

U.C.M. Reșița S.A.  
Sediul Social: Piața Montreal, nr.10, Clădirea  
World Trade Center, intrarea F, etaj 1, biroul nr.1.50  
011469, Sector 1, București  
Sediul Administrativ: RO-320053, Str. Golului, Nr.1 - Reșița  
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

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

Date of report: 15.05.2017

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

Registered office: Montreal Square No. 10, World Trade Center Building, Entrance F, 1<sup>st</sup> Floor, Office no.1.50, Sector 1, Bucharest

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

Phone: 0255/217111; Fax: 0255/223082

Unique registration code: 1056654

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

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

The regulated market on which the issued securities are traded: Bucharest Stock Exchange

Important events to report: Quarterly Report for the First Quarter of 2017

S.C. U.C.M. Resita S.A. informs the general public about the availability of the Report for the First Quarter of 2017.

The Quarterly Report can be found, starting with 15.05.2017 04:00 PM, on the website <http://www.ucmr.ro>

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 first quarter of 2017 are not audited.

The table below shows the evolution, on 31 March 2017, 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	31.03.2016	31.03.2017
1	<b>Turnover (2+3-4)</b>	<b>10.363.460</b>	<b>12.186.606</b>
2	Production sold	10.380.460	12.186.331
3	Revenues from sale of goods	678	275
4	Trade discounts granted	17.678	0
5	Changes in stocks: Credit balance	538.956	0
	Debit balance	0	1.816.692
6	Capitalized production	0	0
7	<b>Production of accounting year (1+/-5+6)</b>	<b>10.902.416</b>	<b>10.369.914</b>
8	Other operating revenues	685	98.169
9	<b>Operating revenues, total (7+8)</b>	<b>10.903.101</b>	<b>10.468.083</b>
10	Financial revenues, total	304.900	282.395
	<b>Total revenues (9+10)</b>	<b>11.208.001</b>	<b>10.750.478</b>

The structure of operating revenues is as follows:

Lei

No.	Designation of items	31.03.2016	31.03.2017
1	Turnover	95.05%	116.42%
2	Changes in stocks	4.94%	-17.35%
3	Capitalized production	0.00%	0.00%
4	Other operating revenues	0.01%	0.94%
	<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>

The expenses that have a higher share in the total expenses of the company are shown below:

Lei

No.	Designation of items	31.03.2016	31.03.2017
1	Material expenses	3.622.908	4.850.408
2	Other external expenses (energy and water)	1.500.400	1.607.326
3	Expenses on goods	-	-
4	Expenses with the personnel	6.701.951	7.023.802
5	Adjustments	2.063.436	1.690.023
6	Other operating expenses	1.439.552	1.294.298
	<b>Operating expenses, total</b>	<b>15.328.247</b>	<b>16.465.857</b>

Over the same period of 2016, on 31.03.2017 is noticed an increase of the operating expenses by 7.42%. This was mainly due to an increase in costs with materials.

The structure of operating expenses is as follows:

No.	Designation of items	31.03.2016	31.03.2017
1	Material expenses	23.64%	29.46%
2	Other external expenses (energy and water)	9.79%	9.76%
3	Expenses on goods	0.00%	0.00%
4	Expenses with the personnel	43.72%	42.66%
5	Adjustments	13.46%	10.26%
6	Other operating expenses	9.39%	7.86%
	<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>



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societate în insolvență  
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en procedure collective

The evolution of the results is shown below:

Lei

No.	Designation of items	31.03.2016	31.03.2017
1	Operating revenues	10.903.101	10.468.083
2	Operating expenses	15.328.247	16.465.857
3	<b>Operating result</b>	<b>(4.425.146)</b>	<b>(5.997.774)</b>
4	Financial revenues	304.900	282.395
5	Financial expenses	1.130.239	413.267
6	<b>Financial result</b>	<b>(825.339)</b>	<b>(130.872)</b>
7	Profit tax	-	-
8	<b>Net result of the accounting year</b>	<b>(5.250.485)</b>	<b>(6.128.646)</b>

The net result of the accounting year for the first quarter of 2017 is materialized in a net loss of 6,128,646 lei compared to the same period of 2016 when the net result of the accounting year was materialized in a net loss of 5,250,485 lei, namely an increase of 16.73%.

