

Quarterly report of the Board of Directors on September 30th, 2023

Date of the report: 10/11/2023

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

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

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

Tax Identification Number: RO 2045262

Trade Register Registration Number: J27 / 8 / 08.01.1991

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

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, 2023.

Information in the financial-economic situation of the Mecanica Ceahlau SA on the 3rd quarter of 2023 are presented in the Financial Statements, concluded on September 30, 2023, 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 LEI.

The Individual Financial Statements concluded on September 30, 2023 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 - LEI	September 30, 2023	31 December, 2022
Fixed assets total, out of which:	21,587,907	21,829,499
Tangible fix assets	17,613,200	18,556,350
Intangible assets	119,049	103,032
Real Estate Investments	1,047,746	898,905
Assets representing rights of use of support assets in leasing contracts	2,807,912	2,271,212
Current assets total, out of which:	52,460,544	46,992,643
Stocks	44,059,133	26,665,751
Trade receivables	5,819,146	8,787,319
Other receivables	258,182	311,234
Expenses registered in advance	213,183	63,959
Financial assets at fair value (fund units, bank deposits)	287,143	275,441
Financial assets at amortised value	(276)	5,105,165
Cash and cash equivalents	1,824,033	5,421,355
Assets classified as held for sale	-	362,419
TOTAL ASSETS	74,048,451	68,822,142
Own equity, of which:	52,371,696	53,512,827
Share capital	23,990,846	23,990,846
Legal reserves	2,983,701	2,983,701
Revaluation reserve	8,504,824	8,887,985
Retained earnings and other reserve	16,892,324	17,650,294

Total debts:	14,898,338	11,459,141
Long term debts, out of which:	6,778,418	3,850,174
Long term loans	2,512,509	123,842
Liabilities from leasing contracts	2,177,193	1,761,800
Provisions for pensions	109,473	127,083
Debts on deferred tax	1,979,243	1,837,449
Current debts total, out of which:	14,898,338	11,459,141
Short term loans	199,246	297,235
Liabilities from leasing contracts	653,743	492,272
Commercial debts	12,676,077	7,774,502
Revenues recorded in advance	32,612	-
Other debts	1,276,325	2,834,797
Provisions	60,335	60,335
TOTAL DEBTS	21,676,756	15,309,315
TOTAL OWN EQUITY AND DEBTS	74,048,451	68,822,142

The own capitals increased to the amount of 52,371,696 lei (December 31, 2022: 55,512,827 lei). No dividends were distributed to shareholders.

The current assets in the amount of 52,460,544 lei increased with 12% compared to December 31, 2022 and are made up of:

Overall stocks are in the net amount of 44,059,133 lei increased with 65% compared to December 31, 2022 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 - LEI	September 30, 2023	December 31, 2022	%
Raw materials and materials	3,293,238	3,155,416	104%
Work in progress	2,879,795	1,371,093	210%
Semi-finished goods	54,925	91,575	60%
Finished goods	19,102,414	13,008,683	147%
Goods (goods for distribution)	18,728,761	9,038,984	207%
Stocks at net value	44,059,133	29,375,056	165%

- **Commercial receivables** in the amount of 5,819,146 lei decreased by 34% compared December 30, 2022 are entirely considered performant.

On September 30, 2023 the company has received from clients in the form of guarantees, promissory notes and cheques pursuant to the contractual provisions in the amount of 625,420 lei.

- **Other receivables** in amount of 258,182 lei decreased by 17% compared to December 30, 2022.
- **Cash and cash equivalents** are in amount of 1,824,033 lei lower with 66% compared to the same period of the previous year. No dividends were distributed or paid.
- **Assets classified as held for sale**

On September 30, 2023, the company does not hold for sale assets

The provisions in the amount of 60,335 lei have the same value compared to December 31, 2022 and are made up of:

- Provisions for guarantees granted to customers: 60,335 lei

The long-term debts have increased with 76% compared to December 31, 2022.

The current debts are in the amount of 14,898,338 lei (as of December 31, 2022: 11,459,141 lei) increased by 30% compared to December 31, 2022, 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 2023 with a net turnover of 22,663,744 lei.

