



**Activity report of  
the  
Management Board  
Semester I 2020**



## ACTIVITY REPORT OF THE MANAGEMENT BOARD SEMESTER I 2020

### 1. ECONOMICAL AND FINANCIAL SITUATION

The individual financial statements for semester I 2020 were drafted and submitted in accordance with Order 2844 from 2016 for the approval of the Accounting rules pursuant to the International Financial Reporting Standards.

The reporting currency of the financial statements semester I 2020 is the Romanian RON.

The individual financial statements on 30<sup>th</sup> June 2020 were not revised by a statutory financial auditor.

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

Balance Sheet Elements	30 June 2020	01 January 2020
<b>Fixed assets total, out of which:</b>	<b>18,443,454</b>	<b>18,473,074</b>
Tangible fix assets	16,858,686	17,388,026
Intangible assets	80,855	94,374
Real Estate Investments	413,550	413,550
Assets representing rights of use of support assets in leasing contracts	1,090,363	577,124
<b>Current assets total, out of which:</b>	<b>39,691,178</b>	<b>52,477,644</b>
Stocks	21,518,374	20,162,146
Trade receivables	8,140,403	9,876,304
Other receivables	453,833	308,183
Expenses registered in advance	253,068	56,685
Financial assets at fair value	257,121	253,859
Cash and cash equivalents	8,681,172	21,433,259
Assets classified as held for sale	387,207	387,207
<b>TOTAL ASSETS</b>	<b>58,134,631</b>	<b>70,950,718</b>
<b>Own equity, of which:</b>	<b>49,123,572</b>	<b>60,476,459</b>
Share capital	23,990,846	23,990,846
Legal reserves	2,804,874	2,804,874
Revaluation reserve	6,896,821	6,983,395
Retained earnings and other reserve	15,431,031	26,697,344
<b>Total debts:</b>	<b>9,011,059</b>	<b>10,474,259</b>
<b>Long term debts, out of which:</b>	<b>2,354,919</b>	<b>1,878,503</b>
Long term loans	848,508	981,035
Provisions for pensions:	245,810	274,847
Debts on deferred tax	508,673	312,702
Liabilities from leasing contracts	751,928	309,919
<b>Current debts total, out of which:</b>	<b>6,656,140</b>	<b>8,595,757</b>
Short term loans	1,260,824	287,135
Commercial debts	3,623,253	6,304,906
Other debts	1,026,621	1,216,853
Liabilities from leasing contracts	246,130	186,693
Provisions	499,312	600,169
<b>TOTAL OWN EQUITY AND DEBTS</b>	<b>58,134,631</b>	<b>70,950,718</b>



**The equity** decreased to the amount of RON 49,123,572 (1<sup>st</sup> January 2020: RON 60,476,459). In the first semester of 2020 were distributed to shareholders dividends in the amount of RON 10,999,803

**The current assets** in the amount of RON 39,691,178 (1<sup>st</sup> January 2019: RON 52,477,644) decreased with 24% compared with 1<sup>st</sup> January 2020 and are made up of:

- **Overall stocks** are in the net amount of RON 21,518,374 up with 7 % compared with the stocks from the beginning of 2020 because of:

- outsourcing of parts and subassemblies;
- expanding the distribution portfolio.

	30 June 2020	01 January 2020	%
Raw materials and materials	1,568,709	1,256,496	125%
Work in progress	1,120,551	247,002	454%
Semi-finished goods	68,140	68,507	99%
Finished goods	13,135,320	13,104,519	100%
Goods (goods for distribution)	5,625,654	5,485,622	103%
<b>Stocks at net value</b>	<b>21,518,374</b>	<b>20,162,146</b>	<b>107%</b>

- **Commercial receivables** in the amount of RON 8,140,403 (1<sup>st</sup> January 2020: RON 9,876,304) decreased by 18% compared to the beginning of the year and are considered entirely efficient.

On June 30, 2020 the company has received from clients in the form of guarantees, promissory notes and cheques pursuant to the contractual provisions in the amount of RON 377,491.

- **Other receivables** in amount of RON 453,833 (1<sup>st</sup> January 2020: RON 308,183).

