

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



societate în insolvență
in insolvency
en procedure collective

CURRENT REPORT

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

Date of the report: 16.11.2020

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

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

Administrative headquarters: Resita, Golului Street, no. 1, 320 053, Caras-Severin County

Phone No.: 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: Quarterly Report for the third quarter of the year 2020

S.C. U.C.M. Resita S.A. informs the general public about the availability of the Report for the third quarter of the year 2020.

The Quarterly Report can be found, starting with 16.11.2020 04:00 PM, on the website <http://www.ucmr.ro> and the IRIS platform link.

Starting with the same date, the parties interested in can apply, on written request, in order to obtain a copy of these documents. The 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.

SC U.C.M. Resita S.A. informs the **wide audience** that the company's financial statements for the third quarter of 2020 are not audited.

The table below shows the evolution, on 30 September 2020, of the main indicators computed on the basis of the Profit and Loss Account, compared to the same period of the previous year::

Lei

| No. | Designation of items | 30.09.2019 | 30.09.2020 |
|-----|--|-------------------|-------------------|
| 1 | Turnover (2+3-4) | 29,932,963 | 14,145,889 |
| 2 | Production sold | 29,930,490 | 14,145,889 |
| 3 | Revenues from sale of goods | 2,473 | - |
| 4 | Trade discounts granted | - | - |
| 5 | Changes in stocks: Credit balance | 3,566,997 | 3,668,270 |
| | Debit balance | - | - |
| 6 | Revenues from sale of tangible assets | 13,535,734 | - |
| 7 | Production of accounting year (1+/-5+6) | 47,035,694 | 17,814,159 |
| 8 | Other operating revenues | 11,563,769 | 4,366 |
| 9 | Operating revenues, total (7+8) | 58,599,463 | 17,818,525 |
| 10 | Financial revenues, total | 723,080 | 597,708 |
| 11 | Total revenues (9+10) | 59,322,543 | 18,416,233 |

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The structure of operating revenues is as follows:

| No. | Designation of items | 30.09.2019 | 30.09.2020 |
|-----|--------------------------|----------------|----------------|
| 1 | Turnover | 51.08% | 79.39% |
| 2 | Changes in stocks | 6.09% | 20.59% |
| 3 | Capitalized production | 23.10% | 0.00% |
| 4 | Other operating revenues | 19.73% | 0.02% |
| | TOTAL | 100.00% | 100.00% |

The expenses of the company are shown below:

Lei

| No. | Designation of items | 30.09.2019 | 30.09.2020 |
|-----|--|-------------------|-------------------|
| 1 | Material expenses | 13,250,280 | 4,761,796 |
| 2 | Other external expenses (energy and water) | 4,342,482 | 3,687,374 |
| 3 | Expenses with the personnel | 25,154,165 | 21,787,531 |
| 4 | Adjustments | 3,903,083 | 3,459,523 |
| 5 | Other operating expenses of which: | 18,627,870 | 4,592,216 |
| 5a | Expenses on disposal of fixed assets held for sale | 11,875,402 | - |
| 6 | Operating expenses, total | 65,277,880 | 38,288,440 |
| 7 | Financial expenses | 223,278 | 454,601 |
| 8 | Total expenses | 65,501,158 | 38,743,041 |

Over the same period of 2019, on 30.09.2020 is noticed a decrease of the operating expenses, due to the fact there was no more transaction related the disposal of fixed assets held for sale, but also as result of reduced material expenses.

The structure of operating expenses is as follows:

| No. | Designation of items | 30.09.2019 | 30.09.2020 |
|-----|--|----------------|----------------|
| 1 | Material expenses | 20.77% | 12.86% |
| 2 | Other external expenses (energy and water) | 6.65% | 9.63% |
| 3 | Expenses with the personnel | 38.53% | 56.90% |
| 4 | Adjustments | 5.98% | 9.04% |
| 5 | Other operating expenses | 28.06% | 11.58% |
| | Operating expenses, total | 100.00% | 100.00% |

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The evolution of the results is shown below:

