experience the difference

U.C.M. Reşiţa S.A.
Sediu Social: Piata Montreal, nr.10,Cladirea World Trade Center, intrarea F,etaj1, biroul nr.1.50 011469,Sector 1, Bucuresti
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societate in insolventa
in insolvency
en procedure collective

CURRENT REPORT

According to the Regulation C.N.V.M. no. 1/2006

Date of report: 27.04.2018
Name of the issuing company: U.C.M. Resita S.A.
Registered office: Montreal Square, No. 10, World Trade Center Building, Entrance F, 1st Floor, Office no. 1.50, Sector 1, Bucharest
Administrative headquarters: Resita, Golului Street, no. 1, 320 053, Caras-Severin County
Tel: 0255/217111; Fax: 0255/223082
Unique registration code: 1056654
Number at the Trade Register Office: J 40/13628/2011
Subscribed and paid-up capital: 10,993,390.40 lei
Regulated market where the issued securities are traded: Bucharest Stock Exchange
Important events to report: Report for the financial statements of the year 2017

S.C. U.C.M. Resita S.A. informs the general public about the availability of the Yearly Report related to the financial statements of the year 2017.
The Yearly Report 2017 can be found, as of 27.04.2018, on the website http://www.ucmr.ro, as well as the link below
Starting with the same date, the parties interested in can apply, on written request, in order to obtain a copy of these documents. The application will be filed/forwarded directly to the administrative headquarters of the company (working place) in Resita, Golului Street no. 1, 320053, Caras-Severin County or to the fax number 0255/223082.

Special Trustee
Cosmin URSONIU

U.C.M. Reşiţa S.A. * in insolvenţă * en procedure collective * in insolvency *

Special Trustee
Nicoleta Liliana IONETE

Cont bancă: RO92RZBR0000060000568127 / LEI · RO50RZBR0000060003122311 / EU · RO76RZBR0000060003122328 / USD · Banca: Raiffeisen Bank Reşiţa
Cont bancă: RO98RNCB0100038238120001 / LEI · RO60RNCB0100038238120006 / EU · RO49RNCB0100038238120010 / USD · Banca: BCR Reşiţa
CIF:RO1056654· Inreg.Reg.Com.J 40/13628/2011

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, 2017

Contents

YEARLY REPORT

OF SPECIAL TRUSTEES FOR THE ACCOUNTING YEAR 2017

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 preponderent 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. The value of the transaction was 13.1 million euros, for the stock of shares accounting for 60.67% of the company's share capital. At present INET AG owns 96.7889% of the share capital of UCM Resita.

At the end of 2017, the company had approximately 10,324 shareholders, natural and legal persons.

The amount of the share capital is 10,993,390.40 lei, representing 109,933,904 shares. All shares are common and give the same voting right, with a nominal value of 0.1 lei / share.

The shares of the Company are quoted on the Bucharest Stock Exchange. The listing of the company's shares on BSE began on 25.07.1998, until then the company's shares were traded on the RASDAQ market.

Once the company entered into insolvency, the Company's shares were suspended from trading.

The company has a total area of 75.74 hectares and is located on three industrial platforms (ABC, Câlnicel and Mociur) located in three different areas of Resita.

The shares of the Company are nominative, being issued in dematerialized form and administered by CENTRAL DEPOSITOR Bucharest.

Actions are equal in value and give equal rights to holders.

Each share entitles the holder to the right to dividends, the right to vote and to be elected in the organs of the Company, the right to vote in the General Assembly of the Shareholders, the preference right to subscribe to nominative shares issued for the increase of the share capital, the right to information, participates in the division of the net asset in case of liquidation of the company, as well as other rights, according to the provisions of the Constitutive Act and the legislation in force.
The Society also has numerous assets outside the current production area, both in Resita (Cultural House, Semenic Kindergarten, formerly Kindergarten with Prolonged Program No.7, housing 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).

According to the closing session of 06.12.2011, file 75017/3/2011 the Bucharest Court ordered the opening of the insolvency proceedings against UCM Resita, leaving the company the right to manage the activity, to manage the assets, the rights maintained under the supervision of the appointed administrator of syndic judge - consortium consisting of insolvency practitioners EURO INSOL SPRL and VF INSOLVENȚA SPRL.
According to art. 18 of Law 85/2006, on insolvency proceedings, after the opening of the procedure, the General Meeting of Shareholders held on 12.11.2012 appointed a Consortium of Special Administrators representing both the interests of the company and the shareholders and to participate in the procedure.

General Meeting of Shareholders
The General Meeting is the governing body of *the Company* which has full discretion to order or ratify acts relating to *the Company* and to make decisions about its commercial, financial and legal activity.

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 appointed by the syndic judge.

According to Article 18 of Law 85/2006 on insolvency proceedings, after opening of proceedings, the General Meeting of Shareholders shall appoint a special trustee to represent the interests of the company and shareholders and to attend the proceedings.

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*.

Executive management of UCM Resita S.A.
The executive management of the Company during 2017 had the following structure:

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

The executive management of *the Company* was assigned on indefinitely period of time.
From the executives, Mr. Stefan VERDET participates in the registered capital of the company with a number of 40 shares.
In the last five years, no member of the administrative or executive management of *the Company* was involved in litigation or administrative procedures.

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

Internal audit activity is exercised over all activities within the Company in accordance with the approved Annual Internal Audit Plan or Audit Missions set up by the Special Administrator outside the plan.
Internal auditing ensures greater efficiency through a more appropriate use of human and material resources, as well as better coordination between the various departments of the Company.

2. Business model description

The main activity domain according to the National Economy Classification (NACE) is "the manufacture of equipment for the production and use of mechanical power (except for engines for aircraft, motor vehicles and motorcycles) - Code 281."
The main activity of the Company is "manufacture of engines and turbines (except for aircraft, motor vehicles and motorcycles) - 2811 CAEN Code".
The company also provides technical assistance services for the rehabilitation and improvement of existing engineering solutions, specializing in the fields related to its core business.
The main categories of products and services the Company carries out are:
- Hydroelectric units equipped with turbines of the type: Kaplan (up to 180 MW), Francis (up to 170 MW), Bulb (up to 28 MW), Pelton (up to 20 MW) and related installations (valves, regulators and groups pressure oil) and hydrogenerators with auxiliary installations;
- Constructive design, technological design, assembly, service for manufactured products / equipment;

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

The company has 120 established suppliers, out of which 101 are suppliers in the country, 14 are suppliers of imported products and 5 are suppliers for external collaborations.

Of the domestic suppliers, 86 are in Class A capability and the rest in Class B. All external and collaborative suppliers are in Class A.

The main suppliers of UCM Resita SA are:

- Chimtitan Bucharest - 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
- Pro Thnic Cluj - glass fiber fabrics, sealing material
- Unionocel Czechia - table
- Isovolta AG Austria - electrically insulating.

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 company was founded in 1990 under the name of RENEL, successor to the Communist Electricity Ministry. In 1998, following the process of reorganizing the energy sector, a holding company, CONEL, with four subsidiaries: Termoelectrica, Electrica, Hidroelectrica and Nuclearelectrica, was created. Hidroelectrica has undergone, over time, a long and complex process of restructuring and reorganization.
Currently it operates through the 7 branches: SH Bistrita, SH Cluj, SH Curtea de Arges, SH Hațeg, SH Porțile de Fier, SH Râmnicu Vâlcea and SH Sebeș.
SSH HIDROSERV SA, Hidroserv S.A., Hydroelectric Services Company, is a subsidiary of the Hidroelectrica S.A. Hydroelectric Power Generation Company, having the legal form of a joint stock company. Company S.S.H. HIDROSERV S.A. has as main object of activity "Electricity production", the eight branches of the company (Bistrita, Cluj, Curtea de Argeș, Hațeg, Iron Gates, Râmnicu Vâlcea, Sebeș, Slatina) being certified to provide services consisting of:

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

By the closing of the hearing held on 10.10.2016 by the Bucharest Tribunal in file 36365/3/2016, the opening of the general insolvency procedure against SSH HIDROSERV SA was ordered.
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 its 45 years of existence, Romelectro has carried out large-scale contracts both on the domestic and international markets.

5. Main Competitors

On both the Romanian and the international market, UCM Resita has to cope with fierce competition represented by branded companies in the field of hydropower equipment.
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 20,000 people, generates € 4.4 billion in sales, operates in more than 60 countries around the world, and is currently one of Europe's largest family companies.

ANDRITZ HYDRO GmbH, headquartered in Vienna, Austria and over 175 years of experience, has 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.

ALSTOM POWER HYDRO, headquartered in Levalois - 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. 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.

6. Technical Equipment

UCM Resita has great opportunities for:

- machining on large, medium and small lathes, on milling machines, planing machines, grinding machines, adjusting machines, CNC machines.
- machining on top lathes of parts up to Ø 3,650 x 16,460 mm and weight up to 80 tons;
- Machining of carousel lathes with diameters up to Ø 16.000 mm and weight up to 125 tons;
- Drilling up to Ø 160 mm with hole widening up to Ø 630 mm maximum at a depth of maximum 11,000 mm; workpiece weight up to 20 tons and honing possibilities;
- milling of parts with length / width / height up to a maximum of 24000/5500/4500 mm on milling machines;
- milling and boring on milling and boring machines with large dimensions;
- clamping for parts with width / maximum height: 2000/2000 mm;
- grinding on internal surfaces at minimum / maximum Ø 20/350 mm diameters, external surface grinding to diameters up to Ø 400 mm and lengths of 20.000 mm.
- nondestructive tests in the non-destructive testing laboratory;
- destructive tests within the destructive testing laboratory;
- calibration / verification and repair of measuring instruments within the metrology laboratory;
- thermal, thermochemical and galvanic coatings
- welding equipment: for cutting, shaping and welding;
- 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 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 (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 ELCOMEX IEA Cernavoda;
- Authorization of Railway Supplier for manufacturing: spare parts for traction diesel engines - AF series, Nr. 7354 / 03.08.2017, 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.25 / 2014, 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 3, 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;
- LICENCE OF ENERGY MANAGER - No. 534 / 24.01.2013 and Decision no.70 / DEE / 17.12.2015, issued by ANRE;
- Authorization No. OR / CR4 / C, O / 24,25,26 / 1192/1 / 05.08.2013 for repair, maintenance and overhaul of cranes (displaceable on tracks without running track with So = 50t / running with So = 200 t; with arm and / or rotating platform working at fixed point or moving on horsepower with So = 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 Sn = 20t / horses with running track with Sn = 200 t), 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.

During the Analysis session conducted by management at the highest level, the following debates 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, 49 risks (47 operational and 2 organizational) and 3 opportunities were identified, evaluated, analyzed, for which there were established and implemented actions for treatment of risks and opportunities.
The Company has been appointed by the Internal Decision Committee for Risk and Opportunities Management and a Risk and Opportunity Risk Officer.
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
* 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;	* high average age among specialists; * Lack of qualified labor market personnel

OPORTUNITIES	THREATS
* investment program of the main client Hidroelectrica SA * maintenance program of the main client Hidroelectrica SA	* technological progress * lack of financial resources * legislation

10. Aspects regarding impact over environment

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

- Protecting the environment, including the prevention of accidental pollution;
- Compliance with legal requirements and fulfillment of compliance obligations;
- Employee awareness of the environmental aspects generated by the work done;
- Collaborate with customers and suppliers to ensure compliance with Environmental Policy;
- Continuous improvement of the Environmental Management System in order to increase the Company's environmental performance.

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. 10043899 / 19.12.2017, 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. The periodic assessment of compliance with legal requirements and other applicable requirements is made in relation to:

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

Keeping ongoing processes and associated environmental impacts under control is done by Environmental Protection Service staff, supported by the activity coordinators and environmental managers appointed at each compartment / department / service.
Environmental aspects of the activities, products, and services provided by the Company which, from a life-cycle perspective, it can control and / or influence upon, taking into account new, planned or new developments, activities, products or services, or modified to identify and evaluate those that have or may have a significant impact on the environment have been identified since

2008. They have been established for permanent activities carried out by their own staff, resulting in permanent environmental issues, as well as temporary activities carried out by its own personnel or by suppliers on behalf of the Company resulting in temporary environmental aspects. A particular emphasis is placed on keeping the significant environmental aspects under control.
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 waste until it is handed over to authorized collectors for recovery or disposal.
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 / emergency situations.
Prevention and intervention in the event of an emergency situation is carried out by the personnel of the Company's Private Service for Emergency Situations as well as the staff of the intervention teams within the departments / services, appointed by internal decisions, in order to prevent accidental pollution.
The consumption of utilities needed to carry out the activity is monitored monthly. By the measures established by the top management, reductions in the consumption of the following energy fluids were made:

- Reduction of natural gas consumption due to losses on old networks provided by thermal plants on the ABC and Câlnicel 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;
- 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 three environmental and water management permits that the Company owns:

- monthly monitoring of the quality of the industrial and pluvial wastewater discharged into natural emissaries through existing exhaust manifolds at all work points;
- the air quality (immissions and emissions) on the ABC and Câlnicel industrial platform is monitored on a semi-annual basis;
- the groundwater quality of the ABC and Mociur platforms is monitored on a semi-annual basis;
- the equivalent noise level on the ABC and Câlnicel industrial platform is monitored annually.

As a result of the activities carried out in recent years, taking into account the fact that the staff are trained and aware that they have to protect the environment, the conclusion established by the monitoring / measurement of the quality of the environmental factors is that 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
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. Following the inspections carried out by the representatives of the National Environmental Guard, the Caraș - Severin County Commissariat and those carried out by the representatives of the Banat Water Basin Administration Timișoara / Resita Water Management System, no sanctions were applied. 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.
They are periodically submitted to the Caraș-Severin Environmental Protection Agency, according to the environmental permit requirements.

11. Social and staff aspects

On December 31, 2017, UCM Resita SA had a staff of 836 employees assigned to the following structure:

- 586 workers, representing 70.10% of the staff
- 22 foremen, accounting for 2.63% of staff
- 228 TESA, representing 27.27% of staff.