- **Assets classified as held for sale**

On June 30, 2020, the company holds for sale assets identified as follows:

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

**The provisions** in the amount of RON 745,122 decreased with 15% compared to 1<sup>st</sup> January 2020 and are made up of:

- Warranty provisions: RON 59,028;
- Provisions for benefits granted to employees at the termination of the employment contract: RON 245,810;
- Provision for return risk for finished products and goods: RON 415,329;
- Provisions for the non-granted rights according to the contracts concluded: RON 24,955;



**The long-term debts** in amount of RON **2,354,919** (1<sup>st</sup> January 2020: RON **1,878,503**) have increased with 25% following the registration of leases concluded in the first half of 2020.

**The current debts** compared to 1<sup>st</sup> January 2020 have decreased with 23%, the largest rate pertaining to the commercial debts that consist of:

	June 30, 2020	January 01, 2020	%
Trade debts	3,491,247	6,057,681	58%
Investment suppliers	20,406	18,229	112%
Suppliers - Invoices to be received	111,600	228,996	49%
<b>Total</b>	<b>3,623,253</b>	<b>6,304,906</b>	<b>57%</b>

#### Active elements of balance sheet

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

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

	Analytical indicators of financial position situation exceeding 10% of the total assets	30.06.2020	01.01.2020	% in total assets 30.06.2020
	<b>TOTAL ASSETS</b>	<b>58,134,631</b>	<b>70,950,718</b>	
1.	Lands and buildings	6,818,853	6,818,853	12%
2.	Stocks	21,518,374	20,162,146	37%
3.	Trade receivables	8,140,403	9,876,304	14%
4.	Cash and cash equivalents	8,681,172	21,433,259	15%

#### Liabilities exceeding 10% of total liabilities

	Analytical indicators of financial position situation exceeding 10% of total liabilities	30.06.2020	01.01.2020	% in total liabilities 30.06.2020
	<b>TOTAL LIABILITIES</b>	<b>58.134.631</b>	<b>70.950.718</b>	
1.	Revaluation reserve	6.896.821	6.983.395	12%
2.	Share Capital	23.990.846	23.990.846	41%
3.	Retained earnings and other reserve	15.431.031	26.697.344	27%

**Revaluation reserve** on 30<sup>th</sup> June 2020 related to the revaluations is in the amount of RON 6.896.821.

**Company's share capital** was not modified, it was not increased or decreased. The share capital recorded on 30<sup>th</sup> June 2020 is of RON 23,990,846.

**Dividend payments** in the balance at the end of the semester I 2020 are dividends undistributed from current and previous years in the amount of RON 390,576.

In the first semester of 2020 have been paid, through the Central Depository, dividends amounting RON 10,568,505.



## 1.2 Profit and loss account

	June 30, 2020	June 30, 2019
Sales	9,204,738	15,391,756
Costs of materials and consumables	(4,892,122)	(9,252,713)
	<b>4,312,616</b>	<b>6,139,044</b>
Other operational revenues	155,621	244,655
Expenses with utilities	(226,242)	(282,347)
Expenses with salaries and other personnel expenses	(3,414,568)	(3,452,297)
Other administrative expenses	(871,186)	(1,173,788)
Other operational expenses	(183,222)	(298,360)
Expenses with amortization and impairment of assets and leasing assets	(740,927)	(711,824)
Gain/ loss from assets sales	-	6,000
Adjustment of the value of current assets	603,289	518,963
Gain/Loss of provisions for risks and expenses	129,894	20,048
<b>Total operational expenses</b>	<b>(4,702,962)</b>	<b>(5,373,605)</b>
<b>Result of the operational activities</b>	<b>(234,724)</b>	<b>1,010,093</b>
Interest incomes	208,669	159
Gains from revaluation of financial assets at fair value through profit or loss	3,262	3,574
Interest expense and discounts granted	(78,808)	(83,781)
Losses from exchange rate differences	(55,512)	(52,677)
<b>Financial net result</b>	<b>77,611</b>	<b>(132,725)</b>
<b>Result before tax</b>	<b>(157,113)</b>	<b>877,369</b>
Revenue/ (expenses) with current and deferred income tax	(212,461)	(243,228)
<b>Net profit of period</b>	<b>(369,574)</b>	<b>634,141</b>
<b>Other comprehensive income</b>		
Deferred tax	16,490	16,762
<b>Other comprehensive income after tax</b>	<b>16,490</b>	<b>16,762</b>
<b>Total comprehensive income for the period</b>	<b>(353,084)</b>	<b>650,903</b>
<b>Attributable profit/loss</b>	<b>(369,574)</b>	<b>634,141</b>
Number of shares	239,908,460	239,908,460
Result per base share	(0.0015)	0.0026



