

**To: BUCHAREST STOCK EXCHANGE  
FINANCIAL SUPERVISORY AUTHORITY**

**A. Quarterly report of the Board of Directors on September 30th, 2020**

Date of the report: 09/11/2020

Name of the company: SC „MECANICA CEAHLĂU” S.A. PIATRA NEAMȚ

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

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

Tax Identification Number: RO 2045262

Trade Register Registration Number: J27 / 8 / 08.01.1991

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

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

Trading symbol: MECF.

**1. Synthesis of the financial-economic indicators on September 30, 2020.**

Information in the financial-economic situation of the Mecanica Ceahlau SA on the 3rd quarter of 2019 are presented in the Financial Statements, concluded on September 30, 2020, drafted according to the order 2844 from 2016 on the approval of the accounting regulations according to the international standards of financial reporting. The currency of the reporting is RON.

The Individual Financial Statements concluded on September 30, 2020 were not audited.

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

**1.a. Individual situation of the financial position**

Indicator - ron	September 30, 2020	September 30, 2019
<b>Fixed assets total, out of which:</b>	<b>18,111,459</b>	<b>18,587,286</b>
Tangible fix assets	16,607,071	18,056,969
Intangible assets	70,713	99,681
Real Estate Investments	413,550	430,636
Assets representing rights of use of support assets in leasing contracts	1,020,124	-
<b>Current assets total, out of which:</b>	<b>40,835,280</b>	<b>59,366,489</b>
Stocks	23,641,675	20,222,090
Trade receivables	9,141,173	13,778,350
Other receivables	454,644	195,749
Expenses registered in advance	160,834	274,385
Financial assets at fair value (fund units, bank deposits)	259,214	252,038
Cash and cash equivalents	6,790,533	24,643,877
Assets classified as held for sale	387,207	-
<b>TOTAL ASSETS</b>	<b>58,946,739</b>	<b>77,953,775</b>
<b>Own equity, of which:</b>	<b>48,418,392</b>	<b>66,167,569</b>
Share capital	23,990,846	23,990,846
Legal reserves	2,804,874	2,400,184

Revaluation reserve	6,853,535	8,425,212
Retained earnings and other reserve	14,769,137	31,351,327
<b>Total debts:</b>	<b>10,528,347</b>	<b>11,786,206</b>
<b>Long term debts, out of which:</b>	<b>2,214,058</b>	<b>2,795,082</b>
Long term loans	780,184	1,134,121
Liabilities from leasing contracts	702,092	-
Provisions for pensions	245,810	308,683
Debts on deferred tax	485,972	1,352,278
<b>Current debts total, out of which:</b>	<b>8,314,289</b>	<b>8,991,124</b>
Short term loans	1,268,034	356,075
Liabilities from leasing contracts	247,649	-
Commercial debts	5,062,784	4,681,072
Other debts	1,245,219	3,707,153
Provisions	490,602	246,823
<b>TOTAL OWN EQUITY AND DEBTS</b>	<b>58,946,739</b>	<b>77,953,775</b>

**The equity** decreased to the amount of RON 48,418,392. In 2020 were distributed to shareholders dividends in the amount of RON 10,999,803.

**The current assets** in the amount of RON 40.835.280 decreased with 31% compared to the same period of the previous year and are made up of:

**Overall stocks** are in the net amount of RON 23,641,675 increased with 17% compared to the same period of the previous year mainly due to the outsourcing of parts and subassemblies and the expansion of the product portfolio (2 new ranges of seeders, herbicide machines, new range of plows). Are made up of:

Indicator - ron	September 30, 2020	September 30, 2019	%
Raw materials and materials	1.321.723	1.425.306	93%
Work in progress	451.150	718.864	63%
Semi-finished goods	69.753	66.259	105%
Finished goods	14.524.570	13.422.871	108%
Goods (goods for distribution)	7.274.478	4.588.790	159%
<b>Stocks at net value</b>	<b>23.641.675</b>	<b>20.222.090</b>	<b>117%</b>

- **Commercial receivables** in the amount of RON 9,141,173 decreased by 34% compared to the same period of the previous year, are entirely considered performant.

On September 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 133,810.

- **Other receivables** in amount of RON 454,644 increased by 132% compared to the same period of the previous year.
- **Cash and cash equivalents** are in amount of RON 6.790.533 down with 72% compared to the same period of the previous year. Dividends were paid, through the Central Depository, amounting to 10,568,505 lei.

• **Assets classified as held for sale**

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

**The provisions** in the amount of RON 736,412 increased with 33% to the same period of the previous year 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 16,245;

**The long-term debts** have decreased with 21% compared to the same period of the previous year.

**The current debts** are in the amount of 8,314,289 lei (as of September 30, 2019: 8,991,124 lei) decreased by 8% compared to the same period of the previous year, the largest share of debts being held by commercial debts.