The unionization degree of the workforce in December 2016 was of 67.82%.
The employer acknowledges the "Union Resita 1771" as representative union, in accordance with the Law 62/2011 (The Law of Social Dialogue) that has 424 members and is part of Fră□ia CNSRL but also the "Independent Free Union", as legally constituted union with 140 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 11.08.2015, but also by the Internal Regulation as annex and part of the applicable Collective Labor Agreement.
The signatory parties to this agreement undertake to cooperate in its implementation, based on the principle of good faith, in strict compliance with the law and informing each other and promptly on emerging issues.
During 2017 there were no labor disputes, the unions even taking an active role in supporting the interests of *the Company*, under the harsh conditions of the insolvency period.
For health and safety at work, UCM 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.

II. Financial Statement

The Annual Financial Statements on 31 December 2017 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 2017:

No.	Group of products	Markets
1.	Hydro Power Units (new products and rehabilitation)	Romania, Austria
2.	Electric motors + repairs	Romania
3.	Spare parts for railway engines	Romania
4.	Miscellaneous	Romania, Hungary, Denmark
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 2017 is as follows:

No.	Group of products	Weight in total sales
1.	Hydro Power Units (new products and rehabilitation)	71,78%
2.	Electric motors + repairs	9,30 %
3.	Spare parts for railway engines	0.02 %
4.	Miscellaneous	3,27 %
5.	Services	13,89 %
6.	Other revenues	1,74 %

The main objective of UCMR for the year 2018 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 Păclișa, CHE Beresti, CHE PdF, CHE Călimanești, but also with other companies such as Romelectro Bucharest: CHE Stejaru, CHE Slatina , CHE Bumbești.All products and works related to these contracts have the final beneficiary Hidroelectrica.
For the year 2018 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 Vidraru, CHE Tismana, CHE Retezat.
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 2017, are listed below:

No.	Customer	Weight in total sales
	S.S.H.HIDROSERV S.A.	34,33 %
1.	ROMELECTRO S.A.	31,00 %
2.	UTILNAVOREP S.A.	13,54 %
3.	SPEEH HIDROELECTRICA S.A.	4,35 %

It should be underlined that UCM Resita SA is captive on the domestic market, depending on 69.68% 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.
Compared to the previous year, however, this share dropped from 87.73% to 69.68%, reflecting the Company's diversification of the order's portfolio.

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 2017 the operating revenues increased by approximately 25.53% over the previous year, the weight of operating revenues in total revenues being of 97.86%, compared to 97.21% in 2016, respectively 96.01% in 2015.

Revenues	Lei		
	2015	2016	2017
Operating revenues	38.697.249	49.722.327	37.026.178
Financial revenues	1.606.307	1.427.730	810.830
Total revenues	**40.303.556**	**51.150.057**	**37.837.008**

Revenues	Weight in percentage (%)		
	2015	2016	2017
Operating revenues	96.01%	97.21%	97.86%
Financial revenues	3.99%	2.79%	2.14%
Total	**100.00%**	**100.00%**	**100.00%**

In 2017, the weight of operating costs in total expenses is of 97.95%, compared to 96.60% in 2016.

Expenses	Lei		
	2015	2016	2017
Operating expenses	34.473.969	67.874.572	56.557.171
Financial expenses	3.536.838	2.392.379	1.182.895
Total expenses	**38.010.807**	**70.266.951**	**57.740.066**

Expenses	Weight in percentage (%)		
	2015	2016	2017
Operating expenses	90,70%	96,60%	97,95%
Financial expenses	9,30%	3,40%	2,05%
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 2016 and 2017 which include in calculation the negative amounts (values), respectively the losses for the current accounting year and/or previous one.

	Indicators	2016	2017
1	**Liquidity indicators**		
	Indicator for current liquidity - in number of times	**0,10**	**0,08**
	Indicator for immediate liquidity (acid test) - in number of times	**0,07**	**0,05**
2	**Risk indicators**		
	Indicator for indebtedness rate	*N/A*	*N/A*
	Indicator for interest coverage - in number of times (if negative, it will not be calculated)	*N/A*	*N/A*
3	**Activity indicators**		
	Turnover ratio of debts - customers - in number of days	***305***	***381***
	Turnover ratio of credits - suppliers - in number of days	***130***	***202***
	Turnover ratio of fixed assets - number of times	***0,30***	***0,21***
	Turnover ratio of total assets - in number of times	***0,22***	***0,16***
	Turnover ratio of stocks - in number of times	***2,51***	***2,35***
4	**Profitability indicators**		
	Gross margin on sales (%)	*N/A*	*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 ràtio 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-tem 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 2017 *the Company* ended the accounting year with losses and this indicator is not calculated.

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

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

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

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

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

The gross margin from sales reflects *the Company's* efficiency expressed by the weight of profit in total revenues, respectively its advantageousness (profitability). A low value of this percentage may reflect the fact that *the Company* is unable to control its production costs or to achieve the optimum sale price. In 2017 *the Company* ended the accounting year with losses and this indicator is not calculated.

Situation of lands and issues related to the ownership on *the Company's* tangible assets
The situation of lands owned by the Company at 31.12.2017 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	Dept. of lubricants Mociur	MO3 no. 5059	4,591.62		Tabulated
3	Oxygen Factory Mociur	MO3 no. 5057	24,323		Tabulated
4	Casting Factory Mociur	MO3 no. 5337	174,798.65		Tabulated
5	Parking stock	MO3 no. 5058	11,564		Tabulated
6	Drinking water tank Mociur	MO3 no. 5336	1,415		Tabulated
7	Warehouse for models Dealu Mare	MO3 no. 4726	11,545		Tabulated
8	Land for industrial water pool Dealu Mare	MO3 no. 4727	180		Tabulated
9	Reduction Gear Box Renk Factory	MO3 no. 4431	22,907		Tabulated
10	Industrial bays Cilnicel	MO3 no. 5507	86,010.44	**158 sq.m.**	Tabulated 86,010 sq.m. 158 sq.m. Non-tabulated
11	Warehouses, storage rooms Cilnicel	MO3 no. 5506	50,672.68		Tabulated
12	Deep connection station Cilnicel	MO3 no. 5493	2,860		Tabulated
13	Compressor station Cilnicel	MO3 no. 7639	0	**4,680 sq.m.**	Non-tabulated
14	House of Culture	CF no. 32854	9,360		Tabulated

15	Nursery	MO3 no. 3907	2,860		Tabulated
16	Hostel no. 1	MO3 no. 3301	623		Tabulated
17	Hostel no. 3	MO3 no. 3302	625		Tabulated
18	Hostel no. 5	MO3 no. 3298	608		Tabulated
19	Hostel no. 2	MO3 no. 3300	621		Tabulated
20	Block of bachelor's rooms	MO3 no. 3297	441		Tabulated
21	Screw Factory Anina	MO3 no. 4429	10,781		Tabulated
22	Moniom	MO3 no. 4430	24,676		Tabulated
23	Land in Vilcea	Bill of sale and CF No. 15682	1,000		Tabulated
	Total		**748,762.39**	**4.838 sq.m**	

Note: The area of 3,849 square meters recorded in the *Company's* bookkeeping represents land with right of administration (inventory no. 40105).

Claims:

No.	File No. In Court	Applicant	Court of jurisdiction	Hearings	Remarks
1.	3436/290/2010	Mihăilescu Gheorghe Mihăilescu Carmen	Courthouse of Resita	-	By Termination on 09.04.2012 was suspended the trial under Art. 36 of Law no. 85/2006

Marketable securities issued by *the Company*
The shares of *the Company* are listed on the Bucharest Stock Exchange. Listing of company's shares on BSE started on 25.07.1998, until then the company's shares being traded on RASDAQ market.

Once the insolvency was declared, *the Company's* shares were suspended from trading. At the end of 2017 *the Company* had a total of approximately 10,324 shareholders, natural and legal persons.
The nominal value is of 0.1 lei/share.

The synthetic, consolidated structure of shareholders owing financial instruments representing at least 10% of the registered capital of *the Company* at the end of 2017 is as follows:

No.	Name of shareholder	Number of shares	Percentage in the share capital %
1.	INET AG	106,403,900	96.7890
2.	ASSOCIATION OF EMPLOYEES FROM RESITA MACHINE BUILDING COMPANY	662,638	0.6028
3.	List of shareholders – legal persons	1,970,829	1.7927
4.	List of shareholders – natural persons	896,537	0.8155
	TOTAL	**109,933,904**	**100.0000**

Financial – accounting status for the years 2015, 2016 and 2017
In the balance sheets for the accounting years 2015, 2016 and 2017 the significant balance sheet items are as follows:

- Lei -

No.	Balance items	2015	2016	2017
1	Lands and buildings	173.318.714	165.285.614	159.164.923
2	Technical facilities and machinery	3.021.130	2.645.845	2.363.034
3	Stocks	24.551.126	23.077.003	19.497.880
4	Receivables	49.791.352	43.568.085	33.907.195
5	Cash and bank accounts	6.397.727	2.256.815	654.581
6	Current assets	80.782.207	68.953.616	54.107.893
7	Current liabilities	681.994.003	693.994.537	696.892.825

The total value of investments made in 2017, absolutely necessary for the good development of current activities of *the Company* was of 57,670 lei, having the following structure:

- Lei -

Category	Value of investments in 2017
Technical installations, means of transportation, animals and plantations	34.319
Furniture, office equipment, equipment for protection of material and human values and other tangible assets	23.351
TOTAL	**57.670**

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

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	2015	2016	2017
1	**Stocks, of which:**	**24.551.126**	**23.077.003**	**19.497.880**
1.a	- raw material and consumables	4.875.895	9.306.003	5.767.563
1.b	- production in progress	16.442.937	11.041.580	11.101.872
1.c	- finished products and goods	2.592.974	2.030.630	1.807.549
1.d	- down payments	639.320	698.790	820.896
2	**Other current assets, of which:**	**56.190.211**	**45.826.053**	**34.562.939**
2.a	- receivables	49.791.352	43.568.085	33.907.195
2.b	- short-term financial investments	1.132	1.153	1.163
2.c	- cash availability	6.397.727	2.256.815	654.581

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	2015	2016	2017
1	Owner's equity	(658.973.718)	(683.895.034)	(707.158.369)
2	Debts	681.994.003	693.994.537	696.892.825
3	Income in advance	1.535.080	12.457	11.971
4	Provisions for liabilities and charges	242.705.042	242.024.879	241.989.298

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	2016	2017
1	Revenues from production sold	55.707.904	36.532.128
2	Revenues from sale of goods	4.034	571.156
3	Discounts granted	17.678	40.264
4	**TOTAL TURNOVER (4=1+2-3)**	**55.694.260**	**37.063.020**

The turnover in 2017 is of 37.063.020 lei, 33.45% lower than the turnover in 2016, of which 2.09% on the market in the European Union and 97.91% on domestic market.

No.	Explanations	2016	2017
1	Romania	53.908.531	36.286.825
2	European Union	1.785.729	776.195
7	**TOTAL (3=1+2)**	**55.694.260**	**37.063.020**

From the profit and loss account for the years 2015, 2016 and 2017 the weight of the main indicators related to revenues in total revenues is shown in the table below:

No.	Revenues	Weight in percentage (%)		
		2015	2016	2017
1	Turnover	89,96%	112,01%	100,10%
2	Changes in stocks	-2,51%	-14,71%	-0,50%
3	Capitalized production	0,00%	0,00%	0,00%
4	Other operating revenues	12,55%	2,70%	0,40%
	Total	**100,00%**	**100,00%**	**100,00%**

Depending on their nature, the revenues are as follows:

No.	Revenues	Lei		
		2015	2016	2017
1	Operating revenues	38.697.249	49.722.327	37.026.178
2	Financial revenues	1.606.307	1.427.730	810.830
	Total revenues	**40.303.556**	**51.150.057**	**37.837.008**

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

The expenses are classified and recognized based on the principle of their connection to revenues, respectively their allocation to products or services in which such revenues are realized.
The production cost of stocks is tracked on projects and, therein on each individual product, including direct costs related to production (direct materials, direct labor, and other direct costs attributable to products, including design costs) also the share of indirect costs for production, allocated rationally as related to their manufacture.

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

No.	Expenses	Lei		
		2015	2016	2017
1.	Operating expenses	34.473.969	67.874.572	56.557.171
2.	Financial expenses	3.536.838	2.392.379	1.182.895
	Total expenses	**38.010.807**	**70.266.951**	**57.740.066**

The operating expenses have the following structure:

No.	Expenses	Lei		
		2015	2016	2017
1	Physical expenses	8.527.116	14.964.031	11.298.637
2	Other external expenses (energy and water)	4.739.277	4.576.823	4.200.993
3	Expenses on goods	-	-	296.242
4	Trade discounts received	31.917	75.507	25.775
5	Expenses with the personnel	28.786.550	27.715.290	27.984.199
6	Adjustments	(14.177.673)	14.114.945	6.614.494
7	Other operating expenses	6.630.616	6.578.990	6.188.381
	Total operating expenses	**34.473.969**	**67.874.572**	**56.557.171**

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

No.	Expenses	Weight in percentage (%)		
		2015	2016	2017
1	Physical expenses	24,73%	22,05%	19,98%
2	Other external expenses (energy and water)	13,75%	6,74%	7,43%
3	Expenses on goods	0,00%	0,00%	0,52%
4	Trade discounts received	0,09%	0,11%	0,05%
5	Expenses with the personnel	83,50%	40,83%	49,48%
6	Adjustments	-41,13%	20,80%	11,70%
7	Other operating expenses	19,23%	9,69%	10,94%
	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 4.6597 on 31.12 2017, compared to 4.5411 on 31.12 2016.

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.

(i) ***Economic environment and market risk***

The Romanian economy is still in transition, the recession and global crisis affecting her 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.