<b>Analytical indicators of profit and loss account exceeding 20% of turnover</b>	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>% in CA 30.06.2020</b>
<b>TOTAL NET TURNOVER</b>	<b>9,204,738</b>	<b>15,391,756</b>	
The cost of the goods sold	4,892,122	9,252,713	53%
Expenses with salaries, contributions and other assimilated expenses	3,414,568	3,452,297	37%
<b>Turnover</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	
Gross sales of goods	9,459,622	15,554,454	
Commissions granted to dealers	(332,866)	(508,402)	
<b>Net turnover from sales of goods</b>	<b>9,126,756</b>	<b>15,046,052</b>	
Sales of residual goods	36,781	294,885	
Services rendered	41,201	50,820	
<b>Total net turnover</b>	<b>9,204,738</b>	<b>15,391,756</b>	

The gross turnover of the Company as of June 30, 2020 is of RON 9,537,603 (June 30,2019: RON 15,990,158), of which RON 180,290 for export June 30, 2019: RON 194,178) and RON 9,357,313 for intern (June 30, 2019: RON 15,705,980).

For the realisation of this sales volume the Company granted sales bonuses (commissions) according to contracts in force in amount of RON 332,866 as of June 30, 2020, respectively RON 508,402 as of June 30, 2019, thus resulting in a net turnover of RON 9,204,738 as of June 30, 2020 and RON 15,391,756 as of June 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 June 30, 2020, respectively on June 30, 2019.

On the internal market, the Company has collaborated with a number of 13 distributors from the entire country, the most important ones being located preponderantly in the agricultural area. On the external market, the volume of sales was achieved in proportion of 2% from the turnover. On this market, it is maintained the connection with the traditional clients that know and promote the products of the company.

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

**Operational expenditure**

Operational expenditure include:

1. Cost of goods sold have decreased 47% compared to the same period of the previous year
2. Administrative expenditures have decreased with 26% compared to the same period of the previous year as a result of renegotiation of contracts;
3. Other operating expenses have decreased with 39% compared to the same period of the previous year;
4. Salaries, social contributions and other benefits are 9% lower compared to the same period of the previous year;

	<b>30 June 2020</b>	<b>30 June 2019</b>	<b>%</b>
Salary expenses	2,617,028	2,680,988	98%
Expenses with salary contributions	67,263	77,957	86%
Expenses with granted vouchers	132,080	168,098	79%
Other benefits to employees	6,850	51,422	13%
Expenses with indemnity of Board of Directors members	247,251	243,409	102%
Expenses with indemnity of executive management	376,880	330,037	114%
Revenue from operating subsidies for the payment of personnel	(32,783)	(99,614)	33%
<b>Total</b>	<b>3,414,568</b>	<b>3,452,297</b>	<b>99%</b>
<b>Average number of employees</b>	<b>105</b>	<b>131</b>	<b>98%</b>

The **financial revenues** include most of the interest income on bank deposits held by the company, revenues pertaining to the evaluation of the fund units held by the company on 30<sup>th</sup> June 2020 at a fair value and the revenues from the revaluation of receivables and debts in foreign currency at the end of the period.

**The financial costs** include the discounts granted, the interests and the exchange differences on 30<sup>th</sup> June 2020.

**Profit / (loss)**

On 30 June 2020 the company recorded a negative gross result of (157,113) lei, and a negative operational result of (234,724) lei.