Special Trustee  
Cosmin URSONIU

Special Trustee  
Nicoleta Liliana IONETE



**S.C. U.C.M. Resita 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  
**MARCH 31, 2017**



**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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**REPORT OF SPECIAL TRUSTEES ON MARCH 31, 2017**

**UCM Resita SA** (*company in insolvency, en procedure collective*), with the registered office located in Bucharest, Montreal Square 10, World Trade Center Building, Entrance F, 1st Floor, Office no. 1.50, Sector 1 and the administrative headquarters (working station) in Resita, Golului Street, no. 1 Caras-Severin County, registered in the Trade Register of Bucharest under no. J40/13628/2011, CUI 1056654 (hereinafter referred to as *the Company* or *UCMR*).

**UCM Resita SA Field of Activity**

The main field of activity in which *the Company* operates, under the Classification of Activities in National Economy (CAEN), is manufacturing of equipment for production and use of mechanical power (except motors for aircrafts, vehicles and motorcycles) - Code 281.

*The Company's* main activity consists in the manufacture of engines and turbines (except motors for aircrafts, vehicles and motorcycles) - CAEN Code 2811.

The main objective of UCMR for the year 2017 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 power units (repairs, modernization, rehabilitation and new equipment).

In order to achieve this objective, *the Company* runs a series of contracts, mainly on the domestic market, mostly with the branches Hidroelectrica and SSH Hidroserv: HPP Paclisa; HPP Beresti; HPP PdF; HPP Bretea; HPP Rastolita, but also with other companies such as Romelectro Bucharest - HPP Stejaru.

For the year 2017, UCMR aims to participate in execution of general overhauls and modernization works on the domestic market, for several projects of Hidroelectrica, such as: HPP Calimanesti, HPP Vidraru and HPP Slatioara.

Since *the Company* has the required technological capabilities and know - how, we intend to develop certain types of work and products that are different from those in the hydropower field.

The reports at the first quarter of 2017 were prepared in accordance with OMF 2844/2016 on the approval of accounting regulations compliant with the European directives.



**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in lei (RON) unless otherwise stated]*

**A. Statement of assets, liabilities and equity**

The statement of assets, liabilities and equity on 31.03.2017 is as follows:

Lei

<i>No.</i>	<i>Balance sheet items</i>	<i>01.01.2017</i>	<i>31.03.2017</i>
1	Fixed assets	183.183.223	183.737.020
2	Current assets	68.903.056	62.038.507
3	Prepayments	50.560	307.798
	<b>TOTAL ASSETS</b>	<b>252.136.839</b>	<b>246.083.325</b>
4	Liabilities	693.994.537	694.066.506
5	Revenues in advance	12.457	12.457
6	Provisions	242.024.879	242.024.879
7	Equity	(683.895.034)	(690.020.517)
	<b>TOTAL LIABILITIES</b>	<b>252.136.839</b>	<b>246.083.325</b>

Compared to the beginning of 2017 on 31.03.2017 the total assets recorded a slight decrease of 2.40%, mainly due to the decrease of the current assets by 9.96%.

The stocks decreased by 20.99%, out of which the production in progress decreased by 15.54% and the stock of raw materials and consumables decreased by 31.97%.

As far as current liabilities are concerned, they have increased by 0.01%.

The Company's assets recorded the following changes compared to the existing values in early 2017:

Lei

<i>No.</i>	<i>Designation of items</i>	<i>01.01.2017</i>	<i>31.03.2017</i>	<i>Differences</i>
1	Fixed assets	183.183.223	183.737.020	553.797
2	Current assets	68.903.056	62.038.507	(6.864.549)
3	Prepayments	50.560	307.798	257.238

The existing current assets registered the following evolution compared to early 2017:

