

# **S.C. U.C.M. Resita S.A.**

(Company in insolvency, en procedure collective)

## **Separate Financial Statements**

prepared in accordance with the  
Order of the Minister of Finance no. 1286/2012  
on 31 December 2014

**Separate Financial Statements on 31 December 2014**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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## YEARLY REPORT

### OF SPECIAL TRUSTEES FOR THE ACCOUNTING YEAR 2014

**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 of *the Company*, 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.

#### Brief History

The Industrial Complex Resita Works was founded in July 3, 1771 by commissioning the first furnaces and forges, representing the oldest industrial facility in Romania and one of the oldest in Europe.

The beginning was assigned to the metallurgical sector, but gradually was formed and developed the machine-building sector reaching to become predominant in the last quarter of the nineteenth century.

Throughout history, several periods can be distinguished based on the ownership:

- **Austrian Fisk Period (1771-1854)** - during which the factories belonged to the Austrian Fisk, who exercise its leadership and control through Banat Mining Directorate.
- **St.E.G. Period (1855-1920)** - Resita Works were in the property of the International Consortium St.E.G. "K.u.K Oberprivilegierte Staatseisenbahn Gesellschaft", an Imperial and Royal privileged Company of the State Railways.
- **UDR Period (1920-1948)** - At the end of the first world war as the Romanian National Unitary State is established, based on the Royal Decree no. 2455 on June 8, 1920 all assets of St E.G. on Romanian territory are transferred to the newly established company "Uzinele de Fier si Domeniile Resita" ("Resita Iron Works and Estate").
- **Nationalization of "Uzinele de Fier si Domeniile Resita" ("Resita Iron Works and Estate")** - *The post-nationalization period* can be further divided in several stages:
  - **U.D.R.I.N. Stage (1948-1949)**, when the factories were known as "Resita Iron Works and Estate" - nationalized company.
  - **SOVROM Stage (1949-1954)**, in which there was actually disintegrated the company UDR, Resita Works becoming now part of the newly established joint ventures SOVROMMETAL and SOVROMUTILAJPETROLIE, later reunited into a single administrative entity named "Combinatul Metalurgic Resita" (The Metallurgical Plant Resita), (1954-1962).

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- **The Stage "Uzina Constructoare de Masini Resita" (The Machine Building Company)** (after April 1, 1962), when the company was subordinated to various ministries or industrial centers, after 1973 being known under the name of Machine Building Company Resita.
- **The Stage "Uzina Constructoare de Masini Resita S.A."** (after February 1991) - As a result of the legislative provisions, I.C.M. Resita was reorganized and transformed into a joint stock company. Given the implementation of the Privatization Law, 70% of the ownership was transferred to the State Property Fund, and 30% to the Private Property Fund, according to the Government Decision No. 334/1991, by which *the Company* becomes a public joint stock company.

*The Company* was privatized in December 2003, with the sale of the entire package of shares held by the Authority for Privatization and Shareholding Administration (APAPS) to the Consortium formed by the Swiss Company INET A.G. and the Association of Employees from the Machine Building Company Resita.

Since 2005, *the Company* was in the process of reorganization, aiming to organize its activities so as to focus the production on specific traditional activity (manufacturing and marketing of hydro power units). The program included measures for structural reorganization of *the Company*, technical and technological restructuring, environmental investments and financial restructuring, consisting of:

- Increased coverage with orders for production capacities;
- Increased revenue from exports, to reduce the structural risk of sales;
- Capitalization of company's basic activities, as they were referred to in the privatization contract;
- Adjustment of company's financial structure by restoring the supplier's credit;
- Increase of financial discipline for collecting and obtaining of bank financing;
- Development of an investment plan needed to maintain the competitiveness of the company's products and diversification of production.

According to the legislation in force at the time of privatization, *the Company* had the benefit of two Common Ordinances, respectively OC 6/502/03.06.2006 and OC 9083/29.03.2007, on granting payment facilities, by exemption and rescheduling the budgetary obligations owed and outstanding, totaling 199,875,331 lei.

At the end of 2009, due to failure to pay the current debts in due time, *the Company* loses the facilities granted by the two Common Ordinances at privatization and, thus the historical debts are reactivated.

*The Company* continues to record further significant losses and the lack of funding leads to blockage in company's activity.

Taking this into account, during the meeting of the Board of Directors that took place on 30.11.2011 was decided to open the general procedure of insolvency, with the purpose to reorganize the activity, the necessary documentation being filed at the Court of Law Bucharest. On 06.12.2011, the Court of Law Bucharest in the file No. 75017/3/2011 decided to accept the application for opening the insolvency proceedings, leaving *the Company* the right to manage the activity and to administrate the assets, property rights held under the supervision of the Official Receiver appointed by the syndic judge - Consortium consisting of the insolvency practitioners EURO INSOL SPRL and VF INSOLVENȚA SPRL.