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 2017

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 Board and the key management functions of the company, that applies, inter alia, the general principles of Section A.		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 proceedings against UCM Resita and, as a result, the company operates under the procedures regulated by Law no. 85/2006 on insolvency proceedings. 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. The mandate of the Board of Directors of the company has ceased at the appointment of the Special Trustee. Currently, the company is managed by two 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
A.2. The provisions for managing the conflicts of interest should be included in the Regulation of the Board. 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.		x	
A.3. The Board of Directors or the Supervisory Board must consist of at least five members.		x	
A.4. Most of Board members must not		x	

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 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.			Receivers. One of the Special Trustees has also the position of CEO of the company. The company is in the stage of observation, under the supervision of the Official Receiver. Most of the relevant aspects of corporate governance stipulated by the Code of Corporate Governance at Sections A, B and C are not applicable to a company in insolvency proceedings.
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 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.		x	
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-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.		x	
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 the conflicts of interest in connection with transactions of the company and its subsidiaries with related parties.		x	
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		x	

internal audit standards generally accepted. The Audit Committee should receive and assess the internal audit reports of the team.			
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 disclosed correctly to shareholders and possible investors, to the extent that such transactions fall within the category of events subject to reporting requirements.		x	
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

English, with all relevant information of interest to investors, including:			the Consortium of Special 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 limitation of the rights of a shareholder, including the deadlines and principles applied to these operations. This information will be published in sufficient time to allow investors to take investment decisions;		x	There were no corporate events.
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		x	The company is in the period of observation

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 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.			and the forecasting policy will be subject to the reorganization plan which, if validated, will be available on the Company's website.
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 prior invitation from the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the President of the Board decides to the contrary.		x	The Company will comply with, if the agenda of the meeting includes matters of public interest that will be submitted for 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.

IV. Conclusions

In 2017 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 management of *the Company* was and is concerned about the ongoing monitoring of the expenditure, having in view to ensure economic-financial balance, to keep its business partners and to attract new partners in order to increase the revenue, so that SC UCM Resita SA to overcome this difficult phase.

UCM Resita ended on profit each year of insolvency:

- 2012 - 3,000,779 lei net profit;
- 2013 - 2,091,558 lei net profit;
- 2014 - 609,032 lei net profit;
- 2015 - 481,489 lei net profit;
- 2016 - 24,870,550.lei net loss
- 2017 - 23,154,777 lei net loss

If the year 2016 was marked by the insolvency of SC Hidroserv SA and the postponement or cancellation of contracts by Hidroelectrica, in 2017 the Company, although included in the Budget estimated signed contracts, executed in 2017 for CHE Berești and CHE Călimanești, in worth 17,000,000, this year only 5,500,000 lei was realized, as the works started towards the end of the year due to the fact that Hidroelectrica did not disburse the plants for the execution of the works. Regarding the inclusion in the Estimated Budget of 2017 of the contract for CHE Câineni the previous years worth more than 29.000.000 lei, it was based on advanced discussions with Hidroelectrica and on the studies and technical expertise required by it indicating the need to continue the work. The work was postponed again without clear milestones for the future. These were the main causes of the loss of 23,154,777 lei recorded in 2017.

For the year 2018, the Company has prepared the Revenue and Expense Budget, which proposes continuity in carrying out activity specific to their field and to obtain economic and financial results that will re-launch the Society.

Even in the current economic situation, SC UCM Resita SA has a strategic position, a tradition and a particular technical potential that can be considered as basic premises in carrying out the production activities and services in future periods, because UCM Resita:

- Was created to support, almost entirely, the development of the hydropower system in Romania, being able to manufacture both new equipment, complex ones, and to repair and refurbish equipment already in use;

- Has designed and built, up to now, over 90% of the national hydropower system, putting into operation more than 6,325 MW installed capacity, representing 326 hydropower groups;

- Has the required specialists and organizational system to achieve commissioning and/or to provide specialized service for the power equipment in operation;

- Has the know-how and capability for upgrading the equipment installed in the power plants in Romania, of which more than 80% have exceeded their lifetime and would require rehabilitation works;

- Has the know-how to manufacture spare parts that ensure proper operation of the equipment, also the design and production capability for continuous upgrading of the solutions offered;

- Has the required organizational system and the specialized staff needed for optimal operation of control systems, but also for prompt intervention and putting into operation of the equipment in the event of unforeseen failure, at the request of Hidroelectrica and Hidroserv;

- By its unique nature (strategic for Romanian economy), its own high-tech know-how, the markets to which they address and the price level charged, it's able to keep and develop the customer portfolio;

- Has sufficient production capacity and personnel specialized on activities in other areas of the industry:
    - Agriculture: pumps and electric motors for irrigation;
    - Transportation: railway and road bridges in welded structure;
    - Defense: manufacture of parts;
    - Resuming the production and repair of Diesel engines.

- Has implemented and operates an Integrated Management System for Quality, Environment, Health and Labor Safety, in accordance with the requirements of references EN ISO 9001:2015, SR EN ISO 14001:2005 and SR OHSAS 18001:2008.

As further proof of professionalism and capability, UCM Resita is among the first companies in the country that has implemented the Management System according to the latest reference in the field SR EN ISO 9001: 2015.

Lastly, it should be noted that the strategic importance of UCM Resita in the Romanian hydropower system is known and assumed in the government strategy.

Thus, the Substantiation Note related to the Government Emergency Ordinance no. 97/16.10.2013, on the takeover by AAAS of receivables administered by ANAF, synthesizes the following aspects:

- "It is necessary for the state, which is represented by several institutions in the Meeting of Creditors, to ascertain the interests of all state representatives in the national economy";
- "This stage is preceding the application of viability solutions";
- "Business continuity in UCM Resita contributes greatly to the proper operation of the largest producer of electricity in the hydropower sector - Hidroelectrica SA, company under the authority of the Ministry of Economy and thus to provide the energetic security of the country".

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

U.C.M. Reşiţa S.A. * în insolvenţă * en procedure collective *

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, 2017.

The Special Trustees of *the Company* confirm, regarding the Yearly Financial Statements on December 31, 2017, 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

U.C.M. Reşiţa S.A. * în insolvenţă * en procedure collective * UCM Resita

Statement of financial position on 31.12.2017

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Reference Statement of financial position IAS 1.10(a), 113	Note	Balance sheet items	Balance on 01.01.2017	Solduri 31.1 Balance on 2.2017
IAS 1.54(a)	3	Tangile fixed assets	168.636.615	162.195.113
IAS 1.54(c)	3	Intangible fixed assets	2.943	1.868
	3	Financial assets	14.532.168	15.419.353
		Total of fixed asse	**183.171.726**	**177.616.334**
IAS 1.54(h)	4	Trade receivables and receivables from affiliated entities	8.092.311	11.863.074
IAS 1.54(g)	5	Stocks Deferred tax assets	22.378.213	18.676.984
IAS 1.54(o), 56	12	Deferred tax assets	29.611.092	15.960.981
IAS 1.54(h)	4	Other receivables	6.574.969	6.915.534
IAS 1.54(i)	6	Cash and cash equivalents	2.257.968	655.744
		Prepayments	50.560	47.074
		Total of current assets	**68.965.113**	**54.119.391**
		TOTAL ASSETS	**252.136.839**	**231.735.725**
IAS 1.54(m)	7	Loans bearing interest	39.849.737	40.125.708
IAS 1.54(k)	7	Supplies and other trade payables	38.745.947	40.970.329
IAS 1.54(k)	7	Taxes and other debts	580.273.150	591.069.479
IAS 1.54(o), 56	12	Deferred tax debts	35.125.702	24.727.309
IAS 1.54(l)	8	Provisions	242.024.879	241.989.298
IAS 1.55, 20.24		Revenues în advance	12.458	11.971
		Total debts	**936.031.873**	**938.894.094**
		Total acssets minus Total debts	**(683.895.034)**	**(707.158.369)**
	9	Registered capital	601.685.084	601.685.084
	3	Revaluation reserves	164.870.831	159.208.984
	9	Legal reserves	1.972.406	1.972.406
		Other reserves	16.088.620	16.088.620
	9	Carried over result	(1.443.641.425)	(1.462.958.686)
	9	Current result	(24.870.550)	(23.154.777)
	9	Profit sharing, establishing of legal reserves	-	-
		Total equity	**(683.895.034)**	**(707.158.369)**
		TOTAL LIABILITIES	**252.136.839**	**231.735.725**

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

U.C.M. Resita S.A. în insolvenţă * in insolvency * en procedure collective *

Statement of comprehensive income on 31.12.2017

- Lei -

Reference Statement of overall result IAS 1.10(b), 81(a)	Explanations	31.12.2016	31.12.2017
IAS 1. 82(a) IAS 1.99,103	Operating revenues	57.037.161	37.212.573
IAS 1.99, 103	Cost of sales	61.560.242	43.709.063
	Gross operting profit (loss)	**(4.523.081)**	**(6.496.490)**
IAS 1.99, 103	Distribution costs	14.686	160.100
	Administrative expenses	13.614.478	12.874.403
IAS 1. 82(a) IAS 1.99,103	Financial revenues	1.427.730	810.830
IAS 1.82(b)	Financial expenses	2.392.379	1.182.895
IAS 1.85	**Result before tax**	**(19.116.894)**	**(19.903.058)**
IAS 1.82(d), IAS 12.77	Income tax expenses	(5.753.656)	(3.251.719)
	Net Profit (loss)	**(24.870.550)**	**(23.154.777)**
	Establishing of legal reserves under Law31/1990	-	-
IFRS 5.33(a), 1.82(e)	***Profit attributable to:***	-	-
IAS 1.83(b)(ii)	*Qwners of the Company*	-	-
IAS 1.83(b (i)	*Non-controlling interests*	-	-

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

Statement of changes in equity for the year ended on December 31, 2017

- Lei

Explanation/Desciption	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
1	2	3	4	5	6	7	8	9
Balance on 01.01.2017	**601.685.084**	**164.870.831**	**1.972.406**	**225.401.804**	**16.088.620**	**(1.669.043.229)**	**(24.870.550)**	**(683.895.034)**
Changes in equity- December 31 2017								
Transfer of surplus from revaluation reserves		(5.661.847)		5.661.847				-
Transfer of the result of the accounting year 2016 to the						(24.870.550)	24.870.550	-
Account closing -profit share								-
Registration of accounting errors from previous years to the carried over result								
Net result of the current accounting year						(108.558)		(108.558)
							(23.154.777)	(23.154.777)
Balance on December 31 2017 IFRS	**601.685.084**	**159.208.984**	**1.972.406**	**231.063.651**	**16.088.620**	**(1.694.022.337)**	**(23.154.777)**	**(707.158.369)**

The legal reserves of the Company, constituted in accordance with the provisions of the Commercial Companies Act, as at 31 December 2017 amount to 1,972,406 RON. 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, 2017, the Company has not yet reached the maximum level of legal litigation.

Special Trustees:
Cosmin URSONIU
Nicoleta Liliana IONETE

U.C.M. Reşiţa S.A. * in insolvency * in insolvenţă * en procedure collective

Statement of cash flows on 31.12.2017

-Lei-

Name of the lement	Nr. row.	Financial exercise ended on:	
		31 decembrie 2016	31 decembrie 2017
OPERATING ACTIVITIES			
Net profit+Result carried over from correction of accounting errors	1	(19.167.661)	(20.011.616)
Adjustments for:			
Adjusting the value of tangible and intangible assets	2	8.512.526	6.500.878
Adjusting the value of financial assets	3	377.524	(403.873)
Expenses (revenues) with adjustments for depreciation of current assets	4	6.252.066	(2.842.558)
Adjustments to the provisions for risks and expenses	5	(680.163)	(35.581)
Expenses with the donating granted	6	-	-
Revenues from interests and other financial income	7	(526.043)	(342.425)
Expenses with interests and other financial income	8	1.294.436	616.197
Cash flow before changes in working capital (row. 1 to 8)	**9**	**(3.937.315)**	**(16.518.978)**
Decrease /(Increase) – customers and other assimilated accounts	10	(7.283.889)	(1.571.920)
Decrease /(Increase) in stocks	11	3.171.920	3.507.567
Decrease /(Increase)- supplies and other assimilated accounts	12	3.945.804	13.024.195
Cash flow from operating activities (row. 9 to 12)	**13**	**(4.103.480)**	**(1.559.136)**
Revenue from interests	14	1.425	621
(Net increase) / Net decrease in restraint	15	190.640	(50.412)
Cash flow from operating activities (row.13 to 15)	**16**	**(3.911.415)**	**(1.608.927)**
Investing activities			
Cash payment for long-term purchasing of land and other assets	17	(50.836)	(58.300)
Revenues from dividents	18	12.000	14.591
Net cash used in investing activities (row. 17 la 18)	**19**	**(38.836)**	**(43.709)**
Financing activities	8		
Subsidies granted	20	-	-
Net cash used in financing activities (row. 20)	**21**	**-**	**-**
Net increase/(Decrease) în cash and cash equivalents (row. 16+18+21)	22	(3.950.251)	(1.652.636)
Cash and cash equivalents at the beginning of the year	23	5.903.885	1.953.634
Cash and cash equivalents at the end of the period (row. 22+23)	**24**	**1.953.634**	**300.998**

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

U.C.M. Reşita S.A. * în insolvenţă * en procedure collective * în insolvenţă *

Economic - Financial Indicators on 31.12.2017

Indicator	Calculation method	Value
1. current liquidity	1=2/3	0,08
2. Current assets (lei)	2	54.060.819
3. Current liabilities (lei)	3	696.892.825
4. Level of indebtedness	4=5/6	#N/A
5. Borrowed capital (lei)	5	0
6. Capital employed (lei)	6	(707.158.369)
7. Turnover ratio of customer debits (days)	7 =8/9 x (365)	88
8. Average balance of trade receivables (lei)	8	8.923.761
9. Turnover (lei)	9	37.063.020
10. Turnover ratio of fixed assets (days)	10 = 11/12 x (365)	1.749
11. Fixed assets (lei)	11	177.627.832
12. Turnover (lei)	12	37.063.020

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

U.C.M. Reşita S.A. * in insolvenţă * en procedure collective * in insolvency *

1. Reporting entity

General information

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

IAS 1.51(a)-(c) The separate financial statements, in accordance with IFRS, has been prepared for the accounting year ended on December 31, 2017.

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 31.12.2017, the registered office of *UCMR* was in Bucharest, Montreal Square 10, World Trade Center Building, Entrance F, 1st Floor, Office no. 1.50, Sector 1, as mentioned in Endorsement no. 26024/ 21.01.2013, 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 UTILNAVOREP SA and ALMET INTERNATIONAL LTD SRL. External clients are active both in the hydropower field and in other areas, and are from Austria, Denmark and Hungary.

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.