Lei

<i>No.</i>	<i>Designation of items</i>	<i>01.01.2017</i>	<i>31.03.2017</i>	<i>Differences</i>
1	Stocks, of which:	23.077.003	18.233.867	(4.843.136)
1.a	- raw material, materials	9.306.003	6.331.338	(2.974.665)
1.b	- fixed assets held for sale	-	-	-
1.c	- production in progress	11.041.580	9.325.614	(1.715.966)
1.d	- finished products and goods	2.030.630	1.945.407	(85.223)
1.e	- down payments	698.790	631.508	(67.282)
2	Other current assets, of which:	45.826.053	43.804.640	(2.021.413)
2.a	- receivables	43.568.085	40.950.451	(2.617.634)
2.b	- short-term financial investments	1.153	1.153	-
2.c	- cash on hand	2.256.815	2.853.036	596.221



**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in lei (RON) unless otherwise stated]*

The Company's liabilities recorded the following changes in equity compared to the existing values in early 2016:

Lei

No.	Designation of items	01.01.2017	31.03.2017	Differences
1	Owner's equity	(683.895.034)	(690.020.517)	(6.125.483)
2	Debts	693.994.537	694.066.506	71.969
3	Revenues in advance	12.457	12.457	-
4	Provisions for risks and charges	242.024.879	242.024.879	-

**B. Profit and loss account**

The profit and loss account highlights the following indicators:

Lei

No.	Designation of items	31.03.2016	31.03.2017
1	<b>Turnover (2+3-4)</b>	<b>10.363.460</b>	<b>12.186.606</b>
2	Production sold	10.380.460	12.186.331
3	Revenues from sale of goods	678	275
4	Trade discounts granted	17.678	0
5	Changes in stocks: Credit balance	538.956	0
	Debit balance	0	1.816.692
6	Capitalized production	0	0
7	<b>Production of accounting year (1+/-5+6)</b>	<b>10.902.416</b>	<b>10.369.914</b>
8	Other operating revenues	685	98.169
9	<b>Operating revenues, total (7+8)</b>	<b>10.903.101</b>	<b>10.468.083</b>
10	Financial revenues, total	304.900	282.395
	<b>Total revenues (9+10)</b>	<b>11.208.001</b>	<b>10.750.478</b>

The structure of operating revenues is as follows:

Lei

No.	Designation of items	31.03.2016	31.03.2017
1	Turnover	95.05%	116.42%
2	Changes in stocks	4.94%	-17.35%
3	Capitalized production	0.00%	0.00%
4	Other operating revenues	0.01%	0.94%
	<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>



**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in lei (RON) unless otherwise stated]*

The expenses that have a higher share in the total expenses of the company are shown below:

Lei

<i>No.</i>	<i>Designation of items</i>	<i>31.03.2016</i>	<i>31.03.2017</i>
1	Material expenses	3.622.908	4.850.408
2	Other external expenses (energy and water)	1.500.400	1.607.326
3	Expenses on goods	-	-
4	Expenses with the personnel	6.701.951	7.023.802
5	Adjustments	2.063.436	1.690.023
6	Other operating expenses	1.439.552	1.294.298
	<b>Operating expenses, total</b>	<b>15.328.247</b>	<b>16.465.857</b>

Over the same period of 2016, on 31.03.2017 is noticed an increase of the operating expenses by 7.42%. This was mainly due to an increase in costs with materials.

The structure of operating expenses is as follows:

<i>No.</i>	<i>Designation of items</i>	<i>31.03.2016</i>	<i>31.03.2017</i>
1	Material expenses	23.64%	29.46%
2	Other external expenses (energy and water)	9.79%	9.76%
3	Expenses on goods	0.00%	0.00%
4	Expenses with the personnel	43.72%	42.66%
5	Adjustments	13.46%	10.26%
6	Other operating expenses	9.39%	7.86%
	<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>

The evolution of the results is shown below:

Lei

<i>No.</i>	<i>Denumire indicator</i>	<i>31.03.2016</i>	<i>31.03.2017</i>
1	Operating revenues	10.903.101	10.468.083
2	Operating expenses	15.328.247	16.465.857
3	<b>Operating result</b>	<b>(4.425.146)</b>	<b>(5.997.774)</b>
4	Financial revenues	304.900	282.395
5	Financial expenses	1.130.239	413.267
6	<b>Financial result</b>	<b>(825.339)</b>	<b>(130.872)</b>
7	Profit tax	-	-
8	<b>Net result of the accounting year</b>	<b>(5.250.485)</b>	<b>(6.128.646)</b>

The net result of the accounting year for the first half of 2016 is materialized in a net loss of 5,218,095 lei, compared to the same period of 2015 when the net loss was of 2,286,922 lei.

