

U.C.M. Reșița S.A.  
 Sediul Social: Piața Charles de Gaulle, nr. 15  
 Clădirea Charles de Gaulle P'aza, etaj 3, birou Peles  
 011857, sector 1, București, Romania  
 Sediul Administrativ: Str. Golului, Nr. 1, 320053, Reșița, Romania  
 Tel: +40-(0)255-217111 - Fax: +40-(0)255-223082  
 contact@ucmr.ro · http://www.ucmr.ro

**UCM**  
**Reșița SA**

**253**  
 Anul de Industrie

în reorganizare judiciară  
 în judicial reorganisation  
 en redressement

## CURRENT REPORT

As per Law no. 24/ 2017 and ASF Regulation no. 5/2018

Date of report: 29.03.2024

Name of the issuing trading company: U.C.M. Resita S.A.

Registered office: Charles de Gaulle Square No. 15, Charles de Gaulle Plaza Building, 3st Floor, Peles Office, Sector 1, Bucharest

Headquarters: Resita, Golului Street, no. 1, 320053, Caras-Severin County

Phone: 0255/217111; Fax: 0255/223082

Unique registration code: 1056654

Number at the Trade Register Office Bucharest: J 40/13628/2011

Subscribed and paid-up registered capital: 10,993,390.40 lei

The regulated market on which the issued securities are traded: Yearly Report related to the financial statements of the year 2023.

S.C. U.C.M. Resita S.A. informs the general public about the availability of the Yearly Report related to the financial statements of the year 2023, approved according to the Minutes of the Committee of Creditors no. 144 / 29.03.2024

The Yearly Report 2023 can be found as of 29.03.2024, on the website <http://www.ucmr.ro> and the IRIS platform link.

Starting with the same date, the parties interested in can apply, on written request, in order to obtain a copy of these documents. The management of the Company recommends that the request be transmitted using the fax/email or post/courier at the administrative headquarters of the company (working point) in Resita, Golului Street no. 1, 320053, Caras-Severin County. The fax number to which the request can be sent is 0255/223082 and the email address is: [contact@ucmr.ro](mailto:contact@ucmr.ro).

**UCM RESITA SA- in insolventa, in insolvency, en procedure collective,**  
**By Judicial Administrator,**  
**EURO INSOL SPRL and VF Insolventă SPRL Consortium**



U.C.M. Reșița S.A.  
Sediu Social: Piața Charles de Gaulle, nr. 15  
Căderea Charles de Gaulle Plaza, etaj 3, birou Peles  
011857, sector 1, București, România  
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## MOTION FOR COVERING LOSSES FROM THE ACCOUNTING YEAR 2023

UCM Reșița SA (company in judicial reorganisation, en redressement) at the end of the accounting year 2023 registered an accounting loss of 12,409,732 Lei.

The Judicial Administrator of the Company in accordance with the provisions of law no 82/1991, decide that the loss registered at 31.12.2023, amounting to 12,409,732 Lei to be deferred, following to be covered from the favorable results of future accounting years.

Judicial Administrator:  
EPOLO ANSOI SPRL and VF Insolvență SPRL Consortium

Ionete Nicolae Diana  
Economic Manager



**s.c. U.C.M. Reșița s.a.**

**(in judicial reorganisation, en redressement)**

**Separate Financial Statements**

prepared in accordance with the

Order of the Minister of Finance no. 2844/2016

on

**DECEMBER 31, 2023**

**Separate Financial Statements on December 31, 2023**  
*(all amounts are given in lei (RON) unless otherwise stated)*

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**Yearly report of Judicial Administrator  
for the accounting year ended on December 31, 2023  
(all amounts are given in lei (RON) unless otherwise stated)**

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**YEARLY REPORT  
of Judicial Administrator  
for the accounting year 2023**

**I. Non-financial declaration**

**1. Presentation of SC UCM Reșița SA**

UCM Reșița SA, a company located in the southwestern part of Romania, was founded on 3 July 1771 by the first kilns and forges, which is the oldest industrial unit in Romania and one of the oldest in Europe. It is worth mentioning that, at the time of their inauguration (July 3, 1771), the factories in Reșița overtook the founding of famous factories such as Krupp Germany (1811), Vitkovice (1829), Donavitz (1836), MAN (1834), Sulzer) Burmeister Wain (1843), Skoda (1851). If the beginning was devoted to the metallurgical sector, the machine building sector gradually developed, reaching to be preponderant in the last quarter of the nineteenth century. The two sectors coexisted for a long time completing each other within the same fully integrated unit.

SC UCM Reșița SA, the continuation of the activity of the machine building sector in the Reșița industrial complex, as it is known today, is the result of many years of experience in the construction of machinery, transport, energy, metallurgical and chemical industry.

Since 1960, it has designed and built over 90% of the national hydropower equipment, putting in operation more than 6,325 MW installed power, representing 326 hydro-aggregates. The plant has accumulated over time, a distinct culture and has reached, both in the country and abroad, a special reputation based on tradition, competence and quality.

In 1991, according to Government Decision no. 1296/1990, UCM Reșița becomes a public limited company and it is listed on the Bucharest Stock Exchange since 1997.

UCM Reșița SA was privatized in 2003, through the conclusion of the share sale-purchase contract no. 57 / 23.12.2003, between the Authority for Privatization and Shareholding Administration (APAPS), as the seller, and the consortium consisting of the Swiss company INET AG and the Association of Employees UCM Reșița SA as buyers.

According to the Conclusion of the hearing of 06.12.2011, in the file 75017/3/2011 the Bucharest Court of Law ordered the admission of the request regarding the opening of the insolvency procedure on UCM Reșița, leaving to the company the right to conduct the activity, to administer the assets, rights maintained under the supervision of the appointed judicial administrator named by the syndic judge.

On 26.10.2021, the Assembly of Creditors approved the Reorganization Plan of the activity of the debtor UCM Reșița SA proposed by the Judicial Administrator.

On 01.02.2022 by Civil Sentence no. 351 of 01.02.2022 the syndic judge confirmed the Reorganization Plan as approved by the Creditors' Assembly on 26.10.2021.

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for the accounting year ended on December 31, 2023**  
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The company owns a total area of 52,4 hectares located on the two industrial platforms (ABC and Călnicel) as well as in other areas in the Municipality of Reșița and in Anina.

Moreover, the Company owns numerous other assets outside the current production sphere, both in Reșița (Culture House, "Semenic" Extended Program Kindergarten, previously named Extended Program Kindergarten no. 7, a studio apartment on Ion Corvin street, 239 apartments in former non-family homes, etc.), as well as in Anina (Screw Factory).

The production activity of the Company can be structured on the following sectors of production:

- Turbine Division and Spare Parts (former Naval Section)
- The heavy mechanics section
- Electric Machinery Section I
- Electrical Machines Section II
- Sculpture section (preserved)
- Welded Assemblies Section and Mechanical Processing
- Heat Treatments Section
- Diesel locomotive section (preserved).

#### **General Meeting of Shareholders**

The General Meeting is the governing body of *the Company* through which the will of the shareholders in any matter of interest to the Company is expressed.

By Civil Sentence no. 351/01.02.2022, pronounced by the Bucharest Court, it was decided that the Company's activity during the reorganization will be led by the Judicial Administrator.

Therefore, the duties of the General Meeting of Shareholders were completely taken over by the Creditors' Meeting, respectively the Creditors' Committee.

#### **Management of the Company**

By Civil Sentence no. 351/01.02.2022, pronounced by the Bucharest Court, the management of the Company was taken over by the Judicial Administrator.

Thus, starting from 01.02.2022, the mandate of the Special Administrators (Mr. Aurel BĂRA and Ms. Sorina Daniela POP), appointed on 15.12.2021 by the Extraordinary General Meeting of Shareholders is limited to representing the interests of shareholders.

#### **Creditors 'Committee and Creditors' Meeting**

During the observation period, the documents, operations and payments made by the Company, which do not fall under the usual conditions for carrying out the current activity, will be subject to the approval of the Creditors' Committee.

The sale regulations related to the assets to be liquidated, according to the provisions of the Reorganization Plan, are subject to the approval of the Creditors' Assembly.

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**Executive management of UCM Reșița S.A.**

The executive management of the Company during 2023 had the following structure:

- Mr. Cosmin URSONIU – General Director
- Mrs. Liliana Nicoleta IONETE - Human Resources and Economic Director
- Mr. Cristian MURGU - Director of Production

In the last five years, no member of the administrative or executive management of *the Company* was involved in litigation or administrative procedures.

**Internal Audit**

The internal audit objectives are:

- Objective insurance and counseling of the company's systems and activities in order to make them more efficient
- Supporting the achievement of the company's objectives through a systematic and methodical approach that evaluates and improves the effectiveness of the management system, based on risk management, control and management processes.

Internal audit activity is exercised over all activities within the Company in accordance with the approved Annual Internal Audit Plan or Audit Missions set up by the Special Administrator outside the plan.

Internal auditing ensures greater efficiency through a more appropriate use of human and material resources, as well as better coordination between the various departments of the Company.

**2. Business model description**

The main activity domain according to the National Economy Classification (NACE) is "the manufacture of equipment for the production and use of mechanical power (except for engines for aircraft, motor vehicles and motorcycles) - Code 281."

The main activity of the Company is "manufacture of engines and turbines (except for aircraft, motor vehicles and motorcycles) - 2811 CAEN Code".

The company also provides technical assistance services for the rehabilitation and improvement of existing engineering solutions, specializing in the fields related to its core business.

The main categories of products and services the Company carries out are:

- Hydroelectric units equipped with turbines of the type: Kaplan (up to 180 MW), Francis (up to 170 MW), Bulb (up to 28 MW), Pelton (up to 20 MW) and related installations (valves, regulators and groups pressure oil) and hydrogenerators with auxiliary installations;
- Constructive design, technological design, assembly, service for manufactured products / equipment;

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- Asynchronous electric motors with power ranging from 500 to 10,000 KW; synchronous motors and synchronous generators with power ranging from 500 to 12,500 KW; motors and DC generators with power ranging from 500 to 6000 KW;
- Welded assemblies (metal welding constructions / confections), for various purposes;
- Spare parts and repairs / modernization / rehabilitation for all hydro and non-hydro equipment;
- Hydromechanical equipment - repairs;
- Machining of forged parts,
- Destructive tests within the lab for destructive testing;
- Calibration / verification and repair of measuring instruments within the metrology laboratory
- Thermal, thermochemical and galvanic treatments

Currently, the solution to pollution, global warming and ultimately to energy independence is green energy. Compared to the electricity produced in classical power plants, the energy produced in hydropower plants is clean, non-polluting.

Starting from these premises, all efforts are subordinated to the Company's mission, to be on the Romanian market the main supplier of equipment for investment projects, re-technology and repairs of the hydro-energetic facilities in the country.

### **3. Main suppliers**

Depending on the ability to provide safe products / services, recommended for the manufacture of items of high importance, UCM Reșița's suppliers are highlighted in three categories:

- ✓ Class A of those who meet between 10 and 15 points for the criteria imposed by society;
- ✓ Class B, which consists of those who meet between 5 and 10 points for the criteria imposed by the society;
- ✓ Class C among those who meet less than 5 points for the criteria imposed by society.

On 31.12.2023, the company has 173 established suppliers, out of which 144 are suppliers in the country, 23 are suppliers of imported products and 6 are suppliers for external collaborations.

Of the domestic suppliers, 116 are in Class A capability and the rest in Class B. All external suppliers are in Class A, and collaborative suppliers are 5 in Class A, and 1 supplier in Class B.

The main suppliers of UCM Reșița SA are:

- Inox Metal SSR- sheets, pipes, rounds, stainless steel fittings;
- Avenarius Agro GMBH– painting material
  - Hidarom Sibiu - measuring and control devices, hydraulic equipment, assembly devices
  - Ductil Buzău - electrodes, welding equipment
  - Romsenzor Bucharest - measuring and control devices, low voltage devices
- Hexagon OA - assembly parts



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- Miras Internațional – metallurgical products, debited metal constructions;
- Mol Romania - petroleum products (lubricating oil for turbines, generators and machine tools)
- Brio Electrotehnic - electrical equipment, electrical insulators
- HPW Metallwerk - copper conductor for winding generators and electric motors
- Rotec Forge - forged parts

#### **4. Major Customers**

The final beneficiary of hydroelectric equipments made by UCM Reșița SA is SPEEH HIDROELECTRICA SA, whether the Company has contracts concluded directly with this company, whether it is a subcontractor of SSH HIDROSERV SA.

SPEEH HIDROELECTRICA SA, a leader in power generation and the main provider of technological services required in the National Energy System, is

- ✓ a vital company for a strategic sector with implications for national security.
- ✓ the largest energy producer in Romania considering the primary source of hydro energy;
- ✓ the largest provider of system services in Romania ensuring the stability of the National Energy System.

The company manages 430 groups, of which 169 in plants with installed capacity <10 MW, and 250 in HPP > 10 MW, and 11 are pumping groups. In an average hydrological year, Hidroelectrica provides 30% of the total national electricity production. Hidroelectrica's mission is to create value by producing and marketing electricity, in a responsible manner towards the community and the environment, in terms of quality and performance.

SPEEH HIDROELECTRICA SA functions through its 7 branches: SH Bistrița, SH Cluj, SH Curtea de Argeș, SH Hațeg, SH Porțile de Fier, SH Râmnicu Vâlcea și SH Sebeș, which are managed by hydroelectric power plants strategically located throughout Romania. Among the most representative hydropower objectives of the company are:

- ✓ Hydropower and navigation systems Iron Gates I and Iron Gates II
- ✓ HPP Lotru
- ✓ Vidraru Hydroelectric Power Plant
- ✓ Dimitrie Leonida Hydroelectric Power Plant (Stejaru)
- ✓ Marișelu and Remeți Hydroelectric Power Plants
- ✓ HPP Râu-Mare Retezat and HPP Ruieni
- ✓ Gâlceag and Șugag Hydroelectric Power Plants

The strategy of increasing the value of HIDROELECTRICA company takes into account the following main directions:

- cost base optimization and operational optimization
- optimizing the operation of production capacities
- profitable investments
- regional expansion
- listing the company.

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SSH HIDROSERV SA, Hidroserv S.A., Hydroelectric Services Company, is a subsidiary of the Hidroelectrica S.A. Hydroelectric Power Generation Company, having the legal form of a joint stock company. Company S.S.H. HIDROSERV S.A. has as main object of activity "Electricity production", the eight branches of the company (Bistrita, Cluj, Curtea de Argeș, Hațeg, Iron Gates, Râmnicu Vâlcea, Sebeș, Slatina) being certified to provide services consisting of:

- Installation and maintenance of energy aggregates;
- Design of electrical, automation and mechanical installations;
- Installation and maintenance of high and low voltage electrical installations;
- Installation, maintenance and modernization of equipment and secondary circuits PRAM, AMC;
- Civil, industrial and hydro-technical constructions;
- Performance and specialty tests;
- Technical support and design works in the energy field;
- Topo-geodetic and topobatiometric measurements;
- Road transport.

By the closing of the hearing held on 10.10.2016 by the Bucharest Tribunal in file 36365/3/2016, the opening of the general insolvency procedure against SSH HIDROSERV SA was ordered.

By the civil sentence no. 1598/24.06.2020 pronounced in the file 36365/3/2016, published in the Bulletin of Insolvency Procedures no. 11232/08.07.2020 the syndic judge confirmed the Reorganization Plan of SSH Hidroserv SA.

On 12.12.2022 the Meeting of Creditors of the debtor SSH Hidroserv approved the extension and modification of the Reorganization Plan in accordance with the provisions of art. 137-139 of Law 85/2014.

## **5. Main Competitors**

If on the internal hydro market, the competition is relatively limited due to the fact that the Company has the know-how of all hydropower equipment in operation at Hidroelectrica, on the external market UCM Reșița has to face fierce competition represented by brand companies in the field of hydropower equipment, such as:

VOITH HYDRO GmbH & Co. KG sets standards in the energy, oil and gas markets, paper, raw materials, transport and automotive. Founded in 1867, Voith has more than 19.000 employees, operates in more than 60 countries around the world, and is currently one of Europe's largest family companies.

A quarter of the world's hydropower is generated by turbines and generators from Voith Hydro. ANDRITZ HYDRO GmbH, headquartered in Vienna, Austria. The cornerstone of this company was laid by the pioneers of turbine and generators in Europe and North America in the nineteenth century. Over time, growth, mergers and cooperation agreements have created a state-of-the-art technology company with over 7,500 employees, working in more than 50 locations in over 25 countries worldwide and is organized in five major divisions: Large Hydro; Service & Rehab;

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Compact Hydro; Turbo Generators; Pumps. It is a global supplier of electromechanical systems and services ("water-to-wire") for hydropower plants and one of the world's leading manufacturers of hydraulic power. The over 175 years of experience in the activity of hydraulic energy supply, as well as the intensive research and development activities form the solid basis of ANDRITZ Hydro's skills.

ALSTOM POWER HYDRO, headquartered in Levallois - Perret, France, and manufacturing and manufacturing subsidiaries in France, India, Canada and Switzerland and only manufacturing in China, Spain and Brazil, Alstom can deliver hydroelectric solutions and services in a timely manner and effective throughout the world. The company offers construction of power plants, turbines, generators, control systems, hydromechanical equipment and electronic components, provides technical assistance, software development, maintenance, financing and status monitoring. It has more than 100 years of experience in engineering, procurement and construction (EPC) of new power plants and operates in more than 70 countries around the world. He also has experts in the refurbishment, modernization and service of existing plants.

From the point of view of the endowments with installations, equipment and machinery that can make hydropower aggregates, the main competitors of the Company are:

GENERAL TURBO, in its 45 years of existence on the entire market, has adapted its strategy according to the requirements of the energy market, materializing its presence especially in rehabilitation, refurbishment and modernization projects.

On foreign markets, the presence of GENERAL TURBO as General Contractor materialized both by carrying out projects aimed at providing turnkey new turbogenerators, and by carrying out complex rehabilitation projects.

POPECI UTILAJ GREU SA, based in Craiova, has over 24 years of experience in the heavy equipment industry, but also in terms of renting spaces in the industrial park. The company has permanently invested in modern equipment and qualified personnel.

CUSBAC SRL Bacău, established in 1991, has as specific the design, production and sale of industrial steel fittings (valves), with working pressures PN2.5 ÷ 25 and nominal dimensions DN150 ÷ 3500, of hydromechanical machinery and equipment for energy, irrigation, water supply and sewerage (butterfly valves, check valves, compensators, flat and dam valves, flow control valves, energy sinks, frequent grate cleaners and zip lines, valve drives, aeration - deaeration devices, hydration valves for irrigation, sorbents).

*The Company* has been equipped with state-of-the-art equipment and machinery, so that in a short time it was possible to manufacture a very wide range of products: butterfly valves, check valves, mounting compensators, energy sinks, flow control valves, fittings IAHC type hydraulic and

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counterweight installation, dam, flat wall valves, cofferdams, manual and electric reducers, various fittings, specialized in applications.

## **6. Technical Equipment**

UCM Reșița has great opportunities for:

- machining on large, medium and small lathes, on milling machines, planing machines, grinding machines, adjusting machines, CNC machines.
- machining on top lathes of parts up to Ø 3,650 x 16,460 mm and weight up to 80 tons;
- Machining of carousel lathes with diameters up to Ø 16.000 mm and weight up to 125 tons;
- Drilling up to Ø 160 mm with hole widening up to Ø 630 mm maximum at a depth of maximum 11,000 mm; work piece weight up to 20 tons and honing possibilities;
- milling of parts with length / width / height up to a maximum of 24000/5500/4500 mm on milling machines;
- milling and boring on milling and boring machines with large dimensions;
- clamping for parts with width / maximum height: 2000/2000 mm;
- grinding on internal surfaces at minimum / maximum Ø 20/350 mm diameters, external surface grinding to diameters up to Ø 400 mm and lengths of 20.000 mm.
- nondestructive tests in the non-destructive testing laboratory;
- destructive tests within the destructive testing laboratory;
- calibration / verification and repair of measuring instruments within the metrology laboratory;
- thermal, thermochemical and galvanic coatings
- welding equipment: for cutting tins and shaping;
- blasting equipment
- painting equipment

## **7. Company development policies and their outcome**

UCM Reșița SA has implemented and operates an Integrated Quality Management System - Environment-Health and Occupational Safety, in accordance with the SR EN ISO 9001: 2015, SR EN ISO 14001: 2015 and și SR ISO 45001:2018 referencing requirements, with the certification body Lloyd's Register Quality Assurance and LRQA RO SRL, as follows:

- Quality management system according to the SR EN ISO 9001: 2015 standard
- Environmental management system according to the SR EN ISO 14001: 2015 standard
- Occupational health and safety management system according to the SR ISO 45001:2018. standard.

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It also holds the following certifications / attestations / authorizations / licenses:

- Certificate no. 010/5/2023, rev. 0, capability certificate according to EN ISO 3834-2 for welding (welding, gluing and cutting), hydropower equipment and naval and rail diesel engines and welding processes: manual welding with coated electrode (111, MMA); arc welding in active gas / inert gas with fused electrode (135/131, MAG / MIG); arc welding in active gas with tubular wire (136 MAG); welding under flux layer with electrode wire (121, UP); TIG welding (141, WIG), issued by ISIM Cert Timisoara;
- Certificate of Conformity of factory production control 2028-CRP-359 for structural use according to EN 1090-1 + A1: 2011 issued by RINA SIMTEX;
- Approval certificate for the production of spare parts for Diesel engines Sulzer 12 LDS 28 B, 6 LDA 28 B and 6 LDSR 28 B, OT series, no. 40/2021, issued by AFER (Romanian Railway Authority);
- Agreement for carrying out the destructive testing activity DISPR/CR6/J, K, L/ 0041/0/21.07.2016, in accordance with the ISCIR CR 6-2013 Technical Prescriptions and Minutes no. 65C-049, issued by ISCIR;
- License for electricity distribution no.1019 / 30.06.2011, issued by ANRE;
- Certificate No. DISPR/K/8872/05.06.2013 for technical personnel, Technical Assistant for destructive examinations issued by ISCIR
- Certificate No. DISPR/J/8881/05.06.2013 for technical personnel, Technical officer for non-destructive examinations, issued by ISCIR
- Certificate No. DISPR/I/6831/07.11.2012 for technical personnel, Technical Assistant with welding for pressure installations and RTS lifting equipment, issued by ISCIR;
- Authorization No. OR/CR4/C, O/24,25,26/1192/1/05.08.2013 for repair, maintenance and overhaul of cranes (displaceable on tracks without running track with  $S_o = 50t$ /running with  $S_o = 200 t$ ; with arm and/or rotating platform working at fixed point or moving on horsepower with  $S_o = 20 t$ ), issued by ISCIR;
- Authorization No. DISPR/CR4/E/24, 25/3716/2/21.10.2015 for technical checks in use for technical investigations / examinations on cranes (displaceable on runways without  $S_n = 20t$ /horses with running track with  $S_n = 200 t$ ), issued by ISCIR;
- Authorization no. OR/CR4/P/1482/12.09.2016 for the repair, maintenance and technical review of the electric and hydraulic lifts for people, people and goods or of goods with internal control with  $S_{max} = 5000 kg$ , issued by ISCIR.
- Authorization No: OR/CR4/K, L/14/1094/1 /17.01.2013. Authorization Update No. OR/CR4/K, L/1094/2/11.10.2018 - Verification (on opening-closing), repair and adjustment of the safety devices apvad  $P_{max} = 25 bar$ ,  $D_{nmax} = 80 mm$ , issued by ISCIR;
- Authorization No: OR/CR 4/D/1,2,3/1188/0/04.07.2013. Authorization Update No. OR/CR4/D/1,2,3/1188/1/10.01.2019 – Technical verification in use at: Fuel

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- consuming machines with  $P \leq 400 \text{KW}$ ; Hot water boilers with  $P \leq 400 \text{KW}$ ; Low pressure steam boilers with  $Q \leq 0.6 \text{ t / h}$ , issued by ISCIR;
- Authorization No: OR/CR4/F, D/6/1552/0/06.07.2017 according to the minutes no. 66C-388 of 06.07.2017 for repair and maintenance, technical checks in use of liquid or gaseous fuel burners equipping technological installations with nominal power having  $P=2000 \text{kw}$  and liquid or gaseous fuel burners equipping hot air or radiation heating appliances with nominal power having  $P$  between  $400 \text{kw}$ - $2000 \text{kw}$ , from ISCIR;
  - CERTIFICATE OF ENERGY MANAGER no. 0264/21.09.2022 with ANRE (National Energy Regulatory Authority), issued by ANRE;
  - Certificate of conformity no. GALEX.Sp.2021.357.1110X for paint - drying booth from DP0600, contract no. 5859-2018, issued by INSEMEX PETROSANI;
  - License No.0178805/2016 for the public road transport of goods and Compliant copies (issued annually), issued by ARR (Romanian Road Authority);
  - Certificate of Technical Inspection Stelaj for gas transport in containers- no. 81857/20.06.2023 (ADR), issued by IPROCHIM SA Bucharest;
  - Certificate of visual examination, level 2 (VT), according to EN ISO 9712: 2013- 4 people, issued by ISIM CERT END;
  - Ultrasound examination certification-UT 2, 4 people.; with penetrating liquids-PT 2, 4 people; with magnetic particles - MT 2, 4 people, issued by ISIM CERT END;
  - Certificate (RADTP IR) no. DISPR / D / 11279 / 01.04.2015, issued by ISCIR;
  - Certificate (RSL IR) no. DISPR / H / 8435 / 15.04.2013, issued by ISCIR;
  - Authorization (RSVTI) no. TM-176/10.03.2023, issued by ISCIR;
  - Certificate (RADTE IR) no. DISPR / F / 11464 / 10.06.2015, issued by ISCIR;
  - ISCIR authorizations for slide bridge cranes, issued by ISCIR;
  - Welders' Authorizations, issued by ISCIR / ISIM / RINA SIMTEX;
  - Certificate (RSL IP) No. DISPR/G/12536/15.11.2016 Specialized technical personnel, responsible for the supervision of the constructions at installations under pressure (RSL-IP), issued by ISCIR;
  - Amended certificate (RVT) No. DISPR/A/13988/11.09.2018 Specialized technical personnel, responsible for the technical verification in use of the heating appliances supplied with solid, liquid or gas fuel, of the hot water boilers  $P \leq 400 \text{KW}$ , of the low pressure steam boilers with the flow rate  $Q \leq 0.6 \text{ T / H}$  and the burners with gaseous and liquid fuels (RVT), issued by ISCIR;

To Implement the Development Strategy Top Managing:

- Issued Quality Policy, Environmental Policy, Occupational Health and Safety Policy, which represent the general principles on which UCM Reșița's work is based on quality, environment, occupational health and safety;

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- established objectives in the field of quality/environment/occupational health and safety;
- determined the external and internal aspects relevant to its strategic direction and direction, the context in which the company operates;
- determined the relevant internal and external stakeholders and their requirements;
- determined the organizational and operational risks and opportunities.