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. 1286/2012 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 1286/2012*)

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 31.12.2017 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, 2017 in accordance with *OMPF 1286/2012*, as amended and supplemented.

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

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

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

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

Even if *the Company* holds securities in three companies and is controlling these companies, *the Company* has decided not to prepare consolidated financial statements given that two of these companies are in bankruptcy proceedings.

The Separate Financial Statements for the year ended on1 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 31.12.2017, and cannot estimate the impact of non-application of these provisions on the separate financial statements, and intends to apply these provisions only at their entry into force.

Consolidated Financial Statements

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

As of December 31, 2017, the Company also holds 1 subsidiary, because for one of the Company's subsidiaries, respectively s.c. EUROMETAL s.r.l, was disposed, through the Civil Sentence no. No.200 / JS of 09.08.2017, the termination of insolvency proceedings and the deletion of the company from the Trade Register.

Branch held on December 31, 2017, s.c. MULTI-FARM s.r.l has as its object the sale of pharmaceuticals 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 31.12.2017, would not significantly differ from the Company's individual financial statements on 31.12. 2017.

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

- **IFRS 1** ***First-time Adoption of International Financial Reporting Standards***
  - Amended by *Annual Improvements to IFRS Standards 2014–2016 Cycle;*
  - Reason for change: the short-term reliefs at E3-E7 of IFRS 1 have been eliminated because they have served the proposed purpose;
  - In force for annual periods beginning on or after 1 January 2018.

- **IFRS 2** ***Share-based Payment***
  - Amended by *Classification and Measurement of Share-based Payment Transactions*, containing the following clarifications and amendments
    - Accounting for cash-settled share-based payment transactions that include a performance condition;
    - Classification of share-based payment transactions with net settlement features;
    - Accounting for modifications of share-based payment transactions from cash-settled to equity-settled;
  - Effective for annual periods beginning on or after 1 January 2018.

- **IFRS 3 Business Combinations**
  - Amended by *Annual Improvements to IFRS Standards 2015–2017*;
  - The amendments clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business
  - Effective for annual periods beginning on or after 1 January 2019.

- **IFRS 4** ***Insurance Contracts***
  - Amended by *Applying IFRS 9 'Financial Instruments' with IFRS 4;*
  - The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4
    - an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
    - an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach;
  - The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.
  - An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9.
  - An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.
  - IASB has published a new standard, IFRS 17 - *'Insurance contracts'*;
  - An entity shall apply IFRS 17 '*Insurance Contracts*' to:
    - Insurance and reinsurance contracts that it issues;
    - Reinsurance contracts it holds; and
    - Investment contracts with discretionary participation features it issues, provided it also issues insurance contracts.
  - IFRS 17 will replace IFRS 4 as of 1 January 2021

- **IFRS 9 Financial Instruments**

- IASB has published, on 2014, the final version of IFRS 9 bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *'Financial Instruments: Recognition and Measurement'.*
- IFRS 9 (2014) was issued as a complete standard including the requirements previously issued and the additional amendments.
- The Standard is effective for reporting periods beginning on or after 1 January 2018 with early adoption permitted.
- IASB has issued, on 2016, *Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)* to address concerns about the different effective dates of IFRS 9 and the new insurance contracts standard
- The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4

• an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;

• an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

- The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.
- An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9.
- An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.
- IASB has published 'Prepayment Features with Negative Compensation (*Amendments to IFRS 9)'* to address the concerns about how IFRS 9 *'Financial Instruments'* classifies particular prepayable financial assets. In addition, the IASB clarifies an aspect of the accounting for financial liabilities following a modification.
- The amendments in *Prepayment Features with Negative Compensation (Amendments to IFRS 9)* are
  - Changes regarding symmetric prepayment options,
  - Clarification regarding the modification of financial liabilities.
- The amendments are to be applied retrospectively for fiscal years beginning on or after 1 January 2019; early application is permitted.

- **IFRS 11 Joint Arrangements**
  - Amended by *Annual Improvements to IFRS Standards 2015–2017 Cycle.*
  - The amendments clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- Effective for annual periods beginning on or after 1 January 2019.

- **IFRS 15** ***Revenue from Contracts with Customers***
  - The Standard was issued by IASB on May 2014.
  - The standard supersedes IAS 18 *'Revenue'*, IAS 11 *'Construction Contracts'* and a number of revenue-related interpretations.
  - Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.
  - Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2017
  - IASB has published on September 2015 'Effective Date of IFRS 15' deferring the effective date of IFRS 15 to 1 January 2018. Earlier application of IFRS 15 continues to be permitted.
  - In 2016 was issued *Clarifications to IFRS 15 'Revenue from Contracts with Customers'*. Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2018. The amendments do not change the underlying principles of the standard, just clarify and offer some additional transition relief.
  - The amendments in *Clarifications to IFRS 15 'Revenue from Contracts with Customers'* address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The IASB concluded that it was not necessary to amend IFRS 15 with respect to collectability or measuring non-cash consideration. In all its decisions, the IASB considered the need to balance helping entities with implementing IFRS 15 and not disrupting the implementation process.

- **IFRS 16 Leases**
  - IFRS 16 was published on 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases.
  - The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained.
  - IFRS 16 supersedes IAS 17 'Leases'.
  - Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if IFRS15 has also been applied.

- **IFRS 17 Insurance Contracts**
  - IASB has published a new standard, IFRS 17 - *'Insurance contracts'*;
  - An entity shall apply IFRS 17 '*Insurance Contracts*' to:
  - Insurance and reinsurance contracts that it issues;

- Reinsurance contracts it holds; and
- Investment contracts with discretionary participation features it issues, provided it also issues insurance contracts.
- Effective for annual periods beginning on or after 1 January 2021.

- **IAS 11 Construction Contracts**
  - The Standard will be superseded by IFRS 15 as of 01 January 2018.

- **IAS 12 Income Taxes**
  - Referenced in IFRIC 23 *Uncertainty over Income Tax Treatments*;
  - IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.
  - Effective for annual periods beginning on or after 1 January 2019;
  - Amended by *Annual Improvements to IFRS Standards 2015–2017 Cycle*;
  - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
  - Effective for annual periods beginning on or after 1 January 2019.

- **IAS 17 Leases**
  - The Standard will be superseded by IFRS 16 as of 1 January 2019.

- **IAS 18 Revenue**
  - The Standard will be superseded by IFRS 15 as of 1 January 2018.

- **IAS 19 Employee Benefits**
  - IASB has published 'Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)' thus finalising one of two issues relating to IAS 19 submitted to the IFRS Interpretations Committee and exposed together in June 2015;
  - The amendments in *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)* are:
  - If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
  - In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

- Effective for annual periods beginning on or after 1 January 2019. Early application is permitted but must be disclosed.

- **IAS 28 Investments in Associates and Joint Ventures**
  - Amended by Annual Improvements to IFRS Standards 2014–2016 Cycle (Measuring an associate or joint venture at fair value);
  - Subject of amendment: clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition;
  - Effective for annual periods beginning on or after 1 January 2018.
  - Amended by *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*
  - IASB has published 'Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)' to clarify that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
  - The amendments in *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)* are:

• Paragraph 14A has been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied;

• Paragraph 41 has been deleted because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.

  - Effective for annual periods beginning on or after 1 January 2019.

- **IAS 39 Financial Instruments: Recognition and Measurement**
  - Superseded by IFRS 9 where IFRS 9 is applied;
  - IFRS 9 was issued for replacing IAS 39 requirements for classification and measurement, impairment, hedge accounting and derecognition.
  - When an entity first applies IFRS 9, it may choose as its accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of Chapter 6 of IFRS 9. The IASB currently is undertaking a project on macro hedge accounting which is expected to eventually replace these sections of IAS 39.
  - Effective for annual periods beginning on or after 1 January 2018.

- **IAS 40 Investment Property**
  - Amended by Transfers of Investment Property *(Amendments to IAS 40)* in order to clarify transfers of property to, or from, investment property.
  - The amendments are
    - Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
    - The list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list.
  - Effective for annual periods beginning on or after 1 July 2018.

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:

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.

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 1286/2012* 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.

f) Intangible assets

Recognition and Measurement of intangible assets
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.

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.

The exchange rates on December 31, 2016 and 2017 are as follows:

Currency	December 31, 2016	December 31, 2017
RON/EUR	4.5411	4.6597
RON/USD	4. 3033	3.8915
RON/GBP	5.2961	5.2530
RON/CHF	4.2245	3.9900

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).

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 period of minimum 25 years In UCM Resita, respectively up to 2 average gross salaries per company for a period of minimum 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;

- Granting of one average gross salary per company 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:
Both *the Company* and its employees are legally obliged to pay monthly social security contributions, administered by ANAF and the County Houses of Pensions. As a result, *the Company* has no legal obligation to pay in future other amounts related to retirement contributions. *The Company* does not contribute to any other plan for retired pay or retirement benefits and has no other 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 five years for tax losses realized until December 31, 2008 and for a period of seven years for tax losses carried thereafter.

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.

ș) Recognition of revenues and expenses

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

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

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

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

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

The production cost of stocks is followed on projects and, within these projects, on each individual product and includes direct costs related to production (direct materials, direct labor, and other direct costs attributable to products, including design costs) and the share of indirect costs of production allocated rationally as related to their manufacture.
The general administrative expenses, selling expenses and unallocated share of fixed overhead products (indirect production costs that are relatively constant, regardless of the volume of production) are not included in the cost of stocks but are recognized as expenses in the period in which they occurred.

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

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.

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: 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 1286/2012*, 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.

In order to correct the errors for the current accounting year, the accounting entries made wrong are, the appropriate registration 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 1286 / 2012, 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, the impact of this change in the accounting policy being shown also in **Note no. 3.**

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 31.12.2017 are presented below.

3.1 Intangible fixed assets

The statements of movement and depreciation of intangible fixed assets in the accounting year 2017 are presented in Tables 1, 2 and 3 below.

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

- Lei -

Explanations	31.12.2016	Inputs	Transfers	Outputs	31.12.2017
0	1	2	3	4	5=1+2-3-4
Other intangible fixed assets	10.647.779	629	-	-	10.648.408

Table No. 2 – Cumulative depreciation of intangible assets

- Lei -

Explanations	31.12.2016	Costs with depreciation	Cumulative depreciation of outputs	31.12.2017
0	1	2	3	4=1+2-3
Other intangible fixed assets	(10.644.836)	(1.706)	-	(10.646.540)

Table No. 3 – Net accounting values of intangible assets

- Lei -

Explanations	31.12.2016	31.12.2017
0	1	2
Other intangible fixed assets	2.943	1.868

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 2017 are presented in Tables 4, 5 and 6 below.

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

- Lei -

No.	Explanations	31.12.2016	Inputs	Outputs	Revaluation on 31.12.2017	31.12.2017
0	1	2	3	4	5	6=2+3-4+5
1.	Lands and land improvements	55.868.100	-	-	-	55.868.100
2.	Buildings	125.540.022	-	1.168	-	125.538.854
3.	Equipment	63.781.081	34.319	541.405	-	63.273.995
4.	Furniture and others	1.366.240	23.351	9.635	-	1.379.956
5.	Fixed assets under construction	914.941	-	-	-	914.941
	TOTAL (1+2+3+4+5)	**247.470.384**	**57.670**	**552.208**	-	**246.975.846**

Table No. 5 – Cumulative depreciation of tangible fixed assets

- Lei -

No.	Explanations	31.12.2016	Costs with depreciation	Cumulative depreciation of outputs	Revaluation on 31.12.2017	31.12.2017
0.	1	2	3	4	5	6=2+3-4-5
1.	Land improvement	-	-	-	-	-
2.	Buildings	16.122.508	6.120.147	624	-	22.242.031
3.	Equipment	61.135.235	317.131	541.405	-	60.910.961
4.	Furniture and others	1.204.550	61.131	9.416	-	1.256.265
	TOTAL (1+2+3+4)	**78.462.293**	**6.498.409**	**551.445**	-	**84.409.257**

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

- Lei -

No.	Explanations	01.01.2017	31.12.2017
0.	1	2	3
1.	Land and land improvement	55.868.100	55.868.100
2.	Buildings	109.417.515	103.296.823
3.	Equipment	2.645.846	2.363.034
4.	Furniture and others	161.690	123.691
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)	**168.636.616**	**162.195.113**

The company owns, mainly:

- Land, total area of 748.762 square meters;
- Buildings, with a developed area of 320.015 square meters, and built from the ground surface of 230.828 square meters;
- Technological equipment specific for machine building industry, numbering over 2.000 pieces.

The lifetimes used to calculate depreciation of tangible fixed assets are determined according to Government Decision no. 2139/30.11.2004 (*GD 2139/2004*), between 8-50 years for buildings and between 8-24 years for machinery; the depreciation method used is the linear one.

Revaluation of fixed assets
The tangible fixed assets, such as buildings and special constructions, were revalued on 31.12.2014 by S.C. DARIAN DRS S.A., a company member of ANEVAR.

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.

Changes in revaluation reserves during the accounting year are presented below, in Table No. 7.

Table no. 7 – Statement of changes in revaluation reserves

\- Lei -

No.	Explanations	31.12.2016	31.12.2017
0	1	2	3
1.	Revaluation reserves at the beginning of the accounting year	172.379.170	164.870.831
2.	Differences in revaluation reserves transferred into reserves as the assets are depreciated during the year and at deregistration of assets	*(7.508.339)*	*(5.661.847)*
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)**	**164.870.831**	**159.208.984**

Reductions in the revaluation reserve during the year 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 during the year, as well as at deregistration of assets.

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

The Company did not kept 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

For the loans and guarantee agreements with which BCR entered in the preliminary creditors' table, at the date of declaring the insolvency, I and II ranked mortgages were established on some tangible assets with net book value as at 31.12.2017 of 76,539,831lei, out of which 44,889,011 constructions and 31,650,820 land.
ANAF also set up and seizures certain tangible assets with net book value as at 31.12.2017 of 41,118,483 lei, out of which 29,859,613 lei for constructions and 11,258,870 lei for land.
No new pledges or mortgages were introduced in 2017.