The net result of the accounting year for the first quarter of 2017 is materialized in a net loss of 6,128,646 lei compared to the same period of 2016 when the net result of the accounting year was materialized in a net loss of 5,250,485 lei, namely an increase of 16.73%.

**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in lei (RON) unless otherwise stated]*

**Conclusions**

In 2017, 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, 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.

At the end of the first quarter of 2017 S.C. UCM Resita S.A. registered a net loss of 6,128,646 lei, and the turnover was of 12,186,606 lei, increasing by 17.59% over the same period of 2016.

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".

The management of UCM Resita continues to apply the necessary measures in order to continue the activity specific to its business profile and to obtain economic and financial results that will revive *the Company*.

**Special Trustees:**

Cosmin URSONIU

Nicoleta Liliana IONETE



**Separate Interim Financial Statements on March 31, 2017**  
*[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 March 31, 2017.

The Special Trustees of *the Company* confirm, regarding the Interim Financial Statements on March 31, 2017, the followings:

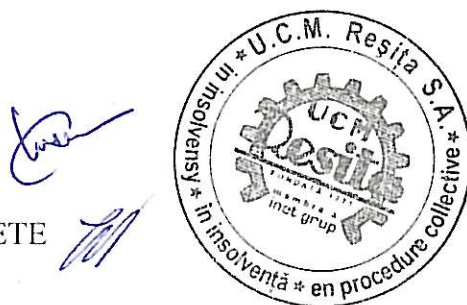
- a) The Interim Financial Statements are prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union;
- b) The accounting policies used in preparing the Interim Financial Statements are in accordance with the applicable accounting regulations;
- c) The 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 March 31, 2017**  
[All amounts are given in lei (RON) unless otherwise stated]

**STATEMENT OF FINANCIAL POSITION ON 31.03.2017**

- Lei -

Reference Statement of financial position IAS 1.10(a), 113	Balance sheet items	Balance on 01.01.2017	Balance on 31.12.2016
IAS 1.54(a)	Tangible fixed assets	168.636.615	167.016.102
IAS 1.54(c)	Intangible assets	2.943	2.524
	Financial fixed assets	14.532.168	16.718.395
	<b>Total of fixed assets</b>	<b>183.171.726</b>	<b>183.737.020</b>
IAS 1.54(h)	Trade receivables and receivables from related	8.092.311	5.541.906
IAS 1.54(g)	Stocks	22.378.213	17.602.360
IAS 1.54(o), 56	Deferred tax receivables	29.611.092	29.611.092
IAS 1.54(h)	Other receivables	6.574.969	6.428.960
IAS 1.54(i)	Cash and cash equivalents	2.257.968	2.854.189
	Expenses in advance	50.560	307.798
	<b>Total current assets</b>	<b>68.965.113</b>	<b>62.346.305</b>
	<b>TOTAL ASSETS</b>	<b>252.136.839</b>	<b>246.083.325</b>
IAS 1.54(m)	Loans bearing interest	39.849.737	39.870.952
IAS 1.54(k)	Suppliers and other trade payable	38.745.947	36.377.150
IAS 1.54(k)	Taxes and other debts	580.273.150	582.692.702
IAS 1.54(o), 56	Deferred tax debts	35.125.702	35.125.702
IAS 1.54(l)	Provisions	242.024.879	242.024.879
IAS 1.55, 20.24	Revenues in advance	12.458	12.458
	<b>Total debts</b>	<b>936.031.873</b>	<b>936.103.842</b>
	<b>Total assets minus Total debts</b>	<b>(683.895.034)</b>	<b>(690.020.517)</b>
	Registered capital	601.685.084	601.685.084
	Revaluation reserves	164.870.831	163.454.042
	Legal reserves	1.972.406	1.972.406
	Other reserves	16.088.620	16.088.620
	Carried over result	(1.443.641.426)	(1.467.092.024)
	Current result	(24.870.550)	(6.128.646)
	Profit sharing, establishing of legal reserves	-	-
	<b>Total equity</b>	<b>(683.895.034)</b>	<b>(690.020.517)</b>
	<b>TOTAL LIABILITIES</b>	<b>252.136.839</b>	<b>246.083.325</b>

