

MECANICA CEAHLAU S.A.

FINANCIAL STATEMENTS:

**For the financial year ended on
September 30, 2020**

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

**Financial statements for the financial year ended on
September 30, 2020 have not been audited**

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MECANICA CEHLAU S.A.
STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED ON SEPTEMBER 30, 2020

	Note	September 30, 2020	January 01, 2020
Assets			
Fixed assets			
Land		6,840,989	6,818,853
Constructions		5,654,573	5,602,343
Technical installations and means of transport		3,895,300	4,388,032
Other tangible assets		148,030	134,553
Tangible assets in progress		68,180	444,245
Tangible assets	13	16,607,071	17,388,026
Intangible assets			
Other intangible assets		65,198	86,791
Concessions, patents, licenses, trademarks, rights and similar assets		5,515	7,583
Intangible assets	14	70,713	94,374
Investment property	15	413,550	413,550
Assets representing rights of use of support assets in leasing contracts	13	1,020,124	577,124
Total fixed assets		18,111,459	18,473,074
Current assets			
Inventories	17	23,641,675	20,162,146
Trade receivables	18	9,141,173	9,876,304
Other receivables	19	454,644	308,183
Prepayments		160,834	56,685
Financial assets at fair value through profit or loss	20	259,214	253,859
Cash and cash equivalents	20	6,790,533	21,433,259
Assets classified as held for sale	16	387,207	387,207
Total current assets		40,835,280	52,477,644
TOTAL ASSETS		58,946,739	70,950,718
Equities			
Share Capital	21a	23,990,846	23,990,846
Legal reserves	21b	2,804,874	2,804,874
Revaluation reserve	21a	6,853,535	6,983,395
Retained earnings and other reserve		14,769,137	26,697,344
Total equity		48,418,392	60,476,459

MECANICA CEHLAU S.A.
STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED ON SEPTEMBER 30, 2020

	Nota	September 30, 2020	January 01, 2020
Liabilities			
Long-term liabilities			
Long-term bank loans	22	780,184	981,035
Liabilities from leasing contracts	23	702,092	309,919
Provision for pensions	24	245,810	274,847
Liabilities regarding deferred profit tax	12	485,972	312,702
		2,214,058	
Total long-term liabilities			1,878,503
Current liabilities			
Short-term bank loans	22	1,268,034	287,135
Liabilities from leasing contracts	23	247,649	186,693
Commercial debts	25	5,062,784	6,304,906
Other debts	26	1,245,219	1,216,853
Provisions for risk and expenses	24	490,602	600,169
		8,314,289	8,595,757
Total current liabilities			
		10,528,347	10,474,259
Total liabilities			
		58,946,739	70,950,718
Total equity and liabilities			

The financial statements were authorized for approval by the Board of Directors on November 9, 2020 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 SEPTEMBER 30, 2020**

	Note	September 30, 2020	September 30, 2019
Sales	5	14,930,412	21,616,636
Costs of materials and consumables		(8,625,146)	(13,123,656)
		6,305,266	8,492,980
Other operational revenues	6	300,995	325,773
Gain/loss from the sale of the assets held for sale		-	11,348,248
Expenses with utilities			
Expenses with salaries and other personnel expenses	7	(299,391)	(379,329)
Other administrative expenses	8	(4,972,264)	(5,121,300)
Other operational expenses	9	(1,387,234)	(1,679,694)
Expenses with amortization and impairment of assets and leasing assets	13,14	(298,164)	(447,472)
Gain/ loss from assets sales		(1,120,225)	(1,065,921)
Adjustment of the value of current assets	17	405,642	529,502
Gain/Loss of provisions for risks and expenses	24	138,604	19,650
Total operational expenses		(7,533,030)	(8,144,563)
Result of the operational activities		(926,769)	12,022,439
Interest incomes		247,654	5,443
Gains from revaluation of financial assets at fair value through profit or loss		5,355	5,586
Interest expense and discounts granted		(117,205)	(125,628)
Losses from exchange rate differences		(94,028)	(71,720)
Financial net result	10	41,775	(186,319)
Result before tax		(884,994)	11,836,120
Revenue/ (expenses) with current and deferred income tax	11	(198,005)	(3,467,147)
Net profit of period		(1,082,999)	8,368,973
Other comprehensive income			
Deferred tax		24,735	1,473,038
Revaluation of property, plant and equipment		0	(9,206,484)
Other comprehensive income after tax		24,735	(7,733,446)
Total comprehensive income for the period		(1,058,264)	635,527
Attributable profit/loss		(1,082,999)	8,368,973
Number of shares		239,908,460	239,908,460
Result per base share		(0.0045)	0.0349