Lei

| No. | Indicator name | 30.09.2019 | 30.09.2020 |
|-----|--|--------------------|---------------------|
| 1 | Operating revenues | 58,599,463 | 17,818,525 |
| 2 | Operating expenses | 65,277,880 | 38,288,440 |
| 3 | Operating result | (6,678,417) | (20,469,915) |
| 4 | Financial revenues | 723,080 | 597,708 |
| 5 | Financial expenses | 223,278 | 454,601 |
| 6 | Financial result | 499,802 | 143,107 |
| 7 | Profit tax | - | - |
| 8 | Net result of the accounting year | (6,178,615) | (20,326,808) |

The net result on 30.09.2020 materialized in a net loss of 20,326,808 lei. In the same period of 2019 the net loss was 6,178,615 lei, this being influenced by the transaction for the sale of the Mociur platform and by giving up of part of the claim held by Serraghis Loan Management, which resulted in a net profit related to this period of 12.103.951 lei.

Special Trustee
Cosmin URSONIU



Special Trustee
Nicoleta Liliana IONETE

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

Separate Interim Financial Statements
prepared in accordance with the
Order of the Minister of Finance no. 2844/2016
on
September 30, 2020

Separate Financial Statements on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

Cuprins

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*Report of the Special Trustees
for the Accounting Year ended on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]*

REPORT OF SPECIAL TRUSTEES ON SEPTEMBER 30, 2020

The Reports on September 30, 2020 are prepared in accordance with the Order of the Minister of Public Finance no. 2844/2016 on the approval of accounting regulations compliant with the European directives.

A. Statement of assets, liabilities and equity

The statement of assets, liabilities and equity on September 30, 2020 compared to the beginning of the year is as follows :

| Lei | | | |
|-----|--------------------------|--------------------|--------------------|
| No. | Balance sheet items | 01.01.2020 | 30.09.2020 |
| 1 | Fixed assets | 144,108,347 | 138,092,345 |
| 2 | Current assets | 51,861,920 | 51,392,807 |
| 3 | Prepayments | 48,310 | 521,431 |
| | TOTAL ASSETS | 196,018,577 | 190,006,583 |
| 4 | Liabilities | 699,288,622 | 709,754,109 |
| 5 | Revenues in advance | 11,425 | 3,860,751 |
| 6 | Provisions | 233,771,668 | 233,771,668 |
| 7 | Equity | (737,053,138) | (757,379,945) |
| | TOTAL LIABILITIES | 196,018,577 | 190,006,583 |

Compared to the beginning of 2020 on 30.09.2020 the total assets recorded a decrease of 3.07%, mainly due to the decrease of the fixed assets by 4.17% .

In terms of current liabilities, they have increased by 1.50%.

The Company's assets recorded the following changes compared to the existing values in early 2020:

| Lei | | | | |
|-----|----------------------|-------------|-------------|-------------|
| No. | Designation of items | 01.01.2020 | 30.09.2020 | Differences |
| 0 | 1 | 2 | 3 | 4=3-2 |
| 1 | Fixed assets | 144,108,347 | 138,092,345 | (6,016,002) |
| 2 | Current assets | 51,861,920 | 51,392,807 | (469,113) |
| 3 | Prepayments | 48,310 | 521,431 | 473,121 |

Report of the Special Trustees
for the Accounting Year ended on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

The existing current assets registered the following evolution compared to early 2020:

Lei

| No. | Designation of items | 01.01.2020 | 30.09.2020 | Differences |
|-----|------------------------------------|------------|------------|-------------|
| 0 | 1 | 2 | 3 | 4=3-2 |
| 1 | Stocks, of which: | 21,981,115 | 25,379,287 | 3,398,172 |
| 1.a | - raw material and consumables | 5,410,756 | 5,124,116 | (286,640) |
| 1.b | - production in progress | 14,585,733 | 18,239,668 | 3,653,935 |
| 1.c | - finished products and goods | 1,945,290 | 1,959,626 | 14,336 |
| 1.d | - down payments | 39,336 | 55,878 | 16,542 |
| 2 | Other current assets, of which: | 29,880,805 | 26,013,520 | (3,867,285) |
| 2.a | - receivables | 20,197,782 | 18,110,130 | (2,087,652) |
| 2.b | - short-term financial investments | 7,094,582 | 7,153,554 | 58,972 |
| 2.c | - cash on hand | 2,588,441 | 749,836 | (1,838,605) |

There was a decrease in both stocks of raw materials and consumables and receivables by 5.30% and 10.34%, respectively.

