

s.c. U.C.M. Resita s.a.
(Company in insolvency, en procedure collective)

Separate Financial Statements
prepared in accordance with the
Order of the Minister of Finance no. 2844/2016
on
DECEMBER 31, 2020

Separate Financial Statements on December 31, 2020
[All amounts are given in lei (RON) unless otherwise stated]

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***Yearly Report of the Special Trustees
for the Accounting Year ended on December 31, 2020***
[All amounts are given in lei (RON) unless otherwise stated]

YEARLY REPORT
of Special Trustees
for the accounting year 2020

I. Non-financial declaration

1. Presentation of SC UCM Resita SA

UCM Resita 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 Resita 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 Resita becomes a public limited company and it is listed on the Bucharest Stock Exchange since 1997.

UCM Resita 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 Resita 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 Resita, 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 31.12.2020, the Company was in the observation period according to the provisions of Law 85/2006, Insolvency Law.

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The company has a total area of 53.83 hectares and is located on two industrial platforms (ABC and Călnicel) located in two different areas of Resita.

The Society also has numerous assets outside the current production area, both in Resita (Cultural House, Semenici Kindergarten, formerly Kindergarten with Prolonged Program No.7, apartments, blocks - former homes of unfamiliar, land etc.) and in Anina (Screw Factory) and a land in Ramnicu Valcea.

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. Since the opening of the insolvency proceedings, certain attributions of the General Meeting of Shareholders have reverted to the Creditors' Meeting, respectively to the Creditors' Committee.

The General Meetings of Shareholders may be ordinary and extraordinary.

Management of the Company

In compliance with the Decision of Bucharest Court of Law dated 06.12.2011, following the application regarding the opening of insolvency proceedings, *the Company* has retained the right to manage the assets under the supervision of the Official Receiver - VF Insolven¹ă SPRL, appointed by the syndical judge.

Subsequently, by the Conclusion of the hearing of 29.05.2012, the Court appointed as Provisional Judicial Administrator the Consortium consisting of insolvency practitioners VF Insolven¹ă SPRL and EURO INSOL SPRL, confirmed by the Creditors' Meeting on 11.11.2013.

After the opening of the insolvency procedure, according to art. 18 of Law 85/2006, the General Meeting of Shareholders appointed a Special Administrator who participates in the procedure and represents the interests of the company and of the shareholders.

At the Extraordinary General Meeting of Shareholders dated 12.11.2012 was approved the new structure for special management of *the Company* consisting of two representatives that jointly act, represent and engage *the Company*, having the right of joint signature.

Thereby, Mr. Cosmin URSONIU and Mrs. Nicoleta Liliana IONETE have been designated as Special Trustees of *the Company*.

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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.

Executive management of UCM Resita S.A.

The executive management of the Company during 2020 had the following structure:

- Mr. Cosmin URSONIU – General Director
- Mrs. Liliana Nicoleta IONETE - Human Resources and Economic Director
- Mr. Ștefan VERDET - Director of Production until 13th March 2020
- Mr. Cristian MURGU - Director of Production since 1st April 2020

The executive management of *the Company* was assigned on indefinitely period of time.

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

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- installations (valves, regulators and groups pressure oil) and hydrogenerators with auxiliary installations;
- Constructive design, technological design, assembly, service for manufactured products / equipment;
 - 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 Resita'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.

The company has 172 established suppliers, out of which 143 are suppliers in the country, 22 are suppliers of imported products and 7 are suppliers for external collaborations.

Of the domestic suppliers, 116 are in Class A capability and the rest of 27 in Class B. All external suppliers are in Class A, and collaborative suppliers are 6 in Class A, and 1 supplier in Class B.

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The main suppliers of UCM Resita SA are:

- ITALINOX ROMANIA- tins, pips, balk, stainless steel fittings
- Daw Benta Romania - putty, lacquers, primers, paints
- Hidarom Sibiu - measuring and control devices, hydraulic equipment, assembly devices
- Ductil Buzău - electrodes, welding equipment
- Romsenzor Bucharest - measuring and control devices, low voltage devices
- Thermodynamic Arad - faucets
- Miras International - metallurgical products, debited metal structures
- PH Pneumoservice – hydraulic equipment
- Unionocel Czechia - table
- Isovolta AG Austria - electrically insulating
- FORJA ROTEC - forged products

4. Major Customers

The final beneficiary of hydroelectric equipments made by UCM Resita SA is SPEEH HIDROELECTRICA SA, whether the Company has contracts concluded directly with this company, whether it is a subcontractor of SSH HIDROSERV SA, or Romelectro 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 CHE> 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 seven 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 Hydropower
- ✓ Vidraru Hydroelectric Power Plant
- ✓ Dimitrie Leonida Hydroelectric Power Plant (Stejaru)
- ✓ Marișelu and Remeșii Hydroelectric Power Plants
- ✓ HPP Râul-Mare Retezat Hydropower and CHE Ruieni
- ✓ Gâlcăg and Țugag Hydroelectric Power Plants

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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.

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 Argeş, Haţeg, Iron Gates, Râmnicu Vâlcea, Sebeş, 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.

SC ROMELECTRO S.A. is one of the most important EPC Contractors in Romania, covering its entire energy chain through its projects: energy production, transportation, distribution and supply. Founded in 1971, Romelectro becomes the foreign trade organization of the Energy Ministry at that time, and since 1994 it has become a 100% privately owned company.

In 2005, Romelectro became the majority shareholder of the Institute of Energy Studies and Designs - ISPE and Electromontaj Carpaţi Sibiu, laying the foundations of the Romelectro Group. About the capabilities of the Romelectro Group, the references speak for themselves: design and complex engineering for more than 15,000 MW in conventional and nuclear power plants, representing 90% of the total installed capacity in Romania; complex rehabilitation programs for more than 3,000 MW; engineering and design for more than 150 high voltage substations and approximately 22,000 km of designed or executed AEL.

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In its over 50 years of existence, Romelectro has carried out large-scale contracts both on the domestic and international markets.

Even if in recent years the projects developed by Romelectro have mainly covered the Romanian market, the international experience is also to be taken into account. Romelectro has become known on all continents as an EPC contractor and equipment supplier. The Vafregan and Saveh dams in Iran, Ksob and El Fakia in Algeria, 10,000 km of AEL in Iran, Iraq, the Philippines, Jordan, Syria, Algeria, Malaysia and Nigeria are some of the most important projects in the external portfolio.

The experience and capabilities of the group of companies have made Romelectro a local reference partner on the Romanian market. Moreover, the strategic partnerships and agreements with the most important suppliers of equipment, technologies and know-how in the world, offer the necessary advantages for consolidating the export activity of services and equipment on a very competitive basis.

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 Resita has to face fierce competition represented by brand companies in the field of hydropower equipment, such as:

VOITH HYDRO GmbH & Co. KG 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; 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

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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 $PN2.5 \div 25$ and nominal dimensions $DN150 \div 3500$, 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 counterweight installation, dam, flat wall valves, cofferdams, manual and electric reducers, various fittings, specialized in applications.

6. Technical Equipment

UCM Resita has great opportunities for:

- machining on large, medium and small lathes, on milling machines, planning machines, grinding machines, adjusting machines, CNC machines.
- machining on top lathes of parts up to $\varnothing 3,650 \times 16,460$ mm and weight up to 80 tons;
- Machining of carousel lathes with diameters up to $\varnothing 16.000$ mm and weight up to 125 tons;
- Drilling up to $\varnothing 160$ mm with hole widening up to $\varnothing 630$ 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;

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- 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 Resita 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 SR OHSAS 18001: 2008 referencing requirements, with the certification body Lloyd's Register Quality Assurance, 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 OHSAS 18001: 2008 standard.

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

- Certification of the Metrology Laboratory no TM-12-01-20 for the competence to perform calibration of measuring instruments in accordance with the requirements of SR EN ISO / CEI 17025: 2005, issued by the Romanian Legal Metrology Bureau, Timisoara;
- Certificate no. 010/3/2017, 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;
- Qualification of the Quality Management System in accordance with the CNCAN Quality Management Norms NMC 07, quality class 4, by CNE Cernavodă

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- Authorization of Railway Supplier for manufacturing: spare parts for traction diesel engines - AF series, Nr. 8220 / 07.09.2020, issued by AFER (Romanian Railway Authority);
- 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.62/2019, issued by AFER (Romanian Railway Authority);
- Authorization of the Non-destructive Control Laboratory for carrying out the testing and verification categories specific to the railway products - AL Series Nr. 406/2011-R 3 issued by AFER;
- Authorization of the Physical-Chemical Laboratory to perform the testing and checking categories specific to the railway products - AL series, 409/2011-R 4, issued by AFER;
- Nondestructive Non-destructive Laboratory Examination for Non-Destructive Examinations in UT, Ultrasonic Examinations Specialty (s, t, l, f, tv) for pressurized products and lifting equipment according to DISPR/CR6/TIPF/0044/0/05.10.2011, issued by ISCIR (State Inspection for Boiler Control, Pressure Receptacles and Lifting Installations);
- Non-Destructive Laboratory Authorization for: Non-Destructive Examinations in U.T. U.T. specialty (g) - Ultrasonic thickness measurements for pressure products and lifting equipment according to DISPR/CR6/TIPE/0044/0/05.10.2011 issued by ISCIR;
- Nondestructive Laboratory Authorization for: Non-Destructive Examinations in the field of T.P. - Penetrant Fluid Tests for Pressure Products and Lifting Installations according to DISPR/CR6/TIPA/0044/0/05.10.2011, issued by ISCIR;
- Non-Destructive Laboratory Authorization for: Non-Destructive Examinations in the Field of M.T- Magnetic Powder Exam for Pressure Products and Lifting Equipment according to DISPR/CR6/TIPB/0035/0/05.10.2011, issued by ISCIR;
- 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/J/8881/05.06.2013 for technical personnel, Technical officer for non-destructive examinations, issued by ISCIR
- Certificate No. DISPR/K/8872/05.06.2013 for technical personnel, Technical Assistant for destructive examinations issued by ISCIR
- Certificate No. DISPR /I/6831/23.11.2012 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

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- 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 $S_{max} = 5000 \text{ kg}$, 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 $P_{max} = 25 \text{ bar}$, $D_{nmax} = 80 \text{ mm}$, 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 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;
 - CERTIFICATE OF ENERGY MANAGER no. 1049/26.09.2019 with ANRE (National Energy Regulatory Authority), issued by ANRE;
 - Certificate of conformity no. GALEX.SP.2018.198.0127X 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. 75377 (ADR), issued by IPROCHIM SA Bucharest;
 - Authorization of non-destructive examination (visually) according to the technical prescription ISCIR, CR 6-2010-2 people, issued by ISCIR;
 - Certificate of visual examination, level 2 (VT), according to EN ISO 9712: 2013- 4 people, issued by ISIM CERT END;
 - Authorization of non-destructive examination (visually) according to the technical prescription ISCIR, CR 6-2010-3 people, issued by ISCIR;
 - Ultrasound examination certification-UT 2, 6 people.; with penetrating liquids-PT 2, 7 people; with magnetic particles - MT 2, 7 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 / 31.03.2015, issued by ISCIR;
 - Authorization (RSVTI) no. OR-596 / 11.03.2015, issued by ISCIR;
 - Certificate (RADTE IR) no. DISPR / F / 11464 / 10.06.2015, issued by ISCIR;
 - Certificate no. DISPR / B / 11752 / 21.10.2015 (RVTA, issued by ISCIR;
 - ISCIR authorizations for slide bridge cranes, issued by ISCIR;
 - Welders' Authorizations, issued by ISCIR / ISIM / RINA SIMTEX;

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- Certified 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;
- Certificate 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 Resita's work is based on quality, environment, occupational health and safety;
- 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.

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- Migration to the new standard SR ISO 45001: 2018 - Occupational health and safety management systems.

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. The main risks associated with the operations of the company

In the field of quality there were identified, evaluated, analyzed 52 risks (48 operational and 4 organizational) and 3 opportunities for which there were established and implemented actions for treatment of risks and opportunities.

Within the Company it has been appointed by the Internal Decision the Committee for Risk and Opportunities Management and a Risk and Opportunity Officer.

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

For the environmental management system, there were identified, evaluated, analyzed 10 risks and 7 opportunities for which risks and opportunities actions were established and implemented.

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Within the Company it has also been appointed by the Internal Decision the Committee for Risk and Opportunities Management and a Risk and Opportunity Officer/environment.
Evidence of risks and opportunities identified, assessed, analyzed and treated is done by completing and up-to-date updating of a Risk Register and an Opportunities Record.

9. Key non-financial performance indicators

THE SWOT ANALYSIS

| BEST POINTS | WEAK POINTS |
|---|---|
| <ul style="list-style-type: none"> * designed and built over 90% of the Romanian hydropower system; * has the know-how necessary for commissioning new hydropower equipment for the repair and / or refurbishment of existing ones; | <ul style="list-style-type: none"> * high average age among specialists; * lack of qualified labor market personnel |
| OPORTUNITIES | THREATS |
| <ul style="list-style-type: none"> * investment program of the main client Hidroelectrica SA * maintenance program of the main client Hidroelectrica SA | <ul style="list-style-type: none"> * technological progress * lack of financial resources * legislation * pandemic caused by the SARS CoV-2 coronavirus |

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;

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- 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.

The environmental management system of S.C. UCM Resita 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.

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 Resita SA holds the following environmental authorizations issued by the Caraş - Severin Environmental Protection Agency:

- The environmental authorization no. 166/12.10.2011, revised on 15.07.2013, revised on 21.10.2019, for the ABC industrial platform - valid until 12.10.2021; Annual visa decision no. 29 from 25.08.2020
- The environmental authorization no. 96/25.11.2019, for the industrial platform Călnicel - valid for the entire period in which the annual visa is obtained, requested from the issuer; Annual visa decision no. 50 from 30.09.2020

The authorizations for water management owned by the Company are issued by A.N. "Romanian waters" Banat Timișoara Water Administration and are the following:

- The Water Management Authorization no. 49/31.01.2018, regarding the ABC industrial platform - valid until 31.01.2021; Through the address registered at the National Administration "Romanian Waters", the Caraş-Severin Water Management System under no. 5664/21.12.2020, UCM Resita requested a new water management permit for the ABC platform.
- The Water Management Authorization no. 430/31.10.2019, regarding the ABC industrial platform - valid until 31.10.2022.

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.

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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,
- 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 Resita 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:

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- Reduction of natural gas consumption was obtained starting with 2013, due to losses on old networks provided by thermal plants on the ABC and Călnicel platforms was achieved by replacing the centralized heating system with local heating using ceramic gas radiators that are installed on the walls of the halls production; in addition, there are made regularly interventions by ensuring the sealing of the pipes in order to eliminate gas leaks;
- Reduction of drinking water consumption was achieved through interventions on water networks, where they required replacement of broken/damaged sections.

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, immissions), 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.

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:

- monthly 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;
- every six months the quality of industrial and rainwater wastewater discharged into the Pterova brook, discharged from the 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;
- the equivalent noise level on the ABC and Călnicel industrial 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 Resita, Caraș - Severin Waters

Greenhouse Gas Emission Authorization requirements 2013-2020, no. 3/26.11.2012 - ABC Platform and No. 4/26.11.2012 - Călnicel Platform Working Point, revised on 03.11.2017, issuer the National Environmental Protection Agency, are respected, Environmental Protection Service personnel following all the legislative steps according to the EU Regulation no. 601/2012, respectively GD 780 of 2006, updated, regarding the establishment of trading scheme of the

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greenhouse gas emission certificates.

UCM Resita requested the National Agency for Environmental Protection, through the addresses no. 186/DG 0060/01.07.2020 and no. 187/DG 0060/01.07.2020, issuing the authorizations regarding the greenhouse gas emissions, for the period 2021-2030, for the installation of SC UCM Resita SA - ABC Platform Working Point and Călnicel Platform Working Point. According to the requirements of ANPM, through our addresses no. 320/DG 0060/20.10.2020 and no. 321/DG 0060/20.10.2020, were sent to ANPM, the Greenhouse Gas Emission Monitoring Plans for the period 2021-2030, for the SC UCM Resita installation from the two work points.

Regular reports are sent to Caraş-Severin Environmental Protection Agency on: dangerous chemicals management - monthly; management of purchased and consumed oils, as well as used oil - monthly; dangerous waste management - monthly; transport of hazardous waste - quarterly; quantities of industrial emissions - annually; statistical situation on waste management, GD PRODES form - yearly; inventory of volatile organic compounds (VOC) - annually; reporting of classified chemicals in accordance with Regulation 1272/2008) - annually; Updating the PCB Oil Disposal Plan - annually, centralized situation of self-monitoring on environmental factors: air, industrial wastewater, groundwater, noise - monthly and annually, according to the requirements of environmental authorizations, or at the request of the competent local or national environmental authorities (APM CS or ANPM).

The compliance of the Company with the requirements or expectations of the environmental/water management authorities is substantiated by the conclusions of the external audits of the environmental authorities/GA and the internal audits carried out by environmental protection staff in all compartments of activity. Following the inspections carried out by the representatives of the National Environmental Guard, the Caraş - Severin County Commissariat and those carried out by the representatives of the Banat Water Basin Administration Timişoara /Resita Water Management System, no sanctions were applied during 2020. SC UCM Resita S.A. has not been involved in litigation concerning the quality of the environment and no court decisions have been issued on the quality of the environment.