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MECANICA CEAHLAU S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED ON SEPTEMBER 30, 2020

	Share Capital	Legal reserves	Revaluation reserve, net of deferred tax	Reported result	Total equity
Balance on January 01, 2020	23,990,846	2,804,874	6,983,395	26,697,344	60,476,459
Creating legal reserves from profit in period	-	-	-	-	-
Transfer of reserve from the reevaluation to reported result related to excess achieved	-	-	(154,595)	154,595	-
Dividends distributed to shareholders	-	-	-	(10,999,803)	(10,999,803)
Shareholders transactions	-	-	(154,595)	(10,845,208)	(10,999,803)
Other elements of global result					
Net profit/loss of the year	-	-	-	(1,082,999)	(1,082,999)
Increase/ (decrease) revaluation reserves	-	-	-	-	-
Deferred tax based on equity, net changes	-	-	24,735	-	24,735
Total other elements of global result	-	-	24,735	(1,082,999)	(1,058,264)
Balance on September 30, 2020	23,990,846	2,804,874	6,853,535	14,769,137	48,418,392

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MECANICA CEHLAU S.A.
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED ON JUNE 30, 2020

	September 30, 2020	September 30, 2019
Cash flows from operating activities		
Receipts from customers	19,969,591	27,196,171
Receipts from other debtors	233,507	202,496
Payments to suppliers	(17,729,181)	(17,962,889)
Payments to employees	(2,849,717)	(2,992,615)
Payments to state budget	(3,994,337)	(5,246,959)
Payments to various creditors	(139,782)	(43,881)
Cash generated from operating activities	(4,509,919)	1,152,323
Paid corporate tax	(212,206)	(98,592)
Net cash generated from operations	(4,722,125)	(1,053,731)
Cash flows from investment activities		
Collected interest	393,082	5,443
Proceeds from the sale of tangible assets	-	21,130,789
Procurement of tangible assets	(183,742)	(440,387)
Net cash generated from investments	209,340	20,695,845
Cash flows from financing activities		
Collections from short-term loans	963,140	1,232,986
Reimbursement of loans	(217,560)	(1,446,526)
Paid interest	(22,391)	(28,525)
Payment of financial leasing debts	(255,977)	(177,286)
Dividends paid	(10,568,505)	-
Net cash (used in) financing activities	(10,101,294)	(419,350)
Net increase/decrease of cash and cash equivalents	(14,614,078)	21,330,226
Cash and cash equivalents as of the beginning of period	21,433,256	3,332,293
	(28,645)	(18,642)
Exchange rate differences		
Cash and cash equivalents as of end of period	6,790,533	24,643,877

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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 September 30, 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 January 01, 2020, for the statement of financial position and on September 30, 2019 for the equity change statement, cash flow statement, global result statement and the cash flow statement.

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 November 9, 2020

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 restated 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 (the financial year ended September 30, 2019 and January 01, 2020).

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 values of 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.

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 ("NBR") for the transaction date. Balances in foreign currency are converted in RON at the exchange rates communicated by NBR on September 30, 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.

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

Currency	September 30, 2020	September 30, 2019	Variation:
Euro (EUR)	1:LEU 4.8698	1: LEU 4.7511	1.89%
American Dollar(USD)	1:LEU 4.1617	1: LEU 4.3488	(2.33%)

b. Cash and cash equivalents

Cash and cash equivalents 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 September 30, 2020, respectively September 30, 2019 the Company considered as cash and cash equivalents: 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.