Patrimonial changes in the liabilities of the *Company* compared to the existing values in early 2020 is as follows:

Lei

| No. | Designation of items | 01.01.2020 | 30.09.2020 | Differences |
|-----|----------------------------------|---------------|---------------|--------------|
| 0 | 1 | 2 | 3 | 4=3-2 |
| 1 | Owner's equity | (737,053,138) | (757,379,945) | (20,326,807) |
| 2 | Debts | 699,288,622 | 709,754,109 | 10,465,487 |
| 3 | Revenues in advance | 11,425 | 3,860,751 | 3,849,326 |
| 4 | Provisions for risks and charges | 233,771,668 | 233,771,668 | - |

B. Profit and loss account

The profit and loss account highlights the following indicators:

Lei

| No. | Designation of items | 30.09.2019 | 30.09.2020 |
|-----|--|-------------------|-------------------|
| 1 | Turnover (2+3-4) | 29,932,963 | 14,145,889 |
| 2 | Production sold | 29,930,490 | 14,145,889 |
| 3 | Revenues from sale of goods | 2,473 | - |
| 4 | Trade discounts granted | - | - |
| 5 | Changes in stocks: Credit babalance | 3,566,997 | 3,668,270 |
| | Debit balance | - | - |
| 6 | Revenues from sale of tangible assets | 13,535,734 | - |
| 7 | Production of accounting year (1+/-5+6) | 47,035,694 | 17,814,159 |
| 8 | Other operating revenues | 11,563,769 | 4,366 |
| 9 | Operating revenues, total (7+8) | 58,599,463 | 17,818,525 |
| 10 | Financial revenues, total | 723,080 | 597,708 |
| 11 | Total revenues (9+10) | 59,322,543 | 18,416,233 |

Report of the Special Trustees
for the Accounting Year ended on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

The structure of operating revenues is as follows:

| No. | Designation of items | 30.09.2019 | 30.09.2020 |
|------------|-----------------------------|-------------------|-------------------|
| 1 | Turnover | 51.08% | 79.39% |
| 2 | Changes in stocks | 6.09% | 20.59% |
| 3 | Capitalized production | 23.10% | 0.00% |
| 4 | Other operating revenues | 19.73% | 0.02% |
| | TOTAL | 100.00% | 100.00% |

The expenses of the company are shown below:

Lei

| No. | Designation of items | 30.09.2019 | 30.09.2020 |
|------------|--|-------------------|-------------------|
| 1 | Material expenses | 13,250,280 | 4,761,796 |
| 2 | Other external expenses (energy and water) | 4,342,482 | 3,687,374 |
| 3 | Expenses with the personnel | 25,154,165 | 21,787,531 |
| 4 | Adjustments | 3,903,083 | 3,459,523 |
| 5 | Other operating expenses of which: | 18,627,870 | 4,592,216 |
| 5a | Expenses on disposal of fixed assets held for sale | 11,875,402 | - |
| 6 | Operating expenses, total | 65,277,880 | 38,288,440 |
| 7 | Financial expenses | 223,278 | 454,601 |
| 8 | Total expenses | 65,501,158 | 38,743,041 |

Over the same period of 2019, on 30.09.2020 is noticed a decrease of the operating expenses, due to the fact there was no more transaction related the disposal of fixed assets held for sale, but also as result of reduced material expenses.

