pandemic had on the company's activity during the reported period was not likely to significantly influence the company's financial performance, as it was able to honor in time all its commitments to shareholders and obligations to third parties.
Management continues to have a reasonable expectation that the Company has sufficient financial resources to ensure financial stability.

28. FINANCIAL INSTRUMENTS

General presentation

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

- Credit risk
- Liquidity risk
- Market risk

These notes represent information on the exposure of the Company to each of the risks above mentioned, objectives of the Company for the assessment and management of the risk and the procedures used for the management of the capital.

The company's management has as permanent objectives the analysis of the future impact of the Covid-19 pandemic on the financial performance and the taking of adequate measures to reduce the related risks.

General framework on risk management

The risk management policies of the company are defined in such way as to ensure the identification and analysis of the risks that the company is encountering, establishment of limits and adequate controls, as well as the monitoring of risks and compliance of the established limits.

The risk management policies and systems are permanently reviewed in order to reflect the amendments occurring in the market conditions and in the activity of the Company. The Company, through its standards and procedures for training and management, aims to develop an ordered and constructive control environment, within which each employee understands their roles and liabilities.

The internal auditor of the Company performs standards and ad-hoc missions to review controls and procedures for the management of risks, their results being presented to the Management Board.

28. FINANCIAL INSTRUMENTS (to be continued)

a. Credit risk

The treatment of the counter-party risk is based on internal and external success factors of the Company.

Financial assets, that may expose the Company to the collection risk, are mainly trade receivables and liquid assets. The company has policies aimed to assure that the sales are made to costumers with proper references on their creditworthiness. The net value of the receivables for adjustments for impairment represents the maximum amount exposed to the collection risk. The situation of receivables by age is presented in Note 18, Receivables.

The credit risk is the risk that the Company supports a financial loss following the non-fulfillment of the contractual obligations by a client or a counter-party on a financial instrument, and this risk results mainly from trade receivables and financial investments of the Company.

The company has a significant concentration of credit risk. The company applies specific policies to make sure that the sale of products and services is carried out so that the commercial loan granted is adequate and monitors continuously the age of receivables.

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

Exposure to credit risk

The accounting value of the financial assets represents the maximal exposure to credit risk. The maximal exposure to the risk credit on the date of the reporting was:

	December 31, 2020	**December 31, 2019**
Net trade receivables	5,658,228	9,876,304
Other receivables	405,092	308,184
Securities and bank deposit	261,851	253,859
Cash and cash equivalents	7,242,295	21,433,259
	13,567,467	**31,871,606**

The company has no significant exposure to a single partner and does not record a significant concentration of turnover on a single geographic area.
On the internal market, the Company has collaborated with a number of 20 distributors from the entire country, the most important ones being located preponderantly in the agricultural area.
On the foreign market, the sales volume was achieved in proportion of 1% of the turnover. In this market, the connection with traditional customers who know and promote the company's products is maintained. The credit risk, including the country risk in which the client operates, is managed on each business partner. When it is considered necessary, specific instruments to reduce the credit risk are requested, respectively receipts from customers, before the delivery of the goods. These are presented in the financial statements as Other debts, advances received.
The company has established a credit policy according to which every new client is analyzed individually from the point of view of reliability and in certain cases references are requested supplied by banks before being contracts of firm sales are concluded.
For the purpose of monitoring the risk credit associated to the clients, these are grouped depending on the characteristics of the credit risk, taking into account their classification as legal or natural persons, internal or external clients, seniority, due dates and the existence of certain previous financial difficulties. The clients classified as having a high risk are monitored, following the future sales to be made based in advance payments or using certain banking instruments to guarantee collections.

In order to prevent the impact of the COVID-19 pandemic on the creditworthiness of customers and to limit the exposure to customers that could be seriously affected, the Company carefully monitors and periodically evaluates (with a higher frequency) their financial condition.

The policy of the company is to offer service for the products supplied in a guarantee period of 24 months.

On December 31, 2020 net accounting value of the cash and cash equivalents, suppliers and clients, commitments and short-term debts approximated their fair values due to short term due dates.

28. FINANCIAL INSTRUMENTS (to be continued)

b. Liquidity risk

Is the risk that the Company could encounter difficulties in complying with the liabilities associated to financial debts which are reimbursed in cash. The approach of the Company on liquidity risk is to ensure, to the extent possible, that it hold at any time sufficient liquidities to face debts when these are due, both in normal conditions and in difficult conditions, without supporting significant losses or to compromise the reputation of the Company.

Generally, the Company ensures that it holds sufficient cash to cover the foreseen operational expenses, including for the payments of its financial obligations.

For the purpose of managing liquidity risk, cash flows are monitored and analyzed weekly, monthly, quarterly, and annually to determine the expected level of net change in liquidity.