(i) Classification of financial assets (to be continued)

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.

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.

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 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)).

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.

(ii) Recognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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

(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 setting-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 allowed 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 a 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.

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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 September 30, 20120 and January 01, 2020 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.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

d. Tangible assets (to be continued)

(i) Recognition and measurement (to be continued)

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.

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;

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

d. Tangible assets (to be continued)

(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:

<u>Asset</u>	<u>Years</u>
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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

(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 September 30, 2020 and January 01, 2020 are detailed in Note 15.

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 valuers of the National Association of Romanian Valuers (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.

f. Real estate investments (to be continued)

(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.

(v) Derecognition

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.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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 performs an individual and collective assessment for the recoverability of the trade and other receivables.

Individual analysis: The entity performs individually an analysis 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 2017-2019, 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).

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

i. Impairment (to be continued)

(i) Financial assets (including receivables) (to be continued)

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 (As per the map in worksheet "Romania Zones map". 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 5 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 GDP up to 2020, 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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 they are 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)

I. Revenues recognition (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)	<p>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).</p> <p>The company is recognizing a debt, because this represents the moment when the right to counterperformance becomes unconditional.</p> <p>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.</p> <p>The obligation to execute is fulfilled at a specific time.</p> <p>The commercial discounts granted to customers are based on their fulfilling certain annual sales values.</p> <p>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.</p>	<p>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.</p> <p>The income includes the amount invoiced for the sale of the products, excluding VAT), from which the commercial discounts granted to customers are deducted.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Revenue from services	<p>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).</p> <p>Invoices for services are issued on the date of providing the services.</p> <p>Invoices are generally paid within a maximum of 30 days from the date of receipt by the customer.</p>	<p>The income is recognized during the period when the service is provided</p>

	The execution obligation is fulfilled at a specific time.	
Income from the rental of real estate investments	<p>The company, as a lessor, rents its spaces to third parties, the service is prestart as the rental contract unfolds.</p> <p>Invoices are generally paid within a maximum of 30 days from the date of receipt by the customer.</p> <p>The execution obligation is fulfilled during the performance of the lease.</p>	<p>The revenues from the rents are generated by the real estate investments rented by the Company in the form of operational leases and are recognized in profit or loss on a linear basis, throughout the contract period.</p> <p>The company, as lessor, does not have leasing contracts classified as financial leasing.</p>

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 exchange 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

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

q. Leasing Contracts as Lessee (to be continued)

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 period of 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 similar period, with a similar guarantee, the funds necessary to obtain an asset with a similar value with that corresponding to the use right in a similar economic environment.

- (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.

3. SIGNIFICANT ACCOUNTING POLICIES (to be continued)

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 September 30, 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 arising 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.

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 September 30, 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.

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

aa. Applicable accounting policies

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

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The Company considers that the adoption of these standards, revisions and interpretations has not had a significant impact on its interim financial statements. The Group has adopted IFRS 16 on the date of its initial application on 1st January 2019.

- Amendments to IAS 1 „Presentation of Financial Statements” and IAS 8 „Accounting Policies, accounting estimates changes and error correction” – definition of materiality (applicable for annual periods starting on or following 1st January 2020)
- Amendments to the references of the Conceptual Framework of IFRS Standards (applicable for annual periods starting on or following 1st January 2020).

The company has analysed the impact of adopting the above-mentioned standards and anticipates that they will not have any significant impact on its annual financial statements in the year in which they will apply for the first time. The company will apply these standards from the actual date of their application.

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 standards, amendments and interpretations that are applicable to the Company whose application has not been approved by the EU up to the certification date of the present financial statements:

- 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 or 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),

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 as 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 (The fair value valuation of real estate investments was carried out by independent appraisers, members of the National Association of Appraisers of Romania (ANEVAR) through the method of replacement cost).