**Special Trustees:**

Cosmin URSONIU

Nicoleta Liliana IONETE



**Separate Interim Financial Statements on March 31, 2017**  
[All amounts are given in lei (RON) unless otherwise stated]

**STATEMENT OF COMPREHENSIVE INCOME ON 31.03.2017**

- Lei -

References Statement of overall result IAS 1.10(b), 81(a)	Explanation	31.03.2016	31.03.2017
IAS 1.82(a) IAS 1.99.103	Operating revenues	10.364.145	12.284.775
IAS 1.99.103	Cost of sales	11.432.612	15.156.892
	<b>Gross Operating Profit (Loss)</b>	<b>(1.068.467)</b>	<b>(2.872.117)</b>
IAS 1.99.103	Distribution costs	0	0
	Administrative expenses	3.356.679	3.125.657
IAS 1.82(a) IAS 1.99.103	Financial revenues	304.900	282.395
IAS 1.82(b)	Financial expenses	1.130.239	413.267
IAS 1.85	<b>Result before tax</b>	<b>(5.250.485)</b>	<b>(6.128.646)</b>
IAS 1.82(d), IAS 12.77	Income tax expenses	-	-
	<b>Net Profit (Loss)</b>	<b>(5.250.485)</b>	<b>(6.128.646)</b>
	Establishing of legal reserves under Law 31/1990	0	0
IFRS 5.33(a), 1.82(e)	<b>Profit attributable to:</b>	<b>0</b>	<b>0</b>
IAS 1.83(b)(iii)	Company's owners	0	0
IAS 1.83(b)(i)	Non-controlling interests	0	0

**Special Trustees:**

Cosmin URSONIU

Nicoleta Liliana IONETE



**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in Lei (RON) unless otherwise stated]*

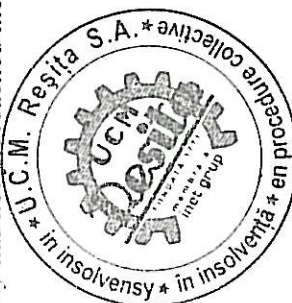
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED ON MARCH 31, 2017**

- Lei -

Explanation / Description	Registered capital	Revaluation reserves	Legal reserves	Carried over result representing surplus from revaluation reserves	Other reserves	Carried over result	Current result Accounting year	Total
1	2	3	4	5	6	7	8	9
Balance on January 01, 2017	601.685.084	164.870.830	1.972.406	225.401.804	15.088.620	(1.669.043.229)	(24.870.550)	(683.895.034)
Charges in equity - March 31, 2017								
Transfer of surplus from revaluation reserves								
Transfer of the accounting year 2016 result to the carried over result		(1.416.789)		1.416.789				
Completion of account- Profit sharing						(24.870.550)	24.870.550	
Registration of accounting errors from previous years to the carried over result								
Net result of current accounting year						3.163		3.163
Balance on March 31, 2017 - IFRS	601.685.084	163.454.042	1.972.406	226.818.593	15.088.620	(1.693.910.616)	(6.128.646)	(612.000.517)

The legal reserves of the Company on March 31, 2017 established under the Law of Trading Companies are in amount of 1,972,406 Lei.  
The legal reserve of the Company is partially formed under the Law of Trading Companies, which states that 5% of the yearly accounting profit is transferred to the legal reserves until their balance reaches 20% of the registered capital of the Company. If this reserve is used, in whole or in part, to cover the losses or for distribution in any form (such as issuance of new shares under the Law of Trading Companies), it becomes chargeable to income tax calculation.  
We specify that on 31.03.17 the Company has not yet reached the maximum level of the legal reserves.