11. Social and staff aspects

On December 31, 2020, UCM Resita SA had a staff of 681 employees assigned to the following structure:

- 465 workers, representing 68.28% of the staff
- 16 foremen, accounting for 2.35% of staff
- 200 TESA, representing 29.37% of staff.

The number of workers at 31.12.2020 decreased by 18.7%, compared to the same date of the previous year. This significant decrease is mainly due to favorable retirement conditions granted during 2020 and the shortage of skilled labor in the labor market, which has made it impossible to replace those who have left.

The unionization degree of the workforce in December 2020 was of 58%.

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The employer acknowledges the "Union Resita 1771" as representative union, in accordance with the Law 62/2011 (The Law of Social Dialogue) that has 311 members and is part of Frăția CNSRL but also the "Independent Free Union", as legally constituted union with 83 members.

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 27.06.2018, together with its two additional acts but also by the Internal Regulation as annex and part of the applicable Collective Labor Agreement.

In order to resolve labor disputes, the signatory parties of the Collective Bargaining Agreement appointed the members of the Arbitration Commission.

During 2020 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, also being involved in taking measures to prevent and combat the effects of the COVID - 19 pandemic.

For health and safety at work, UCM Resita 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.

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II. Financial Statement

The Annual Financial Statements on 31 December 2020 are prepared in accordance with the Order of the Minister of Public Finance no. 2844/2016.

The company carries out mainly activities in the hydro-energetic field, both on the domestic and the external market.

The main markets for each product or service marketed in 2020:

| No. | Group of products | Markets |
|-----|---|--------------------------|
| 1. | Hydro Power Units (new products and rehabilitation) | Romania, Austria, France |
| 2. | Electric motors + repairs | Romania |
| 4. | Miscellaneous | Romania, France |
| 5. | Services | Romania |
| 6. | Other revenues | Romania |

The weight of each sort of products or services reflected in the total sales of UCMR for the year 2020 is as follows:

| No. | Group of products | Weight in total sales |
|-----|---|-----------------------|
| 1. | Hydro Power Units (new products and rehabilitation) | 80.02% |
| 2. | Electric motors + repairs | 6.03% |
| 3. | Others | 1.43% |
| 4. | Services | 11.70% |
| 5. | Other revenues | 0.81% |

One of the objective of UCMR is strengthening of its position in the domestic market and finding of new markets. In order to strengthen the relationship with traditional clients, the Company is seeking to increase the volume of contracts/orders in the field of hydro - hydro power units (repairs, modernization, rehabilitation and new equipment).

In order to achieve this goal, UCMR is conducting a number of internal market contracts mainly with Hidroelectrica and SSH Hidroserv branches: CHE Porțile de Fier I, CHE Dăești, CHE Gâleeag, but also with other companies such as Romelectro Bucharest: CHE Stejaru, CHE Slatina. All products and works related to these contracts have the final beneficiary Hidroelectrica.

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For the year 2021 on the domestic market, the Company also proposed, besides the contracted projects, the participation in the execution of the capital repair and modernization works for Hidroelectrica projects, such as: CHE Vaduri, CHE Arcesti, CHE PDF I - BUTUC ROTOR TH, CHE Văcărești.

As the Company has technological capabilities and know - how, it is intended to carry out different types of works and products different from those in the hydro - energetic field, such as water pumps, irrigation pumps and electric motors, to penetrate new markets.

Significant reliance on a single customer or to a group of customers, whose loss would have a negative impact on the Company's revenues

The main customers of the Company, as a result of the turnover value achieved in 2020, are listed below:

| No. | Customer | Weight in total sales |
|-----|-----------------------------|-----------------------|
| 1. | S.S.H.HIDROSERV S.A. | 74.77 % |
| 2. | ROMELECTRO S.A. | 4.18 % |
| 3. | ALRO SA | 3.11% |
| 4. | ALMET INTERNATIONAL LTD SRL | 2.32 % |

It should be underlined that UCM Resita SA is captive on the domestic market, depending on 79.61% 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

According to the Profit and Loss Account, in 2020 the operating revenues increased by approximately 56.96% over the previous year, the weight of operating revenues in total revenues being of 97.68%, compared to 98.70% in 2019, respectively 91.24% in 2018.

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| Revenues | Lei | | |
|-----------------------|-------------------|-------------------|-------------------|
| | 2018 | 2019 | 2020 |
| Operating revenues | 54,032,148 | 64,956,124 | 27,956,970 |
| Financial revenues | 5,189,196 | 852,704 | 664,291 |
| Total revenues | 59,221,344 | 65,808,828 | 28,621,261 |

| Revenues | Weight in percentage (%) | | |
|--------------------|--------------------------|----------------|----------------|
| | 2018 | 2019 | 2020 |
| Operating revenues | 91.24% | 98.70% | 97.68% |
| Financial revenues | 8.76% | 1.30% | 2.32% |
| Total | 100.00% | 100.00% | 100.00% |

In 2020, the weight of operating costs in total expenses increased compared to 2019.

| Expenses | Lei | | |
|-----------------------|-------------------|-------------------|-------------------|
| | 2018 | 2019 | 2020 |
| Operating expenses | 72,466,632 | 80,010,182 | 51,525,234 |
| Financial expenses | 874,729 | 527,319 | (3,867,157) |
| Total expenses | 73,341,361 | 80,537,501 | 47,658,077 |

| Expenses | Weight in percentage (%) | | |
|--------------------|--------------------------|----------------|----------------|
| | 2018 | 2019 | 2020 |
| Operating expenses | 98.81% | 99.35% | 108.11% |
| Financial expenses | 1.19% | 0.65% | -8.11% |
| Total | 100.00% | 100.00% | 100.00% |

The main economical-financial indicators are shown in the table below, with the note that it was filled with "N/A" at those indicators of the accounting years 2019 and 2020 which include in calculation the negative amounts (values), respectively the losses for the current accounting year and/or previous one.

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| Indicators | 2019 | 2020 |
|--|------|------|
| 1 Liquidity indicators | | |
| <i>Indicator for current liquidity - in number of times</i> | 0.07 | 0.07 |
| <i>Indicator for immediate liquidity (acid test) - in number of times</i> | 0.04 | 0.04 |
| 2 Risk indicators | | |
| <i>Indicator for indebtedness rate</i> | N/A | N/A |
| <i>Indicator for interest coverage - in number of times</i> <i>(if negative, it will not be calculated)</i> | N/A | N/A |
| 3 Activity indicators | | |
| <i>Turnover ratio of debts - customers - in number of days</i> | 257 | 278 |
| <i>Turnover ratio of credits - suppliers - in number of days</i> | 223 | 270 |
| <i>Turnover ratio of fixed assets - number of times</i> | 0.25 | 0.19 |
| <i>Turnover ratio of total assets - in number of times</i> | 0.18 | 0.14 |
| <i>Turnover ratio of stocks - in number of times</i> | 2.49 | 1.54 |
| 4 Profitability indicators | | |
| <i>Gross margin on sales (%)</i> | 2% | N/A |

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 2020 *the Company* ended the accounting year with losses and this indicator is not calculated.

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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.

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

The situation of lands owned by the Company at 31.12.2020 is as follows:

| No | Location | Certificate of ownership No. | Remaining area recorded in CF | Non-tabulated lands owned by UCMR with certificate of ownership | Legal status (CP/CF) Remarks |
|----|---|------------------------------|-------------------------------|---|------------------------------|
| 1 | ABC Industrial Platform | MO3 no. 4424 | 306.300 | | Tabulated |
| 2 | Drinking water tank Mociur | MO3 no. 5336 | 1.415 | | Tabulated |
| 3 | Warehouse for models Dealu Mare | MO3 no. 4726 | 11.545 | | Tabulated |
| 4 | Land for industrial water pool Dealu Mare | MO3 no. 4727 | 180 | | Tabulated |
| 5 | Reduction Gear Box Renk Factory | MO3 no. 4431 | 22.907 | | Tabulated |

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| | | | | | |
|----|---------------------------------------|----------------------------------|-------------------|--------------|---|
| 6 | Industrial bays Cilnicel | MO3 no. 5507 | 86,010.44 | 158 | Tabulated 86,010 sq.m. 158 sq.m. Non-tabulated |
| 7 | Warehouses, storage rooms Cilnicel | MO3 no. 5506 | 50,672.68 | | Tabulated |
| 8 | Deep connection station Cilnicel | MO3 no. 5493 | 2,860 | | Tabulated |
| 9 | Compressor station Cilnicel | MO3 no. 7639 | 0 | 4,680 | Non-tabulated |
| 10 | House of Culture | CF no. 32854 | 9,360 | | Tabulated |
| 11 | Nursery | MO3 no. 3907 | 2,860 | | Tabulated |
| 12 | Hostel no. 1 | MO3 no. 3301 | 623 | | Tabulated |
| 13 | Hostel no. 3 | MO3 no. 3302 | 625 | | Tabulated |
| 14 | Hostel no. 5 | MO3 no. 3298 | 608 | | Tabulated |
| 15 | Hostel no. 2 | MO3 no. 3300 | 621 | | Tabulated |
| 16 | Block of bachelor's rooms | MO3 no. 3297 | 441 | | Tabulated |
| 17 | Screw Factory Anina | MO3 no. 4429 | 10,781 | | Tabulated |
| 18 | Moniom | MO3 no. 4430 | 24,676 | | Tabulated |
| 19 | Land in Vilcea | Bill of sale and CF No. 15682 | 1,000 | | Tabulated |
| | Total | | 533,485.12 | 4,838 | |

Claims:

| No. | File No. In Court | Applicant | Court of jurisdiction | Hearings | Remarks |
|-----|----------------------|--|--------------------------|-----------------------------|---|
| 1. | 3436/290/20 10 | Mihăilescu Gheorghe Mihăilescu Carmen | Courthouse Resita | Conclusion on 09.04.2012 | Suspended under Art. 36 of Law no. 85/2006 |
| 2 | 4488/290/20 17 | Iosif Leontina Local Council | Courthouse Resita | Fund - Civil sentence | Admits the action, notes the right to use the land respectively the right of |

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|----|--------------|--|---|--|---|
| | | Re i a | | 1597/11.12.20 20 | ownership over the house and the right of use over the afferent land, according to the expertise report |
| 3. | 567/290/2018 | Ciortan Ioan și Ciortan Nadia Maria. Ciuraru Ovidiu Marius and Ciuraru Violeta Florica. Kunschner Elena and Kunschner Renate Maria Magdalena The Romanian State through the Ministry of Public Finance and the Local Council of Re i a | Courthouse Reșița Cara -Severin Court of Law | Merits of the case Civil sentence no. 620/17.06.2020 Appeal – Romanian State | Admits in part the request of the plaintiffs Ciortan and Ciurea, admits in part the counterclaim of UCMR. Time limit: 05.04.2021 |

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, which regulates with a special and derogatory character the operation of the companies subject to the insolvency procedure.

At the end of 2020 *the Company* had a total of approximately 10,324 shareholders, natural and legal persons.

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.

Regarding the shareholding structure, on 31.12.2020, the Company is facing a special situation, described in detail below:

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 shareholders are:

- ✓ INET AG - legal entity of Swiss nationality
- ✓ Association of Employees of the Machine Construction Plant Resita - legal person of private law of Romanian nationality
- ✓ List of other natural / legal shareholders (PPM and others).

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The Consolidated Register of shareholders holding at least 10% issued by the Central Depository on 23.07.2020 states:

- ICESA SA
- Legal entities
- Individuals

By the address no. 21323/23.07.2020 The Central Depository notified the Company regarding the transfer of the ownership right over the majority package of shares issued by UCM Resita, from the account of INET AG to the account of the company ICESA SA.

INET AG filed an action in court against the transfer of ownership operated by the Central Depository regarding a number of 106,403,900 shares (representing 96.78% of the share capital) issued by the company UCM Resita S.A. from the account of INET AG to the account of ICESA SA, file pending before the court with the next term on 11.05.2021, in which UCM Resita has the quality of defendant.

The Judicial Administrator, through the Point of View sent to ICESA SA and included in the Activity Report, considers that, due to the suspension from trading of UCM Resita shares, the transfer of the package of shares from Inet to ICESA is not made in compliance with the relevant legal provisions (art. 43, paragraph 1 of Law 85/2006) and the measure of suspension from trading communicated by BVB, as well as the fact that the deregistration and liquidation of INET does not seem to be proven at the date of the transfer of ownership by the Central Depository and, consequently, for these reasons, ICESA's status as a new shareholder cannot be challenged. Also, the Judicial Administrator shows that the change of shareholders as a result of invoking the transfer of the package of shares from INET to ICESA is not considered valid in the light of Law 85/2006, which regulates with special and derogatory character the operation of the company subject to insolvency proceedings, this being appreciated as a modification of the Constitutive Act of the Debtor, which can be modified only by the Reorganization Plan according to art. 95, para. 1 and 6 of the Insolvency Law.

ICESA SA filed an appeal against the Judicial Administrator's Report.

Sindic judge rejected the appeal filed by ICESA SA, by the Conclusion pronounced on 12.01.2021 and ordered the admission of the request for suspension made by the Judicial Administrator considering that it is grounded and that the resolution of this case depends on the resolution of the case transferring the right owned by the Central Depository.

ICESA appealed to this court solution, the appeal deadline being 30.03.2021.

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Financial – accounting status for the years 2018, 2019 and 2020

In the balance sheets for the accounting years 2018, 2019 and 2020 the significant balance sheet items are as follows:

Lei

| No. | Balance items | 2018 | 2019 | 2020 |
|-----|------------------------------------|-------------|-------------|-------------|
| 1 | Lands and buildings | 129,899,176 | 124,965,485 | 120,192,904 |
| 2 | Technical facilities and machinery | 2,146,395 | 2,034,930 | 1,854,729 |
| 3 | Stocks | 20,453,537 | 21,981,115 | 23,589,716 |
| 4 | Fixed assets held for sale | 11,875,402 | - | - |
| 5 | Claims | 30,148,858 | 20,197,782 | 19,483,824 |
| 6 | Cash and bank accounts | 5,963,721 | 2,588,441 | 2,013,512 |
| 7 | Current assets | 68,486,274 | 51,910,230 | 52,316,686 |
| 8 | Current liabilities | 706,881,763 | 699,288,622 | 713,560,423 |

The total value of investments made in 2020 by *the Company* was of 19,781 lei, having the following structure:

Lei

| Category | Value of investments in 2020 |
|--|------------------------------|
| Technical installations, means of transportation, animals and plantations | 3,338 |
| Furniture, office equipment, equipment for protection of material and human values and other tangible assets | 16,443 |
| TOTAL | 19,781 |

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 | 2018 | 2019 | 2020 |
|-----|--------------------------------|------------|------------|------------|
| 1 | Stocks, of which: | 32,328,939 | 21,981,115 | 23,589,716 |
| 1.a | - raw material and consumables | 7,125,422 | 5,410,756 | 5,075,719 |
| 1.b | - fixed assets held for sale | 11,875,402 | - | - |
| 1.c | -production in progress | 10,661,679 | 14,585,733 | 13,294,221 |
| 1.d | - finished products and goods | 1,802,040 | 1,945,290 | 5,096,400 |
| 1.e | - down payments | 864,396 | 39,336 | 123,376 |

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| | | | | |
|-----|-----------------------------------|------------|------------|------------|
| 2 | Other current assets of which: | 36,113,768 | 29,880,805 | 28,684,244 |
| 2.a | - receivables | 30,148,858 | 20,197,782 | 19,483,824 |
| 2.b | - short-term financial investment | 1,189 | 7,094,582 | 7,186,908 |
| 2.c | - cash availability | 5,963,721 | 2,588,441 | 2,013,512 |

The Company is working to reduce and eliminate, where possible, the stocks of raw materials, materials, unfinished production and finished products with slow motion.

It also will be continued the work to recover old receivables and to collect current receivables from customers.

Within the liabilities of *the Company*, the changes in assets registered from one year to another are:

| No. | Designation of indicator | 2018 | 2019 | 2020 |
|-----|--|---------------|---------------|---------------|
| 1 | Owner's equity | (721,609,830) | (737,053,138) | (758,553,901) |
| 2 | Debts | 706,881,763 | 699,288,622 | 713,560,423 |
| 3 | Income in advance | 11,660 | 11,425 | 11,277 |
| 4 | Provisions for liabilities and charges | 233,607,009 | 233,771,668 | 232,605,508 |

Analysis of operating results

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.