**1.b. Individual situation of the global result**

Mecanica Ceahlau SA ended the third quarter of 2020 with a net turnover of RON 14.930.412.

<b>Indicator - ron</b>	<b>September 30, 2020</b>	<b>September 30, 2019</b>
Sales	14,930,412	21,616,636
Costs of materials and consumables	(8,625,146)	(13,123,656)
	<b>6,305,266</b>	<b>8,492,980</b>
Other operational revenues	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	(299,391)	(379,329)
Other administrative expenses	(4,972,264)	(5,121,300)
Other operational expenses	(1,387,234)	(1,679,694)
Expenses with amortization and impairment of assets and leasing assets	(298,164)	(447,472)
Gain/ loss from assets sales	(1,120,225)	(1,065,921)
Adjustment of the value of current assets	405,642	529,502
Gain/Loss of provisions for risks and expenses	138,604	19,650
<b>Total operational expenses</b>	<b>(7,533,030)</b>	<b>(8,144,563)</b>
<b>Result of the operational activities</b>	<b>(926,769)</b>	<b>12,022,439</b>
Interest incomes	247,654	5,443
Gains from revaluation of financial assets at fair value through profit or loss	5,355	5,586

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Interest expense and discounts granted	(117,205)	(125,628)
Losses from exchange rate differences	(94,028)	(71,720)
<b>Financial net result</b>	<b>41,775</b>	<b>(186,319)</b>
<b>Result before tax</b>	<b>(884,994)</b>	<b>11,836,120</b>
Revenue/ (expenses) with current and deferred income tax	(198,005)	(3,467,147)
<b>Net profit of period</b>	<b>(1,082,999)</b>	<b>8,368,973</b>

The turnover recorded in the third quarter of 2020 is 31% lower compared to the same period of the previous year.

<b>Indicator - ron</b>	<b>September 30, 2020</b>	<b>September 30, 2019</b>
Gross sales of goods	15,245,027	21,829,009
Commissions granted to dealers	(452,370)	(677,322)
<b>Net turnover from sales of goods</b>	<b>14,792,658</b>	<b>21,151,686</b>
Sales of residual goods	80,257	390,898
Services rendered	57,498	74,052
<b>Total net turnover</b>	<b>14,930,412</b>	<b>21,616,636</b>

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.

The pedological drought that profoundly affected most of the Romanian farmers, especially from the South, South-East and East of the country, led to the postponement of the acquisitions of agricultural equipment, which directly affected the company's sales. The COVID-19 pandemic overlapped, which also had a negative impact on turnover.

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

### **Operational expenditure**

Operational expenditure include:

1. The cost related to the goods sold decreased by 34% compared to the same period of the previous year
2. Administrative expenses decreasing by 18% compared to the same period of the previous year as a result of the renegotiation of contracts;
3. Other operating expenses decreasing by 33% compared to the same period of the previous year;
4. Expenditures on salaries, social contributions and other benefits are 3% lower compared to the same period of the previous year;

<b>Indicator - ron</b>	<b>September 30, 2020</b>	<b>September 30, 2019</b>
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)
<b>Total</b>	<b>4,972,264</b>	<b>5,121,300</b>
<b>Average number of employees</b>	<b>105</b>	<b>125</b>

The **financial revenues** include most of the revenues pertaining to the evaluation of the fund units held by the company on 30<sup>th</sup> September 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> September 2020.

### **Profit / (loss)**

On 30<sup>th</sup> September 2020 the company registered a negative gross profit of RON (884,994) and an negative net profit of RON (1,082,999).

### **Financial-economic indicators**

<b>Indicator name</b>	<b>Calculation method</b>	<b>September 30, 2020</b>	<b>September 30, 2019</b>
1. Current liquidity indicator	Current assets/ Current debts	5.22	6.60

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2. Rate of debt indicator	Borrowed equity/ Own equity x 100	4.07	3.76
3. Turnover speed of fixed assets	Turnover/ Fixed assets	0.88	1.16
4. Turnover speed of days sales outstanding (no. days)	Medium balance of net trade receivables /	145 days	138 days

**2.** Quarterly report on September 30, 2020 – the integral version is available on [www.mecanicaceahlau.ro](http://www.mecanicaceahlau.ro) and in the link below (PDF document attached);

**GENERAL DIRECTOR,**  
*Sorin Ion Molesag*

**FINANCIAL DIRECTOR ,**  
*Chirila Oana*

**PRESIDENT OF THE MANAGEMENT BOARD,**  
*Trifa Aurelian Mircea Radu*