In order to achieve the proposed goal, the top management of our company is committed to:

- allocating the necessary resources for the implementation and improvement of the quality management system processes;
- promotion of process-based approach and risk-based thinking;
- ensuring the organizational framework for establishing and analyzing the quality objectives, correlated with identified risks and opportunities;
- raise the level of training and awareness of the personnel regarding the quality of the activities carried out;
- continuously improving the quality of products and services provided, as well as increasing customer satisfaction;
- know and comply with legal requirements and applicable regulations
- meeting the requirements and expectations of stakeholders;
- maintaining and improving an effective quality management system;
- protecting the environment including accidental pollution prevention
- employee awareness of the environmental aspects generated by the activity carried out
- compliance with legal requirements and fulfillment of compliance obligations
- continuous improvement of the environmental management system in order to increase the company's environmental performance
- provide the best conditions for the process, in order to protect the life, body integrity and health of the personnel.
- allocating the necessary resources for implementing and improving the processes of the health and safety management system at work;
- providing protective equipment in accordance with the Collective Labor Agreement and the Internal Regulations;
- implementing the technical measures established in the Prevention and Protection Plan of UCM Reșița by allocating resources to improve working conditions;
- maintaining the certification of the quality management systems/environment/health and safety at work through annual surveillance audits carried out by the certification body;
- recertification of the quality/environmental/health and safety management systems, at a 3-year cycle.

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During the annual Analysis session conducted by management at the highest level, the following aspects were discussed:

- the state of execution of the judgments ordered at the previous meeting;
- relevant changes in the Company's external and internal context
- Stage of achieving the objectives in the field of quality;
- product conformity;
- costs of internal non-quality;
- costs of external non-quality;
- the costs of total non-quality;
- the situation of internal/external audits;
- situation of the implementation of corrective actions ordered;
- the stage of the training and the effectiveness of the training;
- measuring customer satisfaction and feedback from relevant stakeholders;
- risk and opportunity management;
- performance of external suppliers;
- proposals for improvement;
- environmental report;
- the occupational health and safety report.

The results of the Management's Analysis are materialized by decisions in the Managing Analysis Session Synthesis, for which the responsible persons and the deadlines for the implementation are established.

The Quality Bulletin is compiled monthly and includes: Product compliance, Internal non-quality costs, External non-quality costs, Total non-quality costs, Quality objectives, Risk and opportunity management, General conclusions.

## **8. Risk management**

Risk management is a complex process of identifying, analyzing and responding to possible risks to which the Company is exposed, through a documented approach, which uses material, financial and human resources to achieve its objectives, aiming to reduce their exposure to losses.

The implementation of risk management within the Company is achieved by:

- ✓ systematic analysis, at least once a year, of the risks related to the activity
- ✓ identification of new risks
- ✓ establishing the type of risk response and the limits
- ✓ appointing those responsible for the risks
- ✓ recording the information on risks in the risk register.

UCM Reșița SA is exposed to the following risks:

- Credit risk
- Liquidity risk
- Currency risk



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- Market risk and economic environment
- Personnel risk
- Quality risk
- Occupational health and safety risk
- Environmental risk

Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the Company's business/activity.

*Credit risk* is the risk that the Company will incur a financial loss as a result of the breach of contractual obligations by a client or a counterparty to a financial instrument, and this risk results mainly from trade receivables. The company monitors the exposure to credit risk by analyzing the seniority of the receivables it registers and acts to recover the past due or expired ones.

Exposure to credit risk is influenced by the individual characteristics of each client and the country in which he operates. Most of UCM Reșița's clients operate in Romania.

The Company's management constantly monitors this exposure, in order to be able to mention the risk as low as possible.

*Liquidity risk* is the risk that the Company will encounter difficulties in fulfilling its obligations associated with debts that are settled in cash or by transferring another financial asset.

The *Company's* approach to liquidity risk is to provide, to the extent possible, sufficient liquidity at all times to meet its debts when they become due, both under normal and stressful conditions, without bear unacceptable losses or jeopardize the *Company's* reputation.

To counteract this risk factor, the *Company* applied restrictive measures to deliver the products to uncertain customers, even requesting advance payment.

The management of the *Company* is also concerned with the careful selection of new customers according to their creditworthiness and financial discipline.

#### *Currency risk*

The *Company* operates in Romania, in an economic environment with strong fluctuations of the national currency against other currencies; The company has transactions in a currency other than the functional currency (RON).

Transactions made in foreign currency are converted into lei at the exchange rate valid on the date of the transaction.

Therefore, there is a moderate risk of depreciation of net monetary asset value expressed in domestic currency, the foreign exchange market in Romania regarding conversion of domestic currency in other currencies being organized by the rules and common practices strengthened in the last years and the role of BNR in this regard is very important.

Currently, there is no market from abroad to perform conversion of the domestic currency into other currencies.

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*Risk of market and economic environment*

The Romanian economy is still in transition, the economic crisis significantly affecting it, even if there is some certainty about the future evolution of Romania's policy and economic development, as a member of the Union European.

Market risk is the risk that changes in market prices, such as exchange rates, interest rates, and declining market demand will affect the *Company's* revenue.

The management of *the Company* cannot foresee the changes that will take place in Romania and their effects on the financial position, on the results of the activity or on the cash flows of *the Company* for the following accounting year, only within the limits of available information.

Eventual changes that could affect the internal conditions of Romania and the effect they could have on the activities of the customers of *the Company* and hence, on the financial position, on results and cash flows of *the Company* could not be taken into account in preparing the *financial statements*, only within the possible limits of predictability.

The instability of the market for raw materials and materials is a risk that has been mitigated by market research, renegotiation of contract terms and even change of suppliers, if it was not possible to change the terms.

The risk of price volatility from electricity, methane gas, metals, diesel, was prevented, as far as possible, by finding new suppliers or renegotiating contracts with traditional suppliers.

Identification and evaluation of business opportunities, including the development (capital investment), influenced by the current state of economic recession (crisis), analysis of compliance with the crediting contracts and other contractual obligation, evaluation of significant uncertainties, including those related to the ability of *the Company* to continue to operate for a reasonable period of time, due to falling demand, all these are permanent tasks in attention of *Company's* management for the purposes of identification, access and use of financial resources, respectively substantiation of possible future financial flows in order to support the principle of continuity.

The customers of *the Company* can also be affected by the crisis situations, the lack of liquidity which could affect their capacity to pay the current debts.

Impairment to customers' business and operating conditions may also affect grounding of cash flow provisions, respectively the analysis of *the Company's* financial assets (debits) depreciation

*The Company's* management cannot predict all events that could affect the industrial sector in Romania, respectively their impact on *the financial statements*.

*Personnel risk* is the risk that the *Company* will encounter difficulties in carrying out its activity due to the lack of qualified personnel on the labor market and the aging of the existing one.

*The Company's* approach to the shortage of qualified staff is aimed at maintaining a close link with the city's educational institutions.

Thus, the UCM Reșița *Company*, through the schooling applications submitted annually, is involved in the process of establishing the schooling plan at pre-university education level, as well as its endorsement, as a member of the Local Committee for Social Partnership Development (CLDPS).

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Further on the Society has partnerships with educational institutions for internships for students and pupils in vocational and post-secondary education.

The biological risk posed by age is maintained at a reasonable level.

*Quality risk*

In the field of quality, there were identified, evaluated and analyzed 54 risks (50 operational and 4 organizational) and 6 opportunities for which there were established and implemented actions to deal with risks and opportunities.

The Company has appointed, by Internal Decision: the Head of Quality Risk and Opportunity Management, as well as the members of the Quality Risk and Opportunity Management Committee.

The record of risks and opportunities identified, evaluated, analyzed and dealt with is done by completing and keeping up-to-date a Register of risks, respectively an Register of opportunities.

*Occupational health and safety risk*

For the occupational health and safety management system, there were identified, evaluated and analyzed 4 risks and 1 opportunity, and there were taken actions to deal with risks and opportunities.

The members of the Health and Safety Risk and Opportunity Management Committee, as well as the Health and Safety Risk and Opportunity Management Officer, have been appointed to the Company by Internal Decision.

The evidence of the risks and opportunities identified, evaluated, analyzed and treated is made by completing and maintaining an up-to-date Register of risks, respectively of a Register of opportunities.

*The environmental risk* is due to the fact that the organization's activities may generate certain forms of environmental change, thus inducing a potential danger. The effect of human activity can be a threat to flora, fauna, and human health and well-being. Destructive effects can also affect water, air, soil, energy and climate in general.

For the environmental management system, 12 risks and 8 opportunities were identified, evaluated and analyzed, for which actions to deal with the risks and opportunities were established and implemented.

Further on, by Internal Decision, the members of the Environmental Risks and Opportunities Management Commission were appointed, as well as the Person in Charge of Environmental Risks and Opportunities Management.

The record of risks and opportunities identified, evaluated, analyzed and dealt with is done by completing and keeping up-to-date a Register of risks, respectively an Register of opportunities.

The risk to the *Company* stems from environmental issues and includes the risk of non-compliance with existing or future legislation and criteria.

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The objectives that the *Company* pursues to reduce and eliminate this risk are:

- Protecting the environment, including preventing accidental pollution;
- Ensuring compliance with legal requirements on environmental protection;
- Awareness of employees about the environmental aspects generated by the activity;
- Collaboration with customers and suppliers to ensure compliance with the Environmental Policy;
- Continuous improvement of the Environmental Management System, in order to increase the environmental performance of the Company.

The environmental risks were identified and assessed, as well as the environmental opportunities corresponding to the activity carried out by all departments. The established measures and the preventive actions carried out led to the prevention of the pollution of the environmental factors.

## 9. Key non-financial performance indicators

### THE SWOT ANALYSIS

SWOT analysis provides information that helps to synchronise the Company's resources and capabilities with the competitive environment in which it operates.

| BEST POINTS   | WEAK POINTS   |
|---|---|
| * diversity of technical equipment;<br>* qualified staff;<br>* well-defined working procedures; | * high average age among specialists;                                 |
| OPORTUNITIES  | THREATS   |
| * national and European policy in relation to green energy systems;<br>* market trends          | *technological progress;<br>*lack of qualified labor market personnel |

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The ultimate goal of SWOT analysis is to help discover the best ways to transform:

- opportunities into strengths
- threats into opportunities
- weaknesses into strengths, and
- to capitalise on the organisation's strengths.

#### **10. Aspects regarding impact over environment**

Aware of the nature and magnitude of the impact of its activities, products and services on the environment, the understanding of the expectations of internal / external stakeholders regarding environmental protection, S.C. U.C.M. Reșița S.A. has proposed the continuous growth of its environmental performance as one of the important factors for sustainable development.

The objectives pursued for this purpose are as follows:

- Protecting the environment, including the prevention of accidental pollution;
  - Compliance with legal requirements and fulfillment of compliance obligations;
  - Employee awareness of the environmental aspects generated by the work done;
  - Collaborate with customers and suppliers to ensure compliance with Environmental Policy;
  - Continuous improvement of the Environmental Management System in order to increase the Company's environmental performance.
- a) The environmental management system of S.C. UCM Reșița is certified in accordance with SR EN ISO 14001: 2015, the company holding the certificate no. 10313399 / 03.12.2020 (validity: 22.01.2024), issued by the Lloyd's Register (Romania) LLC certification body. In December 2023, the LRQA recertification audit of the Environmental Management System for obtaining a new certificate in accordance with SR EN ISO 14001: 2015 was carried out successfully.

The way in which compliance with legal requirements in environmental and water management permits is regulated, is monitored at the level of each activity compartment.

Explaining the effects that the incorrect application or the ignorance of the legal provisions may have, is carried out by the personnel of the Environmental Protection service during the internal environmental audits, as well as the environmental protection officers of the Company, at the monthly training sessions organized with the personnel from the departments in which they operate.

UCM Reșița SA holds the following environmental authorizations issued by the Caraș - Severin Environmental Protection Agency:

- Environmental permit no. 94 of 18.11.2021, for the ABC industrial platform - valid for the entire period in which UCM Reșița obtains the annual visa, according to the provisions of Law 219/2019; Annual visa decision no 357 of 09.10.2023 was issued in 2023.

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• The environmental authorization no. 96/25.11.2019, for the industrial platform Călnicel - valid for the entire period in which UCM Reșița obtains the annual visa, according to the provisions of Law 219/2019; Annual visa decision no 358 of 09.10.2023 was issued in 2023.

The authorizations for water management owned by the Company are the following:

• Water Management Authorization no. 21 / S.G.A. - CS, from 29.03.2021, regarding the ABC industrial platform - valid until 29.03.2024. The document was issued by the CS Water Management System;

• Water Management Authorization no. 60/S.G.A./14.12.2022, regarding the Călnicel industrial platform - valid until 14.12.2025. The document was issued by the CS Water Management System.

The periodic assessment of compliance with legal requirements and other applicable requirements is made in relation to:

- environmental policy and objectives and planning the achievement of the company's environmental objectives;
- compliance obligations (legal requirements and other requirements to which the Company subscribes);
- the environmental aspects identified for each activity of the Company.

Keeping ongoing processes and associated environmental impacts under control is done by Environmental Protection Service staff, supported by the activity coordinators and environmental managers appointed at each compartment/department/service.

Environmental aspects of the activities, products, and services provided by the Company which, from a life-cycle perspective, it can control and/or influence upon, taking into account new, planned or new developments, activities, products or services, or modified to identify and evaluate those that have or may have a significant impact on the environment have been identified since 2008. They have been established for permanent activities carried out by their own staff, resulting in permanent environmental issues, as well as temporary activities carried out by its own personnel or by suppliers on behalf of the Company resulting in temporary environmental aspects. A particular emphasis is placed on keeping the significant environmental aspects under control.

In recent years, the total number of significant environmental issues has decreased in proportion to the restriction of activity, but also in direct connection with the awareness of the personnel regarding the protection of the environment. The control of significant environmental aspects arising from the main and auxiliary activities carried out in the compartments is controlled by maintaining the existing operational control.

The Company benefits from the following installations/equipment for the protection of the environmental factors:

- 6 separators of petroleum products/sludge decanters with coalescent filters, one separator with dock and one with float, mounted on the industrial/pluvial wastewater discharges from the ABC platform, in the Bârzava river,

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- a wastewater neutralization station with chromium and zinc content with which the Heat Treatments section of the ABC platform is equipped;

- emission retention facilities resulting from blasting and dyeing production processes, which equip the section Welded Assemblies and Mechanical Processing on the Călnicel platform.

Waste management resulting from the production processes is carried out selectively, the personnel being trained for this purpose. UCM Reșița has an adequate infrastructure for temporary collection and disposal of dangerous and non-dangerous waste until it is handed over to authorized collectors for recovery or disposal, in compliance with the specific legislation.

Dangerous chemicals used in production processes are safely stored in compliant warehouses and handled in accordance with the Safety Data Sheets accompanying each of these products. The chemical / chemical storage facilities have concrete floors, have natural or forced ventilation and are equipped with means of intervention in case of accidental pollution.

Prevention and intervention in the event of an emergency situation is carried out by the personnel of the Company's Private Service for Emergency Situations as well as the staff of the intervention teams within the departments/services, appointed by internal decisions, in order to prevent accidental pollution.

The consumption of utilities needed to carry out the activity is monitored monthly. By the measures established by the top management, reductions in the consumption of the following energy fluids were made:

- Reduction of drinking water from 28064 m<sup>3</sup> consumption in 2022 to 23243 m<sup>3</sup> consumption in 2023 was achieved through interventions on water networks, where they required replacement of broken/damaged sections.
- The reduction of electricity consumption, was achieved by rationalizing the own technological electricity consumption of the Electrical Distribution Stations, decommissioning two 1000 KVA electrical transformers and complying with the exterior and interior lighting.
- Reduction of natural gas consumption by replacing even since 2012, the heating system with local heating using ceramic gas radiators that are installed on the walls of the halls production.

The environmental risks as well as the environmental opportunities corresponding to the activities of the Company's compartments have been identified and evaluated, the established measures and the preventive actions carried out have led to the prevention of pollution of environmental factors. Verification of compliance with the monitoring requirements of the environmental factors (emissions), waste water, drilling / underground water, equivalent noise level shall be made periodically based on the results of the test reports issued by the Company's laboratory and by the authorized and accredited RENAR external laboratory contracted for this activity.

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Environmental monitoring requirements are included in the two environmental and water management permits that the Company owns for the work points in which they operate are the following:

- quarterly monitoring of the quality of the industrial and pluvial wastewater discharged into natural emissaries through existing exhaust manifolds on ABC industrial platform and semiannual for evacuation from Călnicel platform;
  - the air quality (immissions) on the ABC and Călnicel industrial platform is monitored annually;
  - the groundwater quality of the ABC platform is monitored annually;

As a result of the activities carried out in recent years by a staff well trained and aware that it has to protect the environment, after monitoring / measurement of the quality of the environmental factors it was concluded that there are no exceedances of the admissible limits, according to the legislation in force. The conclusion resulted from the self-monitoring (by the Internal Physical-Chemical Laboratory), the monitoring provided by the contracted authorized company (SC Givaroli Impex SRL Bucharest), or following the monitoring performed by the representatives of the authority in the field of water management, (The Management System of the Reșița, Caraș - Severin Waters).

During 2023, at the deadlines and frequencies established in the environmental permits, or at the request of the competent local or national environmental authorities (APM CS or ANPM), the following reports were sent to the Environmental Protection Agency:

- management of hazardous chemicals - annually;
- transport of hazardous waste - quarterly;
- quantities of industrial emissions - annually;
- statistical situation on waste management, GD PRODDDES form - annually;
- inventory of volatile organic compound (VOC) emissions - annually;
- reporting of classified chemicals according to Regulation 1272/2008 (CLP) - annually; annual visa application for environmental permits for the ABC platform and Călnicel - annual;
- update the PCB oil equipment disposal plan - annually,
- PRAM verification of PCB oil electrical transformers - every 2 years.

In the context of the revision of the environmental permits at the end of 2022, UCM Reșița requested the Caraș-Severin Environmental Protection Agency, by addresses no. 133/DG 0060/12.04.2023 and no. 134/DG 0060/12.04.2023, to establish the environmental obligations in the case of the procedure for the recovery/sale of assets owned by the Company, located on the ABC and Călnicel industrial platforms. Based on the verification control carried out by the representatives of APM CS on the two industrial platforms, the Environmental Obligations and the imposed measures and deadlines for their implementation were issued for the recovery/sale of



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assets, buildings and land owned by the Company, located on the ABC and Călnicel platforms, documents registered under numbers 4447/AAA/21.07.2023 and 4448/AAA/21.07.2023.

Given that part of the assets held by UCM Reșița S.A. are to be transferred to S.P.E.E.H. Hidroelectrica S.A., the Company requested, in September and October 2023, the views of the Caraș-Severin Environmental Protection Agency and the Caraș-Severin Water Management System on how to regulate environmental protection and water management activities. The response of the SGA CS to the request was contained in the address no. 5525/29.11.2023.

By addresses no. 288/DG 0060/15.12.2023 and no. 289/DG 0060/15.12.2023, the Company informed APM CS and SGA CS of the signing on 08.12.2023 of the Framework Contract for the sale and purchase of the business concluded between UCM Reșița și SPEEH Hidroelectrica S.A.

The Company's compliance with the requirements of the environmental and water management authorities is supported by the positive conclusions of the external audits of their representatives, as well as the internal audits carried out by the Environmental Protection Service staff in all departments.

UCM Reșița has not been involved in litigation concerning environmental quality and no court decisions have been issued concerning environmental quality.

## **11. Social and staff aspects**

On December 31, 2023, UCM Reșița SA had a staff of 442 employees assigned to the following structure:

- 287 workers, representing 64,93% of the staff
- 17 foremen, accounting for 3,85% of staff
- 138 TESA, representing 31,22% of staff.

The number of workers on 31.12.2023 decreased by 11%, compared to the same date of the previous year. This significant decrease is mainly due to the favorable retirement conditions granted in 2023 and the shortage of skilled labor in the labor market, which has made it impossible to replace those who have left.

On 31.12.2023, out of the total number of staff, 42 employees are re-employed pensioners who cumulate their pension with their salary, plus 13 employees who have suspended their pension, but who may at any time take advantage of the right obtained and cancel the suspension.

The unionization degree of the workforce in December 2023 was of 47,3%.

The employer acknowledges the "Union Reșița 1771" as representative union, in accordance with the Law 62/2011 (The Law of Social Dialogue) that has 176 members and is part of Frăția CNSRL but also the "Independent Free Union", as legally constituted union with 33 members.

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The rights and obligations of employees are established by the Individual Labor Agreement concluded between the representatives of the employer and the representatives of the employees on 28.05.2021, as annex and part of the applicable Collective Labor Agreement.

On 15 May 2023, Additional Act No. 2 was concluded to extend Collective Labour Agreement No. 3 of 28.05.2021 for a period of 12 months, until 07.06.2024.

During 2023 there were no labor disputes, the unions even taking an active role in supporting the interests of *the Company*, under the harsh conditions of the insolvency period.

For health and safety at work, UCM Reșița provides medical services through the Labor Medicine Cabinet - Doctor Viorel Tătaru, according to the Service Contract.

The employees are consulted by the medical staff of the medical cabinet, according to HG 355/2007.

Chapters IV and V of the Collective Bargaining Agreement provide for health and safety measures at work and social protection, agreed with the representative union.

## **12. Data protection aspects**

As a consequence of the application of Regulation (EU) 679 of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46 / EC (Data Protection Regulation), SC UCM Reșița S.A as data operator took the following measures:

- appointed a Personal Data Protection Officer through an Internal Decision and notified the National Supervisory Authority for Personal Data Processing
- trained the Data Protection Officer and the personnel who process personal data within the Company
- elaborated and submitted Information Note on the processing of personal data to potential employees, employees, current/potential clients/suppliers/potential partners of the Company, including the rights of the data subject in relation to the processing of personal data
- updated the Internal Regulation
- has implemented adequate technical and organizational measures to ensure personal data security, protection against unauthorized destruction, modification, disclosure or unauthorized access.
- updated internal procedures and Job Descriptions
- has drawn up Additional Documents to the contracts concluded between the operator and the persons empowered, regarding the processing of personal data,
- has drawn up the Record of the processing of personal data within the Company
- set up IT security Policies and IT security procedures.

During 2022 there were no incidents related to the protection and processing of personal data.

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**13. Climate change issues**

UCM Reșița held permit no. 123/21.04.2021, on greenhouse gas emissions for the period 2021-2030, for the ABC platform working point and no. 124/21.04.2021, on greenhouse gas emissions for the period 2021-2030, for the Călnicel platform working point. The documents were issued by the National Agency for Environmental Protection (ANPM), although the Company has reported on several occasions that the total rated thermal output has been below 20 MW at each of the two sites since 2012, when the operation of the thermal power plants on the two industrial platforms was discontinued and replaced by local heating systems.

As a result of the insistent steps taken by UCM Reșița during 2022 and the first part of 2023 to exit the greenhouse gas trading scheme, the National Agency for Environmental Protection stated in its address no. 1/1043/LAP/16.03. 2023, that the two workplaces no longer carry out the activity "Combustion of fuels in installations with a total rated thermal input of more than 20 MW (except installations for the incineration of hazardous or municipal waste)", regulated by Government Decision No 780/2006, as the two installations (ABC and Călnicel) have a rated thermal input of less than 20 MW.

Thus, the greenhouse gas emission permits no. 123/21.04.2021 and no. 124/21.04.2021, for the period 2021-2030, held by UCM Reșița for the ABC Platform and the Călnicel Platform expired on 16.03.2023.

Despite all the steps taken over time by the Company, the Environmental Fund Agency issued two tax decisions for unrefunded certificates for the period 2021-2022, which UCM Reșița contested.

In relation to these tax decisions, two court cases are pending for a total amount of 270,994 lei, as follows:

- File 24511/3/2023, by which SC UCM Reșița SA contested the Tax Decision 2/05.05.2022 / AFM/24658/09.05.2022 for the amount of 122,286 lei.

- File 7983/2/2023, pending before the Bucharest Court of Appeal, by which SC UCM Reșița SA contested tax decision 2/11.05.2023/ AFM/32720/15.05.2023 for the sum of 148 708 lei. This file has no deadline.

**14. Remuneration policy**

By civil sentence no. 351/01.02.2022 issued in file no. 75017/3/2011 pursuant to art. 101 of Law 85/2006 on the insolvency procedure, the Bucharest Court, VII<sup>th</sup> Civil Section, confirmed the reorganization plan proposed by the Judicial Administrator for the debtor UCM Reșița SA, as approved by the Creditors' Meeting of 26.10.2021, following that the debtor's activity during the reorganization being led by the Judicial Administrator.

Thus, in accordance with the provisions of the syndic judge related to the management of the activity by the Judicial Administrator, in conjunction with the provisions of art. 103, para. (1) of Law 85/2006 according to which, during the reorganization, the shareholders do not have the right to intervene in the management, or in the administration of the debtor's assets, the General Meeting

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of Shareholders has no powers on the establishment of the remuneration principles and methods used by Society.

On 31.12.2023, the Company's administration was ensured by the consortium of Judicial Administrators appointed by the Creditors' Assembly convened on 11.11.2013.

The Creditors' Assembly confirmed the syndic judge's decision to remunerate the consortium of Judicial Administrators with a fixed fee of 2,500 lei (excluding VAT) and a percentage remuneration of 3% (excluding VAT) from the capitalization of the debtor's assets and/or the recovery of her debts.

The executive management of the Company is ensured by three directors employed with individual employment contracts for an indefinite period.

The company does not grant variable or share-based remuneration.

#### **15. Aspects regarding research and development**

In the financial year ended on 31.12.2023 UCM Reșița did not allocate resources for research and development. This fact is mainly due to the reorganization procedure in which the Company was, through the Reorganization Plan approved by the creditors, being no amounts provided for this budget chapter.

Reformulation Given its technological capabilities and know-how, the Company is trying to consolidate the recently won market segments, in the fields of irrigation pumps and electric motors in the extractive and cement industries.

## **II. Financial Statement**

The Annual Financial Statements on 31 December 2023 are prepared in accordance with the Order of the Minister of Public Finance no. 2844/2016.

During 2023 the company carries out mainly activities in the hydro-energetic field, on the domestic market.

**The weight of each sort of products or services reflected in the total sales for the year 2023 is as follows:**

| <b>Nº.</b> | <b>Group of products</b>                            | <b>Weight in total sales</b> |
|------------|---|------------------------------|
| 1.         | Hydro Power Units (new products and rehabilitation) | 85.12%                       |
| 2.         | Electric motors + repairs                           | 5.67%                        |
| 3.         | Others  | 3.55%                        |
| 4.         | Services  | 1.63%                        |
| 5.         | Other revenues                                      | 4.03%                        |

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UCM Reșița had in its portfolio, on 31.12.2023, important contracts on the domestic market with the subsidiaries SPEEH Hidroelectrica and SSH Hidroserv : HPP Porți de Fier I and HPP Viștea.

The main customers of the Company, as a result of the turnover value achieved in 2023, are listed below:

| No. | Customer                                   | Weight in total sales |
|-----|--|-----------------------|
| 1.  | S.S.H.HIDROSERV S.A.                       | 63.72 %               |
| 2.  | SPEEH HIDROELECTRICA S.A.                  | 22.56 %               |
| 3.  | ARCELORMITTAL TUBULAR PRODUCTS<br>ROMAN SA | 2.03%                 |

It should be underlined that in 2023 UCM Reșița SA was captive on the domestic market, depending on 86.28% of a single customer, as in case of the contracts performed by Romelectro S.A. and Hidroserv, the final beneficiary is the same, namely Hidroelectrica SA.