**Special Trustees:**  
Cosmin URSONIU  
Nicoleta Liliana



**Separate Interim Financial Statements on March 31, 2017**  
[All amounts are given in lei (RON) unless otherwise stated]

**STATEMENT OF CASH FLOWS ON 31.03.2017**

Designation of item	Nr. rd.	Accounting year ended on:	
		March 31, 2016	March 31, 2017
A	B	2	2
<b>OPERATING ACTIVITIES</b>			
Net profit + Result carried over from correction of accounting errors	1	(5.258.978)	(6.125.483)
Adjustments for:			
Adjusting the value of tangible and intangible assets	2	2.139.605	1.632.431
Adjusting the value of financial assets	3	(270)	-
Expenses (revenues) with adjustments for depreciation of current assets	4	(72.791)	33.038
Adjustments to the provisions for risks and expenses	5	-	-
Expenses with the donations granted	6	-	-
Revenues from interests and other financial income	7	(260.027)	(152.537)
Expenses with interest and other financial income	8	710.704	173.493
<b>Cash flow before changes in working capital (row 1 to 8)</b>	9	<b>(2.741.757)</b>	<b>(4.439.058)</b>
Decrease / (Increase) - customers and other assimilated accounts	10	(1.156.125)	450.148
Decrease / (Increase) in stocks	11	(1.276.930)	4.791.357
(Decrease) / Increase - suppliers and other assimilated accounts	12	1.348.835	(206.485)
<b>Cash flow from operating activities (row 9 to 12)</b>	13	<b>(3.825.977)</b>	<b>595.962</b>
Revenues from interests	14	521	259
Net Increase / (Decrease) in restraint cash	15	(6.034)	(4.697)
<b>Cash flow obtained in operating activities (row 13 to 15)</b>	16	<b>(3.831.490)</b>	<b>591.524</b>
<b>INVESTING ACTIVITIES</b>			
Cash payments for purchasing of land and other long-term assets	17	(10.262)	-
<b>Net cash used in investing activities (row 17)</b>	18	<b>(10.262)</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>			
Subsidies granted	19	-	-
Revenues from dividends	20	-	-
<b>Net cash used in financing activities (row 19 to 20)</b>	21	<b>-</b>	<b>-</b>
Net Increase / (Decrease) in cash and cash equivalents (row 16+18+21)	22	(3.841.752)	591.524
Cash and cash equivalents at the beginning of the year	23	5.008.465	1.953.634
<b>Cash and cash equivalents at the end of the period (row 22+23)</b>	24	<b>1.166.713</b>	<b>2.545.158</b>

Special Trustees:

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Nicoleta Liliana IONETE



**Separate Interim Financial Statements on March 31, 2017**  
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**ECONOMIC - FINANCIAL INDICATORS ON 31.03.2017**

Indicator	Calculation method	Value
<b>1. Current liquidity</b>	$1=2/3$	0.09
2. Current assets (lei)	2	62.038.507
3. Current debts (lei)	3	694.066.506
<b>4. Indebtness extent</b>	$4=5/6$	#N/A
5. Borrowed capital (lei)	5	0
6. Fixed capital (lei)	6	(690.020.517)
<b>7. Turnover ratio of customer debits (days)</b>	$7=8/9 \times (365/4)$	43
8. Average balance of trade receivables (lei)	8	5.727.889
9. Turnover (lei)	9	12.186.606
<b>10. Turnover ratio of afixed assets (days)</b>	$10=11/12 \times (365/4)$	1.376
11. Fixed assets (lei)	11	183.737.020
12. Turnover (lei)	12	12.186.606

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE



**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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**1. REPORTING ENTITY**

**General information**

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

*IAS 1.51(a)-(c)* The separate financial statements, in accordance with IFRS, has been prepared for the interim accounting year ended on March 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 31.03.2017, 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 products and services of *the Company* are delivered / rendered both on domestic and foreign markets.

On the domestic market, the main customers are the ones who have as object of activity production of hydroelectric power, especially S.P.E.E.H. HIDROELECTRICA S.A., the main foreign customers being also those in the production of hydroelectric power (Austria, Denmark, Turkey, etc.).

The separate financial statements have been prepared assuming that *the Company* will continue its activity 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)



**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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**2. Basis for preparation of separate financial statements (continued)**

applicable to companies whose marketable securities are admitted to trading on a regulated market (OMPF 1286/2012).