The structure of operating expenses is as follows:

| No. | Designation of items | 30.09.2019 | 30.09.2020 |
|------------|--|-------------------|-------------------|
| 1 | Material expenses | 20.77% | 12.86% |
| 2 | Other external expenses (energy and water) | 6.65% | 9.63% |
| 3 | Expenses with the personnel | 38.53% | 56.90% |
| 4 | Adjustments | 5.98% | 9.04% |
| 5 | Other operating expenses | 28.06% | 11.58% |
| | Operating expenses, total | 100.00% | 100.00% |

Report of the Special Trustees
for the Accounting Year ended on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

The evolution of the results is shown below:

| Lei | | | |
|-----|-----------------------------------|--------------------|---------------------|
| No. | Indicator name | 30.09.2019 | 30.09.2020 |
| 1 | Operating revenues | 58,599,463 | 17,818,525 |
| 2 | Operating expenses | 65,277,880 | 38,288,440 |
| 3 | Operating result | (6,678,417) | (20,469,915) |
| 4 | Financial revenues | 723,080 | 597,708 |
| 5 | Financial expenses | 223,278 | 454,601 |
| 6 | Financial result | 499,802 | 143,107 |
| 7 | Profit tax | - | - |
| 8 | Net result of the accounting year | (6,178,615) | (20,326,808) |

The net result on 30.09.2020 materialized in a net loss of 20,326,808 lei .In the same period of 2019 the net loss was 6,178,615 lei, this being influenced by the transaction for the sale of the Mociur platform and by giving up of part of the claim held by Serraghis Loan Management, wich resulted in a net profit related to this period of 12.103.951 lei .

Conclusions

In 2020, SC UCM Resita SA carries on its activity according to the status of company in insolvency proceedings with the intention of reorganization, but which has 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, the recovery of old claims 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.

On September 30, 2020 S.C. UCM Resita S.A. recorded a turnover of 14,145,889 lei, decreasing compared to the same period of 2019.

At the end of the third quarter of 2020 S.C. UCM Reșița S.A. has recorded a net loss of 20,326,808 lei, lower than budgeted result for this period, as result of the non – realization of the budgeted turnover of 73.76%.

Postponinig the delivery of some components within the refurbishment project CHE Stejaru in the amount of 16,6 mil lei, as well as maintaining the cessation of the project

***Report of the Special Trustees
for the Accounting Year ended on September 30, 2020***
[All amounts are given in lei (RON) unless otherwise stated]

Pascani in the amount of 14 mil lei, the execution of wich is mostly completed, represent the main cause for the non-realization of the bugeted turnover.

The company's activity was difficult because of the application of regulations from the normatives documents which was released of the authorities during the state of emergency and during the state of alert, mainly regarding the supply of raw materials and materials, because the majority producers of materials and services have reduced or closed their activities, but and because had to be reduced the working time necessary for the application of sanitary measures which was imposed (to check the temperature at the entrance to the company premises, disinfection of workspaces and objects which are necessary to the activities etc.).

Starting with August 2020, UCM Resita is the subject of a due diligence carried out by Ernst & Young, at the request of SPEEH Hidroelectrica SA, the largest electricity producer in Romania. In this sense, the two entities have concluded a contract for the provision of "due diligence consulting services and evaluation of the assets of UCM Resita SA that will be taken over and used in maintenance and modernization activities of SPEEH Hidroelectrica SA, presentation of optimal solutions of the transaction, the transfer and integration of the assets in Hidroelectrica, as well as assistance for the entire period of the transaction."

The Company will continue to take steps to entering new markets and reduce the dependence on the Romanian hydro market.

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE



Separate Interim Financial Statements on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

Statement of Special Trustees of
UCM RESITA SA Company

The Special Trustees of the Company hereby declare that they assume their responsibility for the Interim Financial Statements on September 30, 2020.

The Special Trustees of the Company confirm, regarding the Interim Financial Statements on September 30, 2020, the followings:

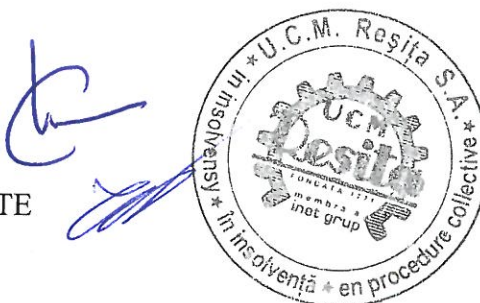
- a) The Interim Financial Statements are prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union;
- b) The accounting policies used in preparing the Interim Financial Statements are in accordance with the applicable accounting regulations;
- c) The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