**Trends, elements or factors of uncertainty affecting the Company's liquidity, compared to the same period of the last year**

The main economical-financial indicators are shown in the table below, with the note that "N/A" means that these indicators cannot be calculated.

| Indicators   | 2022 | 2023 |
|--|------|------|
| <b>1 Liquidity indicators</b>  |      |      |
| <i>Indicator for current liquidity - in number of times</i>  |      |      |
| <i>Indicator for immediate liquidity (acid test) - in number of times</i>                                | 0.24 | 0.23 |
|  | 0.05 | 0.05 |
| <b>2 Risk indicators</b>   |      |      |
| <i>Indicator for indebtedness rate</i>   | N/A  | N/A  |
| <i>Indicator for interest coverage - in number of times<br/>(if negative, it will not be calculated)</i> | N/A  | N/A  |
| <b>3 Activity indicators</b>   |      |      |
| <i>Turnover ratio of debts - customers - in number of days</i>   |      |      |
| <i>Turnover ratio of credits - suppliers - in number of days</i>   | 297  | 150  |
| <i>Turnover ratio of fixed assets - number of times</i>  | 292  | 76   |
| <i>Turnover ratio of total assets - in number of times</i>   | 0.37 | 0.70 |
| <i>Turnover ratio of stocks - in number of times</i>   | 0.13 | 0.24 |
|  | 1.49 | 0.38 |
| <b>4 Profitability indicators</b>  |      |      |
| <i>Gross margin on sales (%)</i>   | N/A  | N/A  |

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The indicator for *current liquidity* with reference to the operating capital, respectively the indicator for *immediate liquidity* (acid test), represents the ratio between current liabilities (on short term) and current assets, and respectively the ratio between these liabilities and the current assets less the stocks.

The indicator for *current liquidity* with reference to the operating capital, respectively the indicator for *immediate liquidity* (acid test), represents the ratio between current liabilities (on short term) and current assets, and respectively the ratio between these liabilities and the current assets less the stocks.

The values of these indicators are below the levels recommended for a situation of financial stability, reflecting a reduced capacity to cover the current liabilities from the current assets, and respectively from receivables and liquidity.

*The indebtedness rate* shows how many times the loan capital (credits for a period exceeding one year) is included in equity, reflecting the situation for long-term financing of *the Company* at the end of the accounting year. This indicator is not calculated, since *the Company* has no credits for a period exceeding one year, respectively the equity has negative value.

*The rate of interest coverage* shows how many times the expenses can be covered by the interest from profit before interest and tax. The smaller are the values of these indicators, the greater is considered the risk for the *Company's* position. In 2023 *the Company* ended the accounting year with losses and this indicator is not calculated.

*The turnover ratio of debits-customers* shows the number of days within which the debtors (customers) pay their debts to *the Company* and thus expresses its effectiveness on the recovery of receivables.

*The turnover ratio of credits-suppliers* shows the number of credit days that *the Company* obtains from its suppliers. *The Company* has credibility in terms of its ability to pay the suppliers.

*The turnover ratio of fixed assets* shows the management efficiency in the use of fixed assets, expressing the value of the turnover generated by their exploitation. An increasing value shows that there is a better efficiency in the use of the fixed assets.

*The turnover ratio of the total assets* shows the management efficiency in the use of all the available assets, expressing the value of the turnover generated by them. In the accounting year ended, there is noticed an increase in the efficiency to use *the Company's* assets.

*The turnover ratio of stocks* indicates the management efficiency in the use of current stocks, expressing the number of their revolution in relation with the total costs of the turnover.

*The gross margin from sales* reflects *the Company's* efficiency expressed by the weight of profit in total revenues, respectively its advantageousness (profitability). A low value of this percentage may reflect the fact that *the Company* is unable to control its production costs or to achieve the optimum sale price. The cost of sales is negative and this indicator is not calculated.

**The financial risk factors identified by the Company are:**

- Currency risk
- Credit risk (installments, interest)
- Liquidity risk

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- Market and economic risk

A summary of the nature of the activities and managerial policies for managing financial risks has been presented in point 8 - *Risk Management* in the Non-Financial Statement.

**Situation of lands and issues related to the ownership on *the Company's* tangible assets**

The situation of lands owned by the Company at 31.12.2023 is as follows:

| No | Location                                   | Certificate of ownership No. | Remaining area in property (square meters) |
|----|--|------------------------------|--|
| 1  | ABC Industrial Platform                    | MO3 no. 4424                 | 305,679                                    |
| 2  | Drinking water tank Mociur                 | MO3 no. 5336                 | 1,415                                      |
| 3  | Land for industrial water basin Dealu Mare | MO3 no. 4727                 | 180  |
| 4  | Reduction Gear Box Renk Factory            | MO3 no. 4431                 | 22,907                                     |
| 5  | Industrial bays Cilnicel                   | MO3 no. 5507                 | 86,425                                     |
| 6  | Warehouses, storage rooms Cilnicel         | MO3 no. 5506                 | 49,452                                     |
| 7  | Deep connection station Cilnicel           | MO3 no. 5493                 | 2,903                                      |
| 8  | Compressor station Cilnicel                | MO3 no. 7639                 | 4,499                                      |
| 9  | House of Culture                           | CF no. 32854                 | 9,360                                      |
| 10 | Nursery                                    | MO3 no. 3907                 | 2,860                                      |
| 11 | Hostel no. 1                               | MO3 no. 3301                 | 623  |
| 12 | Hostel no. 3                               | MO3 no. 3302                 | 625  |
| 13 | Hostel no. 5                               | MO3 no. 3298                 | 608  |
| 14 | Hostel no. 2                               | MO3 no. 3300                 | 621  |
| 15 | Block of bachelor's rooms                  | MO3 no. 3297                 | 441  |
| 16 | Screw Factory Anina                        | MO3 no. 4429                 | 10,781                                     |
| 17 | Moniom                                     | MO3 no. 4430                 | 24,676                                     |
|    | <b>Total</b>                               |                              | <b>524,055</b>                             |

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During 2023, the Company has registered the land area acquired by the Certificate of ownership certificate MO3 no. 7639, as well as the remaining unregistered land from the Certificate of ownership certificate MO3 no. 5507.

Thus, on 31.12.2023, all the land owned by UCM Reșița is registered.

During 2023, the Society updated part of the land register extracts and proceeded to the dismemberment of some land registers in order to define the perimeter to be transferred to SPEEH Hidroelectrica SA. Based on the updating operations, the areas entered in the ownership documents underwent slight changes.

**Claims:**

On 31.12.2023, UCM Reșița was a party to a revision case related to a piece of land. The details of this file are presented in the following table:

| No. | File No.<br>In Court | Applicant  | Court of<br>jurisdiction | Hearings | Remarks  |
|-----|----------------------|--|--------------------------|----------|--|
| 1.  | 3436/290/20<br>10    | Mihăilescu<br>Gheorghe<br>Mihăilescu<br>Carmen-<br>plaintiff | Courthouse Reșița        | -        | By the Conclusion of 09.04.2012, it was ordered the suspension of the trial of the case under Art. 36 of Law no. 85/2006 |

**Marketable securities issued by the Company**

The shares of *the Company* are listed on the Bucharest Stock Exchange. The Company's shares are listed on the Bucharest Stock Exchange. The listing of the company's shares on BVB started on July 25, 1998, until then the company's shares were traded on the RASDAQ over-the-counter market.

Once the insolvency was declared, *the Company's* shares were suspended from trading according to the provisions of art. 43, paragraph 1 of Law 85/2006.

Starting from 09.02.2022, due to the entry into the reorganization period, the Bucharest Stock Exchange ordered the reintroduction of UCM Reșița shares to trading.

The Company's shares are registered, being issued in dematerialized form and are administered through the Bucharest CENTRAL DEPOSITARY, having a nominal value of 0.1 lei/share.

In the Articles of Incorporation of UCM Reșița SA, drawn up in accordance with the provisions of Law 31/1990, registered at the National Office of the Trade Register, the Company's main shareholder is INET AG, legal entity of Swiss nationality and at the Central Depository is registered as main shareholder the Swiss society ICESA SA.



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The shareholding structure on 31.12.2023 according to the Consolidated Register of shareholders holding at least 10% issued by the Central Depository is:

- ICESA SA - 106,403,900 shares, representing 96.7890% of the share capital
- Individuals – 1,968,374 shares, representing 1.7905 % of the share capital
- Legal entities – 1,561,630 shares, representing 1.4205% of the share capital.

The shareholding structure on 31.12.2023 has changed compared to the end of 2022, in terms of a change in the ratio of shares held by individuals to those held by legal entities.

Thus, the percentage held by individuals increased by 0.975%, through purchases of shares from legal entities, whose ownership percentage decreased accordingly.

**Financial – accounting status for the years 2021, 2022, 2023**

In the balance sheets for the accounting years 2021, 2022, 2023 the significant balance sheet items are as follows:

Lei

| No. | Balance items                      | 2021        | 2022        | 2023        |
|-----|------------------------------------|-------------|-------------|-------------|
| 1   | Lands and buildings                | 115,811,886 | 50,187,586  | 48,526,986  |
| 2   | Technical facilities and machinery | 1,723,891   | 997,246     | 985,243     |
| 3   | Stocks                             | 22,512,085  | 14,315,964  | 6,019,821   |
| 4   | Fixed assets held for sale         | -           | 69,115,526  | 75,190,212  |
| 5   | Claims                             | 19,667,910  | 14,097,268  | 17,110,631  |
| 6   | Cash and bank accounts             | 268,285     | 3,083,117   | 2,734,345   |
| 7   | Current assets                     | 49,662,214  | 103,697,168 | 101,607,516 |
| 8   | Current liabilities                | 926,204,790 | 438,254,167 | 440,480,352 |

The current assets existent in the patrimony have evolved from year to year, according to the data in the table below:

| No. | Designation of indicator       | 2021              | 2022              | 2023              |
|-----|--------------------------------|-------------------|-------------------|-------------------|
| 1   | <b>Stocks, of which:</b>       | <b>22,512,085</b> | <b>83,431,490</b> | <b>81,210,033</b> |
| 1.a | - fixed assets held for sale   | -                 | 69,115,526        | 75,190,212        |
| 1.b | - raw material and consumables | 3,937,490         | 3,724,905         | 3,366,375         |
| 1.c | -production in progress        | 13,332,659        | 6,918,121         | 2,110,637         |
| 1.d | - finished products and goods  | 5,099,641         | 3,656,482         | 542,809           |
| 1.e | - down payments                | 142,295           | 16,456            | -                 |

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|     |                                       |                   |                   |                   |
|-----|---------------------------------------|-------------------|-------------------|-------------------|
| 2   | <b>Other current assets of which:</b> | <b>27,109,365</b> | <b>20,250,112</b> | <b>20,390,883</b> |
| 2.a | - receivables                         | 19,667,910        | 14,097,268        | 17,110,631        |
| 2.b | - short-term financial investment     | 7,173,170         | 3,069,727         | 545,907           |
| 2.c | - cash availability                   | 268,285           | 3,083,117         | 2,734,345         |

The Creditors' Committee meeting held on 03.08.2023 approved the operation of concluding a contract of payment in the total amount of 6,655,755.39 lei for the purpose:

- (i) Settlement of current receivables arising from the performance of the contract for the supply of electricity to final customers, concluded between UCM Reșița, as beneficiary and SPEEH Hidroelectrica SA, as supplier
- (ii) Signing with SPEEH Hidroelectrica SA of a new electricity supply contract for a period of 1 (one) year, with the possibility of extension
- (iii) Recovery of expenses incurred by UCM Reșița SA, as supplier of equipment for ROMELECTRO SA, within the HPP Stejaru project, which had been blocked for over 3 years.

Based on this contract, the Company's debt of 2,781,347 lei was taken over from the supply of electricity, goods executed by the Company under contract 7253/2016 with Romelectro, which was terminated, for the HPP Stejaru, in the amount of 6,655,755 lei, were taken over. The amount in excess of the amount due, 3,874,408.55 lei, will extinguish future debits from the supply of electricity.

Work in progress and finished goods decreased by 69.49% and 85.15%, largely as a result of the implementation of the above mentioned contract for payment. At the same time, taking into account the termination of contract 7253/2016 with Romelectro for the objective of HPP Stejaru, the fact that not all the products executed by the Company related to this project were subject to the contract for payment and the lack of a response from S.P.E.E.H. Hidroelectrica regarding the interest in purchasing the products already executed remaining in stock, the Company proceeded, at the end of the current year, to adjust their value.

Also this transaction is the main cause of the increase in receivables by 28.32%.

The increase in the value of non-current assets held for sale in 2023 is the result of the recalculation, on the basis of updated lists, of the value of assets subject to the transfer of business lines related to the ABC platform and partly to the Călnicel platform.

With regard to short-term financial investments, the bank term deposit, existing at the beginning of the year, was no longer extended, as the available funds were used to pay the remaining amounts to be distributed to budget creditors according to the approved Payment Schedule related to the Company's Reorganisation Plan. Thus, on 27.06.2023, a payment in the amount of 3,812,858 lei due to A.A.A.S was made to the consignment account of BEJA Ezer and Crâșmaru. according to the attachment addresses received.

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In the Company's liabilities, the patrimonial changes recorded in the last 3 years are presented in the following table:

| No. | Designation of indicator               | 2021          | 2022          | 2023          |
|-----|--|---------------|---------------|---------------|
| 1   | Owner's equity                         | (798,633,416) | (388,542,167) | (398,002,269) |
| 2   | Total debts                            | 926,204,790   | 438,254,167   | 440,480,352   |
| 3   | Income in advance                      | 11,277        | 26,789,156    | 30,810,198    |
| 4   | Provisions for liabilities and charges | 43,177,792    | 82,817,115    | 82,776,060    |

The debts outstanding on 31.12.2023 relate only to the remainder to be distributed under the Payment Programme, plus current debts which are being paid as documented.

The Company has paid all withholding tax debts to the consolidated state budget for 2023.

In November 2022, requests for payment were made by AAAS and ANAF for current debts arising after the opening date of the insolvency proceedings and prior to the approval of the Reorganisation Plan, which are under analysis, with no conclusion reached as of the date of this Report. At the court hearing of 05.03.2024, in case no.35929/3/2023, concerning the appeal filed by ANAF against the last Report of the Judicial Administrator, clarifications were submitted concerning the amounts of budgetary claims on the Company's books.

During the year, while, carrying out topographical and cadastral operations, including those of land registry dismemberment, necessary for delimiting the perimeter of Hidroelectrica's, offer tangible and intangible assets not registered in the accounting records were identified. Their value was established on the basis of the Valuation Report drawn up by the Darian DRS appraiser, designated by the Creditors' Assembly, and their registration was trade of with advance income accounts.

#### **Analysis of the profit and loss account**

The revenues include both income from the main activity and gains from any other sources.

The revenues from sale of goods are recognized in the profit and loss account at the date on which the risks and benefits related to the ownership on goods are transferred to the buyer, which, in most cases, coincides with the date of billing (delivery) thereof.

The revenues from goods sold (delivered) and services rendered are recognized based on the accrual principle, respectively at the date of their delivery/service rendering (transfer of ownership) to the customer.

The revenues from interest are recognized in installments (proportionally) as they are billed, in accordance with the contracts/agreements under which the loans were granted based on the accrual principle.

The revenues are recognized when there is no significant uncertainty regarding recovery of the services due and associated costs, or on possible returns of goods.

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According to the profit and loss account for the years 2021, 2022 and 2023, the operating income is presented as follows:

| No. | Indicator name                             | 31.12.2021        | 31.12.2022         | 31.12.2023        |
|-----|--|-------------------|--------------------|-------------------|
| 1   | <b>Turnover (2+3-4)</b>                    | <b>16,219,995</b> | <b>20,741,707</b>  | <b>37,981,257</b> |
| 2   | The production sold                        | 16,219,995        | 20,741,707         | 37,981,257        |
| 3   | Income from sale of goods                  | -                 | -                  | -                 |
| 4   | Commercial discounts granted               | -                 | -                  | -                 |
| 5   | Inventory variation: Credit balance        | 31,360            | -                  | -                 |
|     | Debit balance                              | -                 | 1,013,091          | 3,645,114         |
| 6   | Income from the production of fixed assets | -                 | -                  | -                 |
| 7   | <b>Exercise production (1+/-5+6)</b>       | <b>16,251,355</b> | <b>19,728,616</b>  | <b>34,336,143</b> |
| 8   | Other operating revenues                   | 1,345,465         | 527,932,705        | 1,317,525         |
| 9   | <b>Operating income, total (7+8)</b>       | <b>17,596,820</b> | <b>547,661,321</b> | <b>35,653,668</b> |

| No. | Income reversal tables     | Weight in percentage (%) |                |                |
|-----|----------------------------|--------------------------|----------------|----------------|
|     |                            | 2021                     | 2022           | 2023           |
| 1   | Turnover                   | 92.18%                   | 3.79%          | 106.53%        |
| 2   | Inventory/Stocks variation | 0.18%                    | -0.18%         | -10.22%        |
| 3   | Immobilized production     | 0.00%                    | 0.00%          | 0.00%          |
| 4   | Other operating revenues   | 7.65%                    | 96.40%         | 3.70%          |
|     | <b>Total</b>               | <b>100.00%</b>           | <b>100.00%</b> | <b>100.00%</b> |

The turnover in 2023 was fully accomplished on the domestic market.

| No. | Explanations                  | 2021              | 2022              | 2023              |
|-----|-------------------------------|-------------------|-------------------|-------------------|
| 1   | Romania                       | 14,611,925        | 18,337,714        | 37,981,257        |
| 2   | European Union                | 1,608,070         | 2,403,993         | -                 |
| 7   | <b>TOTAL turnover (3=1+2)</b> | <b>16,219,995</b> | <b>20,741,707</b> | <b>37,981,257</b> |

The classification of the Company's income according to their nature is presented in the following table:

| Revenues              | Lei               |                    |                   |
|-----------------------|-------------------|--------------------|-------------------|
|                       | 2021              | 2022               | 2023              |
| Operating revenues    | 17,596,820        | 547,661,321        | 35,653,668        |
| Financial revenues    | 887,953           | 1,485,305          | 1,293,938         |
| <b>Total revenues</b> | <b>18,484,773</b> | <b>549,146,626</b> | <b>36,947,606</b> |

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The turnover achieved in 2023 is 37,981,257 lei, 83.11% higher than the turnover achieved in 2022.

The expenses include those expenses that arise in the course of the ordinary activities of the company, also the losses (such as those resulting from disasters). *The Company* applies the principle of separation of accounting years for the recognition of revenues and expenses, which are classified and recognized on three categories (operational, financial and exceptional).

The expenses are classified and recognized based on the principle of their connection to revenues, respectively their allocation to products or services in which such revenues are realized.

The production cost of stocks is tracked on projects and, therein on each individual product, including direct costs related to production (direct materials, direct labor, and other direct costs attributable to products, including design costs) also the share of indirect costs for production, allocated rationally as related to their manufacture.

The general expenses for administration and sale, also the share of fixed overhead unallocated to products (indirect costs for production that are relatively constant, regardless of the volume of production) are not included in the cost of stocks, but are recognized as expenses made in the period in which they occurred.

Depending on their nature, the expenses on 31.12.2023 are as follows:

| No. | Expenses              | Lei               |                   |                   |
|-----|-----------------------|-------------------|-------------------|-------------------|
|     |                       | 2021              | 2022              | 2023              |
| 1.  | Operating expenses    | 51,308,718        | 89,398,344        | 48,582,818        |
| 2.  | Financial expenses    | 7,333,974         | (259,173)         | 572,963           |
|     | <b>Total expenses</b> | <b>58,642,692</b> | <b>89,139,171</b> | <b>49,155,781</b> |

Within the operating expenses we have the following structure:

| No. | Expenses                                   | Lei               |                   |                   |
|-----|--|-------------------|-------------------|-------------------|
|     |  | 2021              | 2022              | 2023              |
| 1   | Expenses on goods                          | 3,692,477         | 2,073,879         | 4,609,656         |
| 2   | Other external expenses (energy and water) | 5,537,079         | 4,505,215         | 4,952,362         |
| 3   | Trade discounts received                   | 215               | -                 | -                 |
| 4   | Expenses with the personnel                | 25,326,806        | 23,579,635        | 23,954,747        |
| 5   | Adjustments                                | (185,403,853)     | 46,911,577        | 6,565,479         |
| 6   | Other operating expenses                   | 202,156,424       | 12,328,038        | 8,500,571         |
|     | <b>Total operating expenses</b>            | <b>51,308,718</b> | <b>89,398,344</b> | <b>48,582,818</b> |

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The weight of the main categories of expenses in the total expenses is shown in the following table:

| No. | Expenses                                   | Weight in percentage (%) |                |                |
|-----|--|--------------------------|----------------|----------------|
|     |  | 2021                     | 2022           | 2023           |
| 1   | Expenses on goods                          | 7.20%                    | 2.32%          | 9.49%          |
| 2   | Other external expenses (energy and water) | 10.79%                   | 5.04%          | 10.19%         |
| 3   | Expenditure on goods                       | 0.00%                    | 0.00%          | 0.00%          |
| 4   | Trade discounts received                   | 0.00%                    | 0.00%          | 0.00%          |
| 5   | Expenses with the personnel                | 49.36%                   | 26.38%         | 49.31%         |
| 6   | Adjustments                                | -361.35%                 | 52.47%         | 13.51%         |
| 7   | Other operating expenses                   | 394.00%                  | 13.79%         | 17.50%         |
|     | <b>Total</b>                               | <b>100.00%</b>           | <b>100.00%</b> | <b>100.00%</b> |

In 2023 the Company recorded a loss of 12,409,732 lei. Although the turnover was considerably higher than in previous years, it was not sufficient to cover the expenses incurred.

The declarations regarding the taxes, contributions and fees due to the consolidated budget of the state were drawn up and submitted within the deadlines and in accordance with the requirements set forth in the legislation in force.

### III STATEMENT OF CORPORATE GOVERNANCE 2023

The stage of compliance with the Corporate Governance Code on 31.12.2023 is further on presented:

| Stipulations of the Code  | Comply with | Do not comply or partially comply | The reason for non-compliance / Other explanatory notes   |
|---|-------------|-----------------------------------|---|
| A.1. All companies should have an Internal Regulation of the Board of Directors which includes the terms of reference / responsibilities of the |             | x                                 | By the Court Decision delivered on 06.12.2011 by Bucharest Court of Law, Section VII, to the File no. 75017/3/2011 was decided to open the general insolvency |

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|   |  |          |   |
|---|--|----------|---|
| <p>Board and the key management functions of the company, that applies, inter alia, the general principles of Section A.</p>  |  |          | <p>proceedings against UCM Reșița and, as a result, the company operates under the procedures regulated by Law no. 85/2006 on insolvency proceedings.</p>   |
| <p><b>A.2.</b> The provisions for managing the conflicts of interest should be included in the Regulation of the Board.<br/><br/>However, the members of the Board must notify the Board with respect to any conflicts of interest that have arisen or may arise and to abstain from participating in discussions (including by default, unless where by default would prevent organization of the quorum) and from voting on a decision on the matter which gives rise to the said conflict of interest.</p> |  | <p>x</p> | <p>By Civil Judgment no. 351 of 01.02.2022 the syndic judge confirmed the Reorganization Plan as approved by the Creditors' Meeting on 26.10.2021.<br/><br/>The management of the company is ensured by the Consortium of Judicial Administrators consisting of EURO INSOL SPRL and VF INSOLVENCY SPRL Bucharest, confirmed by the Creditors Meeting on 11.11.2013.</p>                                   |
| <p><b>A.3.</b> The Board of Directors or the Supervisory Board must consist of at least five members.</p>   |  | <p>x</p> | <p>The mandate of the Board of Directors of the company has ceased at the appointment of the Special Trustee.</p>   |
| <p><b>A.4.</b> Most of Board members must not have executive position. At least one member of the Board of Directors or of the Supervisory Board must be independent in case of companies in Standard Category. For companies in the Premium Category, at least two non-executive members of the Board of Directors or of the Supervisory Board must be independent. Each independent member of the Board of Directors or of the Supervisory Board, as appropriate, shall submit a</p>                        |  | <p>x</p> | <p>On 31.12.2021, the Company was managed by two Special Trustees appointed by the General Meeting of Shareholders on 15.12.2021, which empowered them to perform measures of U.C.M. Reșița S.A. management under the supervision of the Consortium of judicial administrators.</p> <p>On 31.12.2021 the company is in the stage of observation, under the supervision of the Judicial Administrator.</p> |

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for the accounting year ended on December 31, 2023**  
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| <p>statement at the time of his nomination for election or re-election, and when there is any change of his status indicating elements based on which it is considered that he is independent in terms of his character and judgment, as well as the criteria laid down in the Code at A.4.1 - A.4.9.</p>                            |  |          | <p>Most of the relevant aspects of corporate governance stipulated by the Code of Corporate Governance at Sections A, B and C are not applicable to a company in insolvency proceedings.</p> |
| <p>A.5. Other commitments and professional obligations, relatively permanent, of a member of the Board, including executive and non-executive positions on the Board of some companies and non-profit institutions, should be disclosed to shareholders and possible investors before his nomination and during his mandate.</p>     |  | <p>x</p> |  |
| <p>A.6. Any member of the Board of Directors must provide information on any relationship with a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights. This liability also applies to any relationship that may affect the position of the member on matters decided by the Board.</p> |  | <p>x</p> |  |
| <p>A.7. The company must appoint a Secretary of the Board responsible for supporting the work of the Board.</p>  |  | <p>x</p> |  |
| <p>A.8. The statement of Corporate Governance will inform if it has carried out an assessment of the Board lead by the President or the</p>  |  | <p>x</p> |  |



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| <p>Nomination Committee and, if so, will summarize the key measures and changes resulting from it. The company must have a policy / book of reference on the assessment of the Committee comprising the purpose, criteria and frequency of the assessment process.</p>  |  |   |  |
| <p><b>A.9.</b> The statement of Corporate Governance should include information on the number of meetings of the Board and Committees during the last year, participation of administrators (in person and in their absence) and a report of the Board and Committees on their activities.</p>  |  | x |  |
| <p><b>A.10.</b> The statement of Corporate Governance should include information on the exact number of independent members of the Board of Directors or of the Supervisory Board.</p>  |  | x |  |
| <p><b>A.11.</b> The Board of companies in the Premium Category should establish a Nomination Committee consisting of people without executive position who will lead the procedures for the nomination of new members of the Board and will make recommendations to the Board.<br/>Most of the members of the Nomination Committee should be independent.</p> |  | x |  |

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| <p><b>B.1.</b> The Board should establish an Audit Committee in which at least one member must be an independent non-executive director. Most of the members, including the President, must be proven to have suitable qualifications relevant to the positions and responsibilities of the Committee. At least one member of the Audit Committee should have proven and appropriate accounting or auditing experience. For companies in the Premium Category, the Audit Committee must be composed of at least three members, and most members of the Audit Committee must be independent.</p> |  | <p>x</p> |  |
| <p><b>B.2.</b> The President of the Audit Committee should be an independent non-executive member.</p>  |  | <p>x</p> |  |
| <p><b>B.3.</b> As part of its responsibilities, the Audit Committee should conduct an annual assessment of the internal control system.</p>   |  | <p>x</p> |  |
| <p><b>B.4.</b> The assessment should consider the effectiveness and comprehension of the internal audit functions, the adequacy of the reports on risk management and internal control submitted by the Audit Committee of the Board, readiness and effectiveness wherewith the executive management settles the deficiencies or weaknesses</p>   |  | <p>x</p> |  |