5. REVENUES

	September 30, 2020	September 30, 2019
Gross sales of goods	15,245,027	21,829,009
Commissions granted to dealers	(452,370)	(677,322)

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Net turnover from sales of goods	14,792,658	21,151,686
Sales of residual goods	80,257	390,898
Services rendered	57,498	74,052
Total net turnover	14,930,412	21,616,636

The gross turnover of the Company as of September 30, 2020 is of RON 15,382,782 (September 30, 2019: RON 22,293,959), of which RON 182,189 for export September 30, 2019: RON 216,666) and RON 15,200,593 for intern (September 30, 2019: RON 22,077,293).

For the realisation of this sales volume the Company granted sales bonuses (commissions) according to contracts in force in amount of RON 452,370 as of September 30, 2020, respectively RON 677,322 as of September 30, 2019, thus resulting in a net turnover of RON 14,930,412 as of September 30, 2020 and RON 21,616,636 as of September 30, 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 September 30, 2020, respectively on September 30, 2019.

6. Other operational revenues

	September 30, 2020	September 30, 2019
Revenue from indemnities and penalties	11,113	3,872
Revenue from rental of real estate investments	218,456	228,677
Other operating incomes	71,427	93,225
Other operational revenues	300,995	325,773

7. EXPENSES WITH SALARIES AND OTHER PERSONNEL EXPENSES

	September 30, 2020	September 30, 2019
Salaries expenses	3,818,614	3,962,676
Expenses with salary contributions	97,146	115,418
Expenses with granted vouchers	189,895	240,306
Other benefits to employees	14,510	58,155
Expenses with indemnity of Board of Directors members	371,511	364,702
Expenses with indemnity of executive management	565,911	513,297
Revenue from operating subsidies for the payment of personnel	(85,323)	(133,254)
Total	4,972,264	5,121,300
Average number of employees	105	125

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 September 30, 2020, the information is presented in Note 25 Provisions "Benefits of employees".

8. OTHER ADMINISTRATIVE EXPENSES

	September 30, 2020	September 30, 2019
Expenses with maintenance and repairs	89,519	80,680
Expenses with royalties, leases and rents	7,369	77,661
Expenses with insurance premiums	56,051	60,250
Expenses with professional training	-	1,668

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Protocol, advertising and publicity expenses	40,375	56,906
Expenses with transport of goods and staff	261,092	298,181
Expenses with travels, secondments and transfers	74,937	121,082
Postal and telecommunication taxes expenses	35,414	33,685
Expenses with banking and similar services	49,881	63,694
Expenses with internal and external audit services	516	87,287
Other expenses with services provided by third parties	772,079	798,600
Total	1,387,234	1,679,694

9. OTHER OPERATING EXPENSES

	September 30, 2020	September 30, 2019
Expenses with taxes, duties and similar expenses	226,486	294,275
Penalties	17,374	24,513
Other operating expenses	54,304	128,684
Total	298,164	447,472

10. FINANCIAL REVENUES AND EXPENSES

	September 30, 2020	September 30, 2019
Interest income	247,654	5,443
Net gain on financial assets	5,355	5,586
Financial revenues total	253,009	11,029
Interest expenses	49,453	35,616
Net foreign exchange loss	94,028	71,720
Other financial expenses	67,753	90,012
Financial expenses total	211,234	197,348
Net financial result	41,775	(186,319)

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 September 30, 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 September 30, 2020 is of RON 20,729 while the value of foreign exchange losses is RON 114,757.

Other financial expenses are represented by financial discounts granted to customers.

11. PROFIT TAX

Profit tax	September 30, 2020	September 30, 2019
Current income tax expense	-	3,272,717
(Income) / Expense with deferred tax	198,005	194,430
TOTAL	198,005	3,467,147

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%.