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

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE



Separate Interim Financial Statements on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

Statement of financial position on September 30, 2020

Lei

| Reference Statement of financial position IAS 1.10(a), 113 | Note | Balance sheet items | Balance on 01.01.2020 | Balance on 30.09.2020 |
|--|------|--|-----------------------|-----------------------|
| IAS 1.54(a) | 3 | Tangible fixed assets | 127,573,176 | 124,071,866 |
| IAS 1.54(c) | 3 | Intangible fixed assets | 8,456 | 4,654 |
| | 3 | Financial assets | 16,526,714 | 14,015,825 |
| | | Total of fixed assets | 144,108,346 | 138,092,345 |
| IAS 1.54(h) | 4 | Trade receivables and receivables from affiliated entities | 4,209,620 | 2,761,422 |
| IAS 1.54(g) | 5 | Stocks Deferred tax assets | 21,941,779 | 25,323,409 |
| IAS 1.54(o), 56 | 12 | Deferred tax assets | 14,673,797 | 14,673,797 |
| IAS 1.54(h) | 4 | Other receivables | 1,353,702 | 730,789 |
| IAS 1.54(i) | 6 | Cash and cash equivalents | 9,683,023 | 7,903,390 |
| | | Prepayments | 48,310 | 521,431 |
| | | Total of current assets | 51,910,231 | 51,914,238 |
| | | TOTAL ASSETS | 196,018,577 | 190,006,583 |
| IAS 1.54(m) | 7 | Loans bearing interest | - | - |
| IAS 1.54(k) | 7 | Supplies and other trade payables | 37,254,641 | 35,650,100 |
| IAS 1.54(k) | 7 | Taxes and other debts | 637,557,503 | 649,627,531 |
| IAS 1.54(o), 56 | 12 | Deferred tax debts | 24,476,478 | 24,476,478 |
| IAS 1.54(l) | 8 | Provisions | 233,771,668 | 233,771,668 |
| IAS 1.55, 20.24 | | Revenues in advance | 11,425 | 3,860,751 |
| | | Total debts | 933,071,715 | 947,386,528 |
| | | Total assets minus Total debts | (737,053,138) | (757,379,945) |
| | 9 | Registered capital | 601,685,084 | 601,685,084 |
| | 3 | Revaluation reserves | 130,468,666 | 127,328,794 |
| | 9 | Legal reserves | 1,972,406 | 1,972,406 |
| | | Other reserves | 16,088,620 | 16,088,620 |
| | 9 | Carried over result | (1,471,834,332) | (1,484,128,041) |
| | 9 | Current result | (15,433,582) | (20,326,808) |
| | 9 | Profit sharing, establishing of legal reserves | - | - |
| | | Total equity | (737,053,138) | (757,379,945) |
| | | TOTAL LIABILITIES | 196,018,577 | 190,006,583 |

Special Trustees:
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Nicoleta Liliana IONETE



Separate Interim Financial Statements on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

Statement of comprehensive result on September 30, 2020

- Lei -

| Reference Statement of overall result IAS 1.10(b), 81(a) | Explanations | 30.09.2019 | 30.09.2020 |
|---|--|--------------------|---------------------|
| IAS 1. 82(a) IAS 1.99,103 | Operating revenues | 55,032,466 | 14,150,255 |
| IAS 1.99, 103 | Cost of sales | 49,751,894 | 25,187,598 |
| | Gross operating profit (loss) | 5,280,572 | (11,037,343) |
| IAS 1.99, 103 | Distribution costs | - | 393 |
| | Administrative expenses | 11,958,989 | 9,432,179 |
| IAS 1. 82(a) IAS 1.99,103 | Financial revenues | 723,080 | 597,708 |
| IAS 1.82(b) | Financial expenses | 223,278 | 454,601 |
| IAS 1.85 | Result before tax | (6,178,615) | (20,326,808) |
| IAS 1.82(d), IAS 12.77 | Income tax expenses | - | - |
| | Net Profit (loss) | (6,178,615) | (20,326,808) |
| | Establishing of legal reserves under Law31/1990 | - | - |
| IFRS 5.33(a), 1.82(e) | Profit attributable to: | - | - |
| IAS 1.83(b)(ii) | Owners of the Company | - | - |
| IAS 1.83(b)(i) | Non-controlling interests | - | - |