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| identified during the internal control and submission of relevant reports to the Board.  |  |   |   |
| <b>B.5.</b> The Audit Committee must assess the conflicts of interest in connection with transactions of the company and its subsidiaries with related parties.  |  |   | x |
| <b>B.6.</b> The Audit Committee must assess the effectiveness of the internal control and risk management systems.   |  |   | x |
| <b>B.7.</b> The Audit Committee must monitor the implementation of legal standards and internal audit standards generally accepted. The Audit Committee should receive and assess the internal audit reports of the team.  |  |   | x |
| <b>B.8.</b> Whenever the Code indicates reports and analyzes initiated by the Audit Committee, they must be followed by periodic reports (at least annually) or ad hoc, which must be submitted subsequently to the Board. |  |   | x |
| <b>B.9.</b> None of the shareholders can have preferential treatment over the other shareholders in connection with the transactions and agreements concluded by the company with shareholders and their affiliates.       |  | x |   |
| <b>B.10.</b> The Board should adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relationships whose value is equal to or greater than                         |  |   | x |

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| <p>5% of the net assets of the company (according to the latest financial report) is approved by the Board following a mandatory review of the Audit Committee of the Board, and disclosed correctly to shareholders and possible investors, to the extent that such transactions fall within the category of events subject to reporting requirements.</p> |   |   |  |
| <p><b>B.11.</b> The internal audits should be conducted by a separate structural division (the department of internal auditing) of the company or by hiring an independent third party entity.</p>  | x |   |  |
| <p><b>B.12.</b> In order to ensure fulfillment of the main functions of the internal audit department, this one must report to the Board via the Audit Committee.<br/>For administrative purposes and as part of the management obligations to monitor and reduce risks, it must report directly to the CEO.</p>  | x |   | <p>According to the organizational structure, the internal audit office is working under the CEO.</p>  |
| <p><b>C.1.</b> The company must publish on its website the remuneration policy and to include in the annual report a statement on the implementation of the remuneration policy during the annual period under consideration.</p>   |   | x | <p>In accordance with the provisions of the civil sentence 351/01.02.2022 regarding the management of the activity of the judicial administrator, in conjunction with the provisions of art. 103, para. (1) from Law 85/2006 according to which, during the reorganization, the shareholders do not have the right to intervene in the management, or in the administration of the debtor's assets, the AGA has no powers on the establishment of the principles and remuneration methods used by the Company.</p> |

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| <p><b>D.1.</b> The company should organize an Investor Relationship Department - widely publicized by the person/persons responsible or as organizational unit. In addition to the information required by the law, the company must include on its website a section dedicated to relationship with the investors, in Romanian and English, with all relevant information of interest to investors, including:</p> |          | <p>Partial</p> | <p>The relationship with investors is ensured by the Consortium of Trustees. On the Company's website there is a section called "Shareholder Information" where relevant information is posted. Given that the Company's activity is governed by Law 85/2006, there is a section on the Company's website called "Insolvency" where all activity reports and relevant information on the Company's activity during the reorganisation period are published.</p> |
| <p><b>D.1.1.</b> Main corporate regulations: memorandum of association, procedures for the general meetings of shareholders;</p>  | <p>X</p> |                |   |
| <p><b>D.1.2.</b> Professional CVs of the members of management bodies of the company, other professional commitments of Board members, including executive and non-executive positions on the boards of companies or non-profit institutions;</p>   |          | <p>Partial</p> |   |
| <p><b>D.1.3.</b> Current reports and periodic reports (quarterly, half-yearly and yearly) - at least those specified in paragraph D.8 - including current reports with detailed information on non-compliance with this Code;</p>   | <p>X</p> |                |   |
| <p><b>D.1.4.</b> Information about the general meetings of shareholders: agenda and informative literature; procedure for the selection of Board members;</p>   | <p>X</p> |                |   |

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| arguments supporting proposals for the candidates selected for the Board, together with their professional CVs; questions of the shareholders regarding items on the agenda and responses from the company, including decisions adopted;  |   |   |  |
| <b>D.1.5.</b> Information on corporate issues such as payment of dividends and other distributions to shareholders, or other issues that lead to acquisition or limitation of the rights of a shareholder, including the deadlines and principles applied to these operations. This information will be published in sufficient time to allow investors to take investment decisions; |   | x | There were no corporate events.  |
| <b>D.1.6.</b> Name and contact details of the person who can provide, upon request, relevant information;   | x |   |  |
| <b>D.1.7.</b> The statements of the company (e.g. for the investors, the quarterly results, etc.), financial statements (quarterly, half-yearly, yearly), audit reports and yearly reports.   | x |   | They are available on the company website.   |
| <b>D.2.</b> The company will have a policy related to yearly distribution of dividends or other benefits to shareholders, as proposed by the CEO or the Executive Board and adopted by the Board, as a set of guidelines that the company intends to follow in connection with the distribution of net  |   | x | This is not the case given the losses from previous periods to be covered in the future. |

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| profits.<br>The principles of yearly policy in connection with distribution to shareholders will be published on the website of the company.  |  |         |   |
| <b>D.3.</b> The company will adopt a policy regarding forecasts, whether they are made public or not.<br>The forecasts refer to the quantified conclusions of the studies aimed to establish the overall impact of a number of factors relating to a future period (the so-called hypotheses): by its nature, this project has a high level of uncertainty; the actual results may differ significantly from the forecasts presented initially. The forecasting policy will establish the frequency, the period under consideration and the content of forecasts. If published, the forecasts can be included only in the yearly, half-yearly or quarterly reports. The forecasting policy will be published on the website of the company. |  | x       | The company is in the period of observation and the forecasting policy will be subject to the Reorganization plan which was validated on 01.02.2022, and is available on the Company's website. |
| <b>D.4.</b> The rules of the general meetings of shareholders should not restrict participation of shareholders in general meetings and the use of their rights. Changes to the rules will enter into force, at the earliest, from the next meeting of shareholders.  |  | x       |   |
| <b>D.5.</b> The external auditors will be   |  | Partial |   |

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| present at the general meeting of shareholders when their reports are discussed.   |   |         |  |
| D.6. The Board will present to the yearly general meeting of shareholders a brief assessment of the internal control system and management of significant risks and opinions on issues subject to the decision of the general meeting.   |   | x       | Not applicable in insolvency proceedings   |
| D.7. Any specialist, consultant, expert or financial analyst may attend the meeting of shareholders, based on a prior invitation from the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the President of the Board decides to the contrary.                |   | x       | The Company will comply with, when needed.   |
| D.8. The quarterly and half-yearly financial reports will include information, both in Romanian and in English, on the key factors that influence changes in the level of sales, operating profit, net profit and other relevant financial indicators, both from one quarter to another and from year to year. | x |         |  |
| D.9. A company will hold every year at least two meetings/teleconferences with analysts and investors.<br>The information presented on these occasions will be published in the section Relationship with the Investors  |   | Partial | It has been deemed that the information submitted and all current and periodic reports published on the website allow the shareholders and investors to make grounded choices. |



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| of the company's website at the date of meetings / teleconferences.  |  |   |   |
| <b>D.10.</b> If a company supports various forms of artistic and cultural events, sports, educational or scientific activities and considers that their impact on the innovative nature and competitiveness of the company is part of its mission and development strategy, the company will publish the policy on its activity in this field. |  | x | During the insolvency period, the company is considering mainly measures for financial balancing and cost decrease. |

**Conclusions**

SC UCM Reșița SA continued its activity in 2023 according to the status of a company under reorganization, under the leadership of the Judicial Administrator – Consortium EURO INSOL SPRL and VF Insolvency SPRL.

During 2023, the Company's management, in addition to the actions aimed at securing a substantial portfolio of contracts and orders, focused on the implementation of the measures proincluded in the Reorganization Plan.

According to the Auction Minutes, generated by the unpir.ro platform, on 31.03.2023 the sale of the asset "Thermal Power Plant" consisting of 4 boilers of 10Gcal/h and related installations located on the ABC platform - dismantled, was awarded, according to the Creditors' Meeting Abrogation of 04.08.2022.

In accordance with the Sale Regulations approved by the Creditors' Meeting, held on 30.09.2022, the Trustee continued during 2023 the promotion, market exposure and organisation of auctions for the asset:

- ✓ " Casa de cultură /House of culture" located in Reșița, Caraș Severin county, composed of land with an area of 9,360 sqm, the constructions that make up the House of Culture Building and the related movable assets, real estate registered in Land Registry No. 32854 Reșița (old CF 1738), having cadastral no. 656 and topographic no. 22/1, 23/1, 24/1, 25, 26, 27, 28;"

As no one showed up at the auctions held, according to the Sale Regulations, the auction value of the asset was reduced by 10% , after each set of 5 weekly auctions.

Thus, in September there was a session of 5 weekly auctions at 50% of the market value of the building of the House of Culture, but this time no bidder came forward.

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In this situation, in view of the Sale Regulation approved at the Creditors' Meeting of 30.09.2022, which provided for a gradual reduction of 10% of the market value up to a maximum of 50%, the Judicial Administrator will draw up a new Sale Regulation for the "House of Culture" asset and submit it to the Creditors' Meeting for approval.

The Meeting of Creditors convened for 20.04.2023 approved the sale of the following assets:

- ✓ Land located in loc. Reșița, jud. Caraș-Severin, with an area of 11.545 sq.m, registered in the land register no. 34325 (old CF no. 9234), cadastral no. 34325 (topographical no.: 259/a/11/a/1/2/k/2/2/145/5/f/1/2/1/) on which the land register mentions the construction of annex C1 with the destination of Model Warehouse - Dealul Mare (ruin), with a built-up area of 269 sq.m.
- ✓ Land located in loc. Moniom, county. Caraș-Severin, with an area of 24.676 sq.m, registered in the land register no. 35477 (old CF no. 436-MONIOM), cadastral no. 35477 (topographical no.: 202/a/1/a/1) on which is mentioned in the land register to be built annex C1 with the destination annexed house (ruin), with a built area of 222 sq.m.

In accordance with the Sale Regulations approved by the Creditors' Meeting, for the two lands, the judicial administrator/receiver has started the promotion, market exposure and organised the first session of auctions to be held on 03.05.2023, 10.05.2023, 17.05.2023 and 31.05.2023, starting from the 100% market value established in the valuation report, for each asset.

According to the Auction Minutes, generated by the unpir.ro platform, on 10.05.2023, the sale of the asset "Land, registered in the CF no.34325, with an area of 11.545 sq.m." was awarded in favour of the Municipality of Reșița, according to the approval of the Creditors' Meeting of 20.04.2023.

Given that the asset "Intracrop land, registered in CF 35477, topographical number: 202/a/1/a/1, with an area of 24,676 sqm" was not awarded at the public auction session established by the resolution of the Creditors' Meeting held on 20.04.2023, the judicial administrator proposed to amend the sale regulations for public auctions, convening the Creditors' Meeting for 12.07.2023. According to the Minutes no. 777/12.07.2023, the Creditors' Meeting, by a vote of the AAAS, did not approve the new sale regulation for this asset.

Based on the implementation of the Reorganization Plan regarding the valorization of the assets that are not part of the core-business, on 31.07.2023, the Trustee submitted for approval to the Creditors' Meeting the valorization of the shares held by UCM Reșița in SC Multi Farm SRL. According to the Minutes no. 374/31.07.2023, the Creditors' Meeting approved the sale of the 1700 shares, representing 70.8333% of the share capital, held by UCM Reșița SA in Multi Farm SRL, by public auction with a rising price, based on the market value established by the valuation report drawn up in the proceedings.

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On 06.09.2023, according to the auction Minutes no. 931, S.I.E.P.C.O.F.A.R. SA was declared the winner of the auction, becoming the majority shareholder in Multi Farm SRL, instead of UCM Reșița.

The Creditors' Committee meeting held on 03.08.2023 approved the operation of concluding a contract for payment in the total amount of 6,655,755.39 lei for the purpose:

- (i) Settlement of current receivables arising from the performance of the contract for the supply of electricity to end customers, concluded between UCM Reșița, as beneficiary and SPEEH Hidroelectrica SA, as supplier
- (ii) Signing with SPEEH Hidroelectrica SA of a new electricity supply contract for a period of 1 (one) year, with the possibility of extension
- (iii) Recovery of expenses incurred by UCM Reșița SA, as supplier of equipment for ROMELECTRO SA, in the framework of the HPP Stejaru project, which had been blocked for over 3 years

The entire year 2023 was marked by the organization and carrying out of the actions necessary for the transfer of a functional asset to SPEEH Hidroelectrica S.A, in accordance with the offer no. 83376/21.07.2022 transmitted by the latter.

In this regard, between March and October 2023, all topographical and cadastral operations were carried out, including the dismemberment of the land registers, necessary to delimit the perimeter to be taken over by Hidroelectrica.

A series of administrative and organisational actions necessary for the transfer of a distinct and functional perimeter were also carried out and the conditions under which the core-business will be effectively transferred were negotiated, conditions stipulated in the Framework Contract for the sale and purchase of the Business, which was signed on 08.12.2023, having been previously approved by the Meeting of Creditors of UCM Reșița held on 25.10.2023.

According to the provisions of the Framework Agreement, the business is transferred on the date on which the Seller and the Buyer sign the sale and purchase agreement in authentic form (the "Transfer Date"), which cannot be later than the deadline set by the Framework Agreement, 29.02.2024. In accordance with the provisions of the Framework Agreement, the Deadline may be extended twice, with an additional period of 2 (two) months.

Thus, on 28.02.2024, HIDROELECTRICA sent Notification no. 24129 regarding the fact that it proposes to extend the deadline for the authentication of the Sales Contract until 30.04.2024.

Given that, if this extension had not been agreed, the Master Agreement would have terminated on 29.02.2024, the Trustee signed the Extension Agreement transmitted by Hidroelectrica, and formulated a response to the notification by address no. 232/29.02.2024.

Subsequently, on 11.03.2024, the sale-purchase agreement of the business was signed between U.C.M. Reșița S.A., as seller, and Uzina de Construcții Mașini Hidroenergetice S.R.L., as buyer, authenticated under No. 210 dated 11 March 2024 ("CVC"), pursuant to which the Seller has sold and transferred and the Buyer has purchased and received the Business relating to the ABC Industrial Platform and the Călnicel Industrial Platform, namely the economic activity consisting

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for the accounting year ended on December 31, 2023**  
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of the manufacture and marketing of hydro-aggregates and ancillary equipment, as well as the provision of rehabilitation and improvement services, specialised engineering and technical assistance in this field, carried out by the Seller in connection with the Transaction Perimeter, including the assets included in the Transaction Perimeter.

The total price, exclusive of VAT, paid for the transfer of ownership of the Business and all assets falling within the Transaction Perimeter is 67,879,000 lei.

Based on the discussions held by the representatives of UCM Reșița with the representatives of Hidroelectrica and of the newly established company, Uzina de Construcții Mașini Hidroenergetice SRL, on 22.02.2024, it resulted necessary to convene the Meeting of Creditors of UCM Reșița with the following agenda "Approval of the operation to waive the right to renew the trademark "UCM REȘIȚA FONDATĂ 1771 MEMBRĂ A INET GRUP" and/or the right to register a similar trademark by UCM REȘIȚA S.A."

The Meeting of Creditors, held on 28.02.2024, approved the waiver of the right to renew the trademark "UCM REȘIȚA FONDATĂ 1771 MEMBRĂ A INET GRUP", as well as the waiver of the right to register a similar trademark by U.C.M. REȘIȚA S.A.

Based on this decision, UCM Reșița S.A., through its judicial administrator, will sign an agreement to waive the right to renew the trademark "UCM REȘIȚA FONDATĂ 1771 MEMBRĂ A INET GRUP", as well as the waiver of the right to register a similar trademark by U.C.M. REȘIȚA S.A. register a similar trademark by U.C.M. REȘIȚA S.A.

On 26.02.2024, the Company received via e-mail the renunciation of the mandate of special administrator of UCM Reșița sent by Mr. Băra Aurel.

The judicial administrator will convene an Extraordinary General Meeting of Shareholders to take note of the resignation and to propose another representative as special administrator of the debtor.

On 27.02.2024, between UCM Reșița and HIDROELECTRICA was signed the Agreement registered under no. 23250, whereby it was expressly and mutually agreed to waive the fulfilment of the SFIA Condition (anticipated individual tax solution), so that the sale contract is perfected without the fulfilment of this Suspensive Condition, given that, as allowed by clause 2. 1.2. of the Framework Contract, the Buyer of the Business will be an affiliated company, namely UZINA DE CONSTRUCTII MASINI HIDROENERGETICE S.R.L., a limited liability company having its registered office in Reșița, Str. GOLULUI, Nr. 1, Caraș-Severin County, Romania, registered at the Trade Register Office of the Court of Caraș-Severin under No. J11/97/2024, with unique registration code 49594720, Unique European Identifier (EUID) ROONRC.J11/97/2024, with a share capital of 119,650,000 RON.

Due to the lack of staff, the production activity, in particular the electric motor repair activity, which is planned to be carried out after the transfer of the core business in the blue hall and SME 2, is seriously uncertain.

**s.c. U.C.M. Reșița s.a.**  
(in judicial reorganisation, en redressement)

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The company is making every effort to continue the activity, based on electric motor repairs, in SME2.

Therefore, after the transfer, the activity of UCM Reșița SA will mainly focus on the sale of assets, in accordance with the provisions of the Reorganisation Plan, on the rental of premises, by continuing existing contracts and concluding new contracts, and on the recovery of debts.

**Judicial Administrator:**

The consortium EURO INSOL SPRL and VF Insolvență SPRL



**Separate Financial Statements on December 31, 2023**  
(all amounts are given in lei (RON) unless otherwise stated)

**STATEMENT OF JUDICIAL ADMINISTRATOR**  
**OF**  
**UCM REȘIȚA SA COMPANY**

The Special Trustees of *the Company* hereby declare that they assume their responsibility for the Yearly Financial Statements on December 31, 2023.

The Special Trustees of *the Company* confirm, regarding the Yearly Financial Statements on December 31, 2023, the followings:

- a) The Yearly Financial Statements are prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union;
- b) The accounting policies used in preparing the Yearly Financial Statements are in accordance with the applicable accounting regulations;
- c) The Yearly Financial Statements present a fair image on the financial position, financial performance and other information related to the activity carried out;
- d) *The Company* carries out its activity under the condition of continuity.

This statement is in accordance with Art. 30 of the Accounting Law No. 82/1991, republished.

**Judicial Administrator:**

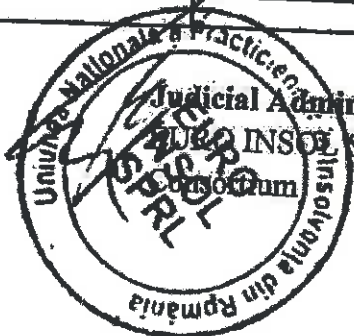
**EURO INSOL SPRL and VF Insolvență SPRL Consortium**



Separate Financial Statements on December 31, 20223  
(all amounts are given in lei (RON) unless otherwise stated)

Statement of financial position on 31.12.2023

| Reference Statement of financial position IAS 1.10(a), 113 | Note | Balance sheet items  | Lei                   |                       |
|--|------|--|-----------------------|-----------------------|
|  |      |  | Balance on 01.01.2022 | Balance on 31.12.2023 |
| IAS 1.54(a)  | 3    | Tangible fixed assets                                      |                       |                       |
| IAS 1.54(c)  | 3    | Intangible fixed assets                                    | 51,961,419            | 50,295,432            |
|  | 3    | Financial assets   | 466,756               | 444,076               |
|  |      | <b>Total of fixed assets</b>                               | <b>3,192,928</b>      | <b>3,717,317</b>      |
| IAS 1.54(h)  |      |  | <b>55,621,103</b>     | <b>54,456,825</b>     |
|  | 4    | Trade receivables and receivables from affiliated entities |                       |                       |
| IAS 1.54(g)  | 5    | Stocks   | 2,378,982             | 4,984,273             |
| IFRS 5.38  |      | Deferred tax assets  | 14,299,508            | 6,019,822             |
| IAS 1.54(o), 56  | 12   | Fixed assets held for sale                                 | 69,115,526            | 75,190,211            |
| IAS 1.54(h)  | 4    | Other receivables  | 10,724,131            | 11,324,226            |
| IAS 1.54(i)  | 6    | Cash and cash equivalents                                  | 1,010,611             | 802,132               |
|  |      | Prepayments  | 6,152,844             | 3,280,252             |
|  |      | <b>Total of current assets</b>                             | <b>15,566</b>         | <b>6,600</b>          |
|  |      |  | <b>103,697,168</b>    | <b>101,607,516</b>    |
|  |      | <b>TOTAL ASSETS</b>  | <b>159,318,271</b>    | <b>156,064,341</b>    |
| IAS 1.54(k)  | 7    | Supplies and other trade payables                          |                       |                       |
| IAS 1.54(h)  | 7    | Taxes and other debts                                      | 9,739,295             | 7,739,108             |
| IAS 1.54(o), 56  | 12   | Deferred tax debts   | 404,982,636           | 408,407,356           |
| IAS 1.54(i)  | 8    | Provisions   | 23,532,236            | 24,333,888            |
| IAS 1.55, 20.24  |      | Revenues in advance  | 82,817,115            | 82,776,060            |
|  |      |  | 26,789,156            | 30,810,198            |
|  |      | <b>Total debts</b>   | <b>547,860,438</b>    | <b>554,066,610</b>    |
|  |      | <b>Total assets minus Total debts</b>                      | <b>(388,542,167)</b>  | <b>(398,002,269)</b>  |
|  | 9    | Registered capital   |                       |                       |
|  | 3    | Revaluation reserves                                       | 601,685,084           | 601,685,084           |
|  | 9    | Legal reserves   | 99,553,985            | 99,992,438            |
|  |      | Other reserves   | 1,972,406             | 1,972,406             |
|  | 9    | Carried over result  | 16,088,620            | 16,088,620            |
|  | 9    | Current result   | (1,536,171,699)       | (1,105,331,085)       |
|  | 9    | Profit sharing, establishing of legal reserves             | 428,329,437           | (12,409,732)          |
|  |      | <b>Total equity</b>  | <b>(388,542,167)</b>  | <b>(398,002,269)</b>  |
|  |      | <b>TOTAL LIABILITIES</b>                                   | <b>159,318,271</b>    | <b>156,064,341</b>    |



Judicial Administrator:  
ALEXANDRU INSOLV SPRL and VF Insolventă SPRL



General Manager:  
Cosmin URSONIU  
Economic Manager:  
Liliana IONETE



*[Handwritten signature]*

Separate Financial Statements on December 31, 20223  
(all amounts are given in lei (RON) unless otherwise stated)

Statement of comprehensive income on 31.12.2023

- Lei -

| Reference Statement of overall result IAS 1.10(b), 81(a) | Explanations                                     | 31.12.2022        | 31.12.2023        |
|--|--|-------------------|-------------------|
| IAS 1. 82(a) IAS 1.99, 103                               | Operating revenues                               |                   |                   |
| IAS 1.99, 103  | Cost of sales                                    | 20,741,707        | 37,981,257        |
|  | <b>Gross operating profit (loss)</b>             | <b>29,373,339</b> | <b>33,277,905</b> |
| IAS 1.99, 103  | Other operating revenues                         | (8,631,632)       | 4,703,352         |
| IAS 1.99, 103  | Distribution costs                               | 527,932,705       | 1,317,525         |
| IAS 1.99, 103  | Administrative expenses                          | 647               | 882               |
| IAS 1.99, 103  | Other operating expenses                         | 17,926,923        | 14,537,083        |
| IAS 1. 82(a) IAS 1.99, 103                               | Financial revenues                               | 43,110,526        | 4,412,062         |
| IAS 1.82(b)  | Financial expenses                               | 1,485,305         | 1,293,938         |
| IAS 1.85   | <b>Result before tax</b>                         | <b>(259,173)</b>  | <b>572,963</b>    |
| IAS 1.82(d), IAS 12.77                                   | Income tax expenses                              | 460,007,455       | (12,208,175)      |
|  | <b>Net Profit (loss)</b>                         | <b>31,678,018</b> | <b>201,557</b>    |
|  | Establishing of legal reserves under Law 31/1990 | 428,329,437       | (12,409,732)      |
| IFRS 5.33(a), 1.82(e)                                    | <b>Profit attributable to:</b>                   | -                 | -                 |
| IAS 1.83(b)(ii)  | Owners of the Company                            | -                 | -                 |
| IAS 1.83(b)(i)   | Non-controlling interests                        | -                 | -                 |

Judicial Administrator:  
EURO INSOL SPRL and VF Insolventă SPRL  
Consortium



General Manager:  
Cosmin URSONIU  
Economic Manager:  
Nicoleta-Liliana IONETE





S.C. U.C.M. Reșița S.A.  
(in judicial reorganisation, en redressement)

Separate Financial Statements on December 31, 2023  
(all amounts are given in lei (RON) unless otherwise stated)

Statement of changes in equity for the year ended on December 31, 2023

| Explanation/Description  | Registered capital | Revaluation reserves | Legal reserves | Carried over result representing surplus from revaluation reserves | Other reserves | Carried over result | Current result of the accounting year | - lei- |               |
|--|--------------------|----------------------|----------------|--|----------------|---------------------|---------------------------------------|--------|---------------|
|  |                    |                      |                |  |                |                     |                                       | 1      | Total         |
| Balance on 01.01.2023  | 601,685,084        | 99,553,985           | 1,972,406      | 272,569,369  | 16,088,620     | (1,898,741,568)     | 428,329,437                           |        | 9             |
| Changes in equity - December 31 2023   |                    |                      |                |  |                |                     |                                       |        |               |
| Transfer of surplus from revaluation reserves                                    |                    | (2,511,177)          |                | 2,511,177  |                |                     |                                       |        |               |
| Increase in reserves for reclassification of fixed assets                        |                    | 2,949,630            |                |  |                |                     |                                       |        | 2,949,630     |
| Transfer of the result of the accounting year 2022 to the carried over result    |                    |                      |                |  |                | 428,329,437         | (428,329,437)                         |        |               |
| Account closing -profit share  |                    |                      |                |  |                |                     |                                       |        |               |
| Registration of accounting errors from previous years to the carried over result |                    |                      |                |  |                |                     |                                       |        |               |
| Net result of the current accounting year  |                    |                      |                |  |                |                     |                                       |        |               |
| Balance on December 31 2023 IFRS   | 601,685,084        | 99,992,438           | 1,972,406      | 275,081,046  | 16,088,620     | (1,300,412,131)     | (12,409,732)                          |        | (398,002,269) |

The legal reserves of the Company, constituted in accordance with the provisions of the Commercial Companies Act, on December 31, 2023 amount to 1,972,406 lei.

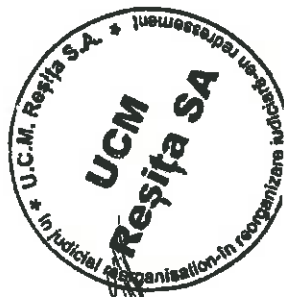
The Company's legal reserve is partially constituted in accordance with the Companies Act, according to which 5% of the annual accounting profit is transferred with the legal reserves until their balance reaches 20% of the Company's share capital. If this reserve is used wholly or partly to cover losses or to distribute in dividends, it becomes taxable in the calculation of corporation tax.

As mentioned in the financial statements on December 31, 2023, the Company has not yet reached the maximum level of legal litigation.