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On September 30, 2020, the elements of time differences are determined for the following components of the Statement of Financial Position:

	ASSETS	LIABILITIES	NET
Tangible assets	-	1,112,925	1,112,925
Trade receivables	10,605,927	-	(10,605,927)
Reserves from revaluation of tangible assets	-	12,191,098	12,191,098
Reserves from tax facilities	-	339,223	339,223
Total	10,605,927	13,643,246	3,037,320
Temporary net differences - Liabilities regarding deferred profit tax (at 16% rate)			3,037,320 485,972

Debts regarding deferred profit tax on January 01, 2020 are generated by the elements detailed in the following table:

	ASSETS	LIABILITIES	NET
Tangible assets	-	978,573	978,573
Trade receivables	11,709,109	-	(11,709,109)
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	1,954,381
Temporary net differences Liabilities regarding deferred profit tax (at 16% rate)			1,954,381 312,701

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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 from leasing contracts	Total
COST						
Balance on January 01, 2020	12,984,890	14,995,819	350,661	444,246	1,288,288	30,063,903
Fixed assets additions	453,005	19,412	26,241	75,186	626,523	1,200,367
Increases from revaluation	-	-	-	-	-	-
Disposal of fixed assets	-	(127,381)	-	(451,252)	-	(578,633)
Balance on September 30, 2020	13,437,895	14,887,850	376,902	68,180	1,914,811	30,685,637
ACCUMULATED DEPRECIATION						
Balance on January 01, 2020	497,890	10,430,239	216,108	-	711,164	11,855,401
Depreciation for the year	378,640	526,938	12,764	-	183,523	1,101,864
Cumulative depreciation associated with disposals	-	(127,381)	-	-	-	(127,381)
Balance on September 30, 2020	876,529	10,829,796	228,872	-	894,687	12,829,883
IMPAIRMENT ADJUSTMENTS						
Balance on January 01, 2020	65,804	177,548	-	-	-	243,352
Adjustments established during the year	-	-	-	-	-	-
Write-backs of adjustments from impairment	-	(14,795)	-	-	-	(14,795)
Balance on September 30, 2020	65,804	162,754	-	-	-	228,558
Balance on January 01, 2020	12,421,196	4,388,032	134,553	444,246	577,124	17,965,151
Balance on September 30, 2020	12,495,562	3,895,300	148,030	68,180	1,020,124	17,627,196

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

(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.

14. INTANGIBLE ASSETS

	Brevets, licenses and trademarks	Other assets	Total
COST			
Balance on January 01, 2020	528,327	889,052	1,417,379
Purchases	-	9,494	9,494
Balance on September 30, 2020	528,327	898,546	1,426,873
ACCUMULATED AMORTIZATION			
Balance on January 01, 2020	341,281	802,261	1,143,542
Amortization during the year	69,367	31,087	100,454
Balance on September 30, 2020	410,648	833,348	1,243,996
IMPAIRMENT ADJUSTMENTS			
Balance on January 01, 2020	179,462	-	179,462
Write-backs of adjustments from impairment	67,299	-	67,299
Balance on September 30, 2020	112,164	-	112,164
Balance on January 01, 2020	7,583	86,791	94,374
Balance on September 30, 2020	5,515	65,198	70,713

Intangible assets on September 30, 2020, at a net value of RON 70,713 (01 January 2020: RON 94,374), are represented by the undepreciated value of licenses, technological documentation and computer software used.

Impairment losses recognized in profit or loss were classified within the expenses with amortization and depreciation of fixed assets.

Amortization of intangible assets

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

15. REAL ESTATE INVESTMENTS

	September 30, 2020	January 01, 2020
Net value	413,550	413,550
	September 30, 2020	January 01, 2020
Balance on January 01	413,550	430,636
Increases/Reclassifications in Real estate investments	-	62,707
Reductions/Reclassifications in assets held for sale	-	(71,500)
Fair value modifications	-	(8,293)
Balance on September 30	413,550	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.

Value of the revenues as of September 30, 2020 is RON 218,456. The company did not perform significant repairs and had no other costs relating to Real estate investments as of September 30, 2020. The commercial properties are leased to third parties under 12-month agreements with option for 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 fair-value evaluation of real estate investments was made by independent assessors, members of the National Association of Assessors of Romania (ANEVAR) by using the replacement cost method.