The value of products sold and services rendered by *the Company* has evolved as follows:

| No. | Explanations | 2019 | 2020 |
|-----|-----------------------------------|-------------------|-------------------|
| 1 | Revenues from production sold | 35,816,331 | 26,090,175 |
| 2 | Revenues from sale of goods | 2,473 | - |
| 3 | Discounts granted | - | - |
| 4 | TOTAL TURNOVER (4=1+2-3) | 35,818,804 | 26,090,175 |

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The turnover in 2020 is of 26.090.175 lei, cu 27.16 % lower than the turnover in 2019, of which 2.86% on the market in the European Union and 92.18% on domestic market.

| No. | Explanations | 2019 | 2020 |
|-----|----------------------|-------------------|-------------------|
| 1 | Romania | 33.019,041 | 25.344,981 |
| 2 | European Union | 2.799,763 | 745,194 |
| 7 | TOTAL (3-1+2) | 35,818,804 | 26,090,175 |

From the profit and loss account for the years 2018, 2019 and 2020 the weight of the main indicators related to revenues in total revenues is shown in the table below:

| No. | Revenues | Weight in percentage (%) | | |
|-----|--------------------------|--------------------------|----------------|----------------|
| | | 2018 | 2019 | 2020 |
| 1 | Turnover | 100.69% | 55.14% | 93.32% |
| 2 | Changes in stocks | -0.82% | 6.22% | 6.65% |
| 3 | Capitalized production | 0.00% | 0.00% | 0.00% |
| 4 | Other operating revenues | 0.13% | 38.64% | 0.03% |
| | Total | 100.00% | 100.00% | 100.00% |

Depending on their nature, the revenues are as follows:

| No. | Revenues | Lei | | |
|-----|-----------------------|-------------------|-------------------|-------------------|
| | | 2018 | 2019 | 2020 |
| 1 | Operating revenues | 54.032,148 | 64.956,124 | 27.956,970 |
| 2 | Financial revenues | 5,189,196 | 852,704 | 664,291 |
| | Total revenues | 59,221,344 | 65,808,828 | 28,621,261 |

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

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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 are as follows:

| No. | Expenses | Lei | | |
|-----|-----------------------|-------------------|-------------------|-------------------|
| | | 2018 | 2019 | 2020 |
| 1. | Operating expenses | 72,466,632 | 80,010,182 | 51,525,234 |
| 2. | Financial expenses | 874,729 | 527,319 | (3,867,157) |
| | Total expenses | 73,341,361 | 80,537,501 | 47,658,077 |

The operating expenses have the following structure:

| No. | Expenses | Lei | | |
|-----|--|-------------------|-------------------|-------------------|
| | | 2018 | 2019 | 2020 |
| 1 | Expenses on goods | 18,398,468 | 15,236,675 | 6,019,147 |
| 2 | Other external expenses (energy and water) | 4,870,793 | 5,866,184 | 5,019,972 |
| 3 | Trade discounts received | 23,072 | 94 | 19,452 |
| 4 | Expenses with the personnel | 32,108,201 | 33,357,409 | 28,929,778 |
| 5 | Adjustments | (1,918,231) | 5,374,104 | 5,448,906 |
| 6 | Other operating expenses | 19,030,473 | 20,175,904 | 6,126,883 |
| | Total operating expenses | 72,466,632 | 80,010,182 | 51,525,234 |

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

| No. | Expenses | Weight in percentage (%) | | |
|-----|--|--------------------------|--------|--------|
| | | 2018 | 2019 | 2020 |
| 1 | Expenses on goods | 25.39% | 19.04% | 11.68% |
| 2 | Other external expenses (energy and water) | 6.72% | 7.33% | 9.74% |
| 3 | Trade discounts received | 0.03% | 0.00% | 0.04% |
| 4 | Expenses with the personnel | 44.31% | 41.69% | 56.15% |

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| | | | | |
|---|--------------------------|----------------|----------------|----------------|
| 5 | Adjustments | -2.65% | 6.72% | 10.58% |
| 6 | Other operating expenses | 26.26% | 25.22% | 11.89% |
| | Total | 100.00% | 100.00% | 100.00% |

Factors of financial risk

Below is a summary of the nature of the activities and policies used for the management of risks.

(i) Foreign exchange risk

The exchange rate LEU/EUR was of 4.8694 on 31.12 2020, compared to 4.7793 on 31.12 2019.

The Company operates in Romania, in an economic environment with strong fluctuations of the national currency against other currencies; therefore, there is a risk of depreciation of the value of net liquid assets expressed in domestic currency.

Therefore, there is a moderate risk of depreciation of the value of net liquid assets 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 respect is very important.

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

In this respect, in order to repay the credits opened in foreign currency, in response to currency risk, *the Company's* management is concerned to maintain and, if possible, to increase the weight of products / services rendered to external customers.

(ii) Credit risk (rates, interests)

The management of *the Company* is concerned in monitoring the risks regarding management of bank credits and assessment of risks associated with them.

Along the development of its activity, *the Company* is exposed to credit risk from trade receivables.

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.

In 2020, the Company faced the non-collection of a receivable in the amount of 7,440,086.47 lei as a result of the confirmation of the Reorganization Plan of SSH Hidroserv which provided for a hair-cut of 50% to creditors in the category "Strategic Creditors", of which UCM Resita. was part too.

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(iii) Economic environment and market risk

The Romanian economy is still in transition, the economic and health crisis generated by the COVID -19 pandemic crisis affecting it significantly, even if there is some safety about the future development of policy and economic development through accession of Romania to the European Union.

The management of *the Company* cannot foresee the changes that will take place in Romania and their effects on the financial position, results of the activity or 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, 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 economic recession and the crisis of the financial markets, beginning with 2007, has negatively affected the global economy and performance, including the financial markets, banking centers and consumer markets (industrial) in Romania, leading to an increased uncertainty about future economic development.

The current crisis of liquidity and crediting that began in mid-2008 led, among other things, to low and difficult access to capital market funding, lower liquidity levels in the Romanian banking sector, high interest rates on bank loans, including to an increase in inflation and adjustment of product prices.

The significant losses and disorders suffered by the international financial markets could affect *the Company's* ability to obtain new loans and refinancing under conditions similar to those applicable to previous periods and transactions.

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 (Official Receivers, Special Trustees, Directors) 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.

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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 *Company's* financial assets depreciation (debits).

The Company's management cannot predict all events that could affect the industrial sector in Romania, respectively their impact on *the financial statements*, including in terms of compliance with the principle of continuity.

However, even under the above mentioned conditions, in conjunction with the insolvency status of *the Company*, the management believes that this risk (market, economic environment) is not so high as to disable all other prerequisites and conditions considered when it was concluded that preparation of these *financial statements* was performed by observing the principle of continuity, as defined by the applicable law.

III STATEMENT OF CORPORATE GOVERNANCE 2020

Through the current report from 31.03.2016, the Company sent to BVB, ASF and shareholders the information on the status of compliance on 31.12.2015 with the Corporate Governance Code of BVB, the document being posted on the company's website www.ucmr.ro.

In the conditions in which the Company is still in the insolvency procedure regulated by Law no. 85/2006, the stage of compliance with the Corporate Governance Code of BVB remained unchanged, being presented in the following:

| 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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| Board and the key management functions of the company, that applies, inter alia, the general principles of Section A. | | | proceedings against UCM Resita and, as a result, the company operates under the procedures regulated by Law no. 85/2006 on insolvency proceedings. |
| <p>A.2. The provisions for managing the conflicts of interest should be included in the Regulation of the Board.</p> <p>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> | | x | <p>The management of the company is ensured by the Consortium of Official Receivers consisting of EURO INSOL SPRL and VF INSOLVENCY SPRL Bucharest, confirmed by the Creditors Meeting on 11.11.2013.</p> <p>The mandate of the Board of Directors of the company has ceased at the appointment of the Special Trustee.</p> <p>Currently, the company is managed by two</p> |
| A.3. The Board of Directors or the Supervisory Board must consist of at least five members. | | x | <p>Special Trustees appointed by the General Meeting of Shareholders on 11.12.2012, which was empowered them to perform measures of U.C.M. Resita S.A. management under the supervision of the Consortium of Official Receivers.</p> <p>One of the Special Trustees has also the position of CEO of the company.</p> |
| <p>A.4. 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 statement at the time of his nomination</p> | | x | <p>The company is in the stage of observation, under the supervision of the Official Receiver.</p> <p>Most of the relevant aspects of corporate</p> |

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| 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. | | | governance stipulated by the Code of Corporate Governance at Sections A, B and C are not applicable to a company in insolvency proceedings. |
| 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. | | x | |
| 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. | | x | |
| A.7. The company must appoint a Secretary of the Board responsible for supporting the work of the Board. | | x | |
| 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 Nomination Committee and, if so, will summarize the key measures and | | x | |

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| 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. | | |
| A.9. 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. | | x |
| A.10. 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. | | x |
| A.11. 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. Most of the members of the Nomination Committee should be independent. | | x |
| B.1. The Board should establish an Audit Committee in which at least one member must be an independent non- | | x |

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| 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. | | |
| B.2. The President of the Audit Committee should be an independent non-executive member. | | x |
| B.3. As part of its responsibilities, the Audit Committee should conduct an annual assessment of the internal control system. | | x |
| B.4. 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 identified during the internal control and submission of relevant reports to the Board. | | x |
| B.5. The Audit Committee must assess | | x |

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| the conflicts of interest in connection with transactions of the company and its subsidiaries with related parties. | | |
| B.6. The Audit Committee must assess the effectiveness of the internal control and risk management systems. | | x |
| B.7. 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.8. 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.9. 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.10. 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 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 | | x |

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| disclosed correctly to shareholders and possible investors, to the extent that such transactions fall within the category of events subject to reporting requirements. | | | |
| B.11. 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. | x | | |
| B.12. 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. For administrative purposes and as part of the management obligations to monitor and reduce risks, it must report directly to the CEO. | x | | According to the organizational structure, the internal audit office is working under the CEO, who is also the Special Trustee. |
| C.1. 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. | | x | Because it is in insolvency proceedings, the company has not implemented a remuneration policy. The remuneration of special trustees was established by the General Meeting of Shareholders and the remuneration of the official receiver was established by the Meeting of Creditors. |
| D.1. 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 | | Partial | According to the organizational structure of the company, the persons who have responsibilities in terms of the relationship with the shareholders are integrated within the Controlling Department and the General Secretariat. In terms of the relationship with the investors, this will be provided, when it is appropriate, by the Consortium of Special |

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| English, with all relevant information of interest to investors, including: | | | Trustees and the Official Receiver. |
| D.1.1. Main corporate regulations: memorandum of association, procedures for the general meetings of shareholders; | x | | |
| D.1.2. 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; | x | | |
| D.1.3. 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; | x | | |
| D.1.4. Information about the general meetings of shareholders: agenda and informatory literature; procedure for the selection of Board members; 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; | x | | |
| D.1.5. Information on corporate issues such as payment of dividends and other distributions to shareholders, or other issues that lead to acquisition or | | x | There were no corporate events. |

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| | | | |
|---|---|---|--|
| 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; | | | |
| D.1.6. Name and contact details of the person who can provide, upon request, relevant information; | x | | |
| D.1.7. 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. |
| D.2. 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 profits. The principles of yearly policy in connection with distribution to shareholders will be published on the website of the company. | | X | Not applicable in view of the legal provisions of the Ordinance no. 64/2001 on profit sharing as intended, respectively to cover losses from previous periods. |
| D.3. The company will adopt a policy regarding forecasts, whether they are made public or not. 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 | | X | The company is in the period of observation and the forecasting policy will be subject to the reorganization plan which, if validated, will be available on the Company's website. |

Yearly Report of the Special Trustees
for the Accounting Year ended on December 31, 2020
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| | | | |
|---|---|---|---|
| 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. | | | |
| D.4. 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 | | |
| D.5. The external auditors will be present at the general meeting of shareholders when their reports are discussed. | x | | |
| 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 | | X | The Company will comply with, if the agenda of the meeting includes matters of public interest that will be submitted for |

Yearly Report of the Special Trustees
for the Accounting Year ended on December 31, 2020
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| | | | |
|--|---|---------|--|
| 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. | | | approval. |
| 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. The information presented on these occasions will be published in the section Relationship with the Investors of the company's website at the date of meetings / teleconferences. | | 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. |
| D.10. 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. |

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for the Accounting Year ended on December 31, 2020***
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Conclusions

In 2020 SC UCM Resita SA continued its activity according to the status of company in insolvency proceedings with the intention of reorganization but retained the right to manage, through the Special Trustees, under the supervision of the Official Receiver.

The activity of UCM Resita in 2020, as well as the entire world economy, was affected by the pandemic of COVID 19.

The company complied with the measures established by the Romanian Government and the competent institutions starting with 16.03.2020 when the state of emergency was decreed, as well as subsequently, throughout the state of alert.

In order to comply with all regulations and normative acts issued during the state of emergency and the state of alert, the Company has taken a series of measures designed to ensure protection and prevent the spread of Sars Cov 2 coronavirus:

- implementation of a special working procedure to prevent the spread of Sars Cov 2 coronavirus
- the division in all production sections of the personnel present at work in 2 shifts to limit the number of one shift, to a maximum of 50 people;
- modification of the work schedule in the production sections from 6 am to 2 pm for shift I, so as to create a one-hour break between shifts, shift II taking place between 15 and 23;
- reorganization of workstations to establish a distance of at least 2 meters between employees;
- allocation of money for the purchase of chlorine, disinfectants, thermal scanners, reusable masks, etc.

The application of these measures has led to the difficulty of carrying out the activity and to the decrease of the labor efficiency and productivity by:

- the impossibility of organizing the exchange III, as a result of the time gaps between the shifts imposed by the legislative provisions;
- infection with COVID-19 of some employees of the Company, who benefited from medical leave between 14 and 50 days;
- the large number of medical leave of 14 days each, for the employees declared contacts of an infected person, according to the case definition;
- increasing the times for carrying out operations by reducing and reorganizing the workstations to establish a distance of at least 2 meters between employees;
- diminishing the working time by increasing the time necessary for the application of the imposed sanitary measures (checking the temperature at the entrance to the Company's premises, periodically disinfecting the work spaces and the objects necessary for carrying out the activity, etc.)
- slowing down the pace of execution of works due to respiratory discomfort caused by wearing a mask.

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The Central Depository, through the address no. 21323/23.07.2020, notified the Company regarding the transfer of ownership over the majority stake issued by UCM Resita, from the account of INET AG to the account of the company ICESA SA.

INET AG filed an action in court against the transfer of ownership operated by the Central Depository regarding a number of 106,403,900 shares (representing 96.78% of the share capital) issued by the company UCM Resita S.A. from the account of the company INET AG in the account of the company ICESA SA, file pending before the court with the following term on 11.05.2021.

The Judicial Administrator, through the Point of View sent to ICESA SA and included in the Activity Report, considers that, due to the suspension from trading of UCM Resita shares, the transfer of the package of shares from Inet to ICESA is not made in compliance with the relevant legal provisions (art. 43, paragraph 1 of Law 85/2006) and the measure of suspension from trading communicated by BVB, as well as the fact that the deregistration and liquidation of INET does not seem to be proven at the date of the transfer of ownership by the Central Depository and, consequently, for these reasons, ICESA's status as a new shareholder cannot be challenged.

Further on, the Judicial Administrator shows that the change of shareholding as a result of invoking the transfer of the package of shares from INET to ICESA is not considered valid in the light of Law 85/2006, which regulates with special and derogatory character the operation of the company subject to insolvency proceedings, being appreciated as a modification of the Constitutive Act of the Debtor, which can be modified only by the Reorganization Plan according to art. 95, para. 1 and 6 of the Insolvency Law. ICESA SA filed an appeal against the Judicial Administrator's Report.

Sindic judge rejected the appeal filed by ICESA SA, by the Conclusion pronounced on 12.01.2021 and ordered the admission of the request for suspension made by the Judicial Administrator considering that it is grounded and that the resolution of this case depends on the resolution of the case transferring the right owned by the Central Depository.

ICESA appealed to this court decision, the appeal term being 30.03.2021.

Therefore, the shareholding structure, as of 31.12.2020, is undefined.

During 2020, SSH Hidroserv SA, one of the main clients of the Company entered the reorganization procedure.

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.

UCM Resita as the main supplier of SSH Hidroserv is listed in the Preliminary Table of Receivables in the category of strategic creditors, to whom through the Reorganization Plan 50% of the receivable is distributed, respectively 7,440,086.47 lei.

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The haircut provided by the Reorganization Plan did not affect the overall result as the entire value entered in the credit table was adjusted in previous years.

The removal of these receivables had a significant impact on the cash flow of 2020.

In March 2020, Hidroelectrica published the announcement of the award of contract 323/16.03.2020 to Ernst & Young for the provision of "specialized consultancy services, assistance, due-diligence, evaluation and conclusion of an active takeover transaction from UCM Resita" (project generically called SCORILO).

In August 2020:

- the work teams of the three entities were appointed: Ernst & Young, UCM Resita and Hidroelectrica

- the IT solution has been established to facilitate access to the requested information - several working meetings took place on the Microsoft Team platform

- the request for information was communicated by Ernst & Young

During September-October, UCM Resita provided all the information, situations and documents requested by Ernst & Young to evaluate and propose how to make the acquisition, a proposal that will be submitted for approval to the General Assembly of Creditors UCM Resita.

During December 2020, the legal consulting and assistance services that Hidroelectrica contracted with Mușat & Spârțu Shareholders were also started.

In order to carry out the legal due diligence, UCM Resita delivered until the beginning of February 2021 all the information and documents requested by the request for information sent by the consultant.

The financial, technical and legal audit reports issued by the consultants are under analysis at Hidroelectrica.

According to the initial schedule, after the valuation of the assets, in the first week of May 2021 Hidroelectrica should present the acquisition offer, followed by the negotiation and closing stages of the transaction, so that in September the assets will be transferred and integrated.