The undersigned, Cosmin URSONIU and Nicoleta Liliana IONETE, in position of Special Trustees of *the Company*, undertake the liability for drawing up the Separate Interim Financial Statements on 31.03.2017 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 Separate Interim Financial Statements on March 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 Interim 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 two companies and is controlling these companies, *the Company* has decided not to prepare consolidated financial statements given that one of these companies is in bankruptcy proceedings.

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

These Separate Financial Statements have been audited.

*The Company* does not apply IFRS issued and not adopted on 31.03.2017, 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.



**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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**2. Basis for preparation of separate financial statements (continued)**

In preparing the consolidated financial statements should be combined the financial statements of the parent company and those of its subsidiaries, item by item, by adding together all similar items of assets, liabilities, equity, revenues and expenses.

On 31.03.2017 *the Company* owns only two subsidiaries, as for one of the subsidiaries, namely UCM Turnate SRL, was ordered by Civil Sentence no. 371/JS dated 11.10.2016 conclusion of insolvency proceedings and removal of the company from the Trade Register.

From the two subsidiaries of *the Company*, one of them is in bankruptcy proceedings and its impact in the financial statements of the parent company is 0, as the assets have been impaired to an extent of 100%.

With respect to the second subsidiary, which has as main activity marketing of drugs and pharmaceutical products, there is no question of consolidation because the impact on the financial statements of parent company is practically insignificant.

Thus, in view of the above, *the Company* has decided not to present consolidated financial statements, considering that the consolidated financial information that should be provided by *the Company* in the statements of financial position and of comprehensive income on 31.03.2017 would not differ significantly from the separate financial statements of *the Company* on 31.03.2017.

**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 accordance 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.

*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.



**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in lei (RON) unless otherwise stated]*

**2. Basis for preparation of separate financial statements (continued)**

**2.6 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.



**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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**2. Basis for preparation of separate financial statements (continued)**

***b) Estimates and assumptions***

Preparation of separate 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 separate 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.

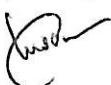
The dividends receivable from affiliated entities are recognized when *the Company* established the right to receive payment.

***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



**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in lei (RON) unless otherwise stated]*

**2. Basis for preparation of separate financial statements (continued)**

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.



**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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**2. Basis for preparation of separate financial statements (continued)**

*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 regular 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.



**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in lei (RON) unless otherwise stated]*

**2. Basis for preparation of separate financial statements (continued)**

***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 date of the balance sheet.



**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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**2. Basis for preparation of separate financial statements (continued)**

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 March 31, 2016 and 2017 are as follows:

Currency	<u>March 31, 2016</u>	<u>March 31, 2017</u>
RON/EUR	4.4738	4.5511
RON/USD	3.9349	4.2615
RON/GBP	5.6566	5.3015
RON/CHF	4.0872	4.2563

***l) Stocks***

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

The net achievable 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.



**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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**2. Basis for preparation of separate financial statements (continued)**

***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 average salaries per company for a length of service over 25 years in UCM Resita, respectively up to 2 gross average salaries per company for a length of service under 25 years in UCM Resita). These contributions are recognized as an expense when the services are rendered.



**Separate Interim Financial Statements on March 31, 2017**  
*[All amounts are given in lei (RON) unless otherwise stated]*

**2. Basis for preparation of separate financial statements (continued)**

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 4 gross average wages per company upon the death of an employee of *the Company* and 1 gross average salary per company in case of death of the husband (wife) or of a first degree relative (parents, children);
- Granting of 2 gross average salaries per company for the birth of each child;
- Granting of 1 gross average 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.



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**2. Basis for preparation of separate financial statements (continued)**

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

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

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

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

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

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

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

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

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

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

***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.



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## **2. Basis for preparation of separate financial statements (continued)**

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;



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**2. Basis for preparation of separate financial statements (continued)**

- 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 corrected prior to the approval of yearly financial statements, by reversing (red recording / with minus sign or by reverse entry method) the incorrect entry and, simultaneously, 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 / 201.2*, *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**

At the meeting of the Board of Directors held on 30.11.2011 was decided to open the general procedure of insolvency, with the intention to reorganize the activity, in this respect the necessary documents being submitted to the Law Court of Bucharest.