16. ASSETS HELD FOR SALE

	September 30, 2020	January 01, 2020
Balance on January 01	387,207	12,015,415
Purchases/ Reclassifications	-	387,207
Sales of assets held for sale	-	(12,015,415)
Balance on September 30	387,207	387,207

On September 30, 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

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17. INVENTORIES

	September 30, 2020	January 01, 2020
Raw materials and consumables	1,321,723	1,256,496
Work in progress	451,150	247,002
Semi-finished goods	69,753	68,507
Finished goods	14,524,570	13,104,519
Goods purchased for resale	7,274,478	5,485,622
Inventory at net value	23,641,675	20,162,146

The value of any inventory write-down to its net realizable value and all inventory losses are recognized as an expense for the period in which the write-down or loss has occurred.

18. TRADE RECEIVABLES

	September 30, 2020	January 01, 2020
Trade receivables - stages 1 and 2	10,043,203	10,778,334
Adjustments for impairment of trade receivables - stage 1 and 2	(1,593,879)	(1,636,120)
Net trade receivables, stages 1 and 2	8,449,324	9,142,214
Trade receivables - stage 3	6,918,487	7,340,905
Adjustments for impairment of trade receivables - stages 3	(6,226,638)	(6,606,815)
Net trade receivables, stage 3	691,849	734,090
Net trade receivables	9,141,173	9,876,304

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

On September 30, 2020, the net trade receivables amounting to RON 9,141,173 (January 01, 2020: RON 9,876,304) are considered performing in full.

On September 30, 2020, the Company has received from customers promissory notes and cheques in amount of RON 133,811 (January 01, 2020 in amount of RON 58,498) according to the contract clauses.

On September 30, 2020, are established impairments of trade receivables in total amount of RON 7,820,517 (January 01, 2020: 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 performs individually analysis 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 90% from the gross value is booked.

Based on seniority, at the date of reporting, the structure of the trade receivables was:

	Impairment September 30, 2020	Gross value September 30, 2020	Impairment January 01, 2020	Gross value January 01, 2020
Due for over 180 days	6,222,638	6,918,487	6,606,815	7,340,905
Assessed collectively:				
	Impairment September 30, 2020	Gross value September 30, 2020	Impairment January 01, 2020	Gross value January 01, 2020

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Undue	913,535	5,839,344	973,748	8,800,942
Due for 0 to 30 days	52,999	1,334,191	35,027	902,639
Due for 31 to 60 days	114,667	344,422	74,667	112,864
Due for 61 to 90 days	13,383	543,603	53,383	184,353
Due for over 90 days	499,295	1,981,643	499,295	777,536
	1,593,879	10,043,203	1,636,120	10,778,334

19. OTHER RECEIVABLES

	September 30, 2020	January 01, 2020
Sundry debtors	154,592	143,922
Profit tax to be recovered	150,776	69,931
Other receivables	282,137	208,147
Adjustment for other receivables	(132,861)	(113,817)
Total	454,644	308,183

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

The entity performs individually analysis 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.

	Impairment September 30, 2020	Gross value September 30, 2020	Impairment January 01, 2020	Gross value January 01, 2020
Due for over 180 days	132,861	132,861	113,817	113,817

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

(i) Cash and current accounts

	September 30, 2020	January 01, 2020
Cash	8,898	12,020
Current bank accounts	1,783,726	2,622,812
Chargeable values	-	-
Cash and current accounts - gross value	1,792,624	2,634,832

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

(ii) Bank deposits

	September 30, 2020	January 01, 2020
Fixed term bank deposits	5,000,000	18,800,000
Expected credit loss related to bank deposits	(2,092)	(1,573)
Total bank deposits	4,997,908	18,798,427

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

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

	September 30, 2020	January 01, 2020
Financial assets - fund units	259,214	253,859

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Securities of Transport Ceahlau SRL	51,000	51,000
Adjustment of fair value of securities	(51,000)	(51,000)
Total	259,214	253,859

As of September 30, 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	259,214

21. CAPITAL AND RESERVES

a. Share Capital

Subscribed and paid-in share capital on September 30, 2020 **RON 23,990,846**

Number of subscribed and paid-in shares on September 30, 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 September 30, 2020, the share capital of the Company was not modified, meaning its increase or decrease.

The share capital registered on as of September 30, 2020 is of RON 23,990,846.