The very large volume of information, documents and assets that were analyzed and inspected, as well as the introduction, in the project, relatively late, of the legal consultant, determined the postponement of the terms initially agreed in the SCORILO project, thus the fourth stage of negotiation and the closing of the transaction could take place in September, if Hidroelectrica's decision following the reports received from the consultants will be to take over the assets of UCM Resita.

In the period 2012-2020, the Company closed the first four financial years with profit, and the following ones ended with a loss.

The net loss for 2020 is worth 21,385,684 lei.

The loss registered in 2020, as well as the non-realization of the budgeted turnover is mainly due to the postponement or cancellation of the following projects/contracts:

- CHE Stejaru (17,130 thousand lei)

The spherical valve Dn 2500 for unit number 5 was received in March 2021

Butterfly valve no. 2 was brought to UCM Resita for rehabilitation on 16.03.2021.

*Yearly Report of the Special Trustees
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The equipment for GD 1 and GD 2 was executed according to the execution schedule agreed by the contract, but for technical reasons, independent of the Company, the contract suffered very long delays.

- CHE Dăești (808 thousand lei)

The contract was not fully completed in 2020, as expected, and was completed in the first quarter of 2021, under contractual terms of 14 months' execution, starting in March 2020.

- CHE Răstolița (160 thousand lei)

UCM Resita did not provide the technical assistance services forecasted for 2020, because Hidroelectrica failed to solve the problems related to the expropriation of land on which the dam and the Rastolița plant are located, reason for which the Additional Act signed in December 2020 established the deadline for March 2023, according to the Decision of the Hidroelectrica Directorate.

- CHE Pașcani - project stopped in 2014 (21,398 thousand lei)

The company has forecast for 2020 the realization of the aggregates related to this contract, based on the request of Hidroelectrica from July 2019 to renegotiate the value of the contract, in order to resume. A Minutes of Negotiation was concluded in February 2020, but this procedure was not completed by signing an additional act.

- Energomontaj SA Bucharest (302 thousand lei)

The design for this contract was made by Power Desk. Due to some misunderstandings regarding the expertise, design and execution term, Hidroelectrica, the final beneficiary, and Energomontaj decided after several discussions to amicably terminate the contract, which automatically determined the termination of the contract between UCM Resita and Energomontaj. UCM Resita fully collected the works executed until the date of termination.

- Voith Hydro (178 thousand eur)

UCM Resita had to rehabilitated in 2020, in four hydropower units that were to be installed at a facility in Bulgaria. According to the works schedule, the dismantling and bringing to the factory of a unit for rehabilitation was done after the assembly of the already rehabilitated unit. Due to the pandemic situation, assembly-disassembly and transport activities to and from Bulgaria have been hampered, so the next unit will be brought for rehabilitation in 2021.

In order to substantiate the Revenue and Expenditure Budget for 2021, the following were taken into account:

- The existing portfolio of contracts and orders with development in 2021
- Investment strategy for refurbishment and modernization, for the period 2020-2025 published on the website of SPEEH Hidroelectrica SA
- Increasing the prices of raw materials and materials in 2020 and 2021
 - 35.9% for the Ag alloy
 - 22.2% for the Cu conductor
 - 2.51% the black table,
 - 4.42% for electrodes

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- Increasing the minimum gross salary per country guaranteed in payment to 2,300 lei, according to GD 4/2021
- The provisions of the Collective Labor Agreement in force.

Considering the Investment Strategy for refurbishment and modernization, for the period 2020-2025 published on the website of SPEEH Hidroelectrica SA, corroborated with the know-how and production capabilities held by UCM Resita SA, subject to winning tenders, the Company would have covered the portfolio of contracts in the next period, which would increase the chances of success of the Reorganization Plan to be developed.

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE



Separate Financial Statements on December 31, 2020
[All amounts are given in lei (RON) unless otherwise stated]

**STATEMENT OF SPECIAL TRUSTEES OF
UCM RESITA SA COMPANY**

The Special Trustees of *the Company* hereby declare that they assume their responsibility for the Yearly Financial Statements on December 31, 2020.

The Special Trustees of *the Company* confirm, regarding the Yearly Financial Statements on December 31, 2020, 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.

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE



Separate Financial Statements on December 31, 2020
[All amounts are given in lei (RON) unless otherwise stated]

Statement of financial position on 31.12.2020

Lei

| Reference Statement of financial position IAS 1.10(a), 113 | Note | Balance sheet items | Balance on 01.01.2020 | Balance on 31.12.2020 |
|--|------|---|--------------------------|--------------------------|
| | | | | |
| IAS 1.54(a) | 3 | Tangible fixed assets | 127,573,176 | 122,608,308 |
| IAS 1.54(c) | 3 | Intangible fixed assets | 8,456 | 3,410 |
| | 3 | Financial assets | 16,526,714 | 12,694,903 |
| | | Total of fixed assets | 144,108,346 | 135,306,621 |
| | | | | |
| IAS 1.54(h) | 4 | Trade receivables and receivables from affiliated entities | 4,209,620 | 5,778,775 |
| IAS 1.54(g) | 5 | Stocks | 21,941,779 | 23,466,340 |
| IAS 1.54(o), 56 | 12 | Deferred tax assets | 14,673,797 | 12,991,998 |
| IAS 1.54(h) | 4 | Other receivables | 1,353,702 | 833,427 |
| IAS 1.54(i) | 6 | Cash and cash equivalents | 9,683,023 | 9,200,420 |
| | | Prepayments | 48,310 | 42,726 |
| | | Total of current assets | 51,910,231 | 52,316,686 |
| | | | | |
| | | TOTAL ASSETS | 196,018,577 | 187,623,307 |
| | | | | |
| IAS 1.54(k) | 7 | Supplies and other trade payables | 37,254,641 | 36,443,159 |
| IAS 1.54(k) | 7 | Taxes and other debts | 637,557,503 | 651,970,717 |
| IAS 1.54(o), 56 | 12 | Deferred tax debts | 24,476,478 | 25,146,547 |
| IAS 1.54(l) | 8 | Provisions | 233,771,668 | 232,605,508 |
| IAS 1.55, 20.24 | | Revenues in advance | 11,425 | 11,277 |
| | | Total debts | 933,071,715 | 946,177,208 |
| | | Total assets minus Total debts | (737,053,138) | (758,553,901) |
| | | | | |
| | 9 | Registered capital | 601,685,084 | 601,685,084 |
| | 3 | Revaluation reserves | 130,468,666 | 125,996,791 |
| | 9 | Legal reserves | 1,972,406 | 1,972,406 |
| | | Other reserves | 16,088,620 | 16,088,620 |
| | 9 | Carried over result | (1,471,834,332) | (1,482,911,118) |
| | 9 | Current result | (15,433,582) | (21,385,684) |
| | 9 | Profit sharing, establishing of legal reserves | - | - |
| | | Total equity | (737,053,138) | (758,553,901) |
| | | | | |
| | | TOTAL LIABILITIES | 196,018,577 | 187,623,307 |

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE



Separate Financial Statements on December 31, 2020
[All amounts are given in lei (RON) unless otherwise stated]

Statement of comprehensive income on 31.12.2020

Lei

| Reference Statement of overall result IAS 1.10(b), 81(a) | Explanations | 31.12.2019 | 31.12.2020 |
|---|---|---------------------|---------------------|
| IAS 1.82(a) IAS 1.99,103 | Operating revenues | 60,918.894 | 26,098.984 |
| IAS 1.99, 103 | Cost of sales | 60,235.097 | 36,911.948 |
| | Gross operating profit (loss) | 683,797 | (10,812,964) |
| IAS 1.99, 103 | Distribution costs | 81,997 | 393 |
| | Administrative expenses | 15,655.858 | 12,754.907 |
| IAS 1.82(a) IAS 1.99,103 | Financial revenues | 852.704 | 664.291 |
| IAS 1.82(b) | Financial expenses | 527.319 | (3,867.157) |
| IAS 1.85 | Result before tax | (14,728,673) | (19,036,816) |
| IAS 1.82(d), IAS 12.77 | Income tax expenses | (704.909) | 2,348.868 |
| | Net Profit (loss) | (15,433,582) | (21,385,684) |
| | <i>Establishing of legal reserves under Law 31/1990</i> | - | - |
| IFRS 5.33(a), 1.82(e) | Profit attributable to: | - | - |
| IAS 1.83(b)(ii) | <i>Owners of the Company</i> | - | - |
| IAS 1.83(b)(i) | <i>Non-controlling interests</i> | - | - |

Special Trustees:

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Nicoleta Liliana IONETE



S.C. U.C.M. Resita S.A.
(Company in insolvency, on procedure collective)

Separate Financial Statements on December 31, 2020
[All amounts are given in lei (RON) unless otherwise stated]

Statement of changes in equity for the year ended on December 31, 2020

- lei-

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|--|--------------------|----------------------|----------------|--|----------------|---------------------|---------------------------------------|---------------|
| 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 | Total |
| Balance on 01.01.2020 | 601,685,084 | 130,468,666 | 1,972,406 | 259,803,968 | 16,088,620 | (1,731,638,300) | (15,433,582) | (737,053,138) |
| Changes in equity- December 31 2020 | | | | | | | | |
| Transfer of surplus from revaluation reserves | | (4,471,875) | | 4,471,875 | | | | |
| Transfer of the result of the accounting year 2019 to the carried over result | | | | | | (15,433,582) | 15,433,582 | |
| Account closing -profit share | | | | | | | | |
| Registration of accounting errors from previous years to the carried over result | | | | | | | | |
| Net result of the current accounting year | | | | | | (115,079) | | (115,079) |
| Balance on December 31 2020 IFRS | 601,685,084 | 125,996,791 | 1,972,406 | 264,275,843 | 16,088,620 | (1,747,186,961) | (21,385,684) | (758,553,901) |

The legal reserves of the Company, constituted in accordance with the provisions of the Commercial Companies Act, as at 31 December 2020 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 within 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 any form (such as the issuance of new shares under the Companies Act), it becomes taxable in the calculation of corporation tax.

We mention that on December 31/2020, the Company has not yet reached the maximum level of legal litigation.

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE



Separate Financial Statements on December 31, 2020
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Statement of cash flows on 31.12.2020

-Lei-

| Name of the element | No. line | Financial exercise ended on: | |
|---|----------|------------------------------|---------------------|
| | | 31 decembre 2019 | 31 decembre 2020 |
| OPERATING ACTIVITIES | | | |
| Net profit+Result carried over from correction of accounting errors | 1 | (14,738,398) | (19,151,895) |
| Adjustments for: | | | |
| Adjusting the value of tangible and intangible assets | 2 | 5,209,178 | 4,862,962 |
| Adjusting the value of financial assets | 3 | 169,416 | (4,556,954) |
| Expenses (revenues) with adjustments for depreciation of current assets | 4 | (117,733) | (4,723,187) |
| Adjustments to the provisions for risks and expenses | 5 | 164,659 | (1,039,429) |
| Expenses with the donating granted | 6 | - | - |
| Revenues from interests and other financial income | 7 | (42,760) | (124,791) |
| Expenses with interests and other financial income | 8 | - | - |
| Cash flow before changes in working capital (row. 1 to 8) | 9 | (9,355,638) | (24,733,294) |
| Decrease (Increase) – customers and other assimilated accounts | 10 | 11,654,632 | 11,787,763 |
| Decrease (Increase) in stocks | 11 | 9,839,797 | (1,213,526) |
| Decrease (Increase)- supplies and other assimilated accounts | 12 | (8,347,136) | 13,601,465 |
| Cash flow from operating activities (row. 9 to 12) | 13 | 3,791,655 | (557,592) |
| Revenue from interests | 14 | 41,333 | 93,001 |
| (Net increase) / Net decrease in restraint | 15 | (75,903) | 168,830 |
| Cash flow from operating activities (row.13 to 15) | 16 | 3,757,085 | (295,761) |
| Investing activities | 17 | | |
| Cash payment for long-term purchasing of land and other assets | | (116,068) | (19,781) |
| Revenues from dividends | 18 | 1,193 | 1,769 |
| Net cash used in investing activities (row. 17 to 18) | 19 | (114,875) | (18,012) |
| Financing activities | 20 | | |
| Subsidies granted | | - | - |
| Discounts of borrowed amounts | 21 | - | - |
| Net cash used in financing activities (row. 20 to 21) | 22 | - | - |
| Net increase (Decrease) in cash and cash equivalents (row. 17+20+23) | 23 | 3,642,210 | (313,773) |
| Cash and cash equivalents at the beginning of the year | 24 | 5,515,303 | 9,157,513 |
| Cash and cash equivalents at the end of the period (row. 24+25) | 25 | 9,157,513 | 8,843,740 |

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE



Separate Financial Statements on December 31, 2020
[All amounts are given in lei (RON) unless otherwise stated]

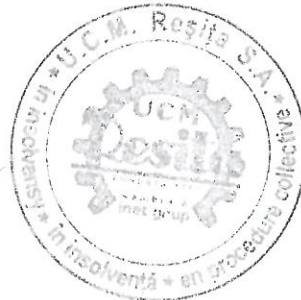
Economic - Financial Indicators on 31.12.2020

| Indicator | Calculation method | Value |
|--|---------------------------|---------------|
| 1. current liquidity | $1 = 2/3$ | 0.07 |
| 2. Current assets (lei) | 2 | 52.273.960 |
| 3. Current liabilities (lei) | 3 | 713.560.423 |
| 4. Level of indebtedness | $4 = 5/6$ | #N/A |
| 5. Borrowed capital (lei) | 5 | 0 |
| 6. Capital employed (lei) | 6 | (758.553.901) |
| 7. Turnover ratio of customer debits (days) | $7 = 8/9 \times (365)$ | 63 |
| 8. Average balance of trade receivables (lei) | 8 | 4.504.224 |
| 9. Turnover (lei) | 9 | 26.090.175 |
| 10. Turnover ratio of fixed assets (days) | $10 = 11/12 \times (365)$ | 1.893 |
| 11. Fixed assets (lei) | 11 | 135.306.621 |
| 12. Turnover (lei) | 12 | 26.090.175 |

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE



Separate Financial Statements on December 31, 2020
[All amounts are given in lei (RON) unless otherwise stated]

1. Reporting entity

General information

IAS 1.138 (a), (b), UCM REȘITA 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, 2020.

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 31.12.2020, the registered office of *UCMR* was in Bucharest, Charles de Gaulle Square 15, Charles de Gaulle Plaza Building, 3rd Floor, Office Peles, 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 Resita, 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 the like.

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 Company's products and services are delivered/delivered both on the domestic market and on the foreign market.

In the domestic market, the main customers are in the hydro power field: S.P.E.E.H. HIDROELECTRICA SA, S.S.H HIDROSERV S.A and ROMELECTRO SA, plus ALRO SA, SILCOTUB SA and ALMET INTERNATIONAL LTD SRL. External clients are active both in the hydropower field and in other areas, and are from Austria, France.

The individual financial statements have been prepared starting from the assumption that *the Company* will continue its business without significant changes in the foreseeable future.

Separate Financial Statements on December 31, 2020
[All amounts are given in lei (RON) unless otherwise stated]

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 (*OMPF 2844/2016*)

The undersigned, Cosmin URSONIU and Liliana Nicoleta IONETE, in position of Special Trustees of *the Company*, undertake the liability for drawing up the Yearly Separate Financial Statements on 31.12.2020 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, 2020 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, 2012, *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 1 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 31.12.2020, 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

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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.

At December 31, 2020, the Company also holds 1 subsidiary, s.c. MULTI-FARM s.r.l. that has as its object the sale of medicines and pharmaceuticals. The Company has decided not to present consolidated financial statements, considering that the consolidated financial information, which should be presented in the statement of financial position and overall result as on 31.12.2020, would not significantly differ from the Company's individual financial statements on 31.12.2020.

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.

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 IFRS/ IAS 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 IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" - Index Reform interest rate reference - Phase two (applicable for annual periods beginning on or after January 1, 2021).
- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 (applicable for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of liabilities into short-term debt and long-term debt (applicable for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 16 "Property, Plant and Equipment" - Receipts before intended use (applicable for annual periods beginning on or after 1 January 2022);

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- Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets" - Onerous contracts - Cost of performance of the contract (applicable for annual periods beginning on or after January 1, 2022);
- Amendments to various standards due to "IFRS Improvements (2018-2020 Cycle)" resulting from the annual IFRS Improvement Project (IFRS 1, IFRS 9, IFRS 16 and IAS 41) with the primary purpose of eliminating inconsistencies and clarifying certain forms (amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 relates to an illustrative example only, so that no effective date is mentioned).

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

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.

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:

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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.

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.

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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, 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.

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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-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.

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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 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.

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The exchange rates on December 31, 2019 and 2020 are as follows:

| Currency | <u>December 31, 2019</u> | <u>December 31, 2020</u> |
|----------|--------------------------|--------------------------|
| RON/EUR | 4.7793 | 4.8694 |
| RON/USD | 4.2608 | 3.9660 |
| RON/GBP | 5.6088 | 5.4201 |
| RON/CHF | 4.4033 | 4.4997 |

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".

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).