By conclusion of the meeting dated 06.12.2011, the syndic judge ordered the opening of insolvency proceedings with the intention to reorganize the activity. *The Company* the right to manage the activity and to administrate the equity, 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 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***

*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 time, in addition, the design costs can be reduced significantly, since such works/services have been made before.

Given the expectations for the development of current activities (operational) and tightening of the general conditions to get credit, *the Company* has 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.

The management of *the Company* supports its statement of compliance with the principle of continuity in preparing these interim financial statements also by the contracts signed and in progress and by those that are expected to be concluded.

Important steps have also been taken to penetrate markets other than those in the hydropower field, as *the Company* has the required capacity to manufacture a wide variety of products and welded assemblies.

In order to support business continuity we emphasize that in the first quarter of 2016 was signed the contract with Romelectro S.A. for upgrading of the hydro power plant Stejaru - "Dimitrie Leonida" Neamt County, amounting 12,500,000 EUR, contract which will be carried over within 2016-2017.

Also to support business continuity, we state that in addition to the ongoing contracts it is expected to sign new contracts on the domestic market, among which:

- Arrangement of HPP Calimanesti, amounting 3,100,000 EUR, contract which will be carried over within 2017-2018;
- Repair of axial bearing hub at HPP Noaptes, contract which will be carried over in the 2nd quarter of 2017;
- Maintenance works type LND 3, turbine runner HPP Motru, in amount of 149,800 lei, contract which will be carried over in the 2nd quarter of 2017;



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**3. Transactions or significant events (continued)**

- Rehabilitation of the main pumping units type op 6-185, the complex pumping station km 60 CERNAVODA, in amount of 1,267,885 lei, contract which will be carried over during the year 2017;
- The subassembly Upper Spider and Radial-Axial Bearing for KVB 6-12, HVS 426/66-36 for HA2 HPP Candesti - UH Buzau, in amount of 9,711,967 lei, contract which will be carried over within 2017-2018.

On foreign market is expected signing of new contracts with customers:

- Koessler from Austria, in amount of 250,000 EUR, contract which will be carried over during the year 2017.

*The Company* shall seek further:

- Reducing of costs;
- Recovery of old receivables and collection of current receivables at maturity;
- Reducing and liquidation of stocks, as far as possible, such as: raw materials and materials, production in progress and slow moving finished products;
- Optimization of organizational structure.

By letter no. 16994/21.10.2016, *the Company* was notified of the initiation of insolvency proceedings against the company of hydropower services Hidropower Hidroserv SA, following the decision of Bucharest Law Court delivered by concluding meeting on 10.10.2016.

Considering that Hidroserv SA was one of the main customers of *the Company*, the insolvency proceedings significantly influenced the activity of UCM Resita, mainly by not collecting the existing outstanding invoices before the opening of the procedure.

Another problem faced by UCM Resita is the repeated postponement of the contracts already signed with Hidroelectrica.

Thus, the contract for overhauling of HPP Beresti, in amount of 10,700,000 lei, was postponed in the first phase, from 2016 to April 2017, and then for July 2017, and further delay of three months is foreseen on behalf of Hidroelectrica.

The contract for overhauling of HPP Paclisa, in amount of 994,020 lei, had to begin in August 2016, but was postponed several times, without communicating a specific date to start the work.

Given the long time that has passed since the assessment of assets, in accordance with Art.41, paragraph 2 of Law 85/2006, the Committee of Creditors convened on 06.03.2017 nominated again Darian DRS to update the assessment of assets, because the one performed two years ago no longer represents the reality as a result of changes occurred during this period, in terms of: assets, inventories, receivables, and changes due to market developments.

For the period January-June 2017, due to reorganization of the activity and assessment of the personnel needed, on the background of multiple postponements by Hidroelectrica of contracts in progress or suspended, it was decided temporary suspension of the personnel of *the Company*, without termination of employment, in sectors where there is no full load.

Special Trustee  
**Cosmin URSONIU**



Special Trustee  
**Nicoleta Liliana IONETE**