The Company's shareholder structure is the following:

September 30, 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	803,720	80,372	0.335
- individuals	14,769,149	1,476,915	6.1562
TOTAL	239,908,460	23,990,846	100.00
January 01, 2020	Number of shares	Amount (RON)	%
SIF Moldova	175,857,653	17,585,765	73.3020
Romanian Investment Fund. loc. Windward Caiman	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

b. Reserves

	September 30, 2020	January 01, 2020
Reserves from the re-valuation of tangible assets	8,223,585	8,378,181

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Deferred tax related to unrealised revaluation reserve	(1,370,051)	(1,394,786)
Total	6,853,535	6,983,395

	September 30, 2020	January 01, 2020
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	6,631,864	14,847,573
Profit/loss carried forward	(1,082,999)	3,035,726
Other reserve	5,887,562	5,481,334
TOTAL	14,769,137	26,697,344

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 September 30, 2020 is RON 2,804,874 (January 01, 2020: RON 2,804,874).

The legal reserves cannot be distributed to the shareholders.

c. RESULT PER SHARE

The result per share is calculated by dividing the net profit attributable to the shareholders of the company at September 30, 2020 in the amount of RON (1,082,999) (September 30, 2019: RON 8,368,973) to the number of ordinary shares in circulation of 239,908,460 shares (September 30, 2019: 239,908,460 shares).

	September 30, 2020	September 30, 2019
Profit distributable to ordinary shareholders		
Profit for the period	(1,082,999)	8,368,973
Number of ordinary shares	239,908,460	239,908,460
Gains per share	(0.0045)	0.0349

22. LOANS

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

	September 30, 2020	January 01, 2020
Long-term bank loans	780,184	981,035
Short term bank loans (up to 1 year)	1,260,034	287,135
Loans	2,048,218	1,268,170

22. LOANS (TO BE CONTINUED)

On September 30, 2020, the company has contracted an 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.

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On September 30, 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.

23. LIABILITIES FROM LEASING CONTRACTS

	September 30, 2020	January 01, 2020
Leasing agreements related debts (between 1 year and 5 years)	702,092	309,919
Current leasing debts (up to 1 year)	247,649	186,693
Liabilities from leasing contracts	949,741	496,612

The company holds leasing contracts whose objects are mainly transportation means and office spaces.

24. PROVISIONS FOR RISK AND EXPENSES

	Other provision	Benefits of employees	Total
Balance on January 01, 2020	600,169	274,847	875,016
Provisions created during the period	387	-	387
Provisions released during the period	109,954	29,037	138,991
Balance on September 30, 2020	490,602	245,810	736,412
Long-term	-	245,810	245,810
Current	490,602	-	490,602

Guarantees

The provisions for guarantees in the amount of RON 59,028 were established taking into account the expenses related to the service activity for the agricultural machines in the guarantee period.

Employee benefits - pension provision

Provisions amounting to RON 245,810 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 September 30, 2020 represent:

- Provisions for the non-granted rights according to the contracts concluded in the amount of RON 16.245;
- Provision for return risk for products and goods in the amount of RON 415,329;

25. TRADE DEBTS

	September 30, 2020	January 01, 2020
Trade debts	5,091,157	6,057,681

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Investment suppliers	-	18,229
Suppliers - Invoices to be received	(28,373)	228,996
Total	5,062,784	6,304,906

26. OTHER DEBTS

	September 30, 2020	January 01, 2020
Social insurances and other taxes	422,575	398,400
Dividends to be paid	329,753	86,971
Other debts – advance	100,951	68,392
Other creditors, (VAT and quarantees)	391,940	663,090
Total	1,245,219	1,216,853

27. 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.

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.

a. Credit risk

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

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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:

	September 30, 2020	January 01, 2020
Net trade receivables	9,141,173	9,876,304
Other receivables	454,644	308,183
Securities and bank deposit	259,214	253,859
Cash and cash equivalents	6,790,533	21,433,259
	16,645,564	31,871,605

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 15 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 the 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.

a. Credit risk (to be continued)

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

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On September 30, 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.