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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, 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 Resita, respectively up to 2 average gross salaries per company for a seniority between 10-25 years in UCM Resita, respectively 1 average gross salaries per company for a seniority between 5-10 years in UCM Resita). 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;

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- 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 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.

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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).

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.

t) 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.

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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.

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:

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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.

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 31.12.2020 are presented below.

3.1 Intangible fixed assets

The statements of movement and depreciation of intangible fixed assets in the accounting year 2020 are presented in Tables 1, 2 and 3 below.

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

- lei -

| Explanations | 31.12.2019 | Inputs | Transfers | Outputs | 31.12.2020 |
|-------------------------------|------------|--------|-----------|---------|------------|
| 0 | 1 | 2 | 3 | 4 | 5=1+2-3-4 |
| Other intangible fixed assets | 10.663.335 | - | - | - | 10.663.335 |

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Table No. 2 – Cumulative depreciation of intangible assets

- lei -

| Explanations | 31.12.2019 | Costs with depreciation | Cumulative depreciation of outputs | 31.12.2020 |
|-------------------------------|---------------|-------------------------|------------------------------------|---------------|
| 0 | 1 | 2 | 3 | 4=1+2-3 |
| Other intangible fixed assets | (10. 654.879) | (5.045) | - | (10. 659.924) |

Table No. 3 – Net accounting values of intangible assets

- lei -

| Explanations | 31.12.2019 | 31.12.2020 |
|-------------------------------|------------|------------|
| 0 | 1 | 2 |
| Other intangible fixed assets | 8,456 | 3,410 |

The lifetimes used to calculate depreciation of intangible assets are of 3 years.

The depreciation method used is the linear one.

The composition of intangible assets balance consists mainly of software programs, licenses for production design, contributed in kind to the registered capital in 2005, and by capitalization of several services for Oracle implementation.

3.2 Tangible fixed assets

The statements of movement and depreciation of tangible fixed assets in the accounting year 2020 are presented in Tables 4, 5 and 6 below.

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

lei -

| No. | Explanations | 31.12.2019 | Inputs | Outputs | Revaluation on 31.12.2019 | 31.12.2020 |
|-----|---------------------------------|--------------------|---------------|----------------|---------------------------|--------------------|
| 0 | 1 | 2 | 3 | 4 | 5 | 6=2+3-4+5 |
| 1. | Lands and land improvements | 45,388,900 | - | 299,270 | - | 45,089,630 |
| 2. | Buildings | 109,168,589 | - | - | - | 109,168,589 |
| 3. | Equipment | 62,620,836 | 3,338 | 7,009 | - | 62,617,165 |
| 4. | Furniture and others | 1,325,845 | 16,443 | 19,604 | - | 1,322,684 |
| 5. | Fixed assets under construction | 914,941 | - | - | - | 914,941 |
| | TOTAL (1+2+3+4+5) | 219,419,111 | 19,781 | 325,883 | - | 219,113,009 |

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The land owned by the Company in operative administration, amounting to 299,270 lei, was removed from the record due to the fact that by Civil Decision no. 247/03.06.2015 pronounced by the Timișoara Court of Appeal, it was ordered its restitution in kind, to a third person.

Table No. 5 – Cumulative depreciation of tangible fixed assets

-lei -

| No. | Explanations | 31.12.2019 | Costs with depreciation | Cumulative depreciation of outputs | Revaluation on 31.12.2019 | 31.12.2020 |
|-----|---------------------------|------------|-------------------------|------------------------------------|---------------------------|------------|
| 0. | 1 | 2 | 3 | 4 | 5 | 6=2+3-4-5 |
| 1. | Land improvement | - | - | - | - | - |
| 2. | Buildings | 29,592,004 | 4,473,311 | - | - | 34,065,315 |
| 3. | Equipment | 60,585,906 | 183,539 | 7,009 | - | 60,762,436 |
| 4. | Furniture and others | 1,296,549 | 26,569 | 17,644 | - | 1305,474 |
| | TOTAL (1+2+3+4) | 91,474,460 | 4,683,419 | 24,653 | - | 96,133,225 |

Table No. 6 – Net accounting values of tangible fixed assets

- lei -

| No. | Explanations | 01.01.2019 | 31.12.2020 |
|-----|---|-------------|-------------|
| 0. | 1 | 2 | 3 |
| 1. | Land and land improvement | 45,388,900 | 45,089,630 |
| 2. | Buildings | 79,576,586 | 75,103,274 |
| 3. | Equipment | 2,034,930 | 1,854,729 |
| 4. | Furniture and others | 29,296 | 17,210 |
| 5. | Fixed assets under construction | 914,941 | 914,941 |
| 6. | Adjustments for depreciation of fixed assets under construction | (371,476) | (371,476) |
| | TOTAL (1+2+3+4+5+6) | 127,573,177 | 122,608,308 |

At 31.12.2020 the Company owns, mainly:

Land, total area of 538,323 square meters;

Buildings, with a developed area of 226,532 square meters, and built from the ground surface of 144,099 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. 7

Table no.7 - Statement of changes in revaluation reserves

-lei -

| No. | Explanations | 31.12.2019 | 31.12.2020 |
|-----|---|--------------------|--------------------|
| 0 | 1 | 2. | 3. |
| 1. | Revaluation reserves at the beginning of the accounting year | 135,089,259 | 130,468,666 |
| 2. | Differences in revaluation reserves transferred into reserves as the assets are depreciated during the year and at deregistration of assets | (4,620,593) | (4,471,874) |
| 3. | Revaluation differences recorded during the accounting year as a result of revaluation | - | - |
| 4. | Revaluation reserves at the end of the accounting year (4=1+2+3) | 130,468,666 | 125,996,792 |

Reductions in the revaluation reserve during the year of 4,471,874 lei refers to the revaluation differences that have been transferred to the account 1175 - "Retained earnings representing the surplus from revaluation reserves", according to the provisions of IFRS, as the assets are depreciated, in accordance with the policy adopted by the *Company* as well as to the transfer of the revaluation reserve of 285,375 lei of the land removed from the *Company's* records.

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.

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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 31.12.2020 the net book value of the tangible assets representing Serraghis Loan Management Ltd. guarantee is 52,280,387 lei (28,935,517 lei constructions and 23,344,870 lei lands) and those of A.A.A.S. guarantee is 34,600,424 lei (25,256,914 lei for constructions and 9,343,510 lei for lands).

No new pledges or mortgages were introduced in 2020.

3.3 Financial assets

Statement of equity papers held at other entities (affiliated), respectively of their value adjustments are shown in Table No. 8 below.

Table No. 8 – Investments (shares) in subsidiaries

-lei -

| No. | Explanations | 31.12.2019 | 31.12.2020 |
|-----|------------------------------|---------------|---------------|
| 0 | 1 | 2 | 3 |
| 1. | S.C. MULTI-FARM Ltd., Resita | 17,000 | 17,000 |
| | TOTAL OF NET VALUE | 17,000 | 17,000 |

On 31.12.2020, the Company had the following subsidiaries:

S.C. MULTI-FARM Ltd., a company registered in the Trade Register under no. J11/799/2004, in which the Company holds 70.8333% of the shares.

The main object of activity is the retail trade of pharmaceutical products.

Table No.9 below shows the statement of equity papers held by the Company in other entities.

Table No. 9 – Equity papers held in other entities

-lei -

| Explanations | 31.12.2019 | 31.12.2020 |
|-------------------------------|---------------|---------------|
| Romanian Commodities Exchange | 23,000 | 23,000 |
| TOTAL | 23,000 | 23,000 |

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The Company has shareholding in Romanian Commodities Exchange (BRM), holding 23 shares with a nominal value of 1,000 lei per share, representing 0.29% 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 7,472,209 lei, with the value of adjustment in amount of 6,399,450 lei related to guaranties due and unpaid on 31.12.2020 are included in the trade receivables. (see Note no. 4).

Table no.10 shows the statement of performance bond guarantees (other fixed assets).

Table No. 10 - Performance bond guarantees recoverable in a period longer than 1 year
- lei -

| No. | Explanations | 31.12.2019 | 31.12.2020 |
|-----|--|-------------------|-------------------|
| 0 | 1 | 2. | 3. |
| 1. | Performance guarantees given to customers recoverable in a period longer than one year | 16,482,383 | 12,650,375 |
| 2. | Debtors for the guarantees filed | 4,332 | 4,528 |
| 3. | Adjustments for impairment of other receivables | - | - |
| | TOTAL (1+2+3) | 16,486,715 | 12,654,903 |

The reduction of the guarantees of good execution in balance on 31.12.2020 compared to the previous year is due in proportion of 95.97% to the receipts from Romelectro SA, both through the banking system and through compensation orders, for the settlement of mutual obligations.

The guarantees of good execution due by SSH Hidroserv SA were diminished during 2020 with the amount of 3,508,652 lei as a result of the approval of its reorganization plan, respectively 909,315 lei as a result of the receipts from the first tranche of payments scheduled to UCM Resita. These did not have an impact on the account balance because impairment adjustments were recorded for the entire amount of guarantees for which the Company was accepted at the credit table of SSH Hidroserv SA.

4. Receivables

The statement on the main receivables and payables of the Company is presented below.

Table No. 11 below shows the statement of trade receivables and other receivables, respectively the adjustments (depreciation) thereof.

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Table No. 11 – Receivables and adjustments (their depreciations)

- lei -

| No. | Explanations | Balance at 31.12.2019 | Balance at 31.12.2020 | Liquidity term | |
|-----|---|--------------------------|--------------------------|-------------------|----------------|
| | | | | Under 1 year | Over 1 year |
| 1 | Trade receivables | 25,898,027 | 23,243,394 | 23,243,394 | - |
| 2 | Value adjustments for depreciation of trade receivables | (21,064,584) | (17,526,193) | (17,526,193) | - |
| 3 | Total net values for trade receivables (1 + 2) | 4,833,443 | 5,717,201 | 5,717,201 | - |
| 4 | Receivables to be collected from related parties | 31,701 | 61,574 | 61,574 | - |
| 5. | Value adjustments for depreciation of other receivables | - | - | - | - |
| 6 | Total net values for other receivables (4+5) | 31,701 | 61,574 | 61,574 | - |
| 7 | Other receivables, of which: | 31,479,963 | 29,067,653 | 29,067,653 | - |
| 7.1 | Deferred tax acc. to IFRS | 14,673,797 | 12,994,998 | 12,994,998 | - |
| 8 | Value adjustments for depreciation of other receivables | (16,112,988) | (15,239,228) | (15,239,228) | - |
| 9 | TOTAL NET VALUES OF RECEIVABLES (7+8) | 15,366,975 | 13,828,425 | 13,828,425 | - |
| 10 | TOTAL NET VALUES OF RECEIVABLES (3+6+9) | 20,232,119 | 19,607,200 | 19,607,200 | - |

On 31.12.2020 the main customers stated on the in balance, from which *the Company* has to collect trade receivables are: S.S.H. Hidroserv Râmnicu Vâlcea Hydropower Services and Repairs Department (1,243,036 lei), S.S.H. Hidroserv Sebeş Hydropower Services and Repairs Section (315,135 lei), Public Service Directorate for Public and Private Domain Administration Resita (164,111 lei), Hidroenergetics Hidroserv Services Company SA (140,617 lei), Romelectro SA (131,417 lei), Reșița Reductoare & Regenerabile SA (48,199 lei).

The Company applied the principle of prudence and adjusted through depreciation the entire amount of uncertain receivables of 15,608,483 lei.

By the reorganization plan of Hidroenergetics Hidroserv Services Company SA confirmed during 2020, it was decided to distribute to UCM Resita SA, considered a strategic creditor, the amount of 7,440,086 lei, representing 50% of the receivable entered in the final table of

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receivables. Of this amount, 3,931,438 lei represent unpaid invoices at the date of insolvency and the rest are guarantees of good execution.

As a result, the Company proceeded to remove the receivables that were eliminated through the reorganization plan and adjusted the VAT tax base. Please note that the entire amount entered in the S.S.H. HIDROSERV SA had previously been subject to impairment adjustments.

Under "Other receivables" the highest values represent the receivables for deferred tax and the debtors from loans granted by the Company, respectively Sports Club UCM Resita, in amount of 14,727,010 lei (13,099,046 lei representing the balance of the loan granted and 1,627,964 lei the balance of the interest receivable), amount for which the Company made adjustments for depreciation since 2011.

According to the International Financial Reporting Standards, the Company has recorded deferred profit tax recognized as a liability for all taxable temporary differences.

Thus, the Company recorded at the end of 2020 deferred tax receivables in the total amount of 12,994,998 lei representing the deductible temporary differences related to the adjustments and provisions recorded at the date of these notes, as well as a debt in the total amount of 25,146,547 lei, representing the difference between the tax base and the tax amortization.

5. Stocks

The status and structure of current assets, such as stocks, is shown in the table no 12:

Table No. 12 - Stocks and their value adjustments

- lei -

| No. | Explanations | 31.12.2019 | 31.12.2020 |
|----------|--|-------------------|-------------------|
| 1 | Raw materials | 6,329,020 | 5,687,593 |
| 2 | Materials | 802,101 | 789,985 |
| 3 | Inventory items | 739,768 | 733,156 |
| 4 | Packages and materials from third parties, raw materials and materials in progress of purchasing | 859,613 | 867,094 |
| 5 | Semi-finished products | 1,665,621 | 1,665,621 |
| 6 | Production in progress | 21,905,912 | 20,614,400 |
| 7 | Finished products | 5,620,530 | 8,778,244 |
| 8 | Total of gross value (1+2+3+4+5+6+7) | 37,922,565 | 39,136,093 |
| 9 | Adjustment of value for raw materials | (2,660,225) | (2,388,014) |
| 10 | Adjustment of value for materials | (386,308) | (381,322) |
| 11 | Adjustment of value for inventory objects | (256,498) | (214,974) |
| 12 | Adjustment of value for packages | (16,715) | (17,798) |
| 13 | Adjustment of value for semi-finished products | (1,577,761) | (1,577,761) |
| 14 | Adjustment of value for production in progress | (7,408,040) | (7,408,040) |
| 15 | Adjustment of value for finished products | (3,675,239) | (3,681,844) |
| 16 | Total value adjustments (9+10+11+12+13+14+15) | (15,980,786) | (15,669,753) |
| 17 | Total net value (8+16) | 21,941,779 | 23,466,340 |

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In 2020 stocks of raw materials and materials registered an increase of 641,427 lei (variation row 1 to row 4) mainly due to the fact that at end of the previous year there were supplied materials for Stejarul, Slatina and Clocotiu projects, materials that were used during the year at their execution. consumption of materials supplied.

Adjustments for the depreciation of raw materials and materials decreased by 272,211 lei (variation row 9 at 12), mainly due to consumption of materials for which adjustments were made in the previous periods.

The most important project started before this year, the execution of which will continue during the following year, CHE Stejaru, is the main reason for the decrease in execution of 1,291,511 lei respectively of the increase of the finished products by 3,157,714 lei (variation row 6 respectively row 7). Although the production in progress for this project decreased compared to the previous year, it continues to be the most important project pending in this category, the value on 31.12.2020 being 4,164,708 lei. The equipment for CHE Stejaru was executed according to execution schedule, but for technical reasons, independent of the Company the contact suffered very long delays. At the date of these financial statements the new delivery terms are under discussion.

Adjustments for the depreciation of production in amount of 7,408,040 lei progress, on 31.12.2020 do not register modifications. The new projects were carried out in accordance with the contractual provisions so that the largest share in the total of the adjustments for the depreciation of the production under execution on 31.12.2020 is the same as the previous year for the following projects:

- Seymarch: 178,844 lei
- Lavours : 4,893,657 lei
- Middle Kolab: 389,220 lei
- Pașcani: 583,374 lei
- Căineni: 485,514 lei

6. Cash and cash equivalents

The statement on cash and credits committed is shown in Table No.13.

Table No. 13– The available cash and credits committed

- lei -

| No. | Explanations | 31.12.2019 | 31.12.2020 |
|-----|---|------------|------------|
| 1. | Bank accounts in Lei | 2.521.933 | 1.690.078 |
| 2. | Bank accounts in foreign currency | 55.740 | 292.894 |
| 3. | Cash in hand | 10.768 | 30.539 |
| 4. | Treasury advances | - | - |
| 5. | Short-terms deposits | 7.094.582 | 7.186.909 |
| 6. | Other securities | - | - |
| 7. | Total cash in hand (1+2+3+4+5+6) | 9,683,023 | 9,200,420 |
| 8. | Restricted cash (account securities) | 525.510 | 356.680 |
| 9. | Total deficit/surplus of account (7-8) | 9,157,513 | 8,843,740 |

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7. Debts

The statement on the main debt (commercial, banking, budgetary obligations and other creditors) is shown in Table No. 14.

Table No.14 – Summary statement of debts

- lei -

| No. | Explanations | 31.12.2019 | 31.12.2020 | Before 06.12.2011 | 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 | 17,671,466 | 17,364,457 | 16,449,579 | 914,878 | 17,364,457 | - | - |
| 3. | Trade payables | 19,583,175 | 19,078,702 | 15,394,139 | 3,684,563 | 19,078,702 | - | - |
| 4. | Bills payable | - | - | - | - | - | - | - |
| 5. | Loans and interests owed to the main shareholder | 126,292,405 | 126,292,405 | 126,292,405 | - | 126,292,405 | - | - |
| 6. | Other debts, including tax and social securities | 535,741,576 | 550,824,859 | 410,980,021 | 139,844,838 | 550,824,859 | - | - |
| | TOTAL (1+2...+6) | 699,288,622 | 713,560,423 | 569,116,144 | 144,444,279 | 713,560,423 | - | - |

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 31.12.2020, from which advances have been received in the orders account, is Hidroelectrica SA- the subsidiary Hydro Power Plants Sibiu (project HPP Căineni), the amount for down payment being of 8,817,043 lei, the amount submitted in the Preliminary Table of Creditors.