Administrative Administrator:  
EUROINSOL SRL and VFA  
Consortium



General Manager:  
Cosmin URSONIU  
Economic Manager:  
Nicoleta-Liliana IONETE



Separate Financial Statements on December 31, 2023  
(all amounts are given in lei (RON) unless otherwise stated)

Statement of cash flows on 31.12.2023

-Lei-

| Name of the element   | No. line | Financial exercise ended on: |                  |
|---|----------|------------------------------|------------------|
|   |          | 31 decembre 2022             | 31 decembre 2023 |
| <b>OPERATING ACTIVITIES</b>   |          |                              |                  |
| Net profit+Result carried over from correction of accounting errors     |          |                              |                  |
| Adjustments for:  | 1        | 428,974,989                  | (12,208,175)     |
| Adjusting the value of tangible and intangible assets                   | 2        |                              |                  |
| Adjusting the value of financial assets                                 | 3        | 53,945,385                   | 8,850,799        |
| Expenses (revenues) with adjustments for depreciation of current assets | 4        | (1,688,771)                  | (701,990)        |
| Adjustments to the provisions for risks and expenses                    | 5        | 2,602,063                    | 4,114,581        |
| Expenses with the donating granted                                      | 6        | 59,689,876                   | 12,587           |
| Revenues from interests and other financial income                      | 7        | 318,801                      | (182,048)        |
| Expenses with interests and other financial income                      | 8        | (66,241)                     | (86,399)         |
| Cash flow before changes in working capital (row. 1 to 8)               | 9        |                              |                  |
| Decrease /(Increase) – customers and other assimilated accounts         | 10       | 543,776,102                  | (200,645)        |
| Decrease /(Increase) in stocks  | 11       | 7,250,694                    | (2,895,893)      |
| Decrease /(Increase)- supplies and other assimilated accounts           | 12       | (67,892,411)                 | (2,018,097)      |
| Cash flow from operating activities (row. 9 to 12)                      | 13       | (359,415,095)                | 1,380,039        |
| Revenue from interests  | 14       | 123,719,290                  | (3,734,596)      |
| (Net increase) / Net decrease in restraint                              | 15       | 66,242                       | 83,399           |
| Cash flow from operating activities (row.13 to 15)                      | 16       | 2,646                        | (1,361)          |
| Investing activities  |          | 123,788,178                  | (3,652,558)      |
| Cash payment for long-term purchasing of land and other assets          | 17       |                              |                  |
| Proceeds from sales of real estate                                      | 18       |                              | (18,560)         |
| Revenues from dividends   | 19       | 1,218,261                    | 219,058          |
| Net cash used in investing activities (row. 17 to 18)                   | 20       |                              | 578,108          |
| Financing activities  |          | 1,218,261                    | 778,606          |
| Subsidies granted   | 21       |                              |                  |
| Discounts of borrowed amounts   | 22       |                              |                  |
| Net cash used in financing activities (row. 20 to 21)                   | 23       | (126,292,405)                | -                |
| Net increase/(Decrease) in cash and cash equivalents (row. 17+20+23)    | 24       | (126,292,405)                | -                |
| Cash and cash equivalents at the beginning of the year                  | 25       | (1,285,966)                  | (2,873,952)      |
| Cash and cash equivalents at the end of the period (row. 24+25)         | 26       | 7,240,752                    | 5,954,786        |
|   |          | 5,954,786                    | 3,080,834        |



Judicial Administrator:  
ELBORGAN SOL SPRL and VF Insolventă SPRL  
Consilier



General Manager:  
Cosmin BRSOINIU

Economic Manager:  
Nicoleta-Liliana IONETE

**Separate Financial Statements on December 31, 2023**  
(all amounts are given in lei (RON) unless otherwise stated)

**Economic - Financial Indicators on 31.12.2023**

| Indicator  | Calculation method      | Value         |
|--|-------------------------|---------------|
| <b>1. current liquidity</b>                        | $1=2/3$                 | 0.23          |
| 2. Current assets (lei)                            | 2                       | 101,600,916   |
| 3. Current liabilities (lei)                       | 3                       | 440,480,352   |
| <b>4. Level of indebtedness</b>                    | $4=5/6$                 | #N/A          |
| 5. Borrowed capital (lei)                          | 5                       | 0             |
| 6. Capital employed (lei)                          | 6                       | (398,002,269) |
| <b>7. Turnover ratio of customer debits (days)</b> | $7 = 8/9 \times 365$    | 19            |
| 8. Average balance of trade receivables (lei)      | 8                       | 1,980,266     |
| 9. Turnover (lei)                                  | 9                       | 37,981,257    |
| <b>10. Turnover ratio of fixed assets (days)</b>   | $10 = 11/12 \times 365$ | 523           |
| 11. Fixed assets (lei)                             | 11                      | 54,456,825    |
| 12. Turnover (lei)                                 | 12                      | 37,981,257    |

Judicial Administrator:  
EURO INSOL SPRL and VF Insolventă SPRL  
Consortium



General Manager:  
Cosmin URSONIU  
Economic Manager:  
Nicoleta-Liliana IONETE



**Separate Financial Statements on December 31, 2023**  
(all amounts are given in lei (RON) unless otherwise stated)

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**1. Reporting entity**

**General information**

*IAS 1.138 (a), (b)*, UCM REȘIȚA S.A. - (company in insolvency, en procedure collective) is a joint stock company with the headquarters in Romania.

*IAS 1.51(a)-(c)* The separate financial statements, in accordance with IFRS, has been prepared for the accounting year ended on December 31, 2023.

The main activity of *the Company* is the manufacture of engines and turbines (except aircrafts, vehicles and motorcycles) – CAEN Code: 2811.

*The Company* was incorporated and registered at ONRC based on the Government Decision (GD) no. 1296/1990 completed and modified by GD no. 334/1991, operating under the laws of Romania.

On 31.12.2023, the registered office of UCMR was in Bucharest, Charles de Gaulle Square 15, Charles de Gaulle Plaza Building, 3<sup>rd</sup> Floor, Peleş Office, Sector 1, as mentioned in Endorsement no. 592087/15.11.2019, registered at ONRC at no. J40/13628/2011, Fiscal Code RO 1056654, and the administrative headquarters in Reșița, Golului Street No. 1.

The main activity of *the Company* consists in manufacturing and marketing of hydro power units (hydraulic turbines, valves, governors and hydro generators), hydro mechanical equipment, large hydraulic servomotors, bearings and half-bearing shells, spare parts for Diesel engines and others.

The Company provides also services for the design of new constructive solutions or for the rehabilitation and enhancement of the existing ones, as well as specialized engineering services for technical assistance in areas related to its main field of activity.

The main customers are in the hydro power field: S.S.H HIDROSERV S.A, S.P.E.E.H. HIDROELECTRICA SA and ALMET INTERNATIONAL LTD SRL.

The individual financial statements have been prepared starting from the assumption that *the Company* will continue its activity based on confirmed measurements of the Reorganization Plan from 01.02.2022.

**2. Basis for preparation of separate financial statements**

*IAS 1.112(a)*

**2.1 Declaration of conformity**

*IAS 1.16* The Separate Financial Statements have been prepared in accordance with the provisions of the Order no. 2844/2016 of the Minister of Public Finance, with respect to the approval of Accounting Regulations in compliance with the International Financial Reporting Standards (IFRS) applicable to companies whose marketable securities are admitted to trading on a regulated market (OMP 2844/2016)

**Separate Financial Statements on December 31, 2023**  
(all amounts are given in Lei (RON) unless otherwise stated)

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The Judicial Trustee/Administrator of the *Company*, undertake the liability for drawing up the Yearly Separate Financial Statements on 31.12.2023 and confirm that they are in compliance with the applicable Accounting Regulations and *the Company* shall conduct its work under the condition of continuity.

## **2.2 Basis of evaluation**

*The Company* drawn up the Yearly Separate Financial Statements for the year ended on December 31, 2023 in accordance with OMPF 2844/2016, as amended and supplemented.

These provisions meet the requirements of International Financial Reporting Standards (IFRS) adopted by the European Union (EU), except for IAS 21 The Effects of change in foreign exchange rates on functional currency.

In order to prepare these Separate Financial Statements in accordance with legislative requirements in Romania, the functional currency of *the Company* is considered to be RON ("Romanian leu").

The Separate Financial Statements presented have been prepared on a historical cost basis.

For all periods up to and including the year ended on December 31, 2011, *the Company* has prepared the Separate Financial Statements in accordance with the accounting principles generally accepted in Romania (OMPF 3055/2009, as amended).

The Separate Financial Statements for the year ended on December 31, 2012 were the first of this kind that *the Company* has prepared in accordance with IFRS, year when it was applied also IFRS 1 - "First-time Adoption of IFRS".

These Separate Financial Statements have been audited.

*The Company* does not apply IFRS issued and not adopted on 31.12.2023, and cannot estimate the impact of non-application of these provisions on the separate financial statements, and intends to apply these provisions only at their entry into force.

## **Consolidated Financial Statements**

In accordance with IAS 27 "Consolidated and Separate Financial Statements", *the Company* should present consolidated financial statements that strengthen the investments in subsidiaries. In preparing the consolidated financial statements should be combined the financial statements of the parent company and those of its subsidiaries, item by item, by adding together all similar items of assets, liabilities, equity, revenues and expenses.

On 31.12.2023, the Company holds no subsidiary.

## **2.3 Functional currency used for presentation**

The items included in the separate financial statements of *the Company* are measured using the currency of the economic environment in which the entity operates ("the functional currency"), that means Romanian leu.

According to IAS 1.51 (d), (e), these separate financial statements are presented in Lei, and all financial information is in Lei, rounded to 0 decimal, unless otherwise stated.

**Separate Financial Statements on December 31, 2023**  
*(all amounts are given in lei (RON) unless otherwise stated)*

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**2.4 The use of estimates and professional judgments**

Preparation of separate financial statements in conformity with IFRS requires management's use of professional judgments, estimates and assumptions that affect application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. The actual results may differ from these estimates.

The estimates and assumptions are reviewed regularly. These revisions of the accounting estimates are recognized in the period in which the estimate was reviewed and in future affected periods.

**2.5 New International Standards that are not applied by the Company**

*The Company* does not apply certain IFRSs/ IASs or new provisions/modifications/additions/interpretations of them issued by the IASB (International Accounting Standards Board) and not adopted at the date of drawing up the financial statements, namely:

• **Amendments to IAS 1 "Presentation of Financial Statements"**

Classification of Debts into Short-Term Debts and Long-Term Debts. Amendments to accounting disclosures (applicable for annual periods beginning on or after 1 January 2024);

• **IFRS 16 "Leases"** - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions, (applicable for annual periods beginning on or after January 1, 2024);

• **IFRS S1 "General requirements for disclosure of sustainability-related financial information"** - General requirements for disclosure of published sustainability-related financial information, (applies to annual reporting periods beginning on or after 1 January 2024);

• **IFRS S1 "General requirements for disclosure of sustainability-related financial information"**- Amendments to SASB standards issued to enhance their international applicability; SASB standards facilitate the implementation and application of IFRS S1, (amendments effective for annual reporting periods beginning on or after 1 January 2025);

• **IFRS S2 "Climate Disclosures"** - Effective for annual reporting periods beginning on or after 1 January 2024;

*The Company* cannot estimate the impact of non-application of these provisions on the financial statements and intends to apply these provisions with the date of their entry into force.

**Presentation of separate financial statements**

*The Company* applies IAS 1 Presentation of Financial Statements (2007) revised, which entered into force on January 1, 2009.

As a result, *the Company* presents to shareholders all amendments thereto in the Statement of Changes in Shareholders' Equity.

The comparative information has been reconciled so that they conform to the revised standard. As the impact of change in accounting policy is reflected only on presentation aspects, there is no impact on earnings per share.

**Separate Financial Statements on December 31, 2023**  
*(all amounts are given in lei (RON) unless otherwise stated)*

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IAS 1 "Presentation of Financial Statements" is governing the basis for presentation of financial statements for general purpose, in order to ensure comparability both with financial statements of the entity for previous periods and with the financial statements of other entities.

***a) Basis of accounting and reporting in hyperinflationary economies***

The currency used by *the Company* for evaluation and reporting is the "Romanian Leu" ("RON").

IAS 29 - "Financial Reporting in Hyperinflationary Economies", requires that the statements of companies that are reporting in the currency of a hyperinflationary economy should be made in terms of the current monetary unit at the date of the balance sheet and all amounts must be restated in the same conditions. IAS 29 states that reporting of operating results and financial position in local currency without restatement related to inflation is useless, since the money lose their purchasing power so quickly that a comparison between the value of transactions or of other events that occur at different moments, even within the same reporting period, is wrong. IAS 29 suggests that an economy should be considered hyperinflationary if certain conditions are met; one of them being that the cumulative rate of inflation over a period of three years exceeds 100%.

By December 31, 2003 adjustments were made to reflect the application of IAS 29 "Financial reporting in hyperinflationary economies".

Implementation of IAS 29 to specific categories of transactions and balances in the financial statements is presented below:

**Monetary assets and liabilities**

Monetary assets and liabilities have not been reassessed for the implementation IAS 29 since they are already expressed in terms of the current monetary unit at the date of the balance sheet.

**Non-monetary assets and liabilities and equity**

Equity components have been restated by applying the inflation index for the month in which the assets, liabilities and equity components were initially recorded in the financial statements (the date of purchase or contribution) until December 31, 2003. The remaining non-monetary assets and liabilities are not restated using the inflation index, considering that their value is updated as a result of the application of alternative accounting treatments of evaluation during the previous periods.

***b) Estimates and assumptions***

Preparation of individual financial statements in conformity with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, of contingent assets and liabilities at the date of the financial statements and of the reported amounts of revenues and expenses registered during the reporting period. The actual results may be different from these estimates. The estimates are periodically reviewed and, if adjustments are required these are reported in the profit and loss account for the period in which they become known.

**Separate Financial Statements on December 31, 2023**  
(all amounts are given in lei (RON) unless otherwise stated)

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The uncertainties related to these estimates and assumptions may cause, in the future, significant adjustments of the values presented in the financial statements, as a result of insolvency proceedings which *the Company* is involved.

These adjustments are likely to significantly affect *the Company's* assets that can no longer be achieved under normal operating conditions, in this case being required a massive depreciation in value (possibly more than 50%) due to the very probable recovery by enforcement and / or by the procedure of insolvency, a situation that causes a corresponding damage to the profit and loss account.

In the process of applying *the Company's* accounting policies, the management has made estimates for provisions, impairment of receivables and stocks, which have significant effect on the values stated in the individual financial statements.

**c) Registered capital**

The shares held by the Company are classified (shown) at nominal values and, in accordance with the Law of Trading Companies (*L 31/1990*) and the articles of incorporation their total value is to be found in the registered capital.

The dividends on holdings of shares (capital), established under Decision of AGA, are recognized as a liability in the period in which their distribution is approved.

**d) Equity papers in affiliated entities**

The investments held in affiliated entities are presented in the separate financial statements of *the Company* at cost less any impairment.

The dividends receivable from affiliated entities are recognized when *the Company* established the right to receive payment.

**e) Tangible fixed assets**

***Recognition and measurement of fixed assets***

The fixed assets, except lands and buildings, are recognized according to the requirements of *OMFP 2844/2016* and are shown in the accounts at cost, less the accumulated depreciation and the impairment losses.

The buildings are stated at fair value based on periodic assessments, at least every three years, carried out by independent external evaluators. Any accumulated depreciation at the date of revaluation is eliminated from the gross carrying amount of the asset and the net amount is recorded as revalued amount of the asset.

The buildings are stated at revalued amounts on 31.12.2014 and the lands at revalued amount on 31.12.2011.

If a fixed asset includes significant components that have different useful lives, they are accounted (depreciated) individually.

***Subsequent expenses on maintenance and repairs***

The expenses with repairs or maintenance of fixed assets are made to restore or maintain the value of these assets and are recognized in the comprehensive income on the date they are made,



**Separate Financial Statements on December 31, 2023**  
(all amounts are given in lei (RON) unless otherwise stated)

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while the expenses made in order to improve the technical performance are capitalized and depreciated over the remaining period of depreciation for that fixed asset.

**Depreciation**

The fixed assets are depreciated from the month following the date of purchase or the date of commissioning, as appropriate, using their lifetime periods.

Depreciation is calculated using the straight-line method over the lifetime of the fixed assets and/or their components, which is accounted separately.

The terms of depreciation used are as follows:

- Constructions 6 – 50 years
- Equipment and machinery 2 – 28 years
- Other installations, tools and furniture 2 – 15 years

The land and fixed assets in progress are not depreciated and the ongoing investments are depreciated from the date of commissioning.

The estimated useful lives and the depreciation method are reviewed periodically to ensure they are consistent with the projected evolution of economic benefits generated by the tangible assets. Tangible assets are derecognized from the balance sheet when the asset exits the equity or when no benefits are expected from the use of the asset. Losses or gains on disposal/sale of fixed assets are recognized in the statement of the comprehensive income.

**f) Intangible assets**

**Recognition and evaluation**

The intangible assets acquired by *the Company* are recognized and presented at cost, less accumulated depreciation and impairment losses.

**Depreciation**

Depreciation is recognized in the comprehensive income, on a straight line basis, over the estimated lifetime (service life) of the intangible asset.

Most of the intangible assets recorded by *the Company* are represented by the software programs, which are depreciated linearly over a period of 3 years.

**g) Depreciation of the value for non-financial assets**

According to IAS 36 Depreciation of Assets, the value of tangible and intangible assets is reviewed annually to identify circumstances that indicate their depreciation.

Whenever the net value of the asset exceeds its recoverable amount, depreciation of its value is recognized in the statement of the comprehensive income for tangible and intangible assets.

The recoverable amount represents the highest value between the net selling price of an asset and its value in use. The net selling price represents the amount obtainable from the sale of the asset in a normal transaction, and the value in use represents the present value of future cash flows estimated if continuing to use the asset and from its sale at the end of its service lifetime. The recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-

**Separate Financial Statements on December 31, 2023**  
(all amounts are given in lei (RON) unless otherwise stated)

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generating units. Reversal of impairment losses recognized in previous years may occur when there is an indication that the impairment losses recognized for that asset no longer exist or has decreased; the cancellation shall be recorded as revenue.

***h) Financial assets***

In accordance with IAS 39 "Financial Instruments: Acknowledgment and assessment", *the Company's* financial assets are classified into the following categories: held-to-maturity and loans and receivables originated by *the Company*.

The investments with fixed or determinable payments and fixed maturity, other than loans and receivables originated by *the Company*, are classified as held-to-maturity.

These financial assets are recognized in the historical cost or at the value determined by their acquisition contract, the cost of acquisition including also the transaction costs, the gains and losses being recognized in the statement of the comprehensive income when the financial assets are derecognized or impaired, as well as through the depreciation process.

Derecognizing of financial assets occurs when the rights to receive cash flows from the asset have expired, or *the Company* has transferred its rights to receive cash flows from the asset (directly or through a "pass-through" commitment). All normal purchases and sales of financial assets are recognized at the transaction date, i.e. the date when *the Company* commits to purchase an asset.

Regular purchases and sales are those that require delivery of assets within the period generally accepted by the regulations or conventions valid on that market.

*The Company* has no financial assets at fair value registered in the profit and loss account or financial assets available for sale.

***i) Financial debts***

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", *the Company's* financial debts are classified into the following categories: loans, trade debts and other debts.

The trade debts are stated at nominal amounts payable for goods or services received. Short and long term loans are initially recognized at the nominal value, representing the amount received under this head, not including the specific costs (fees, interest).

The gains and losses are recognized in the statement of the comprehensive income on derecognizing of debts, as well as through the depreciation process. Derecognizing of financial debts occurs if an obligation is fulfilled, canceled or expires. The financial assets and debts are compensated only if *the Company* has a legally enforceable right to make compensations and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

***j) Debts related to leasing contracts***

***Financial leasing contracts***

The leasing contracts in which *the Company* takes substantially the risks and benefits of ownership are classified as financial leasing. The amounts due are included in the short or long term debts, the elements of interest and other costs of financing being recorded in the profit and

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loss account during the contract period. Assets held under the financial leasing contracts are reflected in the accounting system using the accounts of tangible and intangible assets and are depreciated over their useful lifetime.

The rates paid to the lessor plus the interest is highlighted as a debt in the account 406 "Debts from operations of financial leasing".

***Operating leasing contracts***

The leasing contracts in which a significant portion of the risks and benefits of ownership are assumed by the lessor are classified as operating leasing contracts, the payments (expenses) made under such contracts being recognized in the comprehensive income on a straight-line basis during the contract period, the leased assets are recorded in the accounting system of the lessee, in the off-balance sheet accounts.

***k) Transactions in foreign currency***

***Functional currency and presentation currency:*** the financial statements of *the Company* are prepared using the currency of the economic environment in which operates.

The functional currency and the currency used for presentation of financial statements is the Romanian leu ("RON").

Transactions in foreign currency are translated into RON applying the exchange rate at the transaction date. The monetary assets and liabilities denominated in foreign currencies are revalued in RON at the exchange rate at the balance sheet date.

The gains and losses resulting from differences in foreign exchange rate, realized or unrealized, are recorded in the statement of the comprehensive income.

The exchange rates on December 31, 2022 and 2023 are as follows:

| Currency | <u>December 31, 2022</u> | <u>December 31, 2023</u> |
|----------|--------------------------|--------------------------|
| RON/EUR  | 4.8694                   | 4.9481                   |
| RON/USD  | 3.9660                   | 4.3707                   |
| RON/GBP  | 5.4201                   | 5.8994                   |
| RON/CHF  | 4.4997                   | 4.7884                   |

***l) Stocks***

The stocks are recorded in the accounting system at the minimum value between the cost and the net realizable value.

The net realizable value represents the estimated selling price to be received under ordinary course of activity, less the costs related to sell.

The value of stocks is based on the weighted average cost, including expenses incurred in acquiring them and bringing to the current location, and in the case of stocks produced by *the Company* (semi-finished and finished goods, work in progress); the cost includes an appropriate percentage from the indirect costs, depending on the organization of production and the current activity. The inventory method used is that of "perpetual inventory".

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At the annual inventory of stocks, the Company identifies the stocks that are not intended for sale contracts in progress or have not been identified as useful in current manufacturing costs or future projects.

*The Company's* management analyzes and proposes/decides the adjustments (depreciation) of stocks according to the accounting policy approved in this respect and the results of the inventory.

The inventory of stocks shall be made according to the internal procedure and the inventory manual, related both to the needs of *the Company* and the law in force.

***m) Receivables***

Trade receivables are stated at their nominal value less the adjustments for their depreciation, the adjustments that are carried out where there is objective data and information about the fact that *the Company* will not be able to collect all amounts in due time.

*The Company* records depreciations of 100% for trade receivables older than 360 days and for those in dispute.

***n) Cash and cash equivalents***

The cash includes the cash in hand and in bank accounts. Cash equivalents are short-term investments, highly liquid, which can be quickly converted into a sum of money, with the original maturity of maximum three months and have an insignificant risk of change in value.

Records of them are kept on banks, currencies, respectively on pay desks and cash advances holders being evaluated, in case of foreign currency by using their exchange rate (reference rate) with the national currency (RON) released by the National Bank of Romania (BNR).

***o) Debts***

The debts are initially recognized at the fair value of the consideration to be paid and include the payable amounts, invoiced or not, for goods, works and services.

***q) Loans***

The costs related to loans are recorded as an expense in the period in which they occur, except the case when the loans are for the construction of assets that are qualified for capitalization. *The Company* classifies its loans on short-term and long-term, depending on the maturity specified in the credit agreement.

The loans are initially recognized at the net value of withdrawals. They are subsequently carried at the depreciated cost, using the method of effective interest rate, the difference between the value of withdrawals and the redemption value being recognized in the net profit of the period, during the entire loan period.

***p) Government grants***

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions attached will be satisfied. When the grant relates to an expense item,

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it is recognized as income over the period necessary to correlate, on a systematic basis, the grant with the costs to be offset. When the grant relates to an asset, it is recognized as deferred income and taken to income in equal amounts over the expected life of the related asset.

When *the Company* receives non-monetary grants, the asset and the grant are recorded at gross and nominal values and they are reflected in the overall result over the expected life and the consumption rate of the benefit afferent to the support asset, in equal annual installments. When loans or similar forms of assistance are provided by the government or similar institutions at an interest rate below the rate applicable on the market, the effect of this favorable interest is regarded as additional government grant.

**r) Benefits of employees**

**Short-term benefits:**

*The Company* contributes for its employees by paying contributions to Social Security (retirement, health) giving them some benefits upon retirement, according to the period of work in the company (a reward up to 4 gross salaries per company for a seniority over 25 years in UCM Reșița, respectively up to 2 average gross salaries per company for a seniority between 10-25 years in UCM Reșița, respectively 1 average gross salaries per company for a seniority between 5-10 years in UCM Reșița). These contributions are recognized as an expense when the services are rendered.

In addition to the grants and allowances provided expressly by law, *the Company* grants to its employees the following benefits:

- granting of bereavement benefits representing four average gross wages per company upon the death of an employee of *the Company* and one average gross salary per company in case of death of the husband (wife) or of a first degree relative (parents, children);
- granting of two average gross wages per *Company* for the birth of each child;
- granting of one average gross salary per to the dismissal of an employee for whom it was issued a decision by the relevant medical expertise finding physical and/or mental inability thereof, which does not allow him to fulfill his duties appropriate to the position held.

**Post employment benefits –plan for retired pay:**

*The Company* does not contribute to any other plan for retired pay or retirement benefits and has no other future obligations such as those mentioned, for its employees.

**s) Profit tax**

The tax on profit or losses of the year comprises current tax and deferred tax. The assets and liabilities for current profit tax, for current and prior periods, are recognized at the value expected to be reimbursed by or paid to the taxation authorities.

The current profit tax is calculated in accordance with tax legislation in force in Romania and is based on the results reported in the statement of the comprehensive income of *the Company*, prepared in accordance with local accounting standards, after adjustments performed for tax

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purposes. The current profit tax is applied to the accounting profit, as adjusted in accordance with tax legislation at a rate of 16%.

The tax losses may be carried forward for a period of seven years.

The deferred profit tax reflects the tax effect of temporary differences between the carrying amount of assets and liabilities used for financial reporting purposes and the tax values used in order to calculate current profit tax. The deferred profit tax, recoverable or payable, is determined using tax rates that are expected to be applicable in the year in which the temporary differences will be recovered or settled. Assessment of the deferred profit tax, payable or recoverable, reflects the tax consequences that would follow from the manner in which *the Company* expects to realize or settle the carrying amount of its assets and liabilities at the date of the balance sheet.

The assets and liabilities from the deferred tax are recognized regardless of when the temporary differences are likely to be realized.

The assets and liabilities from the deferred tax are not updated. The assets from the deferred tax are recognized when it is probable that there will be sufficient future taxable profits against which the deferred tax can be used. The liabilities from the deferred tax are recognized for all taxable temporary differences.

***s) Recognition of revenues and expenses***

The revenues from sale of goods are recognized in the comprehensive income at the date when the risks and benefits of ownership on the goods are transferred to the buyer which, in most cases, coincides with the date of invoice (delivery) thereof.

The revenues from the goods sold (delivered) and services rendered are recognized on an accrual basis, respectively at the date of delivery/provision (transfer of ownership) to the customer.

The revenues from interest are recognized in installments (proportionally) as they are invoiced/are generated according to contracts/agreements under which the loans were granted on an accrual basis.

The revenues are recognized when there is no significant uncertainty regarding recovery of the counter benefits due and associated costs or possible returns on the assets.

The expenses are classified and recognized based on the principle of their connection to revenues, respectively their allocation on products, services which make these revenues.

The production cost of stocks is followed on projects and, within these projects, on each individual product and includes direct costs related to production (direct materials, direct labor, and other direct costs attributable to products, including design costs) and the share of indirect costs of production allocated rationally as related to their manufacture.