Special Trustees:

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Nicoleta Liliana IONETE



S.C. U.C.M. Reșita S.A.
(Company in insolvency, en procedure collective)

Separate Interim Financial Statements on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

Statement of changes in equity for the year ended on September 30, 2020

-Lei-

| Explanation/Description | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|--|---|--------------------|----------------------|----------------|--|----------------|---------------------|---------------------------------------|---------------|
| | | Registered capital | Revaluation reserves | Legal reserves | Carried over result representing surplus from revaluation reserves | Other reserves | Carried over result | Current result of the accounting year | Total |
| Balance on 01.01.2020 | | 601,685,084 | 130,468,666 | 1,972,406 | 259,803,968 | 16,088,620 | (1,731,638,300) | (15,433,582) | (737,053,138) |
| Changes in equity- September 30, 2020 | | | | | | | | | |
| Transfer of surplus from revaluation reserves | | | | | | | | | |
| Transfer of the result of the accounting year 2019 to the carried over result | | | (3,139,872) | | 3,139,872 | | | | |
| Account closing -profit share | | | | | | | | | |
| Registration of accounting errors from previous years to the carried over result | | | | | | | (15,433,582) | 15,433,582 | |
| Net result of the current accounting year | | | | | | | | | |
| Balance on September, 30 2020 IFRS | | 601,685,084 | 127,328,794 | 1,972,406 | 272,943,841 | 16,088,620 | (1,747,071,882) | (20,326,808) | (757,379,945) |

The legal reserves of the Company, constituted in accordance with the provisions of the Commercial Companies Act, as at Sept. 30, 2020 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 September 30, 2020, the Company has not yet reached the maximum level of legal litigation.

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE



Separate Interim Financial Statements on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

Statement of cash flows on on September 30, 2020

-Lei-

| Designation of item | Row No. | Accounting year ended on: | |
|---|---------|---------------------------|---------------------|
| | | September 30, 2019 | September 30, 2020 |
| OPERATING ACTIVITIES | | | |
| Net profit+Result carried over from correction of accounting errors | 1 | (6,178,615) | (20,326,808) |
| Adjustments for: | | | |
| Adjusting the value of tangible and intangible assets | 2 | 3,979,247 | 3,524,892 |
| Adjusting the value of financial assets | 3 | - | - |
| Expenses (revenues) with adjustments for depreciation of current assets | 4 | (153,585) | (356,416) |
| Adjustments to the provisions for risks and expenses | 5 | (40,421) | - |
| Expenses with the donating granted | 6 | - | - |
| Revenues from interests and other financial income | 7 | (14,749) | (61,446) |
| Expenses with interests and other financial income | 8 | - | - |
| Cash flow before changes in working capital (row. 1 to 8) | 9 | (2,408,123) | (17,219,778) |
| Decrease /(Increase) – customers and other assimilated accounts | 10 | 2,875,528 | 4,465,296 |
| Decrease /(Increase) in stocks | 11 | 9,348,648 | (3,381,630) |
| Decrease /(Increase)- supplies and other assimilated accounts | 12 | (7,345,712) | 14,314,962 |
| Cash flow from operating activities (row. 9 to 12) | 13 | 2,470,341 | (1,821,150) |
| Revenue from interests | 14 | 14,592 | 59,529 |
| (Net increase) / Net decrease in restraint | 15 | (82,888) | 164,069 |
| Cash flow from operating activities (row.13 to 15) | 16 | 2,402,045 | (1,597,552) |
| Investing activities | | | |
| Cash payment for long-term purchasing of land and other assets | 17 | (103,390) | (19,781) |
| Revenues from dividends | 18 | - | 1,769 |
| Net cash used in investing activities (row. 17 la 18) | 19 | (103,390) | (18,012) |
| Financing activities | | | |
| Subsidies granted | 20 | - | - |
| Net cash used in financing activities (row. 20) | 21 | - | - |
| Net increase/(Decrease) în cash and cash equivalents (row. 16+19+21) | 22 | 2,298,655 | (1,615,564) |
| Cash and cash equivalents at the beginning of the year | 23 | 5,515,303 | 9,157,513 |
| Cash and cash equivalents at the end of the period (row. 22+23) | 24 | 7,813,958 | 7,541,949 |