From the point of view of the values of the contracts conducted in 2020, the main suppliers of raw materials and services are represented by: Romelectro SA Bucuresti, Divizia Pază și Protecție Consulting & Security SRL Schitu, Sodexo Pass Romania SRL București, EON Energie SA Târgu Mureș, Aquacaraș SA Reșița, E-Distribuție Banat SA Timișoara, Italinox Romania SRL Cluj Napoca, Hidarom SA Cisnădie, Inox Metal SSR SRL Timișoara, Laromet SA București, Riviera Grup SRL din categoria furnizorilor interni, respectiv: ZDAS SA Cehia,

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Bjorneborg Steel AB Suedia, Isovolta AG Austria, Gebauer&Griller Metallwerk GmbH Austria, Cogent Surahammars Bruks AB Suedia from external suppliers.

7.2. Amounts owed to credit institutions

On 31.12.2020 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 15 below.

Table No. 15 – Statement of debts to shareholder, the state consolidated budget and other creditors

| No. | Explanations | 31.12.2019 | 31.12.2020 | Out of which on 31.12.2020 | |
|-----|--|--------------------|--------------------|----------------------------|--------------------|
| | | | | before 06.12.2011 | current |
| 0 | 1 | 2 | | 4 | 5 |
| 1 | Associates, current accounts - loan | 102.707.107 | 102.707.107 | 102.707.107 | - |
| 2 | Associates, current accounts - interest | 23.585.298 | 23.585.298 | 23.585.298 | - |
| 3 | Social security payable | 133.251.519 | 44.564.286 | - | 44.564.286 |
| 4 | VAT payable | 63.265.614 | 19.510.917 | - | 19.510.917 |
| 5 | VAT non-payable | 12.039 | 12.039 | 12.039 | - |
| 6 | Wages taxes | 15.645.612 | 5.515.235 | - | 5.515.235 |
| 7 | Obligations to unemployment fund | 7.194.783 | 69.128 | - | 69.128 |
| 8 | Obligations to special funds, other taxes, charges and remittances | 231.298.817 | 38.752.929 | 1.428.439 | 37.324.490 |
| 9 | Other creditors | 83.474.078 | 440.888.094 | 409.175.357 | 31.712.737 |
| 10 | Retained performance bond guarantees | 333.055 | 294.049 | 85.369 | 208.680 |
| 11 | Salaries and other personnel benefits | 726.014 | 742.763 | - | 742.763 |
| 12 | Other payables to employees | 540.045 | 475.419 | 278.817 | 196.602 |
| | Total other debts (excluding bank credits) | 662,033,981 | 677,117,264 | 537,272,426 | 139,844,838 |

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The total current debt includes also the deferred tax debt in the total amount of 25,146,547 lei.

The company benefited from some facilities for the payment of the obligations to the State Budget, which were in balance on 31.12.2003, according to the Common Order (CB) no. 6 of April 3, 2006, issued by the Ministry of Public Finance-National Agency for Fiscal Administration (MFP-ANAF) and the Authority for State Assets Recovery (AVAS, current AAAS).

The Company failure to comply with one of the requirements imposed by the two Orders (MFP-ANAF and AVAS), namely the payment of current debts to the consolidated state budget, led to the loss of facilities.

Although, according to art. 4 of the Common Order 6/2006, for the loss of the granted facilities, ANAF had to calculate, accessory fiscal obligations (interests and penalties), from the date of loss of the facilities, respectively 20.12.2009, it was found that, in the Creditors Table, ANAF registered with accessories calculated from the date of privatization of the Company.

The company requested, through the addresses no. 181/DF0000/30.03.2012 and no. 383/DF0000/06.06.2012, the return on the calculation method of the accessories for the exempted and respectively staggered debts, by the common Order 6/2006 and the diminution of the receivable registered in the Preliminary Table of Receivables.

As of the date of preparation of these financial statements, the Company has not received any response to these requests.

By GEO 97/16.10.2013, the Authority for State Assets Management (AAAS), took over the outstanding budget receivables of the Company, administered by the National Agency of Fiscal Administration (ANAF). The object of the takeover is the budgetary receivables registered in the Preliminary Table, or in the final one, from the insolvency procedure, as well as the receivables that appeared after the date of opening the insolvency procedure and until the date of entry into force of the ordinance.

The company reclassified the debts to the consolidated state budget transferred to AAAS based on ordinance 97/2013 to Other creditors as follows: 325,077,655 lei debts and accessories entered in the credit table and 31,712,222 lei current debts not paid at the date of the ordinance. Also, the debts regarding the contribution to the health fund taken over by AAAS and staggered by Order 9083/2007 were reclassified, remaining unpaid at the date of insolvency, in the amount of 625,854 lei.

Provisions have been made for risks and expenses for the differences between the amounts entered in the credit table and those recorded in the *Company's* records.

Loans (financing) granted by the shareholder INET AG Switzerland

The situation of the amounts granted as loans by the majority shareholder INET AG is presented in Table No.16 below.

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Table No. 16 – Summary statement of the loans granted by the majority shareholder INET AG

| No. | Explanations (currency) | Value of loans (currency unit) | Exchange rate on 06.12.2011 - date of insolvency (lei / currency unit) | Value of loans |
|-----|----------------------------|-----------------------------------|---|----------------|
| 1. | USD | 13.452.297 | 3.2486 | 43.701.132 |
| 2. | CHF | 7.299.983 | 3.5166 | 25.671.120 |
| 3. | EUR | 7.657.200 | 4.3534 | 33.334.855 |
| | TOTAL (1+2+3) | | | 102.707.107 |

Both the loans and interests are revalued at the exchange rate on 06.12.2011, the date of insolvency of *the Company* and were enrolled in the Preliminary Table of Receivables.

The total interest calculated and registered, related to loans, is 23.585,298 lei. The company ICESA SA subrogated to the creditor rights of INET AG for the amount entered in the credit table.

7.4 Debts related to leasing contracts

On 31.12.2020 *the Company* no longer has signed leasing contracts.

8. Provisions

The situation regarding the provisions made and their evolution towards 31.12.2020 is showed in Table no. 17 below.

Table No. 17 - Evolution of provisions in the accounting year 2020

- lei -

| No. | Explanations | 31.12.2019 | Increase | Reduction | 31.12.2020 |
|-----|--|-------------|----------|-----------|-------------|
| 1 | Provisions for litigation | 1.484.685 | - | - | 1.484.685 |
| 2 | Provisions for costs within the guaranty period | 517.668 | | 470.677 | 46.991 |
| 3 | Provisions for risk of debts payment to the state budget | 187.289.970 | 916.239 | 870.044 | 187.336.165 |

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| | | | | | |
|---|---|--------------------|------------------|------------------|--------------------|
| 4 | Provisions for costs required to dismantling of tangible assets | 41.054.471 | - | 126.731 | 40.927.740 |
| 5 | Provisions for risk s and expenses (suppliers) | 2.119.039 | 5.596 | 7.656 | 2.116.979 |
| 6 | Provisions for employee retirement benefits | 1.305.835 | 692.948 | 1.305.835 | 692.948 |
| | TOTAL (1+2+3+4+5+6) | 233,771,668 | 1,614,783 | 2,780,943 | 232,605,508 |

Provisioning for employees' benefits in 2020 were calculated in relation to persons who on 31.12.2020 meet the condition for retirement both for age limit or early retirement.

The provisions were constituted/diminished in accordance with the events that generated them.

9. Structure of shareholding and equity

On 31.12.2020, the Company is facing a special situation regarding the shareholding structure, described in detail below:

In the Articles of Association 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 shareholders are:

- ✓ INET AG - legal entity of Swiss nationality
- ✓ Association of Employees of the Machine Construction Plant Resita - legal person of private law of Romanian nationality
- ✓ List of other natural / legal shareholders (PPM and others).

The consolidated Register of shareholders holding at least 10% issued by the Central Depository on 23.07.2020 includes:

- ICESA SA
- Legal entities
- Individuals

By the address no. 21323 / 23.07.2020 The Central Depository notified the Company regarding the transfer of the ownership right over the majority package of shares issued by UCM Resita, from the account of INET AG to the account of the company ICESA SA.

INET AG filed a lawsuit against the transfer of ownership operated by the Central Depository regarding a number of 106,403,900 shares (representing 96.78% of the share capital) issued by the company UCM Resita S.A. from the account of the company INET AG in the account of the

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company ICESA SA, file pending before the court with the next term on 11.05.2021, in which UCM Resita has the quality of defendant.

The Judicial Administrator, through the Point of View sent to ICESA SA and included in the Activity Report, considers that, due to the suspension from trading of UCM Resita shares, the transfer of the package of shares from INET to ICESA is not made in compliance with the relevant legal provisions (art. 43, paragraph 1 of Law 85/2006) and the measure of suspension from trading communicated by BVB, as well as the fact that the deregistration and liquidation of INET does not seem to be proven at the date of the transfer of ownership by the Central Depository and, consequently, for these reasons, ICESA's status as a new shareholder cannot be challenged.

Moreover, the Judicial Administrator shows that the change of shareholders as a result of invoking the transfer of the package of shares from INET to ICESA is not considered valid in the light of Law 85/2006, which regulates with special and derogatory character the operation of the company subject to insolvency proceedings, being appreciated as a modification of the Constitutive Act of the Debtor, which can be modified only by the Reorganization Plan according to art. 95, para. 1 and 6 of the Insolvency Law. ICESA SA filed an appeal against the Judicial Administrator's Report.

Sindic Judge rejected the appeal filed by ICESA SA, by the Conclusion pronounced on 12.01.2021 and ordered the admission of the request for suspension made by the Judicial Administrator considering that it is grounded and that the settlement of this case depends on the settlement of the case the property right operated by the Central Depository.

ICESA appealed to this court solution, the appeal deadline being 30.03.2021.

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 on the reported result in the account 118 - "Retained earnings resulting from the adoption of IAS 29 for the first time.

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On 31.12.2020 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. The shares issued by the Company are registered, dematerialized, and they are administered by S.C. Central Depository S.A. Bucharest.

Table No. 18 – Structure of equity and evolution of results for the accounting years 2019 and 2020, also of major adjustments on retained earnings

| No. | Explanations | 31.12.2019 | 31.12.2020 |
|----------|--|------------------------|------------------------|
| 0. | 1. | 2 | 3 |
| 1. | Registered capital | 601,685,084 | 601,685,084 |
| A | Total (1) | 601,685,084 | 601,685,084 |
| 2. | Revaluation reserves | 135,089,259 | 130,468,666 |
| 3. | * Transfer of surplus from revaluation reserves | (4,620,592) | (4,471,875) |
| 4. | * Use of revaluation reserves | - | - |
| 5. | * Registration of revaluation reserves | - | - |
| B | Total (2+3+4+5) | 130,468,666 | 125,996,791 |
| 6. | Legal reserves | 1,972,406 | 1,972,406 |
| 7. | Increases in legal reserves from the result of current accounting year | - | - |
| C | Total (6+7) | 1,972,406 | 1,972,406 |
| 8. | Earnings representing surplus from revaluation reserves | 255,183,376 | 259,803,968 |
| 9. | * Transfer of surplus from revaluation reserves | 4,620,592 | 4,471,875 |
| D | Total (8+9) | 259,803,968 | 264,275,843 |
| 10. | Other reserves | 16,088,620 | 16,088,620 |
| E | Total (10) | 16,088,620 | 16,088,620 |
| 11. | Loss carried forward | (1,717,177,114) | (1,731,638,300) |
| 12. | * Transfer of accounting year result to retained earnings account | (14,451,460) | (15,433,582) |
| 13. | * Registration of accounting errors from previous years to retained earnings account | (9,726) | (115,079) |
| | 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 | - | - |
| F | Total (11+12+13+14+15) | (1,731,638,300) | (1,747,186,961) |
| 16. | Profit sharing | - | - |
| 17. | * Account closure - profit sharing | - | - |

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| | | | |
|----------|--|---------------|---------------|
| 18. | * Increases in legal reserves from the result of current accounting year | - | - |
| G | Total (16+17+18) | - | - |
| 19. | Profit / (Loss) | (14,451,460) | (15,433,582) |
| 20. | * Transfer of accounting year result to retained earnings account | 14,451,460 | 15,433,582 |
| 21. | * Account closure - profit sharing | | |
| 22. | * Net result of current accounting year | (15,433,582) | (21,385,684) |
| H | Total (19+20+21+22) | (15,433,582) | (21,385,684) |
| | TOTAL (A+B+C+D+E+F+G+H) | (737,053,138) | (758,553,901) |

10. Revenues from current activity

The turnover for the year 2020 is 26,090,175lei, out of which 2.86 % was made on the European Union market and 97.14 % in the country. Regarding the structure of turnover as of 31 December 2020, the revenue from the production sold represent almost 100% of this.

Tables No.19 and 20 below show the structure of revenues/sales on types and geographic areas.

Table No. 19 – Structure of revenues from current activities - lei -

| No. | Explanations | 2019 | 2020 |
|-----|---------------------------------|-------------------|-------------------|
| 1. | Revenues from sold production | 35,816,331 | 26,090,175 |
| 2. | Revenues from sale of goods | 2,473 | - |
| 3. | TOTAL TURNOVER (3=1+2) | 35,818,804 | 26,090,175 |

Table No. 20 – Revenues from current activities on geographic areas

- lei -

| No | Explanations | 2019 | 2020 |
|----|--------------------------|-------------------|-------------------|
| 1. | Romania | 33,019,041 | 25,344,981 |
| 2. | European Union | 2,799,763 | 745,194 |
| 3. | TOTAL (1 = 1+2+3) | 35,818,804 | 26,090,175 |

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11. Expenses

The cost of sales for the years ended December 31, 2019 and 2020 is as follows:

| Explanations | 2019 | 2020 |
|--|-------------------|-------------------|
| Raw material and materials | 14,942,868 | 5,867,931 |
| Goods | - | - |
| Facilities | 5,595,952 | 4,840,512 |
| Expenses with the personnel | 26,831,740 | 23,308,416 |
| External services | 1,028,498 | 822,996 |
| Value adjustments on fixed assets | 3,748,850 | 3,137,365 |
| Value adjustments on current assets | 1,365 | 1,926,601 |
| Expenses on provisions | 164,659 | (1,166,160) |
| Other expenses | 11,958,396 | 32,273 |
| Changes in stocks of finished goods and production in progress | (4,037,231) | (1,857,986) |
| Total cost of sales | 60,235,097 | 36,911,948 |

The general administrative expenses for the years ended December 31, 2019 and 2020 are as follows:

| Explanations | 2019 | 2020 |
|--|-------------------|-------------------|
| Raw material and materials | 293,713 | 131,765 |
| Facilities | 270,233 | 179,460 |
| Expenses with the personnel | 6,525,669 | 5,621,362 |
| External services | 4,055,610 | 2,994,496 |
| Value adjustments on fixed assets | 1,460,328 | 1,553,059 |
| Other expenses | 3,050,305 | 2,274,465 |
| Total general administrative expenses | 15,655,858 | 12,754,907 |

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.

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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 31.12.2020, the Company recorded accounting loss in the amount of 21,385,684 lei, loss that will be covered from the profit of next years.

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.

Following 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.

Table No. 21 Deferred tax

- lei -

| Explanations | 31.12.2019 | 31.12.2020 |
|--------------------------|------------|------------|
| Deferred tax receivables | 14,673,797 | 12,994,998 |
| Deferred tax liabilities | 24,476,478 | 25,146,547 |

Table No. 22 Calculation of deferred tax - 2020

| No. | Category / Explanations | Carrying amount | Tax base | Temporary deductible differences | Temporary taxable differences | Receivables | Debts |
|-----|--|-----------------|----------|----------------------------------|-------------------------------|-------------|-------|
| 1 | Cancellation of provisions for suppliers risks | (126,731) | - | (126,731) | | (20,277) | |
| 2 | Cancellation of adjustments for depreciation of stocks | 692,948 | - | 692,948 | | 110,872 | |
| 3 | Adjustments for depreciation of | (1,305,835) | - | (1,305,835) | | (208,934) | |

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| | | | | | | | |
|----|--|--------------------|----------------|---------------------|------------------|--------------------|----------------|
| | receivables | | | | | | |
| 4 | Other provisions for risks | 5,596 | - | 5,596 | | 895 | |
| 5 | Cancellation of other provisions for risks | (478,333) | - | (478,333) | | (76,533) | |
| 6 | Adjustments for non-current receivables - performance guarantees | 41,176 | - | 41,176 | | 6,588 | |
| 7 | Cancellation of adjustments for non-current receivables - performance guarantees | (4,598,130) | - | (4,598,130) | | (735,701) | |
| 8 | Adjustments for depreciation of stocks | 34,924 | - | 34,924 | | 5,588 | |
| 9 | Cancellation of adjustments for depreciation of stocks | (345,959) | - | (345,959) | | (55,353) | |
| 10 | Adjustments for depreciation of receivables | 185,553 | - | 185,553 | | 29,688 | |
| 11 | Cancellation of adjustments for depreciation of receivables | (4,597,705) | - | (4,597,705) | | (735,633) | |
| 12 | Accounting amortization and tax amortization differences | 4,688,464 | 500,532 | | 4,187,932 | | 670,069 |
| 13 | TOTAL | (5,804,031) | 500,532 | (10,492,496) | 4,187,832 | (1,678,799) | 670,069 |

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13. Information on employees, managers and directors

The management of *the Company* has decided not to disclose the information related to indemnities (salaries) of managers and directors.