The general administrative expenses, selling expenses and unallocated share of fixed overhead products (indirect production costs that are relatively constant, regardless of the volume of production) are not included in the cost of stocks but are recognized as expenses in the period in which they occurred.

*The Company* applies the principle of separation of accounting years for the recognition of revenues and expenses that are classified in three categories (operational, financial and exceptional).

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**t) Fair value of financial instruments**

The management believes that the fair values of *the Company's* financial instruments are not significantly different from their carrying values, due to the short terms of settlement, reduced transaction costs and/or the variable interest rate that reflects current market conditions.

**f) Provisions**

A provision is recognized when, and only when *the Company* has a current obligation (legal or constructive) as a result of a past event and if it is probable (more likely to succeed than not be realized) as an output of resources embodying economic benefits, will be required to settle the obligation, and it can make a reasonable estimate of the amount of the obligation.

The provisions are reviewed at the end of each accounting year and are adjusted to reflect the current best estimate.

When the effect of money value in time value is significant, the value of the provision is the present value of the expenses required to settle the obligation.

**u) Contingent debts or assets**

The contingent debts are not recognized in the financial statements. They are disclosed in notes, unless the case when the possibility of an outflow of resources embodying economic benefits is very small.

A contingent asset is not recognized in the financial statements but is disclosed in notes when an inflow of economic benefits is probable.

**v) Subsequent events**

The events subsequent to the date of the balance sheet are those events, favorable and unfavorable, that occur between the date of the balance sheet and the date when the financial statements are authorized for issue.

The events subsequent to the date of the balance sheet that provide additional information about *the Company's* position at the date of the balance sheet are subsequent events that led to adjustment of the financial statements.

The events subsequent to the date of the balance sheet that provide information about the conditions that arose after the balance sheet date don't require adjustment of the financial statements and are disclosed in the notes, if they are significant.

**w) Affiliated parties**

A party is considered to be affiliated if by ownership, contractual rights, and family relationship, or otherwise, has the power to control directly or indirectly or to influence significantly the other party.

Affiliated parties include also individuals such as main owners, management and members of the Board of Directors and their families.

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According to the International Financial Reporting Standards, **an entity is affiliated to a reporting entity if it meets any of the following conditions:**

- The entity and the reporting entity are members of the same group;
- An entity is an associate or joint venture of the other entity;
- Both entities are joint ventures of the same third party;
- An entity is a joint venture of a third entity and the other is an associate of the third entity;
- The entity is a post-employment benefit plan for the benefit of the reporting entity's employees or an entity affiliated to the reporting unit. If the reporting entity itself represents such a plan, the sponsoring employers are also affiliated with the reporting entity;
- A person who has control or joint control over the reporting entity, has significant influence over the entity or is a member of the key personnel of the entity's management;
- The entity is controlled or jointly controlled by a person or an affiliate member of its family, if that person:
  - Has control or joint control over the reporting unit;
  - Has significant influence over the reporting entity, or
  - Is a member of the key management personnel of the reporting unit or of a parent company of the reporting entity.

***x) Correction of accounting errors***

Accounting errors found in the financial statements at the date of their drawing up may refer either to the current accounting year or in previous accounting years, correction will be performed at the date when becoming aware of them.

When recording the operations required to correct the accounting errors, are applied the provisions of IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors", stating that the entity must correct retrospectively significant errors of the period in the first set of financial statements which publication was approved after their discovery, by means of: restating the comparative amounts for the prior period presented in which the error occurred or if the error occurred before the first prior period.

According to OMFP 2844/2016, correction of errors related to previous accounting years does not require publication of the revised yearly financial statements for that accounting year, and their correction is performed based on the retained earnings account, without affecting the result of the current accounting year.

The correction of the errors related to the current financial year, is carried out, before the approval of the annual financial statements, by reversing (the registration in red/with the minus sign or by the method of the reverse registration) of the incorrectly recorded operation and, at the same time, the corresponding recording of the operation in question.



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**y) Reserves**

*The Company* creates legal reserves according to Art. 183 of Law 31/1990.

Given the provisions of OMFP 2844/2016, *the Company* creates legal reserves from the profit of the entity, within the quotas and limits set by the law, but also from other sources provided by the law.

*The Company* considered necessary a change in the accounting policy for recognizing the surplus from revaluation of tangible fixed assets in order to incorporate it into a separate reserve account, as the assets are used by *the Company* (in proportion as they are depreciated), respectively when the assets are out of the accounting records.

Thus, starting with 2010, it was decided to recognize as realized the differences from revaluation of fixed assets in proportion as they are depreciated.

**3. Fixed assets**

The amounts (gross, net), depreciation, composition and other relevant issues relating to the movement of fixed assets during the financial year ended 31.12.2023 are presented below.

**3.1 Intangible fixed assets**

The statements of movement and depreciation of intangible fixed assets in the accounting year 2023 are presented in Tables 1, 2 and 3 below.

**Table no. 1 – Inputs and outputs of intangible fixed assets (gross values)**

- lei -

| Explanations                  | 31.12.2022 | Inputs    | Transfers | Outputs   | 31.12.2023 |
|-------------------------------|------------|-----------|-----------|-----------|------------|
| 0                             | 1          | 2         | 3         | 4         | 5=1+2-3-4  |
| Other intangible fixed assets | 1,656,367  | 3,024,986 | -         | 3,013,270 | 1,668,083  |

During 2023, a licence was acquired for 11,716 lei.

The recalculation at the end of 2023 of the value of fixed assets held for sale, based on the updated lists of assets subject to the transfer of the lines of business related to the ABC platform and partially to the Călnicel platform, resulted in a change in the impairment of intangible assets and affected the value of the inflows and outflows by an amount of 3,013,270 lei.

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**Table no. 2 – Cumulative depreciation of intangible assets**

- lei -

| Explanations                  | 31.12.2022  | Costs with depreciation | Cumulative depreciation of outputs | 31.12.2023  |
|-------------------------------|-------------|-------------------------|------------------------------------|-------------|
| 0                             | 1           | 2                       | 3                                  | 4=1+2-3     |
| Other intangible fixed assets | (1,189,612) | (34,395)                | -                                  | (1,224,007) |

**Table No. 3 – Net accounting values of intangible assets**

- lei -

| Explanations                  | 31.12.2022 | 31.12.2023 |
|-------------------------------|------------|------------|
| 0                             | 1          | 2          |
| Other intangible fixed assets | 466,756    | 444,076    |

The lifetimes used to calculate the amortization of intangible assets are 50 years for the drawings and technical projects for hydro aggregates, 15 years for the drawings and technical projects for electric motors, and 3 years for the rest of the intangible assets.

The depreciation method used is the linear one.

**3.2 Tangible fixed assets**

The statements of movement and depreciation of tangible fixed assets in the accounting year 2023 are presented in Tables 4, 5 and 6 below.

**Table no. 4 – Inputs and outputs of tangible fixed assets (gross values)**

lei -

| No. | Explanations                    | 31.12.2022         | Inputs           | Outputs          | Revaluation on 31.12.2023 | 31.12.2023         |
|-----|---------------------------------|--------------------|------------------|------------------|---------------------------|--------------------|
| 0   | 1                               | 2                  | 3                | 4                | 5                         | 6=2+3-4+5          |
| 1.  | Lands and land improvements     | 25,496,694         | 2,132,135        | 2,269,000        | -                         | 25,359,829         |
| 2.  | Buildings                       | 50,296,659         | 2,779,087        | 1,874,774        | -                         | 51,200,972         |
| 3.  | Equipment                       | 28,560,721         | 34,919           | 76,163           | -                         | 28,519,477         |
| 4.  | Furniture and others            | 568,421            | 6,844            | -                | -                         | 575,265            |
| 5.  | Fixed assets under construction | 914,941            | -                | -                | -                         | 914,941            |
|     | <b>TOTAL</b><br>(1+2+3+4+5)     | <b>105,837,436</b> | <b>4,952,985</b> | <b>4,219,937</b> | <b>-</b>                  | <b>106,570,484</b> |

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During the period March-October 2023, all topographical and cadastral operations were carried out, including those of land registry dismemberment, necessary to delimit the perimeter to be taken over by Hidroelectrica. On this occasion, buildings not registered in the Company's records were identified. These were recorded in the accounts at the value of 1,070,300 lei, based on the valuation report DRS 459/31.05. carried out by DARIAN DRS SA.

Also, in the chapter on entries, we mention the purchase of a fire alarm control unit for 6,844 lei. The outflows during 2023 of tangible fixed assets are due to the sale by public auction, in accordance with the regulations approved by the Creditors' Meeting, of the land located in the locality of Reșița - Dealul Mare in the area of 11,545 sqm, with a book value of 199,480 lei; sale price 219,058.09 lei (excluding VAT).

At the end of 2023, the Company reclassified a plot of land located in Moniom following the publication of its offer for sale, with an area of 24,676 sqm and a book value of 639,570 lei.

The update of the lists of assets subject to the transfer of business lines related to the ABC platform and partly to the Călnicel platform required the reclassification of some assets to fixed assets accounts and the reclassification of others to fixed assets held for sale.

**Table no. 5 – Change in fixed assets in the update of the lists relating to the transfer of the ABC/Călnicel business lines**

| No.      | Explanations                                      | Gross value    | Accumulated depreciation | Remaining value | Revaluation reserve |
|----------|---|----------------|--------------------------|-----------------|---------------------|
| <b>A</b> | <b>Assets reclassified to fixed assets</b>        | <b>810,493</b> | <b>34,919</b>            | <b>775,574</b>  | <b>165,019</b>      |
| 1        | Land  | 775,574        | -                        | 775,574         | 165,019             |
| 2        | Equipment   | 34,919         | 34,919                   | -               | -                   |
| <b>B</b> | <b>Fixed assets reclassified as held for sale</b> | <b>324,054</b> | <b>96,167</b>            | <b>227,887</b>  | <b>8,914</b>        |
| 4        | Land  | 73,389         | -                        | 73,389          | 8,914               |
| 5        | Buildings   | 174,503        | 20,005                   | 154,498         | -                   |
| 6        | Equipments  | 76,162         | 76,162                   | -               | -                   |
|          | <b>TOTAL (A-B)</b>                                | <b>486,439</b> | <b>(61,248)</b>          | <b>547,687</b>  | <b>156,105</b>      |

**Table no. 6 – Cumulative depreciation of tangible fixed assets**

-lei -

| No. | Explanations          | 31.12.2022        | Costs with depreciation | Cumulative depreciation of outputs | Revaluation on 31.12.2023 | 31.12.2023        |
|-----|-----------------------|-------------------|-------------------------|------------------------------------|---------------------------|-------------------|
| 0.  | 1                     | 2                 | 3                       | 4                                  | 5                         | 6=2+3-4-5         |
| 1.  | Land improvement      | -                 | -                       | -                                  | -                         | -                 |
| 2.  | Buildings             | 25,605,767        | 2,445,327               | 17,279                             | -                         | 28,033,815        |
| 3.  | Equipment             | 27,563,475        | 46,922                  | 76,162                             | -                         | 27,534,235        |
| 4.  | Furniture and others  | 33,299            | 228                     | -                                  | -                         | 335,527           |
|     | <b>TOTAL (1 la 4)</b> | <b>53,504,541</b> | <b>2,492,477</b>        | <b>93,441</b>                      | <b>-</b>                  | <b>55,903,577</b> |

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**Table no. 7 – Net accounting values of tangible fixed assets**

- lei -

| No. | Explanations  | 01.01.2022        | 31.12.2023        |
|-----|---|-------------------|-------------------|
| 0.  | 1   | 2                 | 3                 |
| 1.  | Land and land improvement                                       | 25,496,694        | 25,359,829        |
| 2.  | Buildings   | 24,690,892        | 23,167,158        |
| 3.  | Equipment   | 997,246           | 985,243           |
| 4.  | Furniture and others  | 233,122           | 239,738           |
| 5.  | Fixed assets under construction                                 | 914,941           | 914,941           |
| 6.  | Adjustments for depreciation of fixed assets under construction | (371,476)         | (371,476)         |
|     | <b>TOTAL</b><br>(1+2+3+4+5+6)                                   | <b>51,961,419</b> | <b>50,295,433</b> |

The situation of immovable assets proposed for sale, before reclassification, is further on presented.

**Table no. 8 Values of fixed assets at the date of reclassification.**

| No.      | Explanations                           | Gross value on<br>31.12.2023 | Accumulated<br>depreciation<br>on<br>31.12.2023 | Remaining<br>value on<br>31.12.2023 | Revaluation<br>reserve on<br>31.12.2023 |
|----------|--|------------------------------|---|-------------------------------------|---|
| <b>A</b> | <b>Moniom</b>                          | <b>349,714</b>               | -   | <b>349,714</b>                      | <b>325,038</b>                          |
| 1        | Land                                   | 349,714                      | -   | 349,714                             | 325,038                                 |
| <b>B</b> | <b>Casa de cultură (Culture House)</b> | <b>28,695,279</b>            | <b>3,788,648</b>                                | <b>24,906,631</b>                   | <b>14,182,562</b>                       |
| 3        | Land                                   | 3,719,780                    | -   | 3,719,780                           | 2,089,951                               |
| 4        | Buildings                              | 24,975,499                   | 3,788,648                                       | 21,186,851                          | 12,092,611                              |
| <b>C</b> | <b>Bussiness linesABC/Câlnicel</b>     | <b>123,817,684</b>           | <b>54,810,588</b>                               | <b>69,007,096</b>                   | <b>27,588,163</b>                       |
| 5        | Buildings                              | 14,931,921                   | -   | 14,931,921                          | 12,418,342                              |
| 6        | Equipment                              | 33,654,889                   | 13,071,902                                      | 20,582,987                          | 15,169,821                              |
| 7        | Furniture and others                   | 949,205                      | 946,008   | 3,197                               | -                                       |
| 8        | Intangible assets                      | 41,107,465                   | 8,099,225                                       | 33,008,240                          | -                                       |
|          | <b>TOTAL (A+B+C)</b>                   | <b>152,862,677</b>           | <b>58,599,236</b>                               | <b>94,263,441</b>                   | <b>42,095,763</b>                       |

On 31.12.2023 the Company owns, mainly:

Land, total area of 524.055 square meters;

Buildings, with a developed area of 271.555 square meters, and built from the ground surface of 192.400 square meters;

Technological equipment specific for machine building industry, numbering over 1.400 pieces.

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The lifetimes used to calculate the depreciation of tangible assets are established according to Government Decision no. 2139/30.11.2004 (GD 2139/2004), for buildings being between 8–50 years, and for equipment between 8–24 years, the depreciation method used being the linear one.

**Revaluation of fixed assets**

The tangible fixed assets, such as buildings and special constructions, were reassessed on 31.12.2014 by s.c. Darian DRS S.A., an ANEVAR member company.

*The Company* chose as method to reflect the results of revaluation in the accounting system, canceling of cumulative depreciation up to the date of revaluation and presentation of tangible fixed assets, such as buildings and special constructions, at fair values.

The tangible fixed assets, such as lands, were revalued on 31.12.2011 by s.c. FD Capital Management, a company member of ANEVAR.

The changes of the revaluation reserves during the financial year are presented below in Table no. 9.

**Table no. 9 - Statement of changes in revaluation reserves**

-lei -

| No. | Explanations  | 31.12.2022   | 31.12.2023  |
|-----|---|--------------|-------------|
| 0   | 1   | 2.           | 3.          |
| 1.  | Revaluation reserves at the beginning of the accounting year  | 121,902,571  | 99,553,785  |
| 2.  | Differences in revaluation reserves transferred into reserves as the assets are depreciated during the year and at deregistration of assets | (4,199,805)  | (2,511,177) |
| 3.  | Revaluation differences recorded during the accounting year as a result of revaluation  | (18,148,781) | 2,949,630   |
| 4.  | Revaluation reserves at the end of the accounting year (4=1+2+3)  | 99,553,985   | 99,992,438  |

Impairment of fixed assets reclassified as held for sale was treated as a revaluation decrease. Thus, the remaining revaluation reserve was reduced first, and the difference was recognized in expense accounts.

The reserves relating to the land "Moniom" were reduced by 289,856 lei.

The modification of the list of assets within the lines of business related to the ABC platform and partially to the Călnicel platform resulted in the reinstatement of some assets in the category of fixed assets and the increase of the reserve (previously reduced) by 165,020 lei, the decrease of the reserve for newly reclassified fixed assets by 8,915 lei as well as the increase of the reserves of the other assets by 3,083,381 lei based on the recalculation of the value of the reclassified assets.

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Also, the reductions in the revaluation reserve during the year refer to the revaluation differences in the amount of 2,285,917 lei which were transferred to account 1175 - "Retained earnings representing the surplus realised on revaluation reserves", in accordance with IFRS provisions, as assets are depreciated, in accordance with the policy adopted by the Company, as well as to the transfer of the revaluation reserve of 225,259 lei of fixed assets sold.

Within 1990-1995, UCMR, like all state-owned companies, was forced to revalue the equity of the company and the increase of the registered capital in accordance with the methodology developed by HG 945/1990, HG 26/1992 and HG 500/1994. In 2012, by applying IAS 29 – "Financial reporting in hyperinflationary economies", began adjustment of the revaluation differences included in the registered capital, according to the regulations listed above, in total amount of 13.094.760 lei, amount that was reclassified to revaluation reserves included in the registered capital.

The Company did not keep all data related to historical cost (purchase) of tangible fixed assets and, therefore, cannot provide information of this kind (gross values at historical cost, depreciation).

#### **Tangible fixed assets pledged and restricted**

The Company holds at the date of these financial statements pledged and mortgaged assets in favor of A.A.A.S. (taken over from A.N.A.F) and in favor of Serraghis Loan Management Ltd. (taken over from B.C.R).

On 31.12.2023 the net book value of the tangible assets representing Serraghis Loan Management Ltd. guarantee is 22.785.340 lei (9.882.461 lei constructions and 12.902.879 lei lands) and those of A.A.A.S. guarantee is 8.121.678 lei (3.459.418 lei for constructions and 4.662.260 lei for lands).

Pledged and mortgaged goods, of the nature of fixed assets held for sale, are presented in note 5.1.

No new pledges or mortgages were introduced in 2023.

#### **3.3 Financial assets**

Statement of equity papers held at other entities (affiliated), respectively of their value adjustments are shown in Table No. 10 below.

**Table no. 10 – Investments (shares) in subsidiaries**

-lei -

| No. | Explanations                 | 31.12.2022    | 31.12.2023 |
|-----|------------------------------|---------------|------------|
| 0   | 1                            | 2             | 3          |
| 1.  | S.C. MULTI-FARM Ltd., Reșița | 17,000        | -          |
|     | <b>TOTAL OF NET VALUE</b>    | <b>17,000</b> | <b>-</b>   |

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The Company sold under the sale/purchase contract of shares dated 28.09.2023 the 1,700 shares to S.I.E.P.C.O.F.A.R. SA at the price of 578,108 lei, so that as of 31.12.2023 it no longer has any subsidiaries.

Table No. 11 below shows the statement of equity papers held by *the Company* in other entities.

**Table no. 11 – Equity papers held in other entities**

-lei -

| Explanations                  | 31.12.2022    | 31.12.2023    |
|-------------------------------|---------------|---------------|
| Romanian Commodities Exchange | 23,000        | 26,000        |
| <b>TOTAL</b>                  | <b>23,000</b> | <b>26,000</b> |

*The Company* has shareholding in Romanian Commodities Exchange (*BRM*), holding 26 shares with a nominal value of 1,000 lei per share, representing 0.325% of *BRM* capital.

**Other financial assets**

The performance bond guarantees are retained by customers for the goods supplied by *the Company*, which may be returned only after the deadlines, provided that all the contractual clauses are fulfilled.

Generally, 70% of the performance bond guarantee value shall be returned after concluding the minutes of putting into operation, and the difference of 30% will be returned at 24 months after commissioning.

The performance bond guarantees with maturity less than one year, amounting 4,018,734 lei, with the value of adjustment in amount of 4,004,689 lei related to guaranties due and unpaid on 31.12.2023 are included in the trade receivables. (see Note no. 4).

Table no.12 shows the statement of performance bond guarantees (other fixed assets).

**Table no. 12 - Performance bond guarantees recoverable in a period longer than 1 year**

- lei -

| No. | Explanations   | 31.12.2022       | 31.12.2023       |
|-----|--|------------------|------------------|
| 0   | 1  | 2.               | 3.               |
| 1.  | Performance guarantees given to customers recoverable in a period longer than one year | 10,805,505       | 11,342,510       |
| 2.  | Debtors for the guarantees filed   | 5,276            | 6,660            |
| 3.  | Adjustments for impairment of other receivables  | (7,657,853)      | (7,657,853)      |
|     | <b>TOTAL (1+2+3)</b>   | <b>3,152,928</b> | <b>3,691,317</b> |

Performance guarantees recoverable in a period longer than 1 year have increased.

Among the newly created guarantees still outstanding on 31 December 2023, we mention guarantees for the objectives: HPP Turnu, contract no. 68/2023 in the amount of 528,661 lei and HPP PDF I , contract no. 72/2023 in the amount of 128,500 lei.

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The adjustments for the loss of value of the guarantees remain at the same level compared to the previous year, the largest part being represented by the adjustments for the HPP Stejaru and HPP Slatina projects run by Romelectro SA, their value being 6,974,482 lei and 640,509 lei, respectively. The company registered to the credit table with the value of these claims.

**4. Receivables**

The statement on the main receivables and payables of *the Company* is presented below. Table no. 13 below shows the statement of trade receivables and other receivables, respectively the adjustments (depreciation) thereof.

**Table No. 13 – Receivables and adjustments (their depreciations)**

- lei =

| No. | Explanations  | Balance at<br>31.12.2023 | Balance at<br>31.12.2023 | Liquidity term    |                |
|-----|---|--------------------------|--------------------------|-------------------|----------------|
|     |   |                          |                          | Under 1 year      | Over 1<br>year |
| 1   | Trade receivables                                       | 15,334,348               | 17,827,497               | 17,827,497        | -              |
| 2   | Value adjustments for depreciation of trade receivables | (13,016,940)             | (12,904,798)             | (12,904,798)      | -              |
| 3   | <b>Total net values for trade receivables (1 + 2)</b>   | <b>2,317,408</b>         | <b>4,922,699</b>         | <b>4,922,699</b>  | -              |
| 4   | Receivables to be collected from related parties        | 61,574                   | 61,574                   | 61,574            | -              |
| 5   | Value adjustments for depreciation of other receivables | -                        | -                        | -                 | -              |
| 6   | <b>Total net values for other receivables (4+5)</b>     | <b>61,574</b>            | <b>61,574</b>            | <b>61,574</b>     | -              |
| 7   | Other receivables, of which:                            | 26,970,442               | 27,365,682               | 27,365,682        | -              |
| 7.1 | Deferred tax acc. to IFRS                               | 10,724,131               | 11,324,226               | 11,324,226        | -              |
| 8   | Value adjustments for depreciation of other receivables | (15,235,700)             | (15,239,324)             | (15,239,324)      | -              |
| 9   | <b>TOTAL NET VALUES OF RECEIVABLES (7+8)</b>            | <b>11,734,742</b>        | <b>12,126,358</b>        | <b>12,126,358</b> | -              |
| 10  | <b>TOTAL NET VALUES OF RECEIVABLES (3+6+9)</b>          | <b>14,113,724</b>        | <b>17,110,631</b>        | <b>17,110,631</b> | -              |

The main customer in balance at the end of 2023 is S.S.H. Hidroserv SA through its branches in Râmnicu-Vâlcea (401,078 lei), Porțile de Fier (226,910 lei) and Sebeș (216,426 lei).



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Other customers from which the Company has trade receivables are the City Hall of Reșița (195,156 lei), Almet International LTD (116,753 lei), Multi-Farm SRL (83,325 lei), Reșița Reductoare și Regenerabile SA (47,419 lei).

In August 2023, a contract of assignment in payment was concluded between U.C.M. Reșița and S.P.E.E.H. Hidroelectrica, whereby the Company's debt of 2,781,347 lei, resulting from the supply of electricity, was taken over for goods executed by the Company under contract 7253/2016, with Romelectro which was terminated, for HPP Stejaru, in the amount of 6,655,755 lei. Also the amount in excess of the amount due, 3,874,408.55 lei, will extinguish future debits from the supply of electricity.

The transaction resulted in a significant increase in trade receivables.

*The Company* applied the principle of prudence and adjusted through depreciation the entire amount of uncertain receivables of 11,486,121 lei.

Under "*Other receivables*" the highest values are represented by the receivables for deferred tax: 11,324,226 lei and by the debtors from loans granted by *the Company*, respectively Sports Club UCM Reșița, in amount of 14,727,010 lei, amount for which *the Company* made adjustments for depreciation since 2011.

## **5. Stocks**

### **5.1 Fixed assets held for sale**

During 2022 and 2023 in accordance with the Sale Regulations approved by the Assembly of Creditors, the assets proposed for sale to which the adjudication was not successful in 2023, will continue to be promoted, released on the market and have organized auctions in 2024. These assets are:

- ✓ "Casa de Cultură" located in Reșița, Caraș Severin county, consisting of land with an area of 9,360 sqm, the constructions that make up the building with an area of 12,843 sqm.
- ✓ Land "Moniom", built-up area land in loc. Moniom, with an area of 24.676 sqm.

There were also proposed for sale, through business transfer, the business lines related to the ABC platform and partially to the Călnicel platform. In this regard, the Framework Contract for the sale and purchase of the Business was signed on 08.12.2023, being previously approved by the Creditors' Meeting of UCM Reșița held on 25.10.2023. The Business is transferred on the date on which the Seller and the Buyer sign the Sale and Purchase Agreement in authentic form (the "Transfer Date").

The related fixed assets were reclassified during 2022 and 2023 in the category of fixed assets held for sale at the lower of book value and fair value minus the costs generated by the sale.

For Casa de Cultură (the House of Culture) asset, reclassified during 2022, ½ of the starting price at the auction was taken into account, considering the low interest in these objectives and the auction regulations that provide for the successive decrease of the price by 10% in installments of auction sessions, up to the level of 50% of the initial value. The level of 50%

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was reached during 2023 and a new analysis and approval of sales offers is required. From the mentioned price, the costs attributable to the sale (UNPIR and the judicial administrator's commissions) were subtracted in order to establish the value of the immovable assets held for sale.

The land "Moniom", has been reclassified in 2023 from the starting price of the auction, from which the costs attributable to the sale (UNPIR and receiver's fees) have been deducted.

For the business lines of the ABC platform and partially of the Călnicel platform, the price taken into account was that of the Hidroelectrica offer resulting from the direct negotiation, from which the costs attributable to the sale mentioned above were subtracted. The offer includes tangible and intangible assets, stocks, receivables, and personnel. The human resources component is both a necessity and a condition for classifying the transaction as a business transfer according to the provisions of the Fiscal Code. This is not quantifiable, does not affect the price and was not taken into account when determining the fair value.

The impairment loss was allocated, as stipulated by the applicable IFRS 5, only on fixed assets. Moreover, the treatment provided by IAS 36 was applied to the recognition of the impairment loss. Thus, the impairment losses were first borne on account of the remaining revaluation reserve, and the difference was recognized in the expense accounts.

In 2023, on the basis of the updated lists of assets subject to the transfer of the business lines related to the ABC platform and partly to the Călnicel platform, the value of fixed assets held for sale was recalculated.