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:

September 30, 2020	Book value	0 – 12 months	More than 1 year
Financial assets			
Cash and cash equivalents	6,790,533	6,790,533	-
Financial assets evaluated at fair value by profit and loss account	259,214	259,214	-
Trade receivables and other receivables	9,595,817	9,595,817	-
Total financial assets	16,645,564	16,645,564	-
Financial liabilities			
Investment credit	(2,048,218)	(1,268,034)	(780,184)
Leasing liabilities	(949,741)	(247,649)	(702,092)
Commercial debts and other debts	(6,308,004)	(6,308,004)	-
Total financial liabilities	(9,305,963)	(7,823,687)	(1,482,276)
NET	7,339,601	8,821,877	(1,482,276)
January 01, 2020	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)

c. Market risk

The Romanian economy is in continuous development, with a lot of uncertainty on the possible orientation in politics and economic development in the future. The company management cannot

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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 September 30, 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

September 30, 2020	EUR 1 EUR = 4,8698	RON 1 RON	TOTAL
Cash and cash equivalents	3,509	6,787,024	6,790,533
Financial assets evaluated at fair value by profit and loss account	-	259,214	259,214
Trade receivables and other receivables	9,501	9,586,316	9,595,817
Total financial assets	13,010	16,632,554	16,645,564
Investment credit	(2,048,218)	-	(2,048,218)
Leasing liabilities	(949,741)	-	(949,741)
Commercial debts and other debts	(3,008,912)	(3,299,092)	(6,308,004)
Total financial liabilities	(6,006,871)	(3,299,092)	(9,305,963)
January 01, 2020	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
Investment credit	(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 September 30, 2020, all the other variables remaining constant, is ± RON 299,693 (January 01, 2020: RON 299,798).

25. FINANCIAL INSTRUMENTS (to be continued)

d. Capital management

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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 indebtedness 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.

	September 30, 2020	January 01, 2020
Financial liabilities	9,305,963	9,286,541
Cash and cash equivalents	6,790,533	21,433,259
Financial assets evaluated at fair value by profit and loss account	259,214	253,859
Net financial liability	(2,256,216)	(12,400,577)
Equity	48,418,392	60,476,459
Indicator of the net debt	0.05	(0.21)

28. 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

On September 30, 2020, the Company had a letter of guarantee 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 September 30, 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 provisions or 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

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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.

29. 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.

No transactions, amounts owed or to be received were identified with NEW CARPATHIAN FUND.

The participating interests that the company holds on September 30, 2020 in Transport Ceahlau SRL are presented as such:

	September 30, 2020	January 01, 2020
Shares unquoted on January 01, 2020	51,000	51,000
Purchases	-	-
Disposals	-	-
Adjustments for depreciation	51,000	51,000
Balance on September 30, 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 September 30, 2020 is the following:

	Purchase date	Sale date	Participation percentage	
			September 30, 2020	January 01, 2020
Transport Ceahlau SRL	2004	-	24.28%	24.28%

30. AFFILIATED PARTIES (to be continued)

Information on the transactions with affiliated parties

On September 30, 2020, the Company had no transactions with Transport Ceahlau SRL.

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

	September 30, 2020	January 01, 2020
Other receivables	113,817	113,817
Adjustment for other receivables	(113,817)	(113,817)
Other net receivables	-	-
Commercial debts	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:

- Mr Sorin Molesag –General Manager
- Mrs Oana Chirila –Economic Director
- Mr Ioan Moraru - Sales Director

Loans granted to directors

The company did not grant advances, credits or loans to the members of the management and supervision bodies on September 30, 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

	September 30, 2020	September 30, 2019
Executive Team	565,911	513,297
Members of the Board of Directors	371,511	364,702

b) Balance on September 30

	September 30, 2020	September 30, 2019
Executive Team	20,869	15,215
Members of the Board of Directors	-	-

The financial statements were authorized for approval by the Board of Directors on November 9, 2020 and were signed on its behalf by:

Molesag Ion Sorin,
General Manager

Chirila Oana,
Financial Manager