On 31.12.2020, *the Company* had the structure of the personnel as shown in Table No. 23 below.

Table No. 23 – Structure of employees

| No. | Category | Number of employees | | % |
|-----|--------------------------|---------------------|------------|------------|
| | | 31.12.2019 | 31.12.2020 | |
| 1. | Production personnel | 592 | 481 | 71 |
| 2. | Administrative personnel | 205 | 200 | 29 |
| | TOTAL | 797 | 681 | 100 |

The executive management of the Company during 2020 was composed of:

- Mr. Cosmin URSONIU – General Director
- Mrs. Liliana Nicoleta IONETE - Human Resources and Economic Director
- Mr. Ștefan VERDET - Director of Production until 13.03.2020
- Mr. Cristian MURGU - Director of Production since 1.04.2020

The executive management of the company was assigned on indefinitely period of time. On 31.12.2020, *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 2020 are shown in Table No. 24 below.

Table No. 24 – Expenses with the wages in the accounting year 2020

| -lei - | | |
|--------|---|----------------------|
| No. | Explanations | 01.01- 31.12.2020 |
| 1. | Expenses with the wages of personnel | 26,580,021 |
| 2. | Expenses in kind and with vouchers for meals | 1,592,314 |
| 3. | Contribution of the company to social security | 600,843 |
| 4. | Other expenses on insurance and social protection | 156,600 |
| | TOTAL | 28,929,778 |

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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 a subsidiary, s.c.MULTI-FARM s.r.l., Resita and an associated entity Bursa Română de Mărfuri, Bucharest. Regarding the main shareholder, the information presented in tables 25 to 29 will be interpreted in correlation with the mentions in note 9 regarding the shareholding structure.

The situation of transactions with affiliated parties is presented in Tables No. 25, 26, 27 and 28 below.

Table No. 25 – Sales / purchases of goods / services to and from affiliated parties

- lei -

| No. | Explanations | 2019 | 2020 |
|------------------------------------|--------------------------------|---------------|---------------|
| <i>Sales of goods and services</i> | | | |
| 1. | Affiliated entities | | |
| 2. | Subsidiary companies | 11,949 | 12,182 |
| 3. | Major shareholder | - | - |
| 4. | Others | - | - |
| 5. | Total sales (1+2+3+4) | 11,949 | 12,182 |
| <i>Purchases of goods/services</i> | | | |
| 6. | Subsidiary companies | - | - |
| 7. | Affiliated entities | - | - |
| 8. | Major shareholder | - | - |
| 9. | Total purchases (6+7+8) | - | - |

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

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Table No. 26 – Receivables (debit balances) to affiliated parties

- lei -

| No. | Explanations | 31.12.2019 | 31.12.2020 |
|-----|--|------------------|------------------|
| 1. | Subsidiary companies – trade receivables | 28,174 | 42,670 |
| 2. | Affiliated entities | - | - |
| 3. | Major shareholder | 1,806,854 | 1,840,917 |
| 4. | Others | - | - |
| 5. | Advances granted to affiliated entities | - | - |
| | Total trade receivables (1+2+3+4+5) | 1,835,028 | 1,883,587 |

Table No. 27 – Obligations (credit balances) to affiliated parties

- lei -

| No. | Explanations | 31.12.2019 | 31.12.2020 |
|-----|--|------------------|------------------|
| 1. | Major shareholder | 1,292,481 | 1,292,481 |
| 2. | Advances received from the major shareholder | - | - |
| 3. | Advances received from affiliated entities | - | - |
| | Total obligations (1+2+3+4+5) | 1,292,481 | 1,292,481 |

The receivables and obligations to affiliated parties are revalued at the exchange rate on 31.12.202 and the amounts representing obligations enrolled in the Preliminary Table of Creditors are reassessed at the date of 06.12.2011, the date of opening the insolvency proceeding for *the Company*.

Table No. 28 Associates current accounts

-lei -

| Explanations | 31.12.2019 | 31.12.2020 |
|-------------------|-------------|-------------|
| Major shareholder | 102,707,107 | 102,707,107 |

Associates - current accounts represent the amounts granted as a loan during the period 2006 - 2011 by the major shareholder INET AG.

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Table No. 29 – Loans received from the major shareholder

| Currency of the loan | Value of the loan in the currency granted | Exchange rate on 06.12.2011 - date of insolvency | Value of loan |
|----------------------|---|--|--------------------|
| USD | 13,452,297 | 3.2486 | 43,701,132 |
| CHF | 7,299,983 | 3.5166 | 25,671,120 |
| EUR | 7,657,200 | 4.3534 | 33,334,855 |
| TOTAL | | | 102,707,107 |

Both the loans and the related interest rates are revalued at the exchange rate of 06.12.2011, the date of the insolvency of the Company and have been entered in the Preliminary Table of Claims.

The total interest calculated and registered, related to loans, is 23,585,298 lei. The company ICESA SA subrogated to the creditor rights of INET AG for the amount entered in the credit table.

On 31.12.2020 there were not registered loans granted to affiliated parties.

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)

According to the privatization contract, the Company had to make environmental investments, in amount of 6,003,805 USD and development investment, in amount of 6,202,278 USD.

Between 2004-2008 the Company made environmental and development investments totaling 40,500,000 lei (the equivalent of 15,238,000 USD), investments financed both by contribution from the major shareholder and by own sources.

On 31.12.2020 all commitments in investment were accomplished.

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b) Commercial Commitments received

The Company has no credentials guaranteed contracts on 31.12.2020.

c) Guarantees granted to third parties

As of 31.12.2020, 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 31.12.2020

Table No. 30 - COMMERCIAL LITIGATION

| No. | PARTIES | U.C.M.R. S.A IN POSITIO N OF | NO. of FILE | LAW COURT | PROCES S STAGE | DELIVERED SENTENCE | AMOUNT / OTHER DATA |
|-----|--------------------------|--|----------------|--------------------------------|--|---------------------------|--|
| 1 | SC GIA Security | Creditor | 1388/115/2012 | Law Court Caras- Severin | Bankruptcy proceedings – request for enrolment in the table of creditors | Time limit: 31.05.2021 | 7.885.60 LEI |
| 2 | SC Conpex Construct | Creditor | 2253/115/2009 | Law Court Caras- Severin | Bankruptcy proceedings – request for enrolment in the table of creditors | Time limit: 17.06.2021 | 98,914.84 lei |
| 3 | SC Hydro- Engineering | Creditor | 5911/115/2013 | Law Court Caras- Severin | Bankruptcy proceedings – request for enrolment in the table of creditors | Time limit: 24.06.2021 | 126.633.68 lei |
| 4 | SC Libarom Agri | Creditor | 29140/3/2012 | Law Court Bucharest | Bankruptcy proceedings – request for enrolment in the table of creditors | Time limit: 26.05.2021 | Requests the amount of 1.289,570.07 9.97 lei. Allowable the amount of 3.706.200.00 |

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| | | | | | | | lei. according to the decisions in case no. 29140/3.2012 /a1 |
|----|----------------------------|-----------|---------------|---|---|---|---|
| 5 | SC ISPH București | Creditor | 38503/3/2014 | Law Court Bucharest | Insolvency proceedings - request for enrolment in the table of creditors | Time limit: 18.06.2021 | 32.460.00 LEI |
| 6 | SC IMB Miloș | Creditor | 1088/115/2015 | Law Court Caras-Severin | Insolvency proceedings - request for enrolment in the table of creditors | Time limit: 17.06.2021 | 18.200.46 LEI |
| 7 | SC Zad Tiara | Creditor | 1020/108/2015 | Law Court Arad | Bankruptcy proceedings - request for enrolment in the table of creditors | Time limit: 11.05.2021 | 17.721.38 LEI |
| 8 | SC Hidroserve SA | Creditor | 36365/3/2016 | Law Court Bucharest | Insolvency proceedings - reorganization - request for enrolment in the table of creditors | Time limit: 07.04.2021 | 21.725.537.41 Lei |
| 9 | Transenergo Microhidro SRL | Creditor | 22123/3/2017 | Law Court Bucharest | Insolvency proceedings - reorganization - request for enrolment in the table of creditors | Time limit: 30.06.2021 | 47.016.00 lei |
| 10 | Culture House unions | Creditor | 3843/115/2013 | Law Court Caras-Severin | Bankruptcy proceedings - request for enrolment in the table of creditors | Time limit: 25.03.2021 | 111.656.24 lei |
| 11 | Hidroserve | Defendant | 10001/3/2019 | District Court 1 Bucharest Law Court Bucharest | Merits of the case - Civil Judgment 2640 / 20.09.2019 Appeal Hidroserve | Admits the objection of inadmissibility, dismisses the action as inadmissible. Dismisses the appeal as | 12.000 lei claims, 4.708.80 lei late payment penalties and legal interest |

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| | | | | | | | |
|----|---|-----------|--------------|--|--|--|---|
| | | | | | Civil Sentence 1002/23.02.2021 | unfounded, with an appeal within 30 days | |
| 12 | SC SITTNER TRANS | Creditor | 408/115/2020 | Law Court Cara - Severin | Fund - simplified insolvency procedure | Time limit: 01.04.2021 | 25785.83 lei |
| 13 | ICESA SA – contestator INET AG – intervener | Defendant | 29595/3/2020 | Law Court Bucharest Court of Appeal Bucharest | Fund – Conclusion of 12.02.2021 Appeal ICESA SA | Suspend based on art. 244 para. 1 point 1 CPC, until the settlement of the case 23676/3/2020 Time limit: 30.03.2021 | appeal against the measures of the Judicial Administrator published in the BPI report 18229 /29.10.2020 |
| 14 | INET AG – plaintiff CSD România Central Depository – defendant ICESA SA – defendant | Defendant | 31761/3/2020 | Law Court Bucharest Court of Appeal Bucharest | Fund – Civil sentence 2599/14.12.2020 Appeal – INTEG AG | Dismisses the order as unfounded | Presidential Ordinance |

Table no. 31 Civil/Criminal litigation

| No. | PARTIES | U.C.M.R S.A IN POSITION OF | NO. of FILE | LAW COURT | PROCESS STAGE | DELIVERED SENTENCE | AMOUNT / OTHER DATA |
|-----|---|-------------------------------------|-------------------------------|--|---|------------------------|---------------------------|
| 1 | Chebutiu Adrian, Preda Coriolan-Adrian, SC AC Management, SC Kmobil – defendants | injured party | 48/P/2012 și 116 P/2016 | The Prosecutor's Office attached to I.C.C.J., NAD, Timișoara Territorial Service | File in phase of criminal investigation | | |
| 2 | Peia Gheorghe, Peia Bogdan and Dănoiu (former Peia) Oana – plaintiffs; TMK and Romanian | Defendant | 1453/290/2016 | Courthouse Resita | Merits of the case | Time limit: 07.04.2021 | Finding invalid legal act |

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| | | | | | | | |
|---|--|----------------------------|----------------|---|---|--|--|
| | State through the Ministry of Finance - defendants | | | | | | |
| 3 | Iosif Leontina-plaintiff Local Council Reșița - defendant | Defendant | 4488/290/2017 | Courthouse Reșița | Merits of the case - civil sentence 1597/11.12.2020 | Admits the action, notes the right to use the land respectively the right of ownership over the house and the right of use over the afferent land, according to the expertise report | Action to be taken |
| 4 | Ciortan Ioan și Ciortan Nadia Maria, Ciuraru Ovidiu Marius and Ciuraru Violeta Florica - plaintiffs, Kunschner Elena and Kunschner Renate Maria Magdalena The Romanian State through the Ministry of Public Finance and the Local Council of Reșița - defendants | Defendant | 567/290/2018 | Courthouse Reșița Cara - Severin Court of Law | Merits of the case Civil sentence no. 620/17.06.2020 Appeal - Romanian State | Admits in part the request of the plaintiffs Ciortan and Ciurea, admits in part the counterclaim of UCMR. Time limit: 05.04.2021 | Judicial division-exit from the tenancy |
| 5 | ANAF, DGRFP Bucharest, Fiscal Administration for Medium Taxpayers | Contestator | 11394/299/2019 | District Court 1 Bucharest Law Court Bucharest | Merits of the case - Civil sentence 6986/11.11.2019 Appeal | Dismisses the appeal | Appeal to execution and suspension of execution - 1,558,963 lei, 151.870 lei and 156.420 lei |
| 6 | Șelaru Simona Bianca | Defendant Defendant | 7664/290/2019 | Courthouse Reșița | Fund-Civil sentence no. 798/10.07.2020 | Admits the exception of not stamping the appeal, rejects the appeal as unstamped | Opposition to enforcement - 2,552.59 lei |

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| | | | | | | | |
|---|--|-----------|---------------|------------------------|---|---|--|
| 7 | PAU IOAN – plaintiff CS County Pension House - defendant | Defendant | 410/115/2020 | Reșița Court of Law | Merits of the case Conclusion from 16.07.2020 | Orders the formation of a new file 1227/115/2020, suspends the trial of the case regarding CS County Pension House and the appellant | Retiremen t decision appeal |
| 8 | PAU IOAN – plaintiff | Defendant | 1227/115/2020 | Reșița Court of Law | Merits of the case – Civil sentence no. 159/ 11.02.2021 | Rejects the action | Complian ce obligation - granting working group 1 |

Further on, in several files, the Company filed an appeal for the execution and suspension of enforcement against the enforcement issued by ANAF, DGRFP Bucharest, the Fiscal Administration for Medium Taxpayers, which represents different pending cases.

We mention that there are 46 cases in the courts of law, in which the Company has the status of debtor or creditor but are suspended under the laws of insolvency, Law no. 85/2006, respectively the Law no. 85/2014. Also three files are suspended pursuant to art. 244, par. 1, point 2 of the Civil Procedure Code, until the settlement of some criminal cases.

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 five 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.

c) Environmental contingencies and other contingencies

According to the privatization contract, *the Company* had to perform environmental investments in amount of 6,003,805 USD over the next five years from the date of privatization, also

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development investments in amount of 6,202,278 USD over the next seven years from the date of privatization.

The obligations concerning the environment, included in the privatization contract, were implemented by the authorities in the field, in compliance programs related to environmental authorizations, respectively in the planning programs of water management authorizations obtained by UCM Resita after privatization and updated since that date until present.

The Company's management considers that the investments enforced by the privatization contract were made and that there are no other obligations required in order to remove significant effects of historical pollution on the environment.

Compliance with the environmental requirements imposed by the privatization contract is proved by the fact that the environmental authorizations/water management are not including compliance programs/planning programs.

The environmental licenses held for the two industrial platforms on which *the Company* operates, are as follows:

- ABC Platform: Environmental authorization no. 166/12.10.2011 reviewed on 15.07.2013, revised on 21.10.2019, valid until 12.10.2021, (Annual visa decision no. 29 of 25.08.2020) and the Water Management Authorization no. 49/31.01.2018, valid until 31.01.2021. UCM Resita requested a new water management authorization for the ABC platform, the request address being registered with the National Administration "Apele Romane", Caraş - Severin Water Management System, with no. 5664/21.12.2020.
- Cîlnicel platform: Environmental Authorization no. 96/25.11.2019, valid for the entire period in which the annual visa is obtained by UCM Resita request to APM CS (Annual visa decision no. 50 of 20.09.2020) and the Water Management Authorization no. 430/31.10.2019, valid until the date of 31.10.2022.

Environmental permits are issued by the Caraş-Severin Environmental Protection Agency, and the water management is issued by the Banat Water Basin Administration, Timișoara.

According to Government Decision no. 780/2006 on the Emission Trading Scheme of Carbon Dioxide Scheme as of January 1, 2007, the economic agents owning installations in which a gas-emitting activity is carried out (EGES) must be authorized by the National Environmental Protection Agency. Through these authorizations, operators are required to monitor the emissions from their own activity quantitatively. SC UCM Resita S.A. is included in the list of economic operators that have installations that consume natural gas in operation and generate carbon dioxide emissions through heat production and heat treatment of parts. These facilities are located in two workplaces, on the ABC industrial platform and on the Cîlnicel industrial platform. In order to regulate greenhouse gas emission-generating activities, the Company is in possession of:

- Authorization no. 3/26.11.2012, regarding the greenhouse gas emissions for the period 2013-2020, revised on 13.11.2017, for ABC platform - issuer National Agency for Environmental Protection;

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- Authorization no. 4/26.11.2012, regarding the greenhouse gas emissions for the period 2013-2020, revised on 13.11.2017, for the Călnicel platform - issuer National Agency for Environmental Protection.