Indicator - lei	September 30, 2023	December 31, 2022
Sales	22,663,744	33,815,410
Costs of materials and consumables	(13,260,250)	(22,636,707)
	9,403,495	11,178,702
Other operational revenues	323,040	271,211
Gain/loss from the sale of the assets held for sale	-	-
Expenses with utilities	(825,833)	(543,465)
Expenses with salaries and other personnel expenses	(6,457,854)	(5,341,047)
Other administrative expenses	(2,245,496)	(2,108,140)
Other operational expenses	(448,043)	(322,994)
Expenses with amortization and impairment of assets and leasing assets	(1,766,923)	(1,311,081)
Adjustment of the value of current assets	651,674	233,770
Gain/Loss of provisions for risks and expenses	17,610	44,643
Gain/Loss from assets sales	166,081	13,824
Total operational expenses	(10,908,784)	(9,334,491)
Result of the operational activities	(1,182,248)	2,115,422
Interest incomes	151,031	170,006
Gains from revaluation of financial assets at fair value through profit or loss	11,702	4,763
Interest expense and discounts granted	(216,596)	(239,945)
Losses from exchange rate differences	(118,375)	(68,201)
Financial net result	(172,238)	(133,396)
Result before tax	(1,354,487)	1,982,026
Revenue/ (expenses) with current and deferred income tax	(214,778)	(180,680)
Net profit of period	(1,569,265)	1,801,347
Other Elements of the Global Result		
Deferred capital tax	72,983	42,079
Revaluation reserves	-	-

Other elements of the overall result after tax	72.983	42,079
Total overall result for the period	(1,496,281)	1,846,425
Attributable profit / loss	(1,569,265)	1,801,347
Basic earnings per share	(0.0065)	0.0057

The turnover recorded in the third quarter of 2023 is 33% lower compared to December 31, 2022.

Indicator - lei	September 30, 2023	September 30, 2022
Gross sales of goods	22,745,481	34,081,943
Commissions granted to dealers	(264,910)	(386,630)
Net turnover from sales of goods	22,480,571	33,695,313
Sales of residual goods	76,738	45,414
Services rendered	106,435	74,683
Total net turnover	22,663,744	33,815,410

The gross turnover of the Company as of September 30, 2023 is of 22,745,481 (September 30, 2022: 34,081,943 lei), of which 475,912 for export (September 30, 2022: 74,669 lei) and 22,269,569 for intern (September 30, 2022: 34,007,274 lei).

For the realisation of this sales volume the Company granted sales bonuses (commissions) according to contracts in force in amount of 264,910 lei as of September 30, 2023, respectively 386,630 lei as of September 30, 2022, thus resulting in a net turnover of 22,480,571 as of September 30, 2023 and 33,695,313 as of September 30, 2022. 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, 2023, respectively on September 30, 2022.

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

On the foreign market, the sales volume was achieved in proportion of less than 2% of the turnover. In this market, the connection with the traditional customers who know and promote the company's products is maintained.

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

Operational expenditure

Operational expenditure include:

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

Indicator - lei	September 30, 2023	September 30, 2022	%
Salaries expenses	4,696,868	3,756,797	125%
Expenses with salary contributions	215,341	169,508	127%
Expenses with granted vouchers	223,708	170,675	131%
Other benefits to employees	-	1,454	-
Expenses with indemnity of Board of Directors members	422,505	422,123	100%
Expenses with indemnity of executive management	899,432	820,491	110%
Total	6,457,854	5,341,047	121%
Average number of employees	92	81	114%

The **financial revenues** include most of the revenues pertaining to the evaluation of the fund units held by the company on 30th September 2023 at a fair value and the revenues from the revaluation of receivables and debts in foreign currency at the end of the period.

The financial costs include the discounts granted, the interests and the exchange differences on 30th September 2023.

Profit / (loss)

On 30th September 2023 the company registered a negative gross profit of 1,496,281 and a net loss of 1,569,264 lei.

Financial-economic indicators

Indicator name	Calculation method	September 30, 2023	September 30, 2022
1. Current liquidity indicator	Current assets/ Current debts	4.99	4.40
2. Rate of debt indicator	Borrowed equity/ Own equity x 100	12.74	4.96
3. Turnover speed of fixed assets	Turnover/ Fixed assets	1.05	1.79
4. Turnover speed of days sales outstanding (no. days)	Medium balance of net trade receivables /Turnover x 270	87 days	47 days

Quarterly report as of September 30, 2023 - the full version is available on its own website www.mecanicaceahlau.ro and in the link below (PDF document attached);

GENERAL DIRECTOR,
Sorin Ion Molesag

FINANCIAL DIRECTOR ,
Gabriela Pepene

PRESIDENT OF THE MANAGEMENT BOARD,
Trifa Aurelian Mircea Rad