Transactions not involving cash outflows

Table No. 8 – Transactions of tangible fixed assets not involving cash outflows

- Lei -

No.	Explanations	31.12.2016	31.12.2017
0	1	2	3
1.	Tangible fixed assets for which payment was made in previous years	11.498	11.498
2.	Acquisitions financed through financial leasing	-	-
3.	Purchases from suppliers of fixed assets	944.867	944.867
	TOTAL (1+2+3)	**956.365**	**956.365**

3.3 Financial assets

Statement of equity papers held at other entities (affiliated), respectively of their value adjustments are shown in Table No. 9 below.

Table No. 9 – Investments (shares) in subsidiaries

- Lei -

No.	Explanations	31.12.2016	31.12.2017
0	1	2	3
1.	S.C. MULTI-FARM Ltd., Resita	17.000	17.000
2.	S.C. EUROMETAL Ltd., Resita	11.377.950	-
3.	Adjustments for depreciation of financial assets	(11.377.950)	-
	TOTAL OF NET VALUE (1+2+3)	**17.000**	**17.000**

On 31.12.2017, *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.

At the time of preparation of these financial statements, for s.c. EUROMETAL s.r.l., The insolvency proceedings were closed, according to the Civil Senth No. 200 / JS, which was irrevocably terminated on 09.08.2017, and the company was canceled.
Based on the aforementioned Civil Sentence, the value of the shares held by the Company in a total amount of RON 11,377,950 was recognized as a loss, but due to the fact that they were fully adjusted in previous years, the result of the current exercise was not affected.

Table No.10 below shows the statement of equity papers held by *the Company* in other entities.

Table No. 10 – Equity papers held in other entities

- Lei -

Explanations	31.12.2016	31.12.2017
Romanian Commodities Exchange	23.000	23.000
TOTAL	**23.000**	**23.000**

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 11.584.963 lei, are included in the trade receivables, being reduced with the value of adjustment in amount of 10.353.688 lei, related to guaranties due and unpaid on 31.12.2017 (**see Note no. 4**).

Table no.11 shows the statement of performance bond guarantees (other fixed assets).

Table No. 11 - Performance bond guarantees recoverable in a period longer than 1 year

- Lei -

No.	Explanations	31.12.2016	31.12.2017
0	1	2.	3.
1.	Performance guarantees given to customers recoverable in a period longer than one year	14.487.770	15.374.955
2.	Debtors for the guarantees filed	4.398	4.398
3.	Adjustments for impairment of other receivables	-	-
	TOTAL (1+2+3)	**14.492.168**	**15.379.353**

4. Receivables

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

Table No. 12 below shows the statement of trade receivables and other receivables, respectively the adjustments (depreciation) thereof.

Table No. 12 – Receivables and adjustments (depreciation) thereof

- Lei -

No.	Explanations	Balance on 31.12.2016	Balance on 31.12.2017	Liquidity term	
				Less than 1 year	Over 1 year
1	Trade receivables	29.061.954	32.721.422	32.721.422	-
2	Value adjustments for depreciation of trade receivables	(21.214.727)	(20.890.049)	(20.890.049)	-
3	**Total net values for trade receivables (1 + 2)**	**7.847.227**	**11.831.373**	**11.831.373**	-
4	Receivables to be collected from related parties	2.943.852	31.701	31.701	-
5.	Value adjustments for depreciation of other receivables	(2.698.768)	-	-	-
6	**Total net values for receivables from related parts (4+ 5)**	**245.084**	**31.701**	**31.701**	-
7	Other receivables, of which:	52.395.094	39.072.773	39.072.773	-
7.1	- Deferred tax acc. to IFRS	29.611.092	15.960.981	15.960.981	-
8	Value adjustments for depreciation of other receivables	(16.209.032)	(16.196.258)	(16.196.258)	-
9	**Total net values for other receivables (4+5+6+7)**	**36.186.062**	**22.876.515**	**22.876.515**	-
10	**TOTAL NET VALUES OF RECEIVABLES (3+6+9)**	**44.278.373**	**34.739.589**	**34.739.589**	-

On 31.12.2017 the main customers stated on the in balance, from which *the Company* has to collect trade receivables is: S.S.H. HIDROSERV – Sector of hydropower services and repairs Bistrita (2,581,851 lei); Sector of hydropower services and repairs Hateg (1,958,634 lei); Sector of hydropower services and repairs Portile de Fier (1,197,023 lei); Sector of hydropower services and repairs Ramnicu Valcea (1,221,020 lei).

We state that *the Company* has applied the principle of prudence and adjusted for depreciation the entire value of such uncertain receivables.
The decrease in value adjustments on impairment of receivables on subsidiaries in 2017 as compared to 2016 is due to the closure of the insolvency procedure of EUROMETAL sr.r.l, according to the Civil Sentence No. 200 / JS, irrevocable on 09.08.2017.

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 2017 deferred tax receivables in the total amount of 15,960,981 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 24,727,309 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 13:

Table No. 13 - Stocks and their value adjustments

- Lei -

No.	Explanations	*31.12.2016*	*31.12.2017*
1	Raw materials	9.768.892	6.407.482
2	Materials	1.086.687	910.994
3	Inventory items	537.315	509.548
4	Packages and materials from third parties, raw materials and materials in progress of purchasing	1.509.363	1.753.062
5	Semi-finished products	1.665.999	1.665.621
6	Production in progress	18.449.742	18.429.195
7	Finished products	5.668.592	5.503.122
8	**Total of gross value (1+2+3+4+5+6+7)**	**38.686.590**	**35.179.024**
9	Adjustment of value for raw materials	(2.908.340)	(3.095.047)
10	Adjustment of value for materials	(461.557)	(437.979)
11	Adjustment of value for inventory items	(210.658)	(262.416)
12	Adjustment of value for packages	(15.699)	(18.081)
13	Adjustment of value for semi-finished products	(1.576.402)	(1.577.761)
14	Adjustment of value for production in progress	(7.497.759)	(7.415.183)
15	Adjustment of value for finished products	(3.637.962)	(3.695.573)
16	**Total value adjustments (9+10+11+12+13+14+15)**	**(16.308.377)**	**(16.502.040)**
17	**Total net value (8+16)**	**22.378.213**	**18.676.984**

In 2017 stocks of raw materials and materials registered a decrease of 3,321,171 lei (variation row 1 to row 4) mainly due to consumption of materials supplied at end of the year for the execution of some subassemblies for the projects Stejarul, Bumbești, Dumitra.Adjustments for the depreciation of raw materials, materials and semi-finished products decreased by 218,628 lei (variation row 9 at 13), mainly due to consumption of materials for which adjustments were made in the previous periods.
The production under execution recorded an insignificant decrease in 2017, of 20,547 lei (variation row 6), the place of the completed projects being taken by new projects.
The most important projects started in 2016 and 2017, the execution of which will continue during the following year are the CHE Stejaru refurbishment, the modernization of the hydroelectric unit 2 from CHE Berești and the modernization of the 1 CHE Călimănești hydro-aggregate.

Adjustments for the depreciation of production in progress on 31.12.2017 amount of 7,415,183 lei registering a small decrease compared to the previous year.
The largest weight in total adjustments for depreciation of production in progress on 31.12.2017 is on the following contracts:

- Seymareh: 178.844 lei
- Lavours : 4.893.657 lei
- Middle Kolab: 389.220 lei
- Pașcani : 583.374 lei
- Câineni : 485.514 lei

The finished products recorded a decrease of 165,470 lei (variation row 7), mainly due to deliveries of aggregates on stock at the end of last year, such as those for the Stejaru and Gogosu plants, and the adjustments for the depreciation of the finished products were increased by 57,611 lei (variation row 7).

6. Cash and cash equivalents

The statement on cash and credits committed is shown in Table No.14.
Table No. 14– The available cash and credits committed

- Lei -

No.	Explanations	31.12.2016	31.12.2017
1.	Bank accounts in Lei	2.133.905	545.820
2.	Bank accounts in foreign currency	110.331	98.118
3.	Cash in hand	12.579	10.643
4.	Treasury advances	-	-
5.	Short-terms deposits	1.153	1.163
6.	Other securities	-	-
7.	**Total cash in hand (7=1+2+3+4+5+6)**	**2.257.968**	**655.744**
8.	Restricted cash (account securities)	304.334	354.746
9.	**Total deficit/surplus of account (9=7+8)**	**1.953.634**	**300.998**

7. Debts

The statement on the main debt (commercial, banking, budgetary obligations and other creditors) is shown in Table No. **15.**

Table No.15 – Summary statement of debts

\- Lei -

No.	Explanations	31.12.2016	31.12.2017	Before 06.12.2011	Currently	Liquidity time		
						Less than 1 year	1-5 years	Over 5 years
1.	Amounts owed to credit institutions	39.849.737	40.125.708	19.353.829	20.771.879	40.125.708	-	-
2.	Advances received in account of orders from customers	19.376.186	19.241.669	16.449.850	2.791.819	19.241.669	-	-
3.	Trade payables	19.369.761	21.728.660	15.871.074	5.857.586	21.728.660	-	-
4.	Bills payable	-	-	-	-	-	-	-
5.	Loans and interests owed to the main shareholder	126.292.405	126.292.405	126.292.405	0	126.292.405	-	-
6.	Other debts, including tax and social securities	488.775.443	489.504.383	392.938.062	96.566.321	489.504.383	-	-
	TOTAL (1+2...+6)	**693.663.532**	**696.892.825**	**570.905.220**	**125.987.605**	**696.892.825**	-	-

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 31.12.2017, from which have been collected down payments for orders, is Hidroelectrica SA - the subsidiary Hydro Power Plants Sibiu (project HPP Câineni), the amount for down payment being of 8,817,043 lei.

The main suppliers of raw materials and services (in terms of values of contracts carried out in 2017) are represented by: Division Security and Protection Consulting & Security SRL Schitu, Eon Energie SA Targu Mures, Romelectro SA Bucharest, Sodexo Pass Romania SRL Bucharest Miras International SRL Buftea Aquacaras SA Resita category domestic suppliers and foreign suppliers within: ZDAS AS Czech Isovolta AG Austria, Czech Unionocel, Scana Steel Bjorneborg AB Sweden Electromecanicas Abiega Spain.

7.2 Amounts owed to credit institutions

At the date of *the Company's* insolvency, the Romanian Commercial Bank S.A. (BCR) had an outstanding debt, liquid, due and guaranteed in the amount of 81,148,394 lei, representing loans, outstanding interest and fees, also bank guarantee letters asking for enrollment in the Preliminary Table preliminary of Creditors.

On 31.03.2016 the total amounts owed to BCR, including the interests and fees calculated by the bank after the date of insolvency, also the insurance premiums, is of 41,486,039 lei (at the exchange rate mentioned above), representing:

- outstanding credits amounting 25,025,866 lei of which: 18,196,328 lei outstanding credits at the date of insolvency and 6,829,538 lei credits from enforcement of letters of bank guarantee after declaring the insolvency;
- outstanding interests in amount of 14,492,514 lei;
- outstanding fees in amount of 1,832,718 lei;
- outstanding insurance premiums in amount of 134,941lei

Following the above,in 2016 25.04.2016, BCR no longer has legal rights arising from the following credit agreements as they have been amended and/or supplemented: 258/09.01.2003, 229/10.12.2007, 247/42692/29.08.2006, 225/10.09.2007 and 165/09.11.2001. There were made two assignment contracts,BCR transferred to Assets Recovery Debts SRL Romania, and then the last one towards Serraghis Loan Management LTD Cyprus, current creditor of *the Company*.

In March 2017, Assets Recovery Debts SRL Romania received a request for confirmation of the amounts that Assets Recovery Debts SRL Romania and / or Serraghis Loan Managemnet LTD Cyprus have to recover from the Company. but no response was received to this request.

A statement of the amounts owed to credit institutions is shown in Table 16 below:

Table No. 16 – Amounts owed to credit institutions

- Lei -

No.	Explanations	Total on 31.12.2016	Total on 31.12.2017	Balance on 31.12.2017 of which:	
				Before 06.11.2011	Currently
1.	Line of credit and short-term credits	24.206.439	24.281.107	17.210.429	7.070.678
2.	Current obligation (portion) of long-term loans	985.899	985.899	985.899	-
3.	Long-term obligation (portion) of loans	-	-	-	-
4.	Interests on bank credits	14.657.399	14.858.702	1.157.501	13.701.201
	TOTAL (1+2+3+4)	**39.849.737**	**40.125.708**	**19.353.829**	**20.771.879**

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

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

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

- Lei -

No.	Explanations	31.12.2016	31.12.2017	Out of which on 31.12.2017	
				Before 06.12.2011	Currently
-	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	109.061.646	114.047.890	84.471.426	29.576.464
4	VAT payable	58.174.215	62.285.230	31.180.469	31.104.761
5	VAT non-payable	12.039	12.039	12.039	-
6	Wages taxes	11.966.851	12.673.221	11.737.442	935.779
7	Obligations to unemployment fund	7.148.411	7.210.772	7.164.877	45.895
8	Obligations to special funds, other taxes, charges and remittances	236.863.235	227.321.615	197.189.545	30.132.070
9	Other creditors	64.386.487	64.375.169	64.374.385	784
10	Retained performance bond guarantees	294.049	333.055	85.369	247.686
11	Salaries and other personnel benefits	721.439	709.040	-	709.040
12	Other payables to employees	478.076	536.352	279.595	256.757
	Total other debts (excluding bank credits)	**615.398.853**	**615.796.788**	**522.787.552**	**93.009.236**

From the date of insolvency, *the Company* has paid in whole the current withholding debts and partly those payable by the employer.
The company paid in January 2018 the amount of 1.362.183 lei debit with deduction at source for the period September 2017 - November 2017, so that only debts related to December 2017 remain in the category of these debts.
Of the total current debt, the largest share is the VAT payable for the period 06.12.2011-31.12.2017.
Also, in the total current debt is included the deferred tax debt in the total amount of 24.727.309 lei.

Following the receipt of notices on the method for settlement of payments made after 06.12.2011 and after analyzing the taxpayer sheet from the General Directorate for Tax Administration Bucharest - Public Finance Administration for Medium Taxpayers, it was found that the payments made by *the Company* after the date of insolvency covered the debts and appurtenances that ANAF enrolled itself in the Preliminary Table of Receivables, which is contrary to the provisions of Law 85/2006.