UCM Resita requested the National Agency for Environmental Protection to issue the authorization for greenhouse gas emissions, for the period 2021-2030, for the two working points, in accordance with requests no. 186/DG 0060/01.07.2020 and 187/DG 0060/ 01.07.2020. Since 2007, for the control and reduction of emissions, the National Environmental Protection Agency/Ministry of Environment and Climate Change has allocated greenhouse gas emission allowances free of charge to the economic operators that generate them. For the 2013-2020 period, there was an initial allocation of a certain number of allowances, for which the basis of calculation was the activity carried out by the Company in the period 2008 - 2012 (proportional to the gas consumption needed for the production of thermal energy and for the thermal treatment of the processed parts).

For each calendar year elapsed, at the beginning of next year, according to the requirements of H.G. 780/2006, the Company has the obligation to return to the EGES Registry a number of certificates proportional to the activity carried out, respectively to the consumption of natural gas consumed. The difference between the adjusted number of certificates received and the number of certificates returned to ANPM/MMSC are those units that UCM Resita can trade at the market price.

The abandonment of the centralized heating system in recent years, namely the abandonment of the operation of the thermal power stations located on the ABC and Călnicel industrial platform, as well as the decrease of the productive activity level, led to the decrease of the gas consumption and implicitly to the lower quantities of gas emissions greenhouse effect. These reasons prompted the Company to receive a reduced number of greenhouse gas certificates compared to the initial allocation. Thus, the initial allocation was followed by adjusted allocations, proportionate to the work done each year so far, from 2013 to 2020.

The situation of the initial allocation and the adjusted allocation for the EGES installations of the Company on the two industrial platforms is presented in the following table:

Table 32 – Situation of certificate allocation for the period 2013-2020

| Facility | 2013 | | 2014 | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------------------|--------------------|---------------------|--------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Initial allocation | Adjusted allocation | Initial allocation | Adjusted allocation | Initial allocation | Initial allocation | Initial allocation | Initial allocation | Initial allocation | Initial allocation |
| Industrial Platform ABC | 8.243 | 4122 | 8.100 | 1525 | 7.955 | 7.809 | 7.661 | 7.512 | 7.360 | 7.209 |
| Industrial Platform Călnicel | 3.663 | 1953 | 3.600 | 1359 | 3.536 | 3.470 | 3.404 | 3.338 | 3.271 | 3.203 |

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Notes:

EGES – Emissions of Gases with Greenhouse Effect

MMSC – Ministry of Environment and Climate Changes

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.

As a result of the difference between the EGES certificates received following the initial / adjusted allocations and those returned for fulfilling the compliance obligation, a number of certificates resulted annually, which UCM Resita had the possibility to capitalize.

In this context, in the previous years, part of the surplus of certificates were capitalized by trading, at the price of the specialized market.

Table 33. The situation of EGES certificates corresponding to the interval 2013 - 2020

| Installations | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------------------|---------------------------|------|-------|------|------|-------|-------|------|
| EGES | Excedent certificate EGES | | | | | | | |
| Industrial Platform ABC | 2911 | 765 | - 358 | 284 | 346 | - 401 | - 337 | -136 |
| Industrial Platform Călnicel | 1015 | 582 | 527 | 624 | - 78 | 5 | 19 | 158 |
| Total | 3926 | 1347 | 169 | 908 | 268 | - 396 | - 318 | 22 |

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; therefore, there is a risk of depreciation of the value of net liquid assets expressed in domestic currency.

In recent years, the national currency (LEU) suffered devaluation against the EUR and the exchange rate LEU/EUR was of 4.8694 on 31.12 2020 compared to 4.7793 on 31.12 2019. 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

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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. In this respect, in order to repay the credits opened in foreign currency and to manage the risks, *the Company's* management is concerned to maintain and, if possible, to increase the weight of products/services rendered to foreign customers.

(ii) Credit risk (rates, interests)

The management of *the Company* is concerned in monitoring the risks regarding management of bank credits and assessment of risks associated with them

Along the development of its activity, *the Company* is exposed to credit risk from trade receivables. *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) Risk of market and economic environment

The Romanian economy is still in transition, the economic and health crisis generated by the COVID pandemic - 19 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.

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.

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 (*Official Receivers, Special Trustees, Directors*) 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 (debts) depreciation. *The Company's* management cannot predict all events that could affect the industrial sector in Romania, respectively their impact on *the financial statements*, including in terms of compliance with the principle of business continuity.

On 6 December 2011, in file 75017/3/2011, the Bucharest Court ordered the admission of the insolvency proceedings, leaving the Company the right to manage the business, to manage the assets, rights maintained under the supervision of the judicial administrator designated by the syndic judge - V.F. INSOLVENTA S.P.R.L. By the closing of the meeting on May 29, 2012, it was named as a temporary judicial administrator the Consortium formed by V.F. INSOLVENTA

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S.P.R.L. and EUROINSOL S.P.R.L. confirmed by the Creditors' Meeting convened on 11.11.2013.

However, even under the above conditions mentioned in this **Note**, the management of *the Company* believes that this risk (market, economic environment) is not so high as to disable all other prerequisites and conditions considered when it was concluded that preparation of these *financial statements* (See also **Note No. 17**) was performed by observing the principle of continuity, as defined by the applicable law.

17. Continuity of activity

Events and conditions with significant impact on business continuity

At the meeting of the Board of Directors on 30.11.2011 was decided opening of insolvency proceedings with the intention to reorganize the activity, the necessary documentation in this respect being submitted to the Law Court of Bucharest.

By decision of the court dated 06.12.2011, the syndic judge ordered opening of insolvency proceedings with the intention to reorganize the activity. *The Company* has retained the right to conduct the activity, to administrate and to dispose of the equity assets rights held under the supervision of the Official Receiver. In order to reorganize the activity, *the Company* must submit a Restructuring Plan in accordance with the provisions of Law 85/2006 on insolvency proceedings.

Strategy and forecasts of the Company's management (Special Trustees, Directors) regarding continuation of activity and future cash flows

Contracts concluded, projects and sales (revenues) expected according to the strategy of the Company's management

The Company is considering the high need of repair and modernization projects from S.C. **Hidroelectrica s.a.**, knowing that most of the hydro power plants in Romania are at the end of their life, in addition, the design costs can be reduced significantly thereof, since such works/services have been made before.

Considering the Investment Strategy for refurbishment and modernization, for the period 2021-2025 published on the website of SPEEH Hidroelectrica SA, corroborated with the know-how and production capabilities held by UCM Resita SA, subject to winning tenders, the Company would have covered the portfolio of contracts in the next period.

The management of *the Company* supports his statement on the principle of continuity in preparing these *financial statements* also by the data and information presented below, namely:

- Contracts concluded and in progress (see Table No. 34 below);
- Strategic projects on the Romanian energy system or of other significant partners.

Table No. 34 - Statement of contracts in progress over the years 2020, 2021 and 2022

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| Type of contract | Currency | Value of contracts in progress (unit of currency) | Exchange rate on 31.12.2019 (lei / unit of currency) | Value with delivery in 2021 (lei) | Value with delivery in 2022 (lei) | Value with delivery in 2023 (lei) |
|---------------------------------|----------|---|--|-----------------------------------|-----------------------------------|-----------------------------------|
| EXTERNAL | EUR | 298,233 | 4.8694 | 1,224,843 | 227,372 | - |
| TOTAL EXTERNAL CONTRACTS | | | | 1,224,843 | 227,372 | - |
| INTERNAL | EUR | 5,308,551 | 4.8694 | 16,628,241 | 9,221,217 | - |
| | GBP | 83,444 | 5.4201 | 452,275 | - | - |
| | RON | 4,684,643 | | 4,524,094 | - | 160,549 |
| TOTAL INTERNAL CONTRACTS | | | | 21,604,610 | 9,221,217 | 160,549 |
| GRAND TOTAL | | | | 22,829,453 | 9,448,589 | 160,549 |

The main contracts in progress at 31.12.2020 are:

- contract no. 33/2016 customer Romelectro Bucuresti, HPP Stejaru (final beneficiary Hidroelectrica), ongoing value 59,000 EURO (HG/GD 5 and 6);
- contract no. 33/2016 customer Romelectro Bucuresti, HPP Stejaru ongoing value 3,299,750 EURO (HG 1, 2,3,4);
- contract no. 62/2016 customer customer Romelectro Bucuresti, HPP Stejaru (final beneficiary Hidroelectrica), ongoing value 75,039 EURO (spherical valve 2500 no.5);
- contract no. 62/2016 customer customer Romelectro Bucuresti, HPP Stejaru (final beneficiary Hidroelectrica), ongoing value 888,454 EURO (spherical valve 4800 no.5);
- contract no. 62/2016 customer customer Romelectro Bucuresti, HPP Stejaru (final beneficiary Hidroelectrica), ongoing value 864,145 EURO (butterfly valve 4200 no. 1,2,3,4);
- contract 122/2020 client S.S.H. Hidroserv SA Hydropower Services and Repairs Department Cluj, Floresti HPP, ongoing value 1,561,900 RON (rehabilitation of rotor and turbine shaft HA1; rehabilitation of steering apparatus HA1)
- contract 28/2020 client Hidroserv SA Hydropower Services and Repairs Department Râmnicu Vâlcea, HPP Dăești, ongoing value 109,222 RON (modernization HA2 - supply of equipment)
- contract 29/2020 client Hidroserv SA Hydropower Services and Repairs Department Ramnicu Valcea, Dăești HPP, ongoing value 644,895 RON (modernization HA2 - services)
- contract 148/2020 client Hidroserv SA Department of Hydropower Services and Repairs Sebes, Gâlceag HPP, ongoing value 163,507 RON (Rehabilitation works of stator and rotor electric motor TYPE MOS 10.5 MW HA2)

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- contract no. 182/2019 customer client Voith Hydro GMBH & CO KG Austria project Chaira, ongoing value 179,025 EUR

In order to support business continuity, we mention that beside the ongoing contracts mentioned above, there is the prospect of concluding contracts on domestic market, as follows:

- maintenance works LN4 CHE Arcesti, value 15,650,000 RON contract to be carried out in the period 2020 – 2021
- maintenance works LN4 CHE Vaduri, value to 17,087,000 RON contract to be carried out in the period 2020 – 2021
- segments and fixing bolts for TH rotor blade, CHE arrangement PDF I, amounting to 470,900 RON, contract to be carried out in 2021
- maintenance works LN3 HA1, arrangement of Văcărești HPP, amounting of 612,000 RON, contract to be carried out in 2021

On the external market there is expected to sign new contracts with:

- Voith Hydro GMBH & CO KG Austria, ongoing value 150,000 EUR contracts that will be carried out in the year 2021.

Other premises for the possibility to observe the principle of continuity

The Company, which was created to support, almost entirely, the development of hydropower in Romania, being able to execute new and complex equipment and to repair or refurbish the equipment already in use, has a strategic position, a tradition and a special technical potential that can be considered as basic premises in the development of production activities and services in future periods.

Has specialists and on organizational system designed for commissioning and/or rendering of specialized services for the national hydropower equipment in operation, of which over 90% were designed and built at UCM Resita.

Still holds the necessary know-how and capability required for upgrading of equipment installed in the Romanian power plants, of which more than 80% have exceeded their lifetime and requires rehabilitation works.

Has the know-how required for the manufacture of spare parts necessary for proper operation of equipment, also the design and production capability for continuous upgrading of the solutions offered.

Moreover, starting with 2015, with the specialists employed in the design department, *the Company* is capable to provide the following types of engineering works:

- Design works for hydropower equipment:
 - ✓ Vertical synchronous generators, with outputs from 1 MW to 200 MW and speed of 62 rpm;
 - ✓ Vertical synchronous generators, with outputs from 1 MW to 200 MW; speeds from 62 rpm to 1,000 rpm and voltages from 6.3 kV to 15.75 kV;
 - ✓ Horizontal synchronous generators, with outputs from 1 MW to 15MW; speeds from 62.5 rpm to 1,000 rpm and voltages from 6.3 kV to 10.5 kV;

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- ✓ Synchronous generators horizontal, encapsulated, bulb type, with outputs from 1 MW to 30 MW; speeds from 62.5 rpm to 1,000 rpm and voltages from 6.3 kV to 10.5 kV;
 - ✓ Synchronous exciters with rotating diodes for the generators designed;
 - ✓ Conversion of DC exciters into exciters with rotating diodes;
 - ✓ Synchronous and asynchronous generators for MHP with outputs from 100 kW to 1MW;
 - ✓ Francis hydraulic turbines with outputs from 1 MW up to 200 MW and heads between 50 and 500 m;
 - ✓ Kaplan hydraulic turbines with outputs from 1 MW up to 200 MW and heads between 10 and 30 m;
 - ✓ Bulb-type hydraulic turbines with outputs from 1 MW up to 30 MW and heads between 3 and 15 m;
 - ✓ Pelton hydraulic turbines with outputs 1 MW up to 175 MW and heads between 50 and 750 m;
 - ✓ Hydraulic turbines for MHC with outputs between 100 kW and 1 MW;
 - ✓ Butterfly intake valves and pressure noose turbine with diameters between 1 m up to 5 m and heads up to 200 m water column;
 - ✓ Spherical intake valves with diameters between 0.5 m up to 2.2 m and heads up to 770 m water column;
 - ✓ Speed governors, oil pressure groups and facilities related to the hydro power units offered.
- Feasibility studies for new investments or refurbishment;
 - Technical expertise diagnostics for existing equipment in operation;
 - Review of projects for the works performed, validated by project verifiers certified on both mechanical and electrical segments;
 - Consultancy and technical assistance during installation work, commissioning and maintenance.

Important events influencing the continuity of UCMR activity:

The Central Depository, through the address no. 21323/23.07.2020, notified the Company regarding the transfer of the ownership right over the majority package of shares issued by UCM Resita, from the account of INET AG to the account of the company ICESA SA.

INET AG filed a lawsuit against the transfer of ownership operated by the Central Depository regarding a number of 106,403,900 shares (representing 96.78% of the share capital) issued by the company UCM Resita S.A. from the account of the company INET AG in the account of the company ICESA SA, file pending before the court with the following term on 11.05.2021.

During 2020, SSH Hidroserv SA, one of the main clients of the Company entered in the reorganization procedure.

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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.

UCM Resita as the main supplier of SSH Hidroserv is listed in the Preliminary Table of Receivables in the category of strategic creditors, to whom the Reorganization Plan distributes 50% of the receivable, respectively of 7,440,086.47 lei, which will be paid in a period of 3 years from the date of confirmation.

In the second part of 2020 and in the first two months of 2021 UCM Resita was the subject of a technical, economic and legal due diligence commissioned by SPEEH Hidroelectrica in order to take over some assets to be used in the maintenance and modernization activities of Hidroelectrica, a project generically called SCORILO.

The financial, technical and legal audit reports issued by the consultants are under analysis at Hidroelectrica.

According to the initial schedule, after the valuation of the assets, in the first week of May 2021 Hidroelectrica should present the acquisition offer, followed by the negotiation and closing stages of the transaction, so that in September the assets will be transferred and integrated.

The very large volume of information, documents, assets that were analyzed and inspected, as well as the introduction in the project, relatively late, of the legal consultant, determined the postponement of the terms initially agreed within the SCORILO project, thus the fourth stage of negotiation and the closing of the transaction could take place in September, if Hidroelectrica's decision following the reports received from the consultants will be to take over the assets of UCM Resita.

18. Subsequent Events

Based on the participation announcement no: CN1027903/26.01.2021, S.P.E.E.H. HIDROELECTRICA S.A. Bucharest - SH Rm. Vâlcea, organized an open tender in order to award a service contract for the realization of the work: "Modernization of HA2 CHE Arcești". UCM Resita participated in the procedure as a subcontractor of S.S.H. HIDROSERV S.A. Bucharest.

The offer submitted by HIDROSERV S.A. as a leading bidder, it was disqualified and declared unacceptable.

According to the Procedure Report no: 27122/10.03.2021, Hidroserv SA Bucharest, did not meet the minimum qualification requirement required by the Acquisition Data Sheet in Chapter III. 1.2 - "Economic and financial capacity", referring to the general liquidity related to 2019 of at least 100%, which determined the cancellation of the auction, and the date on which it will be resumed, will be announced.

SPEEH HIDROELECTRICA SA - SH "BISTRITA" Piatra Neamț launched in SICAP, the participation announcement no: CN1028865/04.03.2021, having as object the open tender for awarding a "turnkey" contract for the accomplishment of the related works: "Modernization of

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CHE Vaduri: HA No. 2, 110 kv station and mechanical and electrical equipment Central and Dam ".

The deadline for submitting bids in SICAP is 26.04.2021.

UCM Resita is working on the technical and commercial offer, as well as the qualification documents necessary to participate in the auction.

The company continues until September 2021 the application of the measure of suspension of individual employment contracts according to the provisions of art. 52 paragraph 1 letter c and art.53 of the Labor Code in the sections, services and jobs where there is no load. This decision was determined by the cancellation of the tender for the modernization of HA2 CHE Arcești and by the uncertainty related to winning the tender for the modernization of CHE Vaduri.

Special Trustee
Cosmin URSONIU



Special Trustee
Nicoleta Liliana IONETE