Exposure to liquidity risk:

The due dates of the financial assets and debts are the following:

December 31, 2020	**Book value**	**0 – 12 months**	**More than 1 year**
Financial assets			
Cash and cash equivalents	7,242,295	7,242,295	-
Financial assets evaluated at fair value by profit and loss account	261,851	261,851	-
Trade receivables and other receivables	6,063,321	6,063,321	-
Total financial assets	**13,567,467**	**13,567,467**	**-**
Financial liabilities			
Investment credit	(999,531)	(292,548)	(706,983)
Leasing liabilities	(883,012)	(227,412)	(655,600)
Commercial debts and other debts	(3,188,285)	(3,188,285)	-
Total financial liabilities	**(5,070,828)**	**(3,708,246)**	**(1,362,583)**
NET	**8,496,638**	**9,859,221**	**(1,362,583)**

December 31, 2019	**Book value**	**0 – 12 months**	**More than 1 year**
Financial assets			
Cash and cash equivalents	21,433,259	21,433,259	-
Financial assets evaluated at fair value by profit and loss account	253,859	253,859	-
Trade receivables and other receivables	10,184,488	10,184,488	-
Total financial assets	**31,871,606**	**31,871,606**	**-**
Financial liabilities			
Investment credit	(1,268,170)	(287,135)	(981,035)
Leasing liabilities	(496,612)	(186,693)	(309,919)
Commercial debts and other debts	(7,521,759)	(7,521,759)	-
Total financial liabilities	**(9,286,541)**	**(7,995,587)**	**(1,290,954)**
NET	**22,585,065**	**23,876,019**	**(1,290,954)**

28. FINANCIAL INSTRUMENTS (to be continued)
c. Market risk

The Romanian economy is in continuous development, with a lot of uncertainly on the possible orientation in politics and economic development in the future. The company management cannot foresee the changes which will take place in Romania and their effects on the financial situation, the operating results and cash flows of the company.

Exchange rate risk
The company is exposed to foreign currency risk through the sale, procurement, availability and loans that are denominated in other currencies than the functional currency of the Company, however, the company in which most of the transactions are performed is RON.

Exposure to exchange rate risk:
The currency that exposes the company to this risk is mainly EUR. The differences resulted are included in the global result statement and do not affect the cash flow until the liquidation of debt. The Company holds on December 31, 2020 cash and cash equivalents, trade receivables and trade debts in foreign currency, the rest of the financial assets and financial debts are denominated in RON.

Sensitivity analysis

December 31, 2020	EUR 1 EUR = 4.8694	RON 1 RON	TOTAL
Cash, current accounts and deposits placed with banks	10,257	7,232,038	7,242,295
Investment securities		261,851	261,851
Trade and other receivables	2,205	6,061,116	6,063,321
Total financial assets	**12,462**	**13,555,005**	**13,567,467**

December 31, 2020	EUR (1EUR = 4,8698)	RON 1RON	TOTAL
Investment credit	(999,531)	-	(999,531)
Leasing liabilities	(883,012)	-	(883,012)
Commercial debts and other debts	(820,384)	(2,367,900)	(3,188,284)
Total financial liabilities	**(2,702,928)**	**(2,367,900)**	**(5,070,828)**

December 31, 2019	EUR 1 EUR = 4.7793	RON 1 RON	TOTAL
Cash and cash equivalents	25,899	21,407,360	21,433,259
Financial assets evaluated at fair value by profit and loss account	-	253,859	253,859
Trade receivables and other receivables	2,115	10,182,373	10,184,488
Total financial assets	**28,014**	**31,843,592**	**31,871,606**

December 31, 2019	EUR 1 EUR = 4.7793	RON 1 RON	TOTAL
Bank loans	(1,268,170)	-	(1,268,170)
Leasing liabilities	(496,612)	-	(496,612)
Commercial debts and other debts	(4,259,190)	(3,262,569)	(7,521,759)
Total financial liabilities	**(6,023,972)**	**(3,262,569)**	**(9,286,541)**

The Company did not conclude hedging contracts with regards to the bonds in foreign currency or exposure to the interest rate risk.

The impact on the Company profit of a change of +/-5% of exchange rate RON/EUR, on December 31, 2020, all the other variables remaining constant, is ± RON 134,523 (December 31, 2019: RON 299,798).

28. FINANCIAL INSTRUMENTS (to be continued)

d. Capital management

The objectives of the company in the management of the capital are to ensure the protection and capability to reward its employees, to maintain an optimal structure of capitals in order to reduce capital costs.
The company monitors the volume of the attracted capital based on the indebtness degree. This rate is calculated as a ratio between gross debts and totals of capital. The net debts are calculated as a total of cash gross debts. The totals of capital are calculated at own capital to which net debts are added.