We state that *the Company*, after performing payment to the single account, sent several addresses to the Public Finance Administration for Medium Taxpayers, by which requested settlement of payments made after the opening of insolvency proceedings, in accordance with the detailing made in those addresses, under the provisions of Art. 163 paragraph 10, in conjunction with Art. 165 paragraph 1 in the Code of Fiscal Procedure.

Due to the fact that these payments were not operated correctly in the records of the Tax Administration, there are differences between the tax debts recorded by *the Company* and the taxpayer sheet.

By OUG 97/10.16.2013, the Authority for State Assets Management (AAAS), takes over the outstanding budgetary debts of *the Company*, managed by the National Agency for Fiscal Administration (ANAF). The object of this takeover is the budgetary claims listed in the Preliminary Table, or in the final one, of the insolvency proceedings, also the claims arising after the date of opening the insolvency proceedings until the effective date of the ordinance.

By letter no. 44DF0041/23.01.2015, *The Company* requested from the National Agency for Fiscal Administration (ANAF) a copy of the Minutes of handover of the receivables in order to reconcile the budgetary obligations owed to the two institutions, while the payments made by *the Company* after the date of insolvency, have not been operated on the payment sheet as requested by the Company, but the response from ANAF through letter no. 5705/16.02.2015 was that the document requested is an internal act that concerns only the two institutions above mentioned.

The amounts owed to other creditors have a slight decrease from the previous year, because were paid various suppliers, according to the assignment agreements entered into by the Company.

Loans (financing) granted by the shareholder INET AG Switzerland
The loans from the majority shareholder represent the amounts deposited by INET AG Switzerland under the privatization contract, according to which it has undertaken the obligation to provide *the Company* with the amounts needed for carrying out environmental investments (6,003,805 USD), investments for development (6,202,278 USD) and for the working capital (372,137 USD).

Part of these amounts was granted as contribution to the registered capital during the period 2004 – 2006, as follows:

- 600,000 USD – in cash (1,860,296 lei), to carry out environmental investments;

- 1,923,182 USD – in cash and by conversion of debts (5,687,452 lei) to carry out investments for development;

- 372,123 USD – in cash (1,170,933 lei), for the working capital.

The majority shareholder INET AG has no longer granted loans to *the Company* after entry into insolvency.

The situation of the amounts granted as loans by the majority shareholder INET AG is presented in Table No.18 below.

Table No. 18 – Summary statement of the loans granted by the majority shareholder INET AG on 31.12.2017

No.	Explanations (currency)	Value of loans (currency unit)	Exchange rate on 06.12.2011 - date of insolvency (lei / currency unit)	Value of loans on 31.12.2017 (lei)
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

On 31.12.2017, the total interest calculated and recorded, related lo loans granted by the majority shareholder is of 23,585,298 lei. 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.

Facilities for payment of obligations to the State budget and the National Unique Social Health Insurance Fund

The Company has benefited of some facilities for payment of obligations to the state budget, in balance on 31.12.2003; according to Common Order (OC) no. 6 of April 3, 2006, issued by the Ministry of Public Finance - the National Agency for Fiscal Administration (*MFP-ANAF*) and the Authority for State Assets Recovery (*AVAS*), as follows:

➢ Were exempted from payment the budgetary obligations outstanding at 31.12.2003, amounting to 54,018,544 lei (VAT, profit tax, social security contributions payable by the employer and special taxes) and the interests and penalties related to these obligations, in amount of 114,160,603 lei.

➢ Were staggered for payment in 5 years, with a grace period of 6 months, the budgetary obligations outstanding at 31.12.2003, amounting to 11,481,825 lei (wedge tax, tax on income from wages, contribution to health insurance and other obligations owed by the employer).

On 29.03.2007, *the Company* benefited from the Order no. 9083 issued by *AVAS* related to providing of facilities for payment of obligations to the National Unique Social Health Insurance Fund (*FNUASS*) outstanding at 30.06.2003 and unpaid at 21.02.2007, by which:

➢ There have been exempted from payment the interests and penalties related to FNUASS obligations calculated until the date of the Protocol (14.11.2003) by which AVAS took over the budget receivables from the National Health Insurance Fund (CNAS), in total amount of 9,537,055 lei representing the contribution to health insurance (employer and employees).

➢ Were staggered for payment in 5 years, with a grace period of 6 months the outstanding obligations to FNUASS, representing outstanding contributions to social health insurance (employer and employees) at 30.06.2003, amounting to 8,449,102 lei.

For installment payment amounts, by the two Common Orders mentioned above, were calculated and recorded interests of 0.1% per day, according to the provisions of the law, established by the Code of Fiscal Procedure.

Table No. 19 - Debt outstanding at 31.12.2017 staggered in accordance with the Common Orders of MFP-ANAF and AVAS

- Lei -

No.	Explanations	Common Order *MFP-ANAF*	Common Order *AVAS*	Total
0	1	2	3	4 = 2+3
1.	Employer's contribution to health insurance	-	439.902	439.902
2.	Employer's contribution to social securities	-	-	-
3.	Wedge tax	-	-	-
4.	Employees' contribution to social securities	-	-	-
5.	Employees' contribution to health insurance	-	185.952	185.952
	TOTAL (1+2+3+4+5)	**0**	**625.854**	**625.854**

We note that although *the Company* has not complied with one of the two requirements imposed by the two Orders ((*MFP-ANAF and AVAS*), namely to pay the current debts to the consolidated state budget, however the other requirement, the staggered payments provided by them was performed, observing exactly the graphics, both in terms of the amounts paid and the payment terms.

Thus, on 15.04.2011 was acquitted last staggering rate provided by MPF-ANAF by the Common Order No. 6/2006.

The Company paid up to the date the insolvency proceedings, namely 06.12.2011, the amounts staggered by the Common Order issued by AVAS, at the deadlines in the graph, so on 31.12.2016 the debt resulting from the amounts is of 673,419 lei of which 625,854 lei represents the debit and 47,656 lei represents the related increases. This amount, cumulated with the rates that would have been exempted as well as the increases calculated, represents the total amount of 11,922,654.91 lei with which AVAS, currently AAAS (Authority for State Assets Management) entered in the Preliminary Table of Receivables.
Although, according to Art. 4 of the Common Order 6/2006, for the loss of facilities granted, ANAF must calculate the ancillary tax liabilities (interest and penalties) from the date of the loss of facilities, namely on 20.12.2009, it was found that in the Table of Creditors, ANAF entered with the ancillaries calculated from the date of *Company* 's privatization.

In terms of the amount and the calculation method for the appurtenances that ANAF enrolled in the Preliminary Table of Receivables, by letters no. 181/DF0000/30.03.2012 and no. 383/DF0000/06.06.2012, *the Company* requested to review the calculation method for ancillaries for the debits exempted or staggered by the Common Order No. 6/2006 and to reduce the debt stated in the Preliminary Table of Receivables.

To the date of these financial statements, *the Company* has not received any answer to these requests.

7.4 Debts related to leasing contracts

On 31.12.2017 *the Company* no longer has signed leasing contracts.

8. Provisions

The situation regarding the provisions made and their evolution towards 31.12.2017 is showed in Table no. 21 below.

Table No. 21 - Evolution of provisions in the accounting year 2017

- Lei -

No.	Explanations	31.12.2016	Increase	Reduction	31.12.2017
1	Provisions for litigation	1.999.408	-	495.973	1.503.435
2	Provisions for costs within the guaranty period	1.328.994	-	69.252	1.259.742
3	Provisions for risk of debts payment to the state budget	187.289.970	-	-	187.289.970
4	Provisions for costs required to dismantling of tangible assets	48.766.365	-	-	48.766.365
5	Provisions for risk s and expenses (suppliers)	2.157.390	13.919	15.025	2.156.284
6	Provisions for employee retirement benefits	482.752	1.013.502	482.752	1.013.502
	TOTAL (1+2+3+4+5+6)	**242.024.879**	**1.027.421**	**1.063.002**	**241.989.298**

In 2017, as a result of litigation, the provision made for this purpose was reduced. We note that the anticipated risk did not materialize, the Company being absolved of any claims.
Provisioning for employees' benefits in 2017 were calculated in relation to persons who on 31.12.2017 meet the condition for retirement both for age limit or early retirement.

9. Structure of shareholding and equity

The Company was privatized in December 2003, the company INET AG Switzerland buying 51% of the parcel of shares held by APAPS. On 31.12.2017, the company INET AG owns 96.7890% of total shares.

The value of the registered capital on 31.12.2017 was of 10,993,390.40 lei, representing 109,933,904 shares.

All shares are common and have the same voting rights, with a nominal value of 0.1 lei / share.

The situation on the structure by main categories of shareholders, equity and their evolution (the results of the accounting years) is show in Tables No. 22 and 23, below.

Table No. 22 – Structure of shareholding on 31.12.2017

No.	Explanations	Number of shares - pcs. -	Percentage in the registered capital - % -
1.	INET AG, Switzerland	106.403.900	96,7890
2.	Association of UCMR employees	662.638	0,6028
3.	Other shareholders – legal persons	1.970.829	1,7927
4.	Other shareholders – natural persons	896.537	0,8155
	TOTAL	**109.933.904**	**100,0000**

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.

On 31.12.2017 *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. 23 – Structure of equity and evolution of results for the accounting years 2016 and 2017, also of major adjustments on retained earnings

No.	Explanations	31.12.2016	31.12.2017
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*	*172.379.170*	*164.870.831*
3.	** Transfer of surplus from revaluation reserves*	*(7.508.339)*	*(5.661.847)*
4.	** Use of revaluation reserves*	-	-

5.	** Registration of revaluation reserves*	-	-
B	**Total (2+3+4+5)**	***164.870.831***	***159.208.984***
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*	*217.893.465*	*225.401.804*
9.	** Transfer of surplus from revaluation reserves*	*7.508.339*	*5.661.847*
D	**Total (8+9)**	***225.401.804***	***231.063.651***
10.	*Other reserves*	*16.088.620*	*16.088.620*
E	**Total (10)**	***16.088.620***	***16.088.620***
11.	*Loss carried forward*	*(1.669.473.951)*	*(1.669.043.229)*
12.	** Transfer of accounting year result to retained earnings account*	*481.489*	*(24.870.550)*
13.	** Registration of accounting errors from previous years to retained earnings account*	*(50.766)*	*(108.558)*
	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)**	***(1.669.043.229)***	***(1.694.022.337)***
16.	*Profit sharing*	-	-
17.	** Account closure - profit sharing*	-	-
18.	** Increases in legal reserves from the result of current accounting year*	-	-
G	**Total (16+17+18)**	-	-
19.	*Profit / (Loss)*	*506.830*	***(24.870.550)***
20.	** Transfer of accounting year result to retained earnings account*	*(481.489)*	***24.870.550***
21.	** Account closure - profit sharing*	*(25.341)*	-
22.	** Net result of current accounting year*	*(24.870.550)*	***(23.154.777)***
H	**Total (19+20+21+22)**	***(24.870.550)***	***(23.154.777)***
	TOTAL (A+B+C+D+E+F+G+H)	**(683.895.034)**	**(707.158.369)**

10. Revenues from current activity

The turnover for the year 2017 is 37.063.020 lei, of which 2.09% was made on the European Union market and 97.91% in the country. Regarding the structure of turnover as of December 31, 2017, the revenue from the production sold represents 98.46%.

Tables No.24 and 25 below show the structure of revenues/sales on types and geographic areas.

Table No. 24 – Structure of revenues from current activities

- Lei -

No	Explanations	2016	2017
1.	Revenues from sold production	55.690.226	36.491.864
2.	Revenues from sale of goods	4.034	571.156
3.	**TOTAL TURNOVER (3=1+2)**	**55.694.260**	**37.063.020**

Table No. 25 – Revenues from current activities on geographic areas

- Lei -

No.	Explanations	2016	2017
1.	Romania	53.908.531	36.286.825
2.	European Union	1.785.729	776.195
3.	**TOTAL (1 = 1+2+3)**	**55.694.260**	**37.063.020**

11. Expenses

The cost of sales for the years ended December 31, 2016 and 2017 is as follows:

	2016	2017
Raw material and materials	14.682.335	10.959.860
Goods	-	296.242
Facilities	4.252.114	3.928.336
Expenses with the personnel	22.213.512	22.309.581
External services	1.101.443	1.262.884
Value adjustments on fixed assets	6.374.147	4.634.746
Value adjustments on current assets	6.285.960	149.963
Expenses on provisions	(680.163)	(35.582)
Other expenses	16.061	16.638
Changes in stocks of finished goods and production in progress	7.314.833	186.395
Total cost of sales	**61.560.242**	**43.709.063**

The general administrative expenses for the years ended December 31, 2016 and 2017 are as follows:

	2016	2017
Raw material and materials	206.189	313.002
Facilities	324.709	272.656
Expenses with the personnel	5.501.778	5.674.618
External services	3.062.883	3.390.037
Value adjustments on fixed assets	2.135.001	1.866.132
Other expenses	2.383.918	1.357.958
Total general administrative expenses	**13.614.478**	**12.874.403**

12. Current and deferred profit tax

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

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

On 31.12.2017, *the Company* recorded accounting loss in the amount of 23.154.777 lei, loss that will be covered from the profit of next years.

The monthly 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 to perform corrective statements if necessary.