On the 3 objectives, the situation is as follows:

- ✓ "House of Culture":
  - fixed assets held for sale 14,215,856 lei;
  - losses incurred in full from revaluation reserves 10,690,775 lei in 2022;
- ✓ ABC platform and partially Călnicel platform business:
  - fixed assets held for sale 60,624,641 lei;
  - in 2022 were registered reclassification losses of 7,458,777 lei, of which 7,458,006 lei incurred from revaluation reserves, 318,801 lei being allocated to expenses.
- ✓ Land "Moniom"
  - fixed assets held for sale 349,714 lei;
  - losses 289,856 lei, charged to revaluation reserves.

Of the total fixed assets held for sale in the amount of 75,190,211 lei, a part is guaranteed in favor of AAAS and in favor of Serraghis Loan Management Ltd, their value being 14,458,700 lei and 20,175,980 lei.

From fixed assets as assets held for sale, which were reclassified at the end of 2022, the heating plant consisting of 4 boilers of 10Gcal/h and related installations located on the ABC platform was sold, selling price 333,920.96 lei (excluding VAT).

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**5.2 Stocks**

The status and structure of current assets, such as stocks, is shown in the table no 14:

**Table no. 14 - Stocks and their value adjustments**

- lei -

| No. | Explanations   | 31.12.2022          | 31.12.2023          |
|-----|--|---------------------|---------------------|
| 1   | Raw materials  | 4,462,449           | 4,150,227           |
| 2   | Materials  | 750,421             | 742,632             |
| 3   | Inventory items  | 547,789             | 536,166             |
| 4   | Packages and materials from third parties, raw materials and materials in progress of purchasing | 775,866             | 696,026             |
| 5   | Semi-finished products   | 1,668,370           | 1,668,370           |
| 6   | Production in progress   | 20,577,735          | 18,415,930          |
| 7   | Finished products  | 7,839,073           | 6,355,764           |
| 8   | <b>Total of gross value ( 1+2+3+4+5+6+7 )</b>  | <b>36,621,703</b>   | <b>32,565,115</b>   |
| 9   | Adjustment of value for raw materials  | (2,213,570)         | (2,169,294)         |
| 10  | Adjustment of value for materials  | (382,514)           | (376,839)           |
| 11  | Adjustment of value for inventory objects  | (199,782)           | (197,475)           |
| 12  | Adjustment of value for packages   | (15,755)            | (15,068)            |
| 13  | Adjustment of value for semi-finished products   | (1,576,731)         | (1,576,731)         |
| 14  | Adjustment of value for production in progress   | (13,751,252)        | (16,396,931)        |
| 15  | Adjustment of value for finished products  | (4,182,591)         | (5,812,955)         |
| 16  | <b>Total value adjustments (9+10+11+12+13+14+15)</b>   | <b>(22,322,195)</b> | <b>(26,545,293)</b> |
| 17  | <b>Total net value ( 8+16 )</b>  | <b>14,299,508</b>   | <b>6,019,822</b>    |

In 2023 stocks, except for finished products and production in progress, showed small variations, mainly due to the shorter supply-production-disposal cycle.

In August 2023, a contract of payment was concluded between U.C.M. Reșița and S.P.E.E.H. Hidroelectrica, whereby the Company's debt from the supply of electricity, goods executed by the Company under contract 7253/2016 with Romelectro, which was terminated, for HPP Stejaru, in the amount of 6,655,755 lei, was taken over.

The transaction is the most important cause for the decrease in ongoing production and finished products.

At the same time, considering the termination of contract 7253/2016, with Romelectro, for HPP Stejaru, the fact that not all the products executed by the Company related to this project were subject to the above mentioned contract and the lack of a response from S.P.E.E.H.

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Hidroelectrica regarding the interest in purchasing the products already executed remaining in stock, the Company proceeded, at the end of the current year, to adjust their value, with 2,646,977 lei for work in progress and 1,630,938 lei for finished products.  
At the end of 2023, the Company has projects with a low value and a short execution period on the books.

**6. Cash and cash equivalents**

The statement on cash and credits committed is shown in Table no. 15:

**Table no. 15– The available cash and credits committed**

- lei -

| No. | Explanations                                  | 31.12.2022       | 31.12.2023       |
|-----|---|------------------|------------------|
| 1.  | Bank accounts in Lei                          | 2,568,351        | 2,692,537        |
| 2.  | Bank accounts in foreign currency             | 472,242          | 5,509            |
| 3.  | Cash in hand                                  | 42,523           | 36,298           |
| 4.  | Treasury advances                             | -                | -                |
| 5.  | Short-terms deposits                          | 3,069,727        | 545,908          |
| 6.  | Other securities                              | -                | -                |
| 7.  | <b>Total cash in hand (1+2+3+4+5+6)</b>       | <b>6,152,843</b> | <b>3,280,252</b> |
| 8.  | Restricted cash (account securities)          | 198,058          | 199,418          |
| 9.  | <b>Total deficit/surplus of account (7-8)</b> | <b>5,954,785</b> | <b>3,080,834</b> |

The bank term deposit outstanding on 31.12.2022 was liquidated in 2023. Cash and cash equivalents were used to pay the remaining amounts to be distributed to budget creditors according to the approved Payment Schedule related to the Company's Reorganisation Plan. Thus, on 27.06. 2023, a payment in the amount of 3,812,858 lei due to A.A.A.S was made to the consignment account of BEJA Ezer and Crâșmaru. according to the attachment addresses received.

On 31.12.2023, the company has only one bank deposit, from the amount obtained following the sale of the shares held in Multi-Farm SRL to S.I.E.P.C.O.F.A.R. SA.

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**7. Debts**

The statement on the main debt (commercial, banking, budgetary obligations and other creditors) is shown in Table no. 16.

**Table no. 16 – Summary statement of debts**

- lei -

| No. | Explanations  | 31.12.2022         | 31.12.2023         | Written in the final table of creditors | Currently          | Liquidity time     |           |              |
|-----|---|--------------------|--------------------|---|--------------------|--------------------|-----------|--------------|
|     |   |                    |                    |   |                    | Less than 1 year   | 1-5 years | Over 5 years |
| 1.  | Amounts owed to credit institutions                   | -                  | -                  | -                                       | -                  | -                  | -         | -            |
| 2.  | Advances received in account of orders from customers | 1,002,997          | 710,685            |   | 710,685            | 710,685            | -         | -            |
| 3.  | Trade payables  | 8,736,298          | 7,028,423          | 4,331                                   | 7,024,092          | 7,024,092          | -         | -            |
| 4.  | Bills payable   | -                  | -                  | -                                       |                    |                    | -         | -            |
| 5.  | Loans and interests owed to the main shareholder      | -                  | -                  | -                                       |                    |                    | -         | -            |
| 6.  | Other debts, including tax and social securities      | 428,514,872        | 432,741,244        | 230,696,277                             | 202,044,967        | 202,044,967        | -         | -            |
|     | <b>TOTAL (1+2...+6)</b>                               | <b>438,254,167</b> | <b>440,480,352</b> | <b>230,700,608</b>                      | <b>210,139,744</b> | <b>210,139,744</b> | -         | -            |

**7.1 Trade debts and advances received in account of orders from customers**

The amounts due to related parties are detailed in Note no. 14. The main customer in the balance on 31.12.2023, from which advances have been received in the orders account, are Romelectro SA (266,115 lei), and externally Turbiwatt SAS Franța (30,558 eur).

The amount of debts as on 31.12.2023 has decreased compared to the previous year. The company has paid in full a number of older debts. Thus, the debt to E.ON Energie România SA for natural gas and electricity supply, to SPEEH Hidroelectrică SA for electricity supply, to Brantner Servicii Ecologice SA for provision of sanitation services was paid.

On 31.12.2023, the most significant debts are to Pază și Protecție Consulting & Security SRL for security services, 2,606,085 lei.

As the electricity supplier has not issued invoices for the consumption for the period July-December 2023, the Company has recorded in the accounts estimates, calculated based on the self-reading of the meters, in the amount of 2,038,708 lei. The countervalue of the consumption is

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fully covered by the amount in excess of the debits (3,874,408.55 lei), from the implementation of the payment contract between U.C.M. Reșița and S.P.E.E.H. Hidroelectrica, from August 2023.

In terms of the value of the contracts performed in 2023, the main service providers are represented by SPEEH Hidroelectrica SA Bucharest (electricity supply), Divizia Pază și Protecție Consulting & Security SRL Schitu (security services), Pluxee Romania SRL Bucharest (meal vouchers), Aquacaraș SA Reșița (water and sewerage services), Darian DRS (evaluation and cadastre services), Rețele Electricice Banat SA Timișoara (electricity distribution).

The main suppliers of raw materials are Forja Rotec SRL Buzău, Profiltrade SRL Brăila, Italinox Romania SRL Cluj Napoca, Ductil SA Buzău, Industrial Cruman SRL Ploiești, Brio Electrotehnic SRL Cluj Napoca in the category of internal suppliers and Zdas AS Czech Republic, Avenarius Agro GMBH Austria in the category of external suppliers.

**7.2. Amounts owed to credit institutions**

On 31.12.2023 the Company does not owe any amount to credit institutions.

Because of its insolvency at the date of these financial statements, the Company does not have access to financing from banks or non-banking financial institutions.

**7.3 Debts to shareholder, the state consolidated budget and other creditors**

The other debts, including tax and social security to be paid within a period of up to one year are shown in Table 17 below.

**Table No. 17 – Statement of debts to shareholder, the state consolidated budget and other creditors**

| No. | Explanations                            | 31.12.2022 | 31.12.2023 | Out of which on 31.12.2023              |            |
|-----|---|------------|------------|---|------------|
|     |   |            |            | Written in the final table of creditors | current    |
| 0   | 1                                       | 2          |            | 4                                       | 5          |
| 1   | Associates, current accounts - loan     | -          | -          | -                                       | -          |
| 2   | Associates, current accounts - interest | -          | -          | -                                       | -          |
| 3   | Social security payable                 | 55,396,276 | 54,879,525 | -                                       | 54,879,525 |
| 4   | VAT payable                             | 21,934,896 | 26,594,127 | -                                       | 26,594,127 |
| 5   | VAT non-payable                         | 12,039     | 12,039     | -                                       | 12,039     |
| 6   | Wages taxes                             | 7,383,186  | 7,275,033  | -                                       | 7,275,033  |
| 7   | Obligations to unemployment fund        | 69,128     | 69,128     | -                                       | 69,128     |

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|    |  |                    |                    |                    |                    |
|----|--|--------------------|--------------------|--------------------|--------------------|
| 8  | Obligations to special funds, other taxes, charges and remittances | 77,156,737         | 81,026,914         | 1,073,322          | 79,953,592         |
| 9  | Other creditors  | 265,430,003        | 261,632,922        | 229,622,955        | 32,009,967         |
| 10 | Retained performance bond guarantees                               | 208,680            | 208,680            |                    | 208,680            |
| 11 | Salaries and other personnel benefits                              | 536,738            | 600,533            | -                  | 600,533            |
| 12 | Other payables to employees  | 387,189            | 442,343            | -                  | 442,343            |
|    | <b>Total other debts (excluding bank credits)</b>                  | <b>428,514,872</b> | <b>432,741,244</b> | <b>230,696,277</b> | <b>202,044,967</b> |

The total current debt includes also the deferred tax debt in the total amount of 24,333,888 lei.

In the *Other creditors* category, is presented the reduction of the debt compared to the previous year by 3,812,858 lei which has been disbursed according to the Payment Schedule included in the Confirmed Reorganisation Plan. The amount due to the State Assets Administration Authority was paid into the consignment account of BEJA Ezer and Crășmaru, according to the attachment addresses received at the Company's registered office.

In November 2022, requests for payment were made by AAAS and ANAF for current debts arising after the opening date of the insolvency proceedings and prior to the approval of the Reorganisation Plan, which are under analysis, with no conclusion reached as of the date of this Report. At the court hearing of 05.03.2024, in case no.35929/3/2023, concerning the appeal filed by ANAF against the last Report of the Judicial Administrator, clarifications were submitted concerning the amounts of budgetary claims on the Company's books.

**Loans (financing) granted by the majority shareholder**

At the date of these Financial Statements there are no loans granted to the majority shareholder.

**7.4 Debts related to leasing contracts**

On 31.12.2023 *the Company* no longer has signed leasing contracts.

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**8. Provisions**

The situation regarding the provisions made and their evolution towards 31.12.2023 is showed in Table no. 18 below.

**Table no. 18 - Evolution of provisions in the accounting year 2023**

- lei -

| No. | Explanations  | 31.12.2022        | Increase         | Reduction        | 31.12.2023        |
|-----|---|-------------------|------------------|------------------|-------------------|
| 1   | Provisions for litigation                                       | 61,221,420        | 153,276          | -                | 61,374,696        |
| 2   | Provisions for costs within the guaranty period                 | 46,991            | -                | 32,644           | 14,347            |
| 3   | Provisions for costs required to dismantling of tangible assets | 20,856,369        | 328,431          | 382,073          | 20,802,727        |
| 4   | Provisions for risk s and expenses (suppliers)                  | 84,970            | 4                | 52,834           | 32,140            |
| 5   | Provisions for employee retirement benefits                     | 607,365           | 552,150          | 607,365          | 552,150           |
|     | <b>TOTAL (1+2+3+4+5)</b>  | <b>82,817,115</b> | <b>1,033,861</b> | <b>1,074,916</b> | <b>82,776,060</b> |

The provision established in 2014 by applying a 20% depreciation related to some unfavorable factors, external to the analyzed properties, to estimate a level of obtainable values, values that rather depend on the nature of the pressure to sell to which the seller is subjected, was partially resumed taking into account the fact that when reclassifying the assets held for sale, prices were taken into account in accordance with the offers or their reasonable estimates, depreciations being made where necessary.

The list of fixed assets, annexed to the Framework Agreement for the sale and purchase of the Business, which was signed on 08.12.2023, is different from the initial one, which is reflected in the net change in the provision of 30,831 lei, in the sense of an increase.

Moreover, the provision of 84.473 for fixed assets sold during the year was resumed.

The obligation to comply/ surrender in the EU Register 249 certificates for the 2022 activity, imposed by ANPM at the exit from the EGES scheme, was the subject of the Tax Decision no. 2/11.05.2023, issued by the Directorate General for Tax Administration/Directorate of Records and Collection. According to this decision, the value of the 249 EGES certificates was set at 148 708 lei. The decision was contested, but it was considered prudent to make a provision for this amount.

The provisions set up for employee benefits in 2023 were calculated in relation to people who on 31.12.2023 met the retirement conditions for age limit or early retirement.

Provisions were established/decreased in accordance with the events that generated them.



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**9. Structure of shareholding and equity**

In the Constitutive Act of UCM Reșița SA, drawn up in accordance with the provisions of Law 31/1990, registered at the National Office of the Trade Register, the Company's main shareholder is INET AG, legal entity of Swiss nationality, and at the Central Depository is registered as main shareholder the Swiss society ICESA SA.

Shareholder structure on 31.12.2023, according to the consolidated Register of shareholders that hold at least 10% issued by the Central Depository, on 31,12.2022, share holdings are:

- ✓ ICESA SA – 106,403,900 shares, representing 96.7890% of the share capital
- ✓ Individuals – 1,968,374 shares, representing 1.7905 % of the share capital
- ✓ Legal entities – 1,561,630 shares, representing 1.4205% of the share capital

The shareholding structure on 31.12.2023 has changed compared to the end of 2022 in terms of a change in the ratio of shares held by individuals to those held by legal entities.

- ✓ Thus, the percentage held by individuals increased by 0.975%, through purchases of shares from legal entities, whose ownership percentage decreased accordingly.

As the Romanian economy was a hyperinflationary economy until 31.12.2003, applying of IAS 29 – Financial Reporting in Hyperinflationary Economies, requires restatement of the registered capital elements, legal reserves, other reserves existing in the balance at the date of application for the first time of IFRS which were highlighted in the balance at historical cost, so that the registered capital and other reserves have been updated based on monthly price indices, as reported by the National Statistics Institute in the period 01.01.1991 - 31.12.2003.

Following the application of IAS 29, adjustment was done by restating the Financial Statements for the years 2010, 2011 and 2012, based on result carried forward in the account 118 "Result carried forward from the adoption of IAS 29 for the first time.

The adjustment, from the application of IAS 29, was performed by restating the Financial Statements for the years 2010,2011 and 2012, on the reported result in the account 118 - "Retained earnings resulting from the adoption of IAS 29 for the first time.

On 31.12.2023 the Company had no bonds issued.

*The Company* is listed on Bucharest Stock Exchange since 1998, but as of 06.11.2011, the date of opening the general proceeding of insolvency, the company was suspended from trading. Starting from 09.02.2022, after the entry into the reorganization period, the Bucharest Stock Exchange ordered the reintroduction of UCM Reșița shares to trading. The shares issued by the Company

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are registered, dematerialized, and they are administered by S.C. Central Depository S.A. Bucharest.

**Table no. 19 – Structure of equity and evolution of results for the accounting years 2022 and 2023, also of major adjustments on retained earnings**

| No.      | Explanations   | 31.12.2022             | 31.12.2023             |
|----------|--|------------------------|------------------------|
| 0.       | 1.   | 2                      | 3                      |
| 1.       | Registered capital   | 601,685,084            | 601,685,084            |
| <b>A</b> | <b>Total (1)</b>   | <b>601,685,084</b>     | <b>601,685,084</b>     |
| 2.       | Revaluation reserves   | 121,902,570            | 99,553,985             |
| 3.       | * Transfer of surplus from revaluation reserves                                      | (4,199,805)            | (2,511,177)            |
| 4.       | * Use of revaluation reserves  | (18,148,780)           | 2,949,630              |
| 5.       | * Registration of revaluation reserves   |                        |                        |
| <b>B</b> | <b>Total (2+3+4+5)</b>   | <b>99,553,985</b>      | <b>99,992,438</b>      |
| 6.       | Legal reserves   | 1,972,406              | 1,972,406              |
| 7.       | Increases in legal reserves from the result of current accounting year               | -                      | -                      |
| <b>C</b> | <b>Total (6+7)</b>   | <b>1,972,406</b>       | <b>1,972,406</b>       |
| 8.       | Earnings representing surplus from revaluation reserves                              | 268,370,064            | 272,569,869            |
| 9.       | * Transfer of surplus from revaluation reserves                                      | 4,199,805              | 2,511,177              |
| <b>D</b> | <b>Total (8+9)</b>   | <b>272,569,869</b>     | <b>275,081,046</b>     |
| 10.      | Other reserves   | 16,088,620             | 16,088,620             |
| <b>E</b> | <b>Total (10)</b>  | <b>16,088,620</b>      | <b>16,088,620</b>      |
| 11.      | Loss carried forward   | (1,768,572,645)        | (1,808,741,568)        |
| 12.      | * Transfer of accounting year result to retained earnings account                    | (40,079,515)           | 428,329,437            |
| 13.      | * Registration of accounting errors from previous years to retained earnings account | (89,407)               | -                      |
|          | Restatement of IFRS, of which:   | -                      | -                      |
| 14.      | * Adjustment of provisions for employees' retirement benefits                        | -                      | -                      |
| 15.      | * Reduction in deferred tax receivables recognized on the retained earnings account  | -                      | -                      |
| <b>F</b> | <b>Total (11+12+13+14+15)</b>  | <b>(1,808,741,568)</b> | <b>(1,380,412,131)</b> |
| 16.      | Profit sharing   | -                      | -                      |
| 17.      | * Account closure - profit sharing   | -                      | -                      |
| 18.      | * Increases in legal reserves from the result of current accounting year             | -                      | -                      |
| <b>G</b> | <b>Total (16+17+18)</b>  | <b>-</b>               | <b>-</b>               |
| 19.      | Profit / (Loss)  | (40,079,515)           | 428,329,427            |
| 20.      | * Transfer of accounting year result to retained earnings account                    | 40,079,515             | (428,329,437)          |
| 21.      | * Account closure - profit sharing   |                        |                        |
| 22.      | * Net result of current accounting year  | 428,329,437            | (12,409,732)           |
| <b>H</b> | <b>Total (19+20+21+22)</b>   | <b>428,329,437</b>     | <b>(12,409,732)</b>    |
|          | <b>TOTAL (A+B+C+D+E+F+G+H)</b>   | <b>(388,542,167)</b>   | <b>(398,002,269)</b>   |

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**10. Revenues from current activity**

The turnover for 2023 is 37,981,257 lei and is entirely generated on the domestic market.

Tables no.20 and 21 below show the structure of revenues/sales on types and geographic areas.

**Table no. 20 – Structure of revenues from current activities** - lei -

| No. | Explanations                    | 2022              | 2023              |
|-----|---------------------------------|-------------------|-------------------|
| 1.  | Revenues from sold production   | 20,741,707        | 37,981,257        |
| 2.  | Revenues from sale of goods     | -                 | -                 |
| 3.  | <b>TOTAL TURNOVER ( 3=1+2 )</b> | <b>20,741,707</b> | <b>37,981,257</b> |

**Table no. 21 – Revenues from current activities on geographic areas**

- lei -

| No. | Explanations                    | 2022              | 2023              |
|-----|---------------------------------|-------------------|-------------------|
| 1.  | Romania                         | 18,337,714        | 37,981,257        |
| 2.  | European Union                  | 2,403,993         | -                 |
| 3.  | <b>TOTAL TURNOVER ( 3=1+2 )</b> | <b>20,741,707</b> | <b>37,981,257</b> |

**11. Expenses**

The cost of sales for the years ended on December 31, 2022 and 2023 is as follows:

| Explanations   | 2022              | 2023              |
|--|-------------------|-------------------|
| Raw material and materials                                     |                   |                   |
| Goods  | 1,957,942         | 4,467,553         |
| Facilities   | -                 | -                 |
| Expenses with the personnel                                    | 4,315,912         | 4,794,314         |
| External services  | 18,413,642        | 18,549,951        |
| Value adjustments on fixed assets                              | 537,791           | 466,161           |
| Other expenses   | 3,008,204         | 1,233,726         |
| Changes in stocks of finished goods and production in progress | 127,656           | 121,086           |
|  | 1,013,091         | 3,645,114         |
| <b>Total cost of sales</b>                                     | <b>29,373,338</b> | <b>33,277,905</b> |

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The general administrative expenses for the years ended December 31, 2022 and 2023 are as follows:

| Explanations                                 | 2022              | 2023              |
|--|-------------------|-------------------|
| Raw material and materials                   | 116,837           | 142,103           |
| Facilities                                   | 189,302           | 158,048           |
| Expenses with the personnel                  | 5,165,993         | 5,404,796         |
| External services                            | 3,444,971         | 4,165,475         |
| Value adjustments on fixed assets            | 1,491,928         | 1,258,228         |
| Other expenses                               | 7,517,892         | 3,408,433         |
| <b>Total general administrative expenses</b> | <b>17,926,923</b> | <b>14,537,083</b> |

## 12. Current and deferred profit tax

The Company uses the information from accounting and/or other information required by the tax legislation applicable to the calculation, assessment and declaration of its obligations to the consolidated state budget.

The profit tax is calculated and determined based on data and information from the accounting checking balances, being elaborated in this respect also the tax returns, in accordance with the applicable regulations in force.

On 31.12.2023, the Company recorded an accounting loss in the amount of 12,409,732 lei, which will be covered by the profit of the following years, in accordance with the legal provisions on the matter.

The statements on taxes, contributions and fees payable to the consolidated state budget and local budgets were prepared and submitted within the time and in accordance with the requirements of the law in force.

Based on the application of IFRS criteria for recognition and assessment of the balance sheet assets and liabilities, results temporary deductible or taxable differences between the accounting base and the tax base, differences that will result in amounts that are deductible or taxable in determining the taxable profit (or loss tax) in future tax periods, when the carrying amount of those assets and liabilities will be recovered or settled.

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**Table no. 22 Deferred tax**

- lei -

| Explanations             | 31.12.2022 | 31.12.2023 |
|--------------------------|------------|------------|
| Deferred tax receivables | 10,724,131 | 11,324,226 |
| Deferred tax liabilities | 23,532,236 | 24,333,888 |

**Table no. 23 Calculation of deferred tax - 2023**

| No. | Category / Explanations   | Carrying amount | Tax base | Temporary deductible differences | Temporary taxable differences | Receivables | Debts |
|-----|---|-----------------|----------|----------------------------------|-------------------------------|-------------|-------|
| 1   | Provisions for litigation   | 153,276         |          | 153,276                          |                               | 24,524      |       |
| 2   | Cancellation of provisions for immovable decommissioning                                    | (53,642)        |          | (53,642)                         |                               | (8,583)     |       |
| 3   | Provisions for employee benefits 2022   | 552,150         |          | 552,150                          |                               | 88,344      |       |
| 4   | Cancellation of provisions for employee benefits 2021                                       | (607,365)       |          | (607,365)                        |                               | (97,178)    |       |
| 5   | Other provisions for risks  | (85,474)        |          | (85,474)                         |                               | (13,676)    |       |
| 6   | Cancellation of other provisions for risks  | 13,848          |          | 13,848                           |                               | 2,216       |       |
| 7   | Cancellation of adjustments of other immobilized receivables - guarantees of good execution | (154,731)       |          | (154,731)                        |                               | (24,757)    |       |
| 8   | Cancellation of adjustments for non-current receivables - performance guarantees            | 4,308,227       |          | 4,308,227                        |                               | 689,316     |       |
| 9   | Adjustments for depreciation of stocks  | (85,129)        |          | (85,129)                         |                               | (13,621)    |       |
| 10  | Cancellation of   |                 |          | 61,022                           |                               | 9,764       |       |

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|    |   |                   |                   |                     |                     |                |                |
|----|---|-------------------|-------------------|---------------------|---------------------|----------------|----------------|
|    | adjustments for depreciation of stocks                      | 61,022            |                   |                     |                     |                |                |
| 11 | Adjustments for depreciation of receivables                 | (169,540)         |                   | (169,540)           |                     | (27,126)       |                |
| 12 | Cancellation of adjustments for depreciation of receivables | 2,491,954         | 205,996           |                     | 2,285,958           |                | 365,753        |
| 13 | Accounting amortization and tax amortization differences    | (225,260)         |                   |                     | (225,260)           |                | (36,042)       |
| 14 | Reduced reserves for reclassification for sale              | 2,949,630         |                   |                     | 2,949,630           |                | 471,941        |
| 15 | Differences when reclassifying fixed assets - stocks        | (182,048)         |                   | (182,048)           |                     | (29,128)       |                |
|    | <b>TOTAL</b>  | <b>27,222,766</b> | <b>60,092,689</b> | <b>(18,731,709)</b> | <b>(14,138,214)</b> | <b>600,095</b> | <b>801,652</b> |

**13. Information on employees, managers and directors**

On 31.12.2023, *the Company* had the structure of the personnel as shown in Table no. 24 below.

**Table no. 24 – Structure of employees**

| No. | Category                 | Number of employees |            | %          |
|-----|--------------------------|---------------------|------------|------------|
|     |                          | 31.12.2022          | 31.12.2023 |            |
| 1.  | Production personnel     | 339                 | 304        | 68.78      |
| 2.  | Administrative personnel | 147                 | 138        | 31.22      |
|     | <b>TOTAL</b>             | <b>486</b>          | <b>442</b> | <b>100</b> |

The executive management of the Company during 2023 was composed of:

- Mr. Cosmin URSONIU – General Director
- Mrs. Liliana Nicoleta IONETE - Human Resources and Economic Director
- Mr. Cristian MURGU - Director of Production

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On 31.12.2023, *the Company* has no obligation of any kind (credits granted or future liabilities such as guarantees, etc.) incurred to former members of the administrative, management or supervisory departments.