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

The structure of cash flow on 30<sup>th</sup> June 2020, compared with the same period of the previous year:

	June 30, 2020	June 30, 2019
<b>Cash flows from operating activities</b>		
Receipts from customers	13,970,200	16,897,504
Receipts from other debtors	196,702	89,968
Payments to suppliers	(11,912,157)	(11,402,023)
Payments to employees	(1,896,855)	(2,006,465)
Payments to state budget	(2,993,792)	(3,602,435)
Payments to various creditors	(137,716)	(61,378)
<b>Cash generated from operating activities</b>	<b>(2,773,619)</b>	<b>(84,829)</b>
Paid corporate tax	(212,206)	(66,599)
<b>Net cash generated from operations</b>	<b>(2,985,825)</b>	<b>(151,428)</b>
<b>Cash flows from investment activities</b>		
Collected interest	340,762	159
Proceeds from the sale of tangible assets	-	93,255
Procurement of tangible assets	(157,789)	(249,316)
<b>Net cash generated from investments</b>	<b>182,972</b>	<b>(155,902)</b>
<b>Cash flows from financing activities</b>		
Collections from short-term loans	963,140	1,232,985
Reimbursement of loans	(144,788)	(667,030)
Paid interest	(19,339)	(18,699)
Payment of financial leasing debts	(170,168)	(103,741)
Dividends paid	(10,568,505)	-
<b>Net cash (used in) financing activities</b>	<b>(9,939,660)</b>	<b>443,515</b>
<b>Net increase/decrease of cash and cash equivalents</b>	<b>(12,742,513)</b>	<b>136,185</b>
<b>Cash and cash equivalents as of the beginning of period</b>	<b>21,433,256</b>	<b>3,332,293</b>
Exchange rate differences	(9,572)	(17,499)
<b>Cash and cash equivalents as of end of period</b>	<b>8,681,172</b>	<b>3,450,979</b>





The company has on 30<sup>th</sup> June 2020 investments in fund units, at fair value, as follows:

Type of fund	Fund managing company	Number of fund units	Value of fund units
Open-end investment fund BT OBLIGATIUNI	BT Asset Management	13,591	257,121

#### 1.4. Economical and financial indicators

Name of indicator	Method of calculation	30 June 2020	30 June 2019
<b>Liquidity indicators (number of times)</b>			
Current liquidity indicator	Current assets /Current liabilities	6.45	5.21
Immediate liquidity indicator	(Current assets-Stocks)/Current liabilities	2.95	3.27
<b>Activity indicators (number of times)</b>			
Turnover rate of fixed assets	Turnover/Fixed assets	0.52	0.85
Turnover rate of total assets	Turnover/ Total asset	0.16	0.22
Debit-clients turnover rate (no. days)	Average balance of receivables/Turnover x 181	143	143
Debt level indicator	Capital borrowed/Own capital x 100	4.29	6.97
<b>Profitability indicators</b>			
Result per base share (RON/share)	Net Profit /No. of shares	(0.0015)	0.0026

## 2. ANALYSIS OF COMPANY'S ACTIVITY

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

The company's liquidity depends of the investors' liquidity in agricultural machines. The latter is influenced by a series of factors depending of the governmental policies focused on this field of economy, a sector which needs support in order to be efficient. From this point of view compared with the same period of time of the previous year, the situation is unchanged.



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

The forecasted investment program for 2020 is EUR 202,000 for which funds will be earmarked from own sources.

The objectives included in the Investment Program for 2020 are:

- The replacement of used equipment morally and physically;
- Increase the safety of the natural gas network;
- Protecting material assets and values;
- The endowment with molds and SDV;
- Establishment of a showroom;
- Modernization of the spare parts deposit;
- The replacement of used cars.