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. 26 Deferred tax – detailed receivables and debts

- Lei -

Centralization of deferred tax	Receivables	Debts
Deferred tax in 2010	9.199.055	5.451.663
Deferred tax in 2011	216.597.928	5.232.393
Deferred tax in 2012	(2.694.175)	4.208.882
Deferred tax in 2013	4.310.146	4.122.918
Deferred tax in 2014	1.756.322	2.390.235
Deferred tax in 2015	(572.388)	1.213.530

Reversal of deferred tax receivable, erroneous recording when restating the year 2011	(205.738.221)	-
Deferred tax in 2016	(4.552.092)	1.201.563
Deferred tax in 2017	(2.345.594)	906.125
Total receivables and debts recorded on 31.12.2017	**15.960.981**	**24.727.309**

Table No. 27 Calculation of deferred tax 31.12.2017

- Lei -

No.	Category / Explanations	Carrying amount	Tax base	Temporary deductible differences	Temporary taxable differences	Receivables	Debts
1	Cancellation of provisions for risks	(495.973)	-	(495.973)		(79.356)	
2	Provisions for retirement benefits to employees, year 2017	1.013.502	-	1.013.502		162.160	
3	Cancellation of provisions for retirement benefits to employees, year 2016	(482.752)	-	(482.752)		(77.240)	
4	Other provisions for risks	13.919	-	13.919		2.227	
5	Cancellation of other provisions for risks	(84.278)	-	(84.278)		(13.484)	
6	Cancellation of adjustments in loss of value of shares held in affiliated entities	(11.377.950)	-	(11.377.950)		(1.820.472)	
7	Adjustments for non-current receivables - performance guarantees	400.488	-	400.488		64.078	
8	Cancellation of adjustments for non-current receivables - performance guarantees	(804.361)	-	(804.361)		(128.698)	
9	Adjustments for depreciation of stocks	874.720	-	874.720		139.955	
10	Cancellation of adjustments for depreciation of stocks	(681.058)	-	(681.058)		(108.969)	
11	Adjustments for depreciation of receivables	229.998	-	229.998		36.800	
12	Cancellation of adjustments for	(3.266.218)	-	(3.266.218)		(522.595)	

	depreciation of receivables						
13	Differences between accounting depreciation and tax depreciation	6.500.114	836.834		5.663.280		906.125
14	**TOTAL**	**(8.159.849)**	**836.834**	**(14.659.963)**	**5.663.280**	**(2.345.594)**	**906.125**

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 31.12.2017, *the Company* had the structure of the personnel as shown in Table No. 28 below.

Table No. 28 – Structure of employees

No.	Category	Number of employees		%
		31.12.2016	31.12.2017	
1.	Production personnel	706	608	73
2.	Administrative personnel	252	228	27
	TOTAL	**958**	**836**	**100**

The executive management of the Company during 2017 was composed of:

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

The executive management of the company was assigned on indefinitely period of time. On 31.12.2017, *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 2016 are shown in Table No. 29 below.

Table No. 29 – Expenses with the wages in the accounting year 2017
\- Lei -

No.	Explanations	01.01-31.12.2017
1.	Expenses with the wages of personnel	21.290.209
2.	Expenses in kind and with vouchers for meals	1.611.103
3.	Contribution of the company to social security	3.702.349
4.	Contribution of the company for unemployment benefits	86.896
5.	Contribution of the company to health insurance	1.123.156
6.	Contribution of the employer to the trust fund	53.186

7.	Other expenses on insurance and social protection	117.300
	TOTAL	**27.984.199**

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 (item "f" in Presentation of Financial Statements).

Table No. 30 – Third entities which meet the criteria to be defined as affiliated parties of the Company

No.	Explanations	Type of relationship (affiliation)	
		2016	2017
1.	INET AG, Switzerland	Majority shareholder	Majority shareholder
2.	S.C. MULTI-FARM Ltd., Resita	Subsidiary company	Subsidiary company
3.	S.C. EuroMetal Ltd., Resita	Subsidiary company	-
4.	Romanian Commodities Exchange Bucharest	Affiliated entity	Affiliated entity

On the date of these financial statements, for S.C. EuroMetal Ltd. the insolvency proceedings were closed and the company was discharged under the Civil Sentence no. 200/JS which was irrevocable on 09.08.2017.

The situation of transactions with affiliated parties is presented in Tables No. 31, 32, 33 and 34 below.

Table No. 31 – Sales / purchases of goods / services to and from affiliated parties

- Lei -

No.	Explanations	2016	2017
	Sales of goods and services		
1.	Affiliated entities		
2.	Subsidiary companies	13.067	13.733
3.	Major shareholder	-	-
4.	Others	-	-
5.	**Total sales (1+2+3+4)**	**13.067**	**13.733**

	Purchases of goods/services		
6.	Subsidiary companies	-	-
7.	Affiliated entities	-	-
8.	Major shareholder	-	-
9.	**Total purchases (6+7+8)**	-	-

Table No. 32 includes the volume of sales and purchases to and from affiliated parties, excluding related VAT.

Table No. 32 – Receivables (debit balances) to affiliated parties

- Lei -

No.	Explanations	31.12.2016	31.12.2017
1.	Subsidiary companies – trade receivables	200.064	8.150
2.	Affiliated entities	-	-
3.	Major shareholder	1.716.800	1.761.638
4.	Others	-	-
5.	Advances granted to affiliated entities	-	-
	Total trade receivables (1+2+3+4+5)	**1.916.864**	**1.769.788**

Table No. 33 – Obligations (credit balances) to affiliated parties

- Lei -

No.	Explanations	31.12.2016	31.12.2017
1.	Subsidiary companies	22.455	-
2.	Major shareholder	1.292.481	1.292.481
3.	Advances received from the major shareholder	-	-
4.	Advances received from affiliated entities	-	-
	Total obligations (1+2+3+4+5)	**1.314.936**	**1.292.481**

The receivables and obligations to affiliated parties are revalued at the exchange rate on 31.12.2017.

As the main shareholder INET AG asked to be enrolled in the Preliminary Table of Creditors, the amounts representing obligations to his remained reassessed at the date of 06.12.2011, the date of opening the insolvency proceeding for *the Company*.

Table No. 34 - Associates - current accounts

- Lei -

Explanations	31.12.2016	31.12.2017
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.

Table No. 35 – 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 on 31.12.2017 in Lei, reassessed on 06.12.2011
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**

Borrowings received from the principal shareholder are revalued at the exchange rate starting on the date of the Company's entry into insolvency, respectively on 06.12.2011, these being granted before that date.

Table No. 36 – Loans granted to affiliated parties

- Lei -

No.	Explanations	31.12.2016	31.12.2017
1	S.C. EUROMETAL Ltd.	2.698.768	-
2	Interests on loans granted	199.883	-
3	**TOTAL (3=1+2)**	**2.898.651**	-

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 the following investments:

➢ *Environmental investments, in amount of 6.003.805 USD*

These investments had to be made within 5 years after privatization.

In 2004, were made investments totaling 100,000 USD, and in 2005-2007 have been paid in full, in advance, the sums required for environmental investments by the last year of investment (according to the timetable).

The amounts paid in advance were granted as a loan from the major shareholder.

➢ *Development investment, in amount of 6,202,278 USD*
These investments had to be made within 7 years after privatization.
In 2004, were made investments totaling 517,000 USD, in 2005 totaling 500,000 USD (by contribution in kind to the registered capital) and in 2006 investments were made totaling 1,000,000 USD, according to the timetable (increase of the registered capital by conversion of debts and cash contributions).
In 2007, investments were made totaling 883,000 USD, according to the timetable, and have been paid in full, in advance, the sums required for development investments by the last year of investment.
In 2008, investments were made totaling 3,508,436 Lei (the equivalent of 1,238,000 USD).

➢ Within 2004-2008, the Company made investments in environment and development totaling approximately 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 31.12.2017 all commitments in investment were accomplished.

b) Commercial Commitments received
The Company has no credentials guaranteed contracts on 31.12.2017.

c) Guarantees granted to third parties
As of 31.12.2017, 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 31.12.2017

Table No. 37 - COMMERCIAL 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.	SC GIA Security	Creditor	1388/115/2012	Law Court Caras-Severin	By judgment in civil matters no. 682/JS on 11.10.2012 was ordered the bankruptcy	Time limit: 10.05.2018	7,885.60 LEI
2.	SC Extensiv Company	Creditor	4181/115/2009	Law Court Caras-Severin	Insolvency proceedings - request for enrolment in the table of creditors	Time limit: 10.05.2018 (for further procedure)	39,175.00 LEI
3.	SC Crosi Grup	Creditor	4143/115/2011	Law Court Caras-Severin	Civil sentence no.	Display the closer of insolvency	24,722.42 LEI + 4,041.91 LEI

					122/18.05.2017	proceedings	additional table
4.	SC Conpex Construct	Creditor	2253/115/2009	Law Court Caras-Severin	Insolvency proceedings - request for enrolment in the table of creditors	Time limit: 28.06.2018 (for further procedure)	98,914.84 lei
5.	SC Muroetal (fosta SC Saero SRL)	Creditor	9505/30/2013	Law Court Timis	Merits of the case - Insolvency proceedings	Time limit: 26.04.2018; The request for enrolment in the table of creditors was rejected whereas the bill in question was prescribed.	25,183.28 LEI
6	SC Hydro-Engineering	Creditor	5911/115/2013	Law Court Caraș-Severin	Merits of the case - Bankruptcy proceedings	Time limit: 26.04.2018 (for further proceedings)	126.633,68 lei
7	SC Libarom Agri	Creditor	29140/3/2012	Law Court Bucharest	Merits of the case - Insolvency proceedings	Time limit: 18.04.2018 (for further proceedings)	Requests the amount of 1,289,570,079.97 LEI. Allowable the amount of 3,706,200.00 LEI, according to the decisions in case no. 29140/3/2012/a 1
8.	SC Reșița Reductoare și Regenerabile	Creditor	2391/115/2014	Law Court Caras-Severin	Merits of the case - Insolvency proceedings - reorganization	Time limit: 28.06.2018	79,701.28 LEI
9.	SC OXYGAZ PLUS (fosta UCM OXY GAZ)	Creditor	2940/115/2014	Law Court Caras-Severin	Merits of the case - Insolvency proceedings Enrollment to the Table of Creditors	Time limit: 14.06.2018	115.814,51 lei
10	SC Reflex Impex	Creditor	2745/115/2014	Tribunalul Caraș-Severin	Fond-Procedura reorganizării-cerere înscriere tabelul creditorilor	Termen: 22.03.2018	1.240,00 lei
11	SC ISPH București	Creditor	38503/3/2014	Law Court Bucharest	Merits of the case - Insolvency proceedings - request for enrolment in the table of creditors	Time limit: 04.05.2018	32,460.00 LEI
12	SC IMB Miloș	Creditor	1088/115/2015	Law Court Caras-Severin	Merits of the case - Insolvency proceedings - request for enrolment in the table of creditors	Time limit: 19.04.2018	18,200.46 LEI
13	SC Zad Tiara	Creditor	1020/108/2015	Law Court Arad	Merits of the case -	Time limit: 24.04.2018	17,721.38 LEI

					Insolvency proceedings - request for enrolment in the table of creditors		
14	SC Lis Consulting	Creditor	2048/115/2015	Law Court Caras-Severin	Civil sentence no. 182/29.06.2017	Orders the closure of the reorganization procedure and the reinsertion of the debtor in the business activity, ordered the removal from the Trade Register of the insolvency claims, discharge the liquidator from any duties and responsibilities	595,20 lei
15	SC WMC Stahlbau	Creditor	1934/115/2015	Law Court Caras-Severin	Merits of the case - Simplified procedure of insolvency - request for enrolment in the table of creditors	Time limit: 26.04.2018	323,422.31 LEI rent and 131,518.31 LEI delay penalties
16	Serraghis Loan Management LTD	Respondent in appeal	39129/3/2016	Law Court Bucharest Court of Appeal Bucharest	Merits of the case - Civil Sentence no. 6962/08.11.2016 Appeal –	Time limit: 19.04.2018 Rejects contestation made by Serraghis	Contestation - Legal administrative measures
17	SC Hidroserv SA	Creditor	36365/3/2016	Law Court Bucharest	Merits of the case – Insolvency proceedings	Time limit: 16.06.2018	21,725,537.41 Lei
18	Romenergo SA	Complainant and Counterparty Defendant	56/2017	Court of Commercial Arbitration attached to CCIR	Arbitral action	Termen: 07.03.2018	870.844,74 requested by UCMR and 161,234.63 RON requested by ROMENERGO
19	Transenergo Microhidro SRL	Creditor	22123/3/2017	Law CourtBucharest	Merits of the case - insolvency proceedings	Termen: 04.04.2018	47.016,00 lei
20	Remarul 16 Februarie SA	Plaintiff	4156/290/2017	Courthouse Reșița	Merits of the case - action claims	Civil sentence nr. 2169/06.12.2017 – notes the waiver of the application	5.832 lei – Acquitted

Table no 38 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	Chebuțiu Adrian, Preda Coriolan-Adrian,	UCMR and INET Plaintiff claiming damages	1541/115/2015	Law Court Arad Court of Appeal Timisoara	Merits of the case – Criminal sentence no. 106/08.03.2017	Partially admits the application for civil party formation, obliges the	17,000,000 EUR

	Chebuțiu Lăcrimioara Sofia, SC Hydro-Engineering (HYE) - accused				Appeal – criminal decision no. 995/20.10.2017	defendants to return the technical documentation on 85 industrial designs or binds the defendant. To pay 29842419,03 lei, if it can not be restituted in kind.Rejects the appeals of the defendants, the Prosecutor's Office and UCM Resita SA	
2	Chebutiu Adrian, Preda Coriolan-Adrian, SC AC Management, S Kmobil-accused	Injured party	48/P/2012	Prosecutor's Office within I.C.C.J., DNA, Territory Legal Department	File in phase of criminal investigation		
3	Farkas Rober	Plaintiff claiming damages	1440/290/2016	Courthouse Resita Law Court Timisoara	Merits of the case– Judgment in criminal case no.251/19.09.2016 Appeal-Criminal Decision no. 261/23.02.2017	Accepts the application for civil party, admits the appeal made by Farkas, repeal and by rehearing reduce the penalty	373.00 Lei
4	Peia Gheorghe, Peia Bogdan and Dănoiu (formar Peia) Oana – plaintiffs; TMK and Romanian State through the Ministry of Finance - defendants	Defendant	1453/290/2016	Courthouse Resita	Merits of the case - Time limit: 16.05.2018		Finding invalid legal act
5	Gai Ion	Defendant	4369/115/2016	Law Court Caras-Severin Court of Appeal Timisoara	Merits of the case –Civil Sentence no. 2714/15.11.2016 Appeal – Civil sentence no. 266/21.03.2017	Accepts in part the action. Rejects appeals made by UCMR and Gai Ion. Irrevocable	Action in verification
6	CNAIR - CESTRIN	Objector	6009/290/2016	Courthouse Resita Law Court Caras-Severin	Merits of the case – Civil Sentence no 148/31.08.2017 Appeal- Civil decision no. 166/27.02.2018	Rejects the contravention complaint. Accepts the UCMR' appeal, replaces the contravention fine with the sanction of the warning.	Contravention complaint – 2750 lei
7	Floarea Sorin Paul, Albeiu Maria, Floarea Simona Bianca	Plaintiff	5895/290/2016	Courthouse Resita	Merits of the case – Time limit: 30.05.2018		2,299 Lei
8	Popa Ștefan	Defendant	10495/63/2016	Law Court Dolj Court of Appeal Craiova	Merits of the case – Civil sentence no.	Rejects the action of Popa Ștefan Rejects the appeal	Action in verification-Working