The expenses with the wages made by *the Company* in the accounting year 2023 are shown in Table no. 25 below.

**Table no. 25 – Expenses with the wages in the accounting year 2023**

-lei -

| No. | Explanations                                      | 01.01-31.12.2023  |
|-----|---|-------------------|
| 1.  | Expenses with the wages of personnel              | 22,239,087        |
| 2.  | Expenses in kind and with vouchers for meals      | 1,124,176         |
| 3.  | Contribution of the company to social security    | 500,136           |
| 4.  | Other expenses on insurance and social protection | 91,348            |
|     | <b>TOTAL</b>                                      | <b>23,954,747</b> |

#### 14. Affiliated parties

In order to prepare these financial statements and presentation of transactions with affiliated parties (natural/ legal persons), the third parties are considered to be affiliated if one of them has the ability to control the other party or to exercise significant influence over the other party, in taking decisions on current operations with economic/financial effects.

In evaluating each possible relationship/transactions with affiliated parties, the emphasis is on the economic essence of the relationship and not necessarily on its legal form. For the purposes of the above, it is envisaged both the definition of affiliated parties in the Financial Reporting Standards, as well as those disclosed in the notes (point f in Presentation of Financial Statements).

The company has an associated entity Bursa Română de Mărfuri, Bucharest.

During 2023 the Company owned a subsidiary , s.c.MULTI-FARM s.r.l., Reșița, which operated in the field of pharmaceuticals.

By the Sale and Purchase Agreement / Sale of shares dated 28.09.2023 the Company sold to S.I.E.P.C.O.F.A.R. SA all the shares held in Multi-Farm SRL. so that on 31.12.2023 the Company no longer has any subsidiaries.

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The situation of transactions with affiliated parties is presented in Tables no. 26, 27 below.

**Table no. 26 – Sales / purchases of goods / services to and from affiliated parties**

- lei -

| No. | Explanations                       | 2022          | 2023         |
|-----|------------------------------------|---------------|--------------|
|     | <i>Sales of goods and services</i> |               |              |
| 1.  | Affiliated entities                |               |              |
| 2.  | Subsidiary companies               | 12,433        | 9,334        |
| 3.  | Major shareholder                  | -             |              |
| 4.  | Others                             | -             |              |
| 5.  | <b>Total sales (1+2+3+4)</b>       | <b>12,433</b> | <b>9,334</b> |
|     | <i>Purchases of goods/services</i> |               |              |
| 6.  | Subsidiary companies               | -             | -            |
| 7.  | Affiliated entities                | -             | -            |
| 8.  | Major shareholder                  | -             | -            |
| 9.  | <b>Total purchases (6+7+8)</b>     | <b>-</b>      | <b>-</b>     |

The volume of sales and purchases to and from affiliated parties, excluding related VAT.

**Table no. 27 – Receivables (debit balances) to affiliated parties**

- lei -

| No. | Explanations                               | 31.12.2022    | 31.12.2023    |
|-----|--|---------------|---------------|
| 1.  | Subsidiary companies – trade receivables   | 72,211        | 82,084        |
| 2.  | Affiliated entities                        | -             | -             |
| 3.  | Major shareholder                          | -             | -             |
| 4.  | Others                                     | -             | -             |
| 5.  | Advances granted to affiliated entities    | -             | -             |
|     | <b>Total trade receivables (1+2+3+4+5)</b> | <b>72,211</b> | <b>82,084</b> |

At the date of these Financial Statements the Company does not record any obligations towards the Company's main Shareholder, ICESA SA.

On 31.12.2023 there were not registered loans granted to affiliated parties.



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**15. Commitments (contractual obligations), guarantees and contingent liabilities (litigation)**

The key aspects of commitments and litigations that have affected or may affect the obligations of the Company in the future are outlined below.

**15.1 Commitments and guarantees**

**a) Commitments on capital transactions (investments)**

The Company has no commitments regarding capital operations at 31.12.2023.

**b) Commercial Commitments received**

The Company has no credentials guaranteed contracts on 31.12.2023.

**c) Guarantees granted to third parties**

As of 31.12.2023, the Company does not have guarantees to third parties in the form of bank guarantee letters.

**15.2 Contingent liabilities and litigation**

**a) Actions at the law court**

**STATUS OF LITIGATIONS PENDING AT THE LAW COURTS ON 31.12.2023**

**Table no. 28 - COMMERCIAL LITIGATION**

| No. | PARTIES                  | U.C.M.R.<br>S.A<br>IN<br>POSITION<br>OF | NO. of FILE   | LAW<br>COURT                   | PROCESS<br>STAGE   | DELIVERED<br>SENTENCE     | AMOUNT /<br>OTHER DATA |
|-----|--------------------------|---|---------------|--------------------------------|--|---------------------------|------------------------|
| 1   | SC GIA<br>Security       | Creditor                                | 1388/115/2012 | Caraș-<br>Severin<br>Law Court | Bankruptcy<br>proceedings-   | Time limit:<br>16.03.2023 | 7,885.60 lei           |
| 2   | SC Hydro-<br>Engineering | Creditor                                | 5911/115/2013 | Caraș-<br>Severin<br>Law Court | Bankruptcy<br>proceedings<br>-<br>request for<br>enrolment in<br>the table of<br>creditors | Time limit:<br>17.02.2022 | 126.633,68 lei         |

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|    |   |           |               |                         |  |   |  |
|----|---|-----------|---------------|-------------------------|--|---|--|
| 3  | SC Libarom Agri   | Creditor  | 29140/3/2012  | Law Court Bucharest     | Bankruptcy proceedings<br>-                          | Time limit:<br>08.03.2023   | Requests the amount of 1,289,570,079.97 lei.<br>Allowable the amount of 3,706,200.00 lei, according to the decisions in case no. 29140/3/2012/a1 |
| 4  | SC ISPH București   | Creditor  | 38503/3/2014  | Law Court Bucharest     | Insolvency proceedings<br>- reorganization-          | Time limit:<br>16.02.2024   | 32,460.00 lei  |
| 5  | SC IMB Miloș  | Creditor  | 1088/115/2015 | Caraș-Severin Law Court | Insolvency proceedings<br>- reorganization           | Time limit:<br>07.03.2024   | 18,200.46 lei  |
| 6  | SC Hidroserv SA   | Creditor  | 36365/3/2016  | Law Court Bucharest     | Insolvency proceedings<br>- reorganization-          | Time limit:<br>29.05.2024   | 21,725,537.41 lei  |
| 7  | SC MS SITTNER TRANS   | Creditor  | 408/115/2020  | Caraș-Severin Law Court | Merits of the case - simplified insolvency procedure | Time limit:<br>23.05.2024   | 25785,83 lei   |
| 8  | VF Insolventa SPRL, SC AC Management SRL, SC Aquaris Crivaia SRL si SC Kmobil SRL | Defendant | 1471/3/2013   | Bucharest Law Court     | Merits of the case - request for pending the case    | T: 13.06.2023-granted a new deadline of 07.11.2023 for the resolution of the request for the reinstatement of the case. | Action for annulment of the sales contract no. 388/13.02.2009  |
| 9  | Romelectro SA   | Creditor  | 909/3/2022    | Bucharest Law Court     | Merits of the case - insolvency procedure            | Time limit:<br>05.03.2024   | 7.614.990, 56 lei  |
| 10 | SSH Hidroserv SA  | Creditor  | 30582/3/2022  | Bucharest Law Court     | Merits of the case -                                 | At the deadline of 05.04.2023, the plea of lis pendens was admitted and the case file no. 10756/3/2021 was attached     | Action for annulment, nullity of the acts and operations of the debtor   |

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|    |                   |          |               |                         |   |   |              |
|----|-------------------|----------|---------------|-------------------------|---|---|--------------|
| 11 | SC PRODMEC SA     | Creditor | 2628/115/2023 | Caraș-Severin Law Court | Merits of the case - insolvency proceedings | Time limit: 21.03.2024  | 3.283,21 lei |
| 13 | AC Management SRL | Creditor | 761/30/2023   | Timiș Law Court         | Merits of the case - First instance court   | An objection is lodged for non-inclusion in the creditor's estate |              |

**Table no. 29 Civil/criminal/litigation disputes**

| No. | PARTIES   | U.C.M.R. S.A IN POSITION OF  | NO. of FILE     | LAW COURT                  | PROCESS STAGE                                   | DELIVERED SENTENCE   | AMOUNT / OTHER DATA                                      |
|-----|---|--|-----------------|----------------------------|---|--|--|
| 1   | SC Energy Holding SA - civilly responsible party, Alexandrescu Costin Răducu, Țicu Elena Lavinia - defendants, ANAF, ANRE, etc. - civil parties | Civilly responsible party  | 8308/3/2021     | Bucharest Law Court        | Merits of the case                              | Time limit: 18.03.2024   | Embezzlement - 59,480,839 lei                            |
| 2   | AAAS – contestator, SC Agrana Romania, sa.  | Third-party garnishee Challenge on enforcement, suspension of enforcement      | 8399/299/ 2022  | District Court 1 Bucharest | Merits of the case                              | Decision. 8433/17.11.2023 - rejects the challenge to execution of AAAS | 4.374,49 lei receivable+ 1.405,07 lei execution expenses |
| 3   | AAAS – contestator, SC Rafo intimat sa.   | Third party garnishee Appeal against enforcement and suspension of enforcement | 13881/299/ 2022 | District Court 1 Bucharest | Merits of the case                              | Decision. 121/16.11.2023 - rejects AAAS's appeal against execution     | 26.411, 72 lei   |
| 4   | Administration of the Environment Fund  | Plaintiff  | 24511/3/2022    | Bucharest Law Court        | Appeal  | Time limit: 15.02.2024   | 122.286 lei  |
| 5   | Administration of the Environment Fund  | Plaintiff  | 7983/2/2023     | Bucharest Court of Appeal  | Merits of the case                              | No deadline set  | 148.708 lei  |
| 6   | AC Manag., UDR Foundation, K Mobile, Chebuțiu A, Preda C, Sinea L, Cociorva D, Oprescu B, Condrea A   | Plaintiff  | 1291/62/2023    | Brașov Law Court           | Merits of the case                              | Time limit: 21.03.2024   | Action in tort 49.256.066,09 lei                         |
| 7   | AC Management   | Plaintiff  | 5384/69/2023    | Brașov Law Court           | Merits of the case-split from file 1291/69/2023 | Time limit: 22.02.2024   | Liability in tort 49.256.066,09 lei                      |

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|    |   |           |                |                                 |                    |                         |   |
|----|---|-----------|----------------|---------------------------------|--------------------|-------------------------|---|
| 8. | UDR Foundation-Defendant, Municipality of Reșița through the Mayor - intervener | Plaintiff | 13474/3/2013** | Caras-Severin County /Law Court | Appeal             | Time limit: 13.02.2024  | Revocation of donation contract                                     |
| 9  | Veresan Maria   | Plaintiff | 7477/290/2023  | Reșița City Court               | Merits of the case | Time limit: 24.04.2024  | Termination of contract, through rescission, recovery 5.037 lei     |
| 10 | Nedelcu Daniel Constantin   | Plaintiff | 7476/290/2023  | Reșița City Court               | Merits of the case | The deadline is not set | Termination of contract, through rescission, recovery 4.046,74 lei  |
| 11 | Condrea Vasile  | Plaintiff | 7478/290/2023  | Reșița City Court               | Merits of the case | Time limit: 29.02.2024  | Termination of contract, through rescission, recovery, 5.335,40 lei |

We mention that 46 files pending before the courts for resolution, in which the *Company* has the capacity of debtor/defendant or creditor, are suspended pursuant to insolvency laws, Law no. 85/2006, respectively Law no. 85/2014.

Moreover 5 cases are suspended under art. 244, para. 1, point 2 Civil Procedure Code, until penal cases are resolved.

**b) Taxation and Transfer Pricing**

The taxation system in Romania is in a phase of consolidation and harmonization with EU legislation; therefore, the tax legislation still allows different interpretations (texts formulated equivocal and/or insufficiently precise, inconsistencies with other regulative documents, etc.).

The practices for the financial statements remain open for inspection for 5 years.

*The Company's* management considers that the tax obligations included in these *financial statements* are properly set.

The tax legislation in Romania includes also rules on transfer pricing between affiliated parties.

The current legislative framework (the *Fiscal Code* and other specific regulations) establishes the principle of "market value" for transactions between affiliated parties, and the methods of transfer pricing.

Therefore, it is possible for the tax authorities to initiate checks on transfer pricing, to ensure that the fiscal outcome and/or the equity input value of goods are not distorted by the effect of the prices used in dealing with affiliated parties.

As the results of such checks are difficult to predict (quantify), the management of *the Company* is unable to assess/quantify the risks of transfer pricing.

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**c) Environmental contingencies and other contingencies**

Environmental and water management permits held for the 2 industrial platforms on which *the Company* operates, are as follows:

- for the ABC platform: Environmental permit no. 94 of 18.11.2021, revised in 29.11.2022, valid for the entire period in which UCM Reșița obtains the annual visa, according to the provisions of Law 219/2019 and the Water Management Authorization no. 21 / S.G.A. - CS, from 29.03.2021, valid until 29.03.2024.
- for the Cîlnicel platform: Environmental permit no. 96 / 25.11.2019, revised in 29.11.2022, valid for the entire period in which UCM Reșița obtains the annual visa, according to the provisions of Law 219/2019, and the Water Management Authorization no. 60 /S.G.A./14.12.2022, regarding the Cîlnicel industrial platform, authorization valid until 14.12.2025.

Environmental permits are issued by the Caraș-Severin Environmental Protection Agency, and those for water management are issued by the Caraș-Severin Water Management System.

UCM Reșița S.A. was included in the list of economic operators that own facilities that consume natural gas in operation and generate carbon dioxide emissions (greenhouse gas emissions/EGES), through the activity of heat energy production and the activity of heat treatment of ferrous and non-ferrous metal parts. The EGES plant of UCM Reșița included two working points, the ABC industrial platform and the Cîlnicel industrial platform.

The activity carried out was Fuel Burning in plants with a total rated thermal input of more than 20 MW (excluding hazardous or municipal waste incineration plants).

The equipment in UCM Reșița that in operation generates carbon dioxide - greenhouse gas emissions are:

- ✓ local heating systems (radiant panels/tubes, hot water boilers) and horizontal and vertical heat treatment furnaces at the ABC industrial platform;
- ✓ local heating systems (radiant panels/tubes, hot water boilers) and the stress relief furnace at the working point - industrial platform Cîlnicel;
- ✓ the heating plant located on the ABC industrial platform;
- ✓ heating plant located on the Cîlnicel industrial platform.

For the regulation of activities generating greenhouse gas emissions, the Company was in possession of:

- Permit no. 123/21.04.2021, on greenhouse gas emissions for the period 2021-2030, for the ABC platform - issuer National Agency for Environmental Protection (ANPM);
- Permit No 124/21.04.2021 on greenhouse gas emissions for the period 2021-2030 for the Cîlnicel platform - issued by the National Environmental Protection Agency.

The two thermal power plants have been out of operation since 2012, but since they are owned and operated by UCM Reșița SA, the National Agency for the Protection of the

In this context, it was considered that the installed thermal power of the two thermal power plants participated in the calculation of the total power of the installation at the ABC and

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Câlnicel working points, which resulted in a total rated thermal power of more than 20 MW at each of the two working points.

Taking into account the fact that the two thermal power plants have not been operating for more than 10 years, during all this time, the actual thermal power for each of them was 0. In this context, the level at which the combustion plant of UCM Reșița SA at the two working points had to be included/maintained in the greenhouse gas emissions trading scheme was no longer reached. The rated thermal output of the EGES installation at the ABC and Câlnicel work stations was below the 20 MW level:

- Pt ABC = 12.7 MW ; 12.7 MW < 20 MW
- Pt Câlnicel = 8.87 MW. 8.87 MW < 20 MW

UCM Reșița has submitted to the National Agency for Environmental Protection the request for approval of the exit of the EGES installation ABC Platform Work Point and Câlnicel Platform Work Point from the greenhouse gas emission trading scheme, starting from the previous years and continuing until 2023. At the same time, at the local level, the Caraș-Severin Environmental Protection Agency has accepted that the fuel combustion activity in installations with total rated thermal input (excluding installations for the incineration of hazardous or municipal waste) carried out in the Company's greenhouse gas emissions installation (EGES) at the two work points is below 20 MW.

In the above context and based on repeated requests by the Company, the National Agency for Environmental Protection admitted the request of UCM Reșița, according to the address no. 1/1043/LAP/16.03.2023, which established the obligations upon termination of the validity of the permits no. 123/21.04.2021 and no. 124/21.04.2021 on EGES for the period 2021-2030, for the ABC Platform Work Point and the Câlnicel Platform Work Point. The above-mentioned address states that the EGES installations of UCM Reșița at the two work points are no longer subject to the EGES trading scheme, as the activity of *Burning fuels in installations with a total rated thermal input of more than 20 MW (except installations for the incineration of hazardous or municipal waste)*, regulated by GD 780/2006, is no longer carried out on the site of these installations. Consequently, the two authorisations ceased to be valid as of 16.03.2023.

ANPM has established the obligations of UCM Reșița upon exit from the EGES scheme:

- the obligation to propose the GES emissions figure in the EU EGES register for the year 2022 for the two work points, with a deadline of 31.03.2023 - carried out by UCM Reșița on 07.03.2023;
- the obligation to pay the administration fees for the two accounts of UCM Reșița in the EU EGES Registry for the year 2022, with deadline 15.04.2023 - carried out by UCM Reșița on 13.04.2023;
- compliance obligation - surrender in the EU ETS Registry a number of ETS allowances equal to the total number of greenhouse gas emissions from the installations concerned in 2022, with a deadline of 30.04.2023.

Compliance for activity in 2022 (surrender of allowances to the EU EGES Registry for activity in 2022):

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For the 3 months in which natural gas was consumed at the beginning of 2022, the level of greenhouse gas emissions was:

- 140 tonnes CO<sub>2</sub> for the ABC platform activity,
- 109 tonnes CO<sub>2</sub> for the Calnicel platform activity.

Total: 249 tonnes CO<sub>2</sub>

1 tonne CO<sub>2</sub> = 1 EGES certificate

The value of one EGES certificate was at that time approximately = 100 Euro.

The obligation to comply/ surrender in the EU Register the 249 certificates for the 2022 activity, imposed by ANPM at the exit from the EGES scheme, was the subject of the Tax Decision no. 2/11.05.2023, issued by the Directorate General for Tax Administration/Directorate of Evidence and Collection. The decision concerning the application of the penalty provided for in the event of failure to surrender greenhouse gas emission certificates relating to activity in 2022 was challenged by UCM Reșița, which sought its annulment as unlawful. The reason for the appeal, registered with the Environmental Fund Administration under no. 43320/04.07.2023, was the fact that the EGES installations on the two industrial platforms had a rated thermal output below the 20 MW level for more than 10 years, a situation which is still valid in 2022. According to the above-mentioned tax decision, the value of the 249 EGES certificates was set at 148,708 lei. By Decision no. 99, registered with the Environmental Fund Administration under no. 8639/01.08.2023, the Legal Department, Insolvency and Complaints Resolution Service rejected the appeal lodged by UCM Reșița as unfounded, which may be appealed within 6 months from 01.08.2023 to the Bucharest Court of Appeal. UCM Reșița filed the Administrative Litigation Action no. 63/DF 0041/09.08.2023, addressed to the Bucharest Court of Appeal, Administrative and Fiscal Litigation Section, requesting the annulment of Decision no. 99 (no. 8639/01.08.2023) and Tax Decision no. 2/11.05.2023.

Abbreviations used in the environmental contingencies section:

EGES – Emissions of Gases with Greenhouse Effect (Carbon dioxide)

ANPM - National Agency for Environmental Protection

The EU EGES Register - a standardized electronic database containing common data elements used to track the issuance, holding, transfer and cancellation of greenhouse gas emission certificates.

## **16. Management of risk**

Below is a summary of the nature of management activities and policies to control the risks.

### **(i) Currency risk**

*The Company* operates in Romania, in an economic environment with strong fluctuations of the national currency against other currencies; The company has transactions in a currency other than the functional currency (RON).

Transactions made in foreign currency are converted into lei at the exchange rate valid on the date of the transaction.

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Therefore, there is a moderate risk of depreciation of net monetary asset value expressed in domestic currency, the foreign exchange market in Romania regarding conversion of domestic currency in other currencies being organized by the rules and common practices strengthened in the last years and the role of BNR in this regard is very important.

Currently, there is no market from abroad to perform conversion of the domestic currency into other currencies.

**(ii) Credit risk (rates, interests)**

Credit risk involves the *Company* incurring a financial loss as a result of a breach of contractual obligations by a customer or a counterparty to a financial instrument, and this risk arises primarily from trade receivables. The *Company* monitors the exposure to credit risk by analyzing the seniority of the receivables it registers and acts to recover the past due or expired ones.

Exposure to credit risk is influenced by the individual characteristics of each client and the country in which he operates. Most of UCM Reșița's clients operate in Romania.

The *Company's* management permanently monitors the degree of exposure to such risks, in order to keep it to a level as low as possible.

**(iii) Liquidity risk**

The *Company* may encounter difficulties in fulfilling its obligations associated with debts that are settled in cash or by transferring another financial asset.

The *Company's* approach to liquidity risk is to provide, to the extent possible, sufficient liquidity at all times to meet its debts when they become due, both under normal and stressful conditions, without bear unacceptable losses or jeopardize the *Company's* reputation.

To counteract this risk factor, the *Company* applied restrictive measures to deliver the products to uncertain customers, even requesting advance payment.

The management of the *Company* is also concerned with the careful selection of new customers according to their creditworthiness and financial discipline.

**(iv) Risk of market and economic environment**

The Romanian economy is still in transition, the economic crisis significantly affecting it, even if there is some certainty about the future evolution of Romania's policy and economic development, as a member of the Union European.

Market risk is the risk that changes in market prices, such as exchange rates, interest rates, and declining market demand will affect the *Company's* revenue.

The management of the *Company* cannot foresee the changes that will take place in Romania and their effects on the financial position, on the results of the activity or on the cash flows of the *Company* for the following accounting year, only within the limits of available information.

Eventual changes that could affect the internal conditions of Romania and the effect they could have on the activities of the customers of the *Company* and hence, on the financial position, on results and cash flows of the *Company* could not be taken into account in preparing the *financial statements*, only within the possible limits of predictability.



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The instability of the market for raw materials and materials is a risk that has been mitigated by market research, renegotiation of contract terms and even change of suppliers, if it was not possible to change the terms.

The risk of price volatility from electricity, methane gas, metals, diesel, was prevented, as far as possible, by finding new suppliers or renegotiating contracts with traditional suppliers.

Identification and evaluation of business opportunities, including the development (capital investment), influenced by the current state of economic recession (crisis), analysis of compliance with the crediting contracts and other contractual obligation, evaluation of significant uncertainties, including those related to the ability of *the Company* to continue to operate for a reasonable period of time, due to falling demand, all these are permanent tasks in attention of Company's management for the purposes of identification, access and use of financial resources, respectively substantiation of possible future financial flows.

The customers of *the Company* can also be affected by the crisis situations, the lack of liquidity which could affect their capacity to pay the current debts.

Impairment to customers' business and operating conditions may also affect grounding of cash flow provisions, respectively the analysis of *the Company's* financial assets (debits) depreciation *The Company's* management cannot predict all events that could affect the industrial sector in Romania, respectively their impact on *the financial statements*.

## **17. Continuity of activity**

### ***Events and conditions with significant impact on business continuity***

As a result of the confirmation of the Reorganization Plan by the syndic judge based on the decision 351/01.02.2022, SC UCM Reșița SA continued its activity in 2023 according to the status of a company under reorganization, under the leadership of the Judicial Administrator Consorțiul EURO INSOL SPRL and VF Insolvency SPRL.

After the completion of the transfer, the Company will mainly focus on the sale of assets, in accordance with the provisions of the Reorganisation Plan, the leasing of premises, by continuing existing contracts and entering into new contracts, and the recovery of receivables as they fall due.

Future cash flows for the ongoing business will be secured on existing leases, performance bonds relating to contacts being completed prior to the transfer.

Estimated rental income for the year 2024, based on contracts in place at 31.12.2023 is as follows:

- 555,020 lei for 21 rental contracts with legal entities;
- 447,500 lei for 250 leases with individuals.

The Company is also making every effort to continue its activity, based on electric motor repairs, in the SME2 section.

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## **18. Subsequent Events**

From the discussions held by the representatives of UCM Reșița with the representatives of Hidroelectrica and of the newly established company, Uzina de Construcții Mașini Hidroenergetice SRL, on 22.02.2024, it resulted necessary to convene the Meeting of Creditors of UCM Reșița with the following agenda "Approval of the operation to waive the right to renew the trademark "UCM REȘIȚA FONDATĂ 1771 MEMBRĂ A INET GRUP" and/or the right to register a similar trademark by UCM REȘIȚA SA".

The Meeting of Creditors, held on 28.02.2024, approved the waiver of the right to renew the trademark "UCM REȘIȚA FONDATĂ 1771 MEMBRĂ A INET GRUP", as well as the waiver of the right to register a similar trademark by U.C.M. REȘIȚA S.A.

Based on this decision, UCM Reșița S.A., through its judicial administrator, will sign an agreement to waive the right to renew the trademark "UCM REȘIȚA FONDATĂ 1771 MEMBRĂ A INET GRUP", as well as the waiver of the right to register a similar trademark by U.C.M. REȘIȚA S.A.

On 26.02.2024, the Company received via e-mail the renunciation of the mandate of special administrator of UCM Reșița sent by Mr. Băra Aurel.

The judicial administrator will convene an Extraordinary General Meeting of Shareholders to take note of the resignation and to propose another representative as special administrator of the debtor.

According to the provisions of the Framework Agreement for the sale and purchase of the Business, the Business shall be transferred on the date on which the Seller and the Buyer sign the Purchase and Sale Agreement in authentic form (the "Transfer Date"), which cannot be later than the deadline set out in the Framework Agreement, 29.02.2024. In accordance with the provisions of the Framework Agreement, the deadline may be extended twice, with an additional period of 2 (two) months.

Thus, on 28.02.2024, HIDROELECTRICA sent Notification no. 24129 regarding the fact that it proposes to extend the deadline for the authentication of the Sales Contract until 30.04.2024.

The insolvency administrator signed the Extension Agreement transmitted by Hidroelectrica, and formulated a response to the Notification by address no. 232/29.02.2024.

On 11.03.2024, the sale-purchase contract of the business was signed between U.C.M. Reșița S.A., as seller, and Uzina de Construcții Mașini Hidroenergetice S.R.L., as buyer, authenticated under No 210 dated 11 March 2024 ("CVC"), pursuant to which the Seller sold and transferred and the Buyer bought and received the Business relating to the ABC Industrial Platform and the Călnicel Industrial Platform, namely the business activity consisting of the manufacture and marketing of hydro aggregates and ancillary equipment, and the provision of rehabilitation and improvement services, specialist engineering and technical assistance in this field, carried out by

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the Seller in connection with the Transaction Perimeter, including the assets contained in the Transaction Perimeter.

The total price, exclusive of VAT, paid for the transfer of ownership of the Business and all assets falling within the Transaction Perimeter is 67,879,000 lei.

**Judicial Administrator:**

EURO INSOL SPRL and VF Insolventă SPRL  
Consortium



**General Manager:**

Cosmin URSONIU

**Economic Manager:**

Nicoleta-Liliana IONETE

