

To: BUCHAREST STOCK EXCHANGE

FINANCIAL SUPERVISORY AUTHORITY

A. Quarterly report of the Board of Directors on September 30th, 2022

Date of the report: 31/10/2022

Name of the company: SC „MECANICA CEHLĂU” S.A. PIATRA NEAMŢ

Registered Office: Piatra Neamţ, Dumbravei street, no.6, postal code 610202

Phone number/fax: 0233-211104/ 0233-216069

Tax Identification Number: RO 2045262

Trade Register Registration Number: J27 / 8 / 08.01.1991

Subscribed and paid-in share capital RON 23,990,846

Regulated market in which the issued securities are traded: Bucharest Stock Exchange

Trading symbol: MECF.

1. Synthesis of the financial-economic indicators on September 30, 2022.

Information in the financial-economic situation of the Mecanica Ceahlau SA on the 3rd quarter of 2022 are presented in the Financial Statements, concluded on September 30, 2022, drafted according to the order 2844 from 2016 on the approval of the accounting regulations according to the international standards of financial reporting. The currency of the reporting is RON.

The Individual Financial Statements concluded on September 30, 2022 were not audited.

The structure and the evolution of the asset, debt and equity elements of the company, compared to the same period of the previous year, is presented as:

1.a. Individual situation of the financial position

Indicator - ron	September 30, 2022	September 30, 2021
Fixed assets total, out of which:	18,880,212	17,488,096
Tangible fix assets	16,165,968	16,120,002
Intangible assets	24,536	51,053
Real Estate Investments	458,477	487,280
Assets representing rights of use of support assets in leasing contracts	2,231,231	829,762
Current assets total, out of which:	47,450,700	43,379,825
Stocks	29,375,056	21,620,109
Trade receivables	7,428,510	6,181,265
Other receivables	487,490	215,841
Expenses registered in advance	175,677	140,566
Financial assets at fair value (fund units, bank deposits)	271,378	266,091
Cash and cash equivalents	4,264,352	14,610,444
Assets classified as held for sale	383,907	345,510
TOTAL ASSETS	66,330,912	60,867,921
Own equity, of which:	51,911,116	49,205,105
Share capital	23,990,846	23,990,846

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Legal reserves	2,890,897	2,804,874
Revaluation reserve	7,434,927	7,249,652
Retained earnings and other reserve	17,594,447	15,159,732
Total debts:	14,419,796	11,662,816
Long term debts, out of which:	3,627,270	2,395,162
Long term loans	198,214	495,443
Liabilities from leasing contracts	1,785,325	580,251
Provisions for pensions	98,060	153,411
Debts on deferred tax	1,545,671	1,166,057
Current debts total, out of which:	10,792,526	9,267,653
Short term loans	297,331	297,271
Liabilities from leasing contracts	476,988	204,556
Commercial debts	8,158,374	6,183,622
Revenues recorded in advance	1,778,938	10,909
Other debts	-	1.715.272
Provisions	80,895	856,023
TOTAL DEBTS	14,419,796	11,662,816
TOTAL OWN EQUITY AND DEBTS	66,330,912	60,867,919

The own capitals increased to the amount of 51,911,116 lei (September 30, 2021: 49,205,105 lei). No dividends were distributed to shareholders.

The current assets in the amount of 47,450,700 lei increased with 9% compared to the same period of the previous year and are made up of:

Overall stocks are in the net amount of 29,375,056 lei increased with 45.53% compared to the same period of the previous year mainly due to the outsourcing of parts and subassemblies and the expansion of the product portfolio (2 new ranges of seeders, herbicide machines, new range of plows). Are made up of:

Indicator - ron	September 30, 2022	September 30, 2021	%
Raw materials and materials	4,590,553	1,732,485	265%
Work in progress	169,918	822,381	21%
Semi-finished goods	96,032	77,077	125%
Finished goods	12,446,210	11,819,865	107%
Goods (goods for distribution)	12,072,343	7,168,301	163%
Stocks at net value	29,375,056	21,620,109	136%

- **Commercial receivables** in the amount of 7,428,510 lei increased by 20% compared to to the same period of the previous year, are entirely considered performant.

On September 30, 2022 the company has received from clients in the form of guarantees, promissory notes and cheques pursuant to the contractual provisions in the amount of 420.518 lei.

- **Other receivables** in amount of 487,490 increased by 125% compared to the same period of the previous year.
- **Cash and cash equivalents** are in amount of RON 4,264,352 lower with 67% compared to the same period of the previous year.
No dividends were distributed or paid.
- **Assets classified as held for sale**

On September 30, 2022, the company holds for sale assets identified as follows:

- 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.
- 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 provisions in the amount of RON 80,895 decreased with 91% compared to September 30, 2021 and are made up of:

- Provisions for guarantees granted to customers: RON 80,895

The long-term debts have increased with 51% compared to the same period of the previous year.

The current debts are in the amount of 10,792,526 lei (as of September 30, 2021: 9,267,655 lei) increased by 16% compared to the same period of the previous year, the largest share of debts being held by commercial debts.

1.b. Individual situation of the global result

Mecanica Ceahlau SA ended the third quarter of 2022 with a net turnover of RON 25,570,312.

Indicator - ron	September 30, 2022	September 30, 2021
Sales	33,815,410	25,570,312
Costs of materials and consumables	(22,636,707)	(17,443,841)
	11,178,702	8,126,471
Other operational revenues	271,211	303,282
Gain/loss from the sale of the assets held for sale	-	-
Expenses with utilities		
Expenses with salaries and other personnel expenses	(543,465)	(238,420)
Other administrative expenses	(5,341,047)	(4,408,430)
Other operational expenses	(2,108,140)	(1,697,137)
Expenses with amortization and impairment of assets and leasing assets	(322,994)	(287,469)
Gain/ loss from assets sales	(1,311,081)	(1,178,926)
Adjustment of the value of current assets	233,770	1,417,294

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Gain/Loss of provisions for risks and expenses	44,643	-
Gain/Loss from disposal of assets	13,824	-
Total operational expenses	(9,334,491)	(6,393,086)
Result of the operational activities	2,115,422	2,036,667
Interest incomes	170,006	61,188
Gains from revaluation of financial assets at fair value through profit or loss	4,763	4,240
Interest expense and discounts granted	(239,945)	(174,694)
Losses from exchange rate differences	(68,201)	(62,961)
Financial net result	(133,396)	(172,227)
Result before tax	1,982,026	1,864,440
Revenue/ (expenses) with current and deferred income tax	(180,680)	(496,390)
Net profit of period	1,801,347	1,368,050
Other Elements of the Global Result		
Deferred capital tax	45,079	36,310
Revaluation reserves	-	-
Other elements of the overall result after tax	45,079	36,310
Total overall result for the period	1,846,425	1,404,360
Attributable profit / loss	1,801,347	1,368,050
Basic earnings per share	0.0075	0.0057

The turnover recorded in the third quarter of 2022 is 32% higher compared to the same period of the previous year.

Indicator - ron	September 30, 2022	September 30, 2021
Gross sales of goods	34,081,943	25,763,911
Commissions granted to dealers	(386,630)	(332,111)
Net turnover from sales of goods	33,695,313	25,431,800
Sales of residual goods	45,414	59,070
Services rendered	74,683	79,442
Total net turnover	33,815,410	25,570,312

The gross turnover of the Company as of September 30, 2022 is of RON 24,081,943 (September 30, 2021: RON 25,763,911), of which RON 74,669 for export (September 30, 2021: RON 589,289) and RON 34,007,274 for intern (September 30, 2021: RON 25,174,622).

For the realisation of this sales volume the Company granted sales bonuses (commissions) according to contracts in force in amount of RON 386,630 as of September 30, 2022,

respectively RON 332,111 as of September 30, 2021, thus resulting in a net turnover of RON 33,695,313 as of September 30, 2022 and RON 25,431,800 as of September 30, 2021. 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 September 30, 2022, respectively on September 30, 2021.

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

On the foreign market, the sales volume was achieved in proportion of less than 1% of the turnover. In this market, the connection with the traditional customers who know and promote the company's products is maintained.

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

Operational expenditure

Operational expenditure include:

1. The cost related to the goods sold increased by 29% compared to the same period of the previous year
2. Administrative expenses increasing by 24% compared to the same period of the previous year as a result of the renegotiation of contracts;
3. Other operating expenses increasing by 12% compared to the same period of the previous year;
4. Expenditures on salaries, social contributions and other benefits are 21% higher compared to the same period of the previous year;

Indicator - ron	September 30, 2022	September 30, 2021	%
Salaries expenses	3,756,797	3,261,284	115%
Expenses with salary contributions	169,508	101,527	167%
Expenses with granted vouchers	170,675	153,174	111%
Other benefits to employees	1,454	18,842	8%
Expenses with indemnity of Board of Directors members	422,123	377,945	112%
Expenses with indemnity of executive management	820,491	554,484	148%
Revenue from operating subsidies for the payment of personnel	-	(58,826)	-%
Total	5,341,047	4,408,430	121%
Average number of employees	81	89	91%

The **financial revenues** include most of the revenues pertaining to the evaluation of the fund units held by the company on 30th September 2022 at a fair value and the revenues from the revaluation of receivables and debts in foreign currency at the end of the period.

The **financial costs** include the discounts granted, the interests and the exchange differences on 30th September 2022.

Profit / (loss)

On 30th September 2022 the company registered a positive gross profit of RON 1,846,425 and an positive net profit of RON 1,801,347.

Financial-economic indicators

Indicator name	Calculation method	September 30, 2022	September 30, 2021
1. Current liquidity indicator	Current assets/ Current debts	4.40	4.68
2. Rate of debt indicator	Borrowed equity/ Own equity x 100	4.96	4.86
3. Turnover speed of fixed assets	Turnover/ Fixed assets	1.79	1.54
4. Turnover speed of days sales outstanding (no. days)	Medium balance of net trade receivables /Turnover x 270	47 days	81 days

Quarterly report as of September 30, 2022 - the full version is available on its own website www.mecanicaceahlau.ro and in the link below (PDF document attached);

GENERAL DIRECTOR,
Sorin Ion Molesag

FINANCIAL DIRECTOR ,
Gabriela Pepene

PRESIDENT OF THE MANAGEMENT BOARD,
Trifa Aurelian Mircea Radu