					2371/19.06.2017 Appeal – civil deision no. 3365/23.11.2017	made by Popa Ștefan.	Group I
9	Radu Vasile, Casa Județeană de Pensii Caraș-Severin	Defendant	6477/115/2016	Law Court Caraș-Severin	Merits of the case – Time limit: 20.03.2018		Action in verification-Working Group I
10	Alb Simion	Plaintiff	547/290/2017	Courthouse Reșița	Merits of the case – Time limit: 28.03.2018		1.669 lei
11	Bandrabur Daniel	Defendant	230/121/2017	Law Court Galați	Merits of the case – Civil sentence no. 1164/15.11.2017	Dismisses the plea of absolute nullity as unfounded, dismisses the appeal of Bandrabur Daniel and orders him to pay the costs of 6,849.86 lei. Irrevocable by non-appealing.	Appeals the decision to terminate the employment
12	Adam Marius Florin	Plaintiff	1108/290/2017	Courthouse Reșița	Merits of the case – Civil sentence no. 1925/09.11.2017	Admits the action	2.185 lei
13	County House of PensionsCS	Plaintiff	2904/115/2017*	Law Court Caraș-Severin	Merits of the case – Decline jurisdiction to hear the case for the Courthouse of Resita		Contentious administrative action - annulment of the act
14	ANAF – Public Finance Administration for Medium Taxpayer Bucharest, Public Finance Administration Sector 1 Bucharest	Objector	3086/115/2017	Law Court Caraș-Severin	Merits of the case – Civil sentence no. 1834/21.11.2017	Admits the exception to the lack of passive procedural quality of the defendant General Directorate for Tax Administration Bucharest. Accepts the action of the plaintiff SC UCM Reșița against the defendant Public Finance Administration Sector 1 and Cancels the Decision regarding the obligations of payment of accessories no. 799167/20.11.2016 issued by Public Finance Administration Sector 1	Administrative contentious action - annulment of accessories decision
15	ANAF – Public Finance Administration for Medium Taxpayer Bucharest,	Objector	3096/115/2017	Law Court Caraș-Severin	Merits of the case – Time limit 07.03.2018		Administrative contentious action – cancellation in part Payment

	Public Finance Administration Sector 1 Bucharest						notification
16	Basarabă Constantin	Defendant	3314/290/2017	Courthouse Reșița	Merits of the case – Time limit: 21.02.2018		Action in verification
17	Batoțeanu Nicu Valentin, Batoțeanu Nicolas Johanes Petrișor	Plaintiff	4486/290/2017	Courthouse Reșița	Merits of the case – Civil sentence no. 2389/22.12.2017	Accepts the action	Action in verification
18	Curta Gheorghe	Plaintiff	4740/290/2017	Courthouse Reșița	Merits of the case – Civil sentence no. 3561/29.11.2017Accepts the action	Accepts the action	Application for low value
19	CNAIR - CESTRIN	Objector	5178/290/2017	Courthouse Reșița	Merits of the case – Time limit: 12.04.2018		Minor offence complaint – 2750 lei

We mention that there are 53 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 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 all three industrial platforms on which *the Company* operates, are as follows:

- ABC Platform: Environmental authorization no. 166/12.10.2011 reviewed on 15. 07.2013, valid until 12.10.2021 and the water management authorization no. 49/31.01.2018, valid until 31.01.2021.

- Cîlnicel platform: Environmental Authorization no. 239 / 05.10.2009, valid until 05.10.2019 and the Water Management Permit no. 218 / 22.06.2016, valid until 22.06.2019;

- Mociur Platform: Environmental Authorization no. 17 / 31.01.2012, revised on 18.06.2012, valid until 31.01.2022 and Water Management Permit no. 50 / 31.01.2019, valid until 31.01.2021.

Environmental permits are issued by the Caraș-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 Câlnicel 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;

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

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 allowances, for which the basis of calculation was the activity carried out by the Company in the period before 2013.

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 Câlnicel 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 39 – 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
Industrial Platform ABC	8,243	4,122	8,100	1,525	7,955	7,809		7,661	7,360	7.209
Industrial Platform Câlnicel	3,663	1,953	3,600	1,359	3,536	3,470		3,404	3,271	3.203

Notes:
EGES – Emissions of Gases with Greenhouse Effect
MMSC – Ministry of Environment and Climate Changes

Table 40. The situation of EGES certificates corresponding to the interval 2013 - 2017, in relation to the adjustment mode for the initial allocation in the interval 2013 – 2018

EGES Installations	2013		2014		2015		2016		2017	
	Adjusted allocation	Certificates remaining to be traded	Adjusted allocation	Certificates remaining to be traded	Adjusted allocation	Certificates remaining to be traded	Adjusted allocation	Adjusted allocation	Certificates remaining to be traded	Adjusted allocation
Industrial Platform ABC	4122	2911	1525	765	749	- 358	1471	284	1443	346
Industrial Platform Câlnicel	1953	1015	1359	582	1335	527	1310	624	643	- 78
TOTAL certificates		3926	2884	1347	2084	169	2781	908	2086	268

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 4.6597 on 30.12.2017 compared to 4.5411 on 30.12.2016. Therefore, there is a moderate risk of depreciation of net monetary asset value expressed in domestic currency, the foreign exchange market in Romania regarding conversion of domestic currency in other currencies being organized by the rules and common practices strengthened in the last years and the role of BNR in this regard is very important.

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

Romanian economy is still in transition, the recession and global 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, on the results of the activity or on the cash flows of *the Company* for the following accounting year, only within the limits of available information.

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

The 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.

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

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

The Company's management cannot predict all events that could affect the industrial sector in Romania, respectively their impact on *the financial statements*, including in terms of compliance with the principle of business continuity.
The Company's management is constantly overseeing this exposure in order to keep the risk as low as possible. 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, the Consortium formed by V.F. INSOLVENTA S.P.R.L. and EUROINSOL S.P.R.L.

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. Business continuity

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

a) 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.

Given the prospects of development of current activities (operational) and tightening of the general conditions of credit, *the Company* was developed a financial restructuring program designed to assure proper operation and compliance with the payment schedules negotiated or to be negotiated with the main categories of creditors.
17. Business continuity (continued)

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. 41 below);

- Strategic projects on the Romanian energy system or of other significant partners.

Table No. 41 - Statement of contracts in progress over the years 2018, 2019 and 2020

Type of contract	Currency	Value of contracts in progress (unit of currency)	Exchange rate on 31.12.2017 (lei / unit of currency)	Value with delivery in 2018 (lei)	Value with delivery in 2019 (lei)	Value with delivery in 2020 (lei)
EXTERNAL	EUR	251.165	4,6597	1.170.354	-	-
TOTAL EXTERNAL CONTRACTS				**1.170.354**		
INTERNAL	EUR	10.430.627	4,6597	31.320.514	14.174.705	3.108.374
	GBP	158.000	5,2530	829.974	-	-
	RON	82.596.056		39.364.957	146.116	47.840.983
TOTAL INTERNAL CONTRACTS				**71.515.445**	**14.320.821**	**50.949.357**
GRAND TOTAL				**72.685.799**	**14.320.821**	**50.949.357**

The main contracts in progress at 31.12.2017 are:

- contract no. 149/2017 customer Hidroserv S.A HPP Călimanesti, ongoing value 11,928,910 RON;
- contract no. 178/2017 customer Romelectro București HPP Slatina, ongoing value 12,513,884 RON;
- contract no. 28/2018 customer Hidroserv S.A HPP Răcăciuni, ongoing value 325.000 RON;
- contract no. 87/2016 Hidroserv S.A. HPP Berești ongoing value 7.127.630 RON;
- Contract no. 60/2017 Utilnavorep Constanța proJect Cernavodă, ongoing value 4,756,000 RON;
- Contract no. 33/2016 customer Romelectro Bucuresti, HPP Stejaru (final beneficiary Hidroelectrica), ongoing value 401,760 EURO (HG 5 and 6);
- Contract no. 33/2016 customer Romelectro Bucuresti, HPP Stejaru ongoing value 5,031,925 EURO (HG 2,3,4);
- Contract no. 62/2016 customer customer Romelectro Bucuresti, HPP Stejaru (final beneficiary Hidroelectrica), ongoing value 816,534 EURO (spherical valve 2500);
- Contract no. 62/2016 customer customer Romelectro Bucuresti, HPP Stejaru (final beneficiary Hidroelectrica), ongoing value 705,021 EURO (butterfly valve 4200);
- Contract no. 275/2008 customer Romelectro Bucuresti, HPP Bumbesti, (final beneficiary Hidroelectrica),ongoing value 567,433 RON;
- Contract no. 22/2017 Hidroserv S.A. Porțile de Fier HPP PdF I, ongoing value 559.056 RON
- Contract no. 189/2017 customer Kossler Austria project Glavica, ongoing value 55,900 EUR
- contract no. 148/2017 client Kossler Austria project Mestiachala, ongoing value EUR 115,680 EUR

Likewise, 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:

➢ HG Bere□ti air cooler, worth RON 421,120, contract that will be carried out in the period 2018
➢ Tismana automatic speed controller, worth RON 724,545, contract that will be carried out in 2018
➢ Retezat turbine shaft seal, worth RON 333,600, contract that will be carried out in the period 2018
➢ equipment for turbine rotor Iron Gates PdF I, ongoing value of 3,351,000 RON in progress during the period 2019 – 2020.
On the external market there is expected to sign new contracts with:
➢ Koessler from Austria, ongoing value 300,000 EUR contracts that will be carried out in the year 2018.

Also, important steps have been made for entering markets, other than those in hydropower field, since the *Company* has the required capacity to perform a wide variety of products (water pumps, irrigation pumps, electric motors, etc.) and welded assemblies (bridges, cranes).

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;

- 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:

Considering the long period of time that has passed from the assessment of the patrimony according to art. 41, par. 2 of Law 85/2006, the Creditors Committee convened on 06.03.2017 nominated again DARIAN DRS, ANEVAR assessor, the assessment of assets, because the evaluation carried out two years ago no longer represents the actual situation of the patrimony as a result of changes occurred in this period of time in respect of assets, stocks, receivables, and changes due to market developments.

On 06.10.2017, SC Darian DRS SA delivered the Assessment Report of UCM Resita SA patrimony, highlighting distinct the guarantees of creditors in accordance with Art. 41, paragraph 2 of Law 85/2006.

The Company sent on 10.10.2017 to secured creditors (AAAS and Serraghis Loan Managemnet LTD), but also to the Court of Law Bucharest - Section VII Civil Division, copies of the Assessment Report.

Another problem faced by UCM Resita is the repeated postponement of the contracts already signed with Hidroelectrica, this being the main cause of the loss registered in 2017.

If the contracts for CHE Berești and CHE Călimanesti suffered only a partial delay of execution in 2017 in 2018, the capital repair contract of CHE Păclișa, which had to start in August 2016, was postponed several times without being notified a date of starting the work because the nomenclature of working hours was modified, after the signing of the contract, and regarding the contract for execution of the Câineni hydropower there are no certainties regarding the execution terms of the plant.

Considering that the company does not carry out any production activity on the Mociur platform, and the generated expenses are significant (security services, maintenance, local taxes and fees, etc.), provided there were signals that there are people interested in this property, the possibility of selling in bulk, during the insolvency proceedings, of all the assets on this platform was considered.

Moreover, in order to make this sale, the guaranteed creditor Serraghis Loan Management Ltd has requested the lifting of the suspension under Art. 36 of Law 85/2006. By judgment of December 5, 2017 Judge Sindic admitted the request made by Serraghis Loan Management Ltd.

The Company shall seek further:

- to reduce the costs;
- to recover old receivables and to collect current receivables at maturity;
- reducing and eliminating, as much as possible, the stock of both raw materials, materials, production, and finished products with slow movement;
- to optimize the organizational structure.

By Criminal Sentence no. 106 / 08.03.2017 issued by the Law Court Arad in file no. 1541/115/2015, in which UC.M. Reșița S.A. was a civil party, the court partially upheld our action and ordered the defendants Chebutiu Adrian, Preda Coriolan and SC HYDRO-ENGINEERING SA jointly and severally to reimburse to the Company the technical documentation regarding the 85 industrial models and their related documentation, created prior to the establishment SC HYDRO-ENGINEERING SA, under seizure on the fourth floor of the building in a room called the SC HYDRO-ENGINEERING SA's archive, and if it can not be returned in kind, it has compelled the defendants to pay jointly the sum of 29,842,419.03 lei. The court of first instance dismissed the civil claims requested by the subscriber as unfounded.

Against this decision, an appeal was filed by the subscriebed, by the defendants Chebuțiu Adrian, Chebuțiu Lăcrimioara Sofia, Preda Coriolan Adrian and SC HYDRO-ENGINEERING SA, as well as by the Prosecution Department attached to the High Court of Cassation and Justice, the Directorate for Investigation of Organized Crime and Terrorism, the Territorial Office Arad, appealed by the Timișoara Court of Appeal, by Criminal Decision no. 995 / A of 20.09.2017, in the sense of rejecting the declared calls as unfounded.

18. Subsequent events

On 16.03.2018, the Company received a block purchase request for the assets located on the Mociur platform and started the procedures required by Law 85/2006 for the sale.
According to the tender no. 182737 / 17.02.2018, published in the SEAP by the contracting authority Hidroelectrica SA, UCM Reșița prepares an offer worth approximately 17 mil. EUR for the rehabilitation of AHE Vidraru, a project that would run for the next 4-5 years.

Special Trustee	Special Trustee
Cosmin URSONIU	**Nicoleta Liliana IONETE**

U.C.M. Reșița S.A. * in insolvensy * in insolvență * en procedure collective *