**Brief overview of the main products manufactured:**

**HYDRO POWER UNITS and HYDRO-MECHANICAL EQUIPMENT:**

- HYDRAULIC TURBINES, custom designed, with outputs over 10 MW and under 10 MW, type Francis, Kaplan and Bulb having the parameters adequate for hydropower plants, including separate components;



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- HYDROELECTRIC GENERATORS, custom designed, with outputs up to 200 MVA having the parameters adequate for the hydraulic turbines, including separate components;
- SMALL HYDRO POWER UNITS, with outputs up to 1200 kW and MICRO HYDRO POWER UNITS with outputs up to 100 kW;
- GOVERNORS for hydraulic turbines;
- EXCITATION SYSTEMS for hydroelectric generators;
- AUXILIARY EQUIPMENT for turbines, generators, power plants;
- VALVES (custom designed) butterfly, spherical, open chamber needle valve and slide valve type;
- LARGE HYDRAULIS SERVOMOTORS, with diameters between 160 and 600 mm and stokes between 500 and 17500 mm.

**SPARE PARTS for DIESEL ENGINES:**

- SPARE PARTS for high, low and medium speed Diesel engines,
- SPARE PARTS for Diesel generator groups.

**WELDED ASSEMBLIES and WELDED METAL STRUCTURES**

The main markets for each product or service sold in 2014:

No.	Group of products	Markets
1.	Hydro Power Units (new products and rehabilitation)	Romania, Austria
2.	Electric motors + repairs	Romania
3.	Spare parts for marine engines	Romania
4.	Miscellaneous	Romania, Hungary
5.	Services	Romania, Turkey
6.	Other revenues	Romania

The weight of each sort of products or services reflected in the total sales of UCMR for the year 2014 is as follows:

No.	Group of products	Weight in total sales
1.	Hydro Power Units (new products and rehabilitation)	62.89 %
2.	Electric motors + repairs	4.59 %
3.	Spare parts for Diesel engines	0.05 %
4.	Miscellaneous	10.25 %
5.	Services	19.76 %
6.	Other revenues	2.46 %

The main objective of UCMR for the year 2015 is strengthening of its position in the domestic market and finding of new markets. In order to strengthen the relationship with traditional clients, *the Company* is seeking to increase the volume of contracts/orders in the field of hydro - hydro power units (repairs, modernization, rehabilitation and new equipment).

In order to achieve this objective, *the Company* runs a series of contracts, mainly on the domestic market, mostly with the branches Hidroelectrica and SSH Hidroserv: HPP Pașcani; HPP Bretea; HPP Răstolița; HPP Lerești; HPP Retezat; HPP Dragașani; HPP Orlea and HPP Cârnești, but also with other companies such as Romelectro Bucharest - HPP Bumbești and Dumitra.

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For the year 2015, UCMR aims to participate in execution of general overhauls and modernization works on the domestic market, for several projects of Hidroelectrica, among which are those from the hydro power plants: Gâlceag, Călimănești, Stânca-Costești, Marișelu, Berești, Slatina, Lerești, Retezat, Stejaru, Orlea and Cârnești.

On the domestic market, *The Company* intends to development other works, different from hydro issues, such us: manufacture of welded construction in collaboration with RTS Welded Structures Resita.

**UCMR main competitors in each major products and services**

The main domestic and foreign competitors of *the Company*, i.e. products which are in competition with them, are:

Group of products	Competing company	
	Domestic	Foreign
Complex Hydro Power Units (including rehabilitation and components)	Voith Hydro Romania SRL	Andritz Hydro
	Alstom Power Romania SRL	Voith Hydro
	Hidroelectrica Serv	Alstom Power
	Gena Electric SRL Bucharest	Litostroj - Slovenia
		Companies in China

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

The main customers of *the Company*, as a result of the turnover achieved in 2014, are listed below:

No.	Customer	Weight in total sales
1.	SSH HIDROSERV	54.46 %
2.	HIDROELECTRICA S.A.	15.14 %
3.	Others	30.40%

It should be noted that UCM Resita SA is captive on the domestic market depending, at least 80%, of a single customer, since also in the case of contracts developed with HIDROSERV, the final beneficiary is HIDROELECTRICA SA.

**Number of employees, the degree of unionization**

On 31.12.2014, UCMR had a number of 1,330 employees assigned to the following structure:

Category	Number	Percentage (%)
Workers	1,006	75.64%
Foremen	36	2.71%
Officials	288	21.65%
<b>TOTAL</b>	<b>1,330</b>	<b>100.00%</b>

The unionization of the workforce in December 2014 was of 82.609%.

The employer acknowledges the "Union Resita 1771" as representative union, in accordance with the Law 62/2011 (The Law of Social Dialogue) but also the "Independent Free Union", as legally constituted union.

The rights and obligations of employees are established by the Individual Labor Agreement, but also by the Internal Regulation as annex and part of the applicable Collective Labor Agreement, concluded between the representatives of the employer and the representatives of the employees. The signatory parties to this agreement undertake to cooperate in its implementation, based on the principle of good faith, in strict compliance with the law and informing each other and promptly on emerging issues.

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During 2014 there were no labor disputes, the unions even taking an active role in supporting the interests of the Company, under the harsh conditions of the insolvency period.

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

According to the Profit and Loss Account, in 2014 the operating revenues increased by approximately 5% over the previous