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE



Separate Interim Financial Statements on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

Economic - financial indicators on September 30, 2020

| Indicator | Calculation method | Value |
|--|------------------------------------|---------------|
| 1. Current liquidity | $1=2/3$ | 0.07 |
| 2. Current assets (lei) | 2 | 51,392,807 |
| 3. Current liabilities (lei) | 3 | 709,754,109 |
| 4. Level of indebtedness | $4=5/6$ | #N/A |
| 5. Borrowed capital (lei) | 5 | 0 |
| 6. Capital employed (lei) | 6 | (757,379,945) |
| 7. Turnover ratio of customer debits (days) | $7=8/9 \times (365/4) \times 3$ | 62 |
| 8. Average balance of trade receivables (lei) | 8 | 3,194,450 |
| 9. Turnover (lei) | 9 | 14,145,889 |
| 10. Turnover ratio of fixed assets (days) | $10=11/12 \times (365/4) \times 3$ | 2,672 |
| 11. Fixed assets (lei) | 11 | 138,092,345 |
| 12. Turnover (lei) | 12 | 14,145,889 |

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE



Separate Interim Financial Statements on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

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 September 30, 2020.

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

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

On 30.09.2020, the registered office of *UCMR* was in Bucharest, Charles de Gaulle Square No. 15, Charles de Gaulle Plaza Building, 3st Floor, Office Peles, Sector 1, as mentioned in Endorsement no. 592087/15.11.2019, registered at *ONRC* at no. **J40/13628/2011**, Fiscal Code RO 1056654, and the administrative headquarters in Resita, Golului Street No. 1.

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

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

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

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

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

Separate Interim Financial Statements on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

2. Basis for preparation of separate financial statements
IAS 1.112(a)

2.1 Declaration of conformity

IAS 1.16 The Separate Financial Statements have been prepared in accordance with the provisions of the Order no. 2844/2016 of the Minister of Public Finance, with respect to the approval of Accounting Regulations in compliance with the International Financial Reporting.

Standards (IFRS) applicable to companies whose marketable securities are admitted to trading on a regulated market (*OMPF 2844/2016*)

The undersigned, Cosmin URSONIU and Liliana Nicoleta IONETE, in position of Special Trustees of *the Company*, undertake the liability for drawing up the Interim Separate Financial Statements on 30.09.2020 and confirm that they are in compliance with the applicable Accounting Regulations and *the Company* shall conduct its work under the condition of continuity.

2.2 Basis of evaluation

The Company drawn up the Interim Separate Financial Statements for the year ended on September 30, 2020 in accordance with *OMPF 2844/2016*, as amended and supplemented.

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

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

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

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

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

These Separate Financial Statements have been not audited.

Separate Interim Financial Statements on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

The Company does not apply IFRS issued and not adopted on 30.09.2020, and cannot estimate the impact of non-application of these provisions on the separate financial statements, and intends to apply these provisions only at their entry into force.

Consolidated Financial Statements

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

At September 30, 2020, *the Company* holds 1 subsidiary, s.c. MULTI-FARM s.r.l. that has as its object the sale of medicines and pharmaceuticals. *The Company* has decided not to present consolidated financial statements, considering that the consolidated financial information, which should be presented in the statement of financial position and overall result as on 30.09.2020, would not significantly differ from *the Company's* individual financial statements on 30.09. 2020.

2.3 Functional currency used for presentation

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

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

2.4 The use of estimates and professional judgments

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

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

2.5 New International Standards that are not applied by the Company

The Company does not apply certain 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.

Separate Interim Financial Statements on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

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:

Separate Interim Financial Statements on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

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.