During the 1<sup>st</sup> semester 2020 there were made total investment in the total amount of EUR 50 000 (excluding VAT) for the objectives contained in the Investment Programme as follows:

- development of sales and service activity: new car purchases;
- modernization of production equipment, i.e. laser cutting centre - TRUMPF L3030;
- expansion of external video monitoring facility;
- preparation of manufacture for new products, equipped with devices;
- IT purchases: software for windows, antivirus program license;

In the second semester of 2020, there will be made investments in the approximate amount of eur 152 000 euros (excluding VAT) for the objectives contained in the Investment Programme as follows:

- fire alarm installation design;
- Establishment of showroom Târgu Mureș;
- preparation of manufacture for new products, equipped with devices;
- development of sales and service activity: new car purchases;

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

The market of agricultural machines and the agricultural field, in general, are permanently influenced by the lack of financing and from this point of view, the farmers are very exposed to internal or external shocks.

Net turnover in the first semester of 2020 is 9,204,738 lei, 40% lower compared to the same period of the previous year.

Sales in the first half of 2020 were significantly affected both by the Covid-19 crisis, especially by the severe drought, greatly halting the investment advantage of farmers.



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

#### 3.1. Conduct of Extraordinary Ordinary General Meetings of Shareholders

The Ordinary General Meeting of Shareholders was held on July 30, 2020, where the following items on the agenda were approved:

- Activity report of the Board of Directors for 2019
- The financial statements for 2019, accompanied by the opinion of the independent financial auditor
- Distribution by destinations of the net profit made in 2019
- Distribution of retained earnings representing undistributed profit for 2018 and surplus realized from revaluation reserves
- Distribution of the gross dividend / share in the amount of 0.04585 lei. The total amount of dividends being 10,999,803 lei
- Discharge of administrators for 2019
- The main directions of activity, the Revenue and Expenditure Budget and the Investment Objectives for 2020;
- Non-profit sharing of administrators;
- The general remuneration limits in 2020 for the administrators and directors of the company, according to Art.153<sup>18</sup> of Law no. 31/1990 republished and updated
- The prescription of the dividends related to the financial years 2012, 2014 and 2015 established by established by the OGMS of 29.04.2013, 17.04.2015, respectively 25.04.2016, not collected until 17.08.2019 and their registration according to the applicable regulations
- Empowering the Director General to carry out all the necessary acts for the registration of the OGMS decision at the Trade Register Office and to take steps to ensure the publicity of the adopted decisions. The General Manager may mandate other persons to make the aforementioned registrations.

Through the Half-Yearly Report, corresponding to the first semester of 2020, disseminated according to the regulations in force, the Board of Directors presented the priority actions considered in the relevant period, actions in progress. Among the actions initiated by the Board of Directors starting with the second semester of 2020, we mention in particular:

1. The analyzes performed on the stage of fulfillment of the Revenue and Expenditure Budget and the measures adopted for the development and modernization of the logistics and sales activity;
2. The analyzes performed on the proposals for endowment with equipment and the approval of the maximum budgets for the re-equipment and rearrangement of the company Mecanica Ceahlău.

In accordance with the legal regulations in force and the principles of corporate governance, in the first half of 2020, the Board of Directors met in 10 meetings on the occasion of which it discussed and adopted 17 decisions regarding the current activity of the company. The members of the Advisory Committees and the Executive Management had an important contribution to the preparation and conduct of the meetings of the Board of Directors.

#### 3.2. Description of cases when the company could not observe the financial obligations during the semester I 2020

During the period of time analyzed, the company met its financial obligations.



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

During the analyzed period there were changes in the shareholding so that on June 30, 2020, according to the registration with the Central Depository, the shareholder structure is the following:

	Number of shares	%
SIF Moldova	175,857,653	73.3020 %
NEW CARPATHIAN FUND	48,477,938	20.2068 %
Legal entities	825,117	0.3513%
Individuals	14,747,752	6.1398%
<b>TOTAL</b>	<b>239,908,460</b>	<b>100.00 %</b>

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

### 4. SIGNIFICANT TRANSACTIONS

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

In semester I 2020, the company did not conclude major transactions with the persons acting in a concerted way or in which these persons were involved.

PRESIDENT OF THE MANAGEMENT BOARD,  
Trifa Aurelian Mircea Radu

GENERAL MANAGER,  
*Sorin Ion Molesag*

FINANCIAL DIRECTOR,  
*Oana Chirila*