	December 31, 2020	December 31, 2019
Financial liabilities	**5,070,828**	**9,286,541**
Cash and cash equivalents	7,242,295	21,433,259
Financial assets evaluated at fair value by profit and loss account	261,851	253,859
Net financial liability	**(2,433,318)**	**(12,400,577)**
Equity	**47,800,744**	**60,476,459**
Indicator of the net debt	**(0.05)**	**(0.21)**

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

29. COMMITMENTS AND CONTINGENTS

(a) Taxation

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

(b) Commitments

As of December 2020 the Company had a letter of bank guarantee issued related to the main supplier of goods, CNHI International, as follows:

Bank	Beneficiary	Value	Currency:	Issuing date	Due date
Banca Transilvania	CNHI International SA	300,000	Euro	16/02/2016	15/07/2021

(c) Concluded insurances

On December 31, 2020, the Company has concluded insurance policies for tangible assets.

(d) Legal proceedings

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

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

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

29. COMMITMENTS AND CONTINGENCIES (to be continued)

(e) Quality-Environment Compliance Program

The company has implemented the Integrated Management System "Quality-Environment", certified by the external auditor TÜV THÜRINGEN for ISO 9001: 2008 and ISO 14001: 2004. The certificate is for the application of the demands according to the reference standards and it was proved and attested according to the certification standards.

30. AFFILIATED PARTIES

SIF Moldova is a majority shareholder at Mecanica Ceahlau SA, holding 73.3020 % of the total of shares. The company is part of the consolidation perimeter of SIF MOLDOVA.

NEW CARPATHIAN FUND is a significant shareholder at Mecanica Ceahlau SA, holding 20.2068% of the total of shares.

Details about other affiliated parties with which Mecanica Ceahlau entered in trade relationships: Transport Ceahlau SRL

Parties affiliated to the Company and the relationships with these are presented below:

Entity	Nature of the relationship
SIF Moldova	Parent company
NEW CARPATHIAN FUND	Significant shareholder
Transport Ceahlau SRL	Affiliated company

No transactions, amounts owed or to be received were identified with SIF Moldova, other than the rightful dividends, amounting (gross) RON 8,063,073.
No transactions, amounts owed or to be received were identified with NEW CARPATHIAN FUND, amounting (gross) RON 2,222,713.

The participating interests that the company holds on December 31, 2020 in Transport Ceahlau SRL are presented as such:

	December 31, 2020	December 31, 2019
Shares unquoted on January 1, 2020	**51,000**	**51,000**
Purchases	-	-
Disposals	-	-
Adjustments for depreciation	51,000	51,000
Balance on December 31, 2020	**-**	**-**

The main activity object of Transport Ceahlău SRL is the road transportation of goods, however the main share in the activity is held by general mechanical works.

The statement of movements of equity securities on December 31**,** 2020 is the following:

			Participation percentage	
	Purchase date	**Sale date**	**December 31, 2020**	**December 31, 2019**
Transport Ceahlau SRL	2004	-	24.28%	24.28%

30. AFFILIATED PARTIES (to be continued)

Information on the transactions with affiliated parties

As of December 31, 2020, the Company had no transactions with Transport Ceahlau SRL.

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

	December 31, 2020	December 31, 2019
Other receivables	113,817	113,817
Adjustment for other receivables	(113,817)	(113,817)
Other net receivables	-	-
Commercial debts	4,951	4,951
TOTAL	**4,951**	**4,951**

The company applies the same internal policies in the contractual relationships with the affiliated entities as well as in the relationships with the other contractual partners with which the company is not in special relationships.

Transactions with the key management personnel

Key employees are considered:
- Dl Sorin Molesag –General Manager
- D-na Oana Chirilia –Economic Director
- Dl Botezatu Cornel - Sales Director – period 01.01 -30.04.2020
- Dl Moraru Ioan - Sales Director – period 01.05 -31.12.2020

Loans granted to directors
The company did not grand advances, credits or loans to the members of the management and supervision bodies on December 31, 2020.

Benefits of the key management personnel

The salary rights of the directors are established by the Management Board according to the legal provisions and the management contracts.

a) Granted salary rights

	December 31, 2020	December 31, 2019
Executive Team	788,028	715,065
Members of the Board of Directors	496,432	487,051
TOTAL	**1,284,460**	**1,202,116**

b) Balance on

	December 31, 2020	December 31, 2019
Executive Team	65,241	35,713
Members of the Board of Directors	-	-
TOTAL	**65,241**	**35,713**

31. EVENTS AFTER THE REPORTING DATE

On February 12, 2021, the Romanian Government approved the decision on extending the alert status by another 30 days, being the tenth period of 30 days (consecutive) since Romania is on alert. Romania entered the state of alert on May 15, after two months in which the state of emergency was in force, decreed by the President of Romania on March 16, 2020.

In the context of the COVID-19 pandemic, it is expected that there will continue to be a degree of uncertainty in the field in which the company operates. The company carefully monitors developments in the field in which it operates as well as in the economic environment in general, as well as the effects of economic measures applied at national and international level.

The company's management has as permanent objectives the analysis of the future impact of the Covid-19 pandemic on the financial performance and the taking of adequate measures to reduce the related risks.

The preliminary financial statements were authorized for approval by the Board of Directors on February 25, 2021 and were signed on its behalf by:

Molesag Ion Sorin,
General Manager

Chirila Oana,
Financial Manager