Separate Interim Financial Statements on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

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

d) Equity papers in affiliated entities

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

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

e) Tangible fixed assets

Recognition and measurement of fixed assets

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

The buildings are stated at fair value based on periodic assessments 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

Separate Interim Financial Statements on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

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.

Separate Interim Financial Statements on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

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

Separate Interim Financial Statements on September 30, 2020
[All amounts are given in lei (RON) unless otherwise stated]

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 September 30, 2019 and 2020 are as follows:

| Currency | September 30, 2019 | September 30, 2020 |
|----------|--------------------|--------------------|
| RON/EUR | 4.7511 | 4.8698 |
| RON/USD | 4.3488 | 4.1617 |
| RON/GBP | 5.3546 | 5.3406 |
| RON/CHF | 4.3759 | 4.5043 |

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.

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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.

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q) Loans

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

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

p) Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions attached will be satisfied. When the grant relates to an expense item, it is recognized as income over the period necessary to correlate, on a systematic basis, the grant with the costs to be offset. When the grant relates to an asset, it is recognized as deferred income and taken to income in equal amounts over the expected life of the related asset.

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

r) Benefits of employees

Short-term benefits:

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

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

- Granting of bereavement benefits representing four average gross wages per company upon the death of an employee of *the Company* and one average gross salary per company in case of death of the husband (wife) or of a first degree relative (parents, children);
- Granting of two average gross wages per company for the birth of each child;

Separate Interim Financial Statements on September 30, 2020

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- 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:

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

s) Profit tax

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

The current profit tax is calculated in accordance with tax legislation in force in Romania and is based on the results reported in the statement of the comprehensive income of *the Company*, prepared in accordance with local accounting standards, after adjustments performed for tax purposes. The current profit tax is applied to the accounting profit, as adjusted in accordance with tax legislation at a rate of 16%.

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

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

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

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

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.

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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.

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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;

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- The entity is controlled or jointly controlled by a person or an affiliate member of its family, if that person:
- Has control or joint control over the reporting unit;
 - Has significant influence over the reporting entity, or
 - Is a member of the key management personnel of the reporting unit or of a parent company of the reporting entity

x) Correction of accounting errors

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

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

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

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

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

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

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3. Transactions or significant events

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

In order to support the principle of continuity the Company considers on a side the contracts signed and in progress with **s.c.Hidroelectrica s.a.** and also those that are expected to be signed, knowing that most of the hydropower plants in Romania are at the end of their life and need repair and modernization work.

Hidroelectrica started, together with the consultant Ernst & Young, a due-diligence mission aimed at finding a viable solution for the acquisition of assets of UCM Resita that would contribute to the maintenance and refurbishment of Hidroelectrica.

Until the date of submission of these financial statements, all the information requested by Ernst & Young SRL was transmitted, the next step will follow the technical inspection in factory for the machines - tools and equipment owned by UCM Resita .

The manner of carrying out the transaction that will be proposed by Ernst & Young following the analysis performed will be submitted to the approval of the Creditors' Meeting within the insolvency proceedings.

Next, important steps are being taken to enter other markets than those in the 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 measures considered to maximize the Company's assets refer to:

- ✓ reducing expences, by eliminating waste and optimizing the organizational structure as well by purchasing goods and services at some of the lowest prices on the market, without compromising on quality
- ✓ recovery of old receivables and decrease of the collection time of the current ones

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- ✓ reducing and eliminating as much as possible the stock of raw materials and materials especially the one with slow movement.

The company's activity was difficult because of the application of all regulations from the normative documents which was released of the authorities during the state of emergency and, after, during the state of alert, mainly regarding the supply of raw materials and materials, because the majority producers of materials and services have reduced or closed their activities, but and because had to be reduced the working time necessary for the application of sanitary measures which was imposed (to check the temperature at the entrance to the company premises, disinfection of workspaces and objects which are necessary to the activities etc.).

The company ICESA SA requested the Judicial Administrator to convene the GMS having as object the change of the Special Administrators.

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

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

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

Special Trustee
Cosmin URSONIU



Special Trustee
Nicoleta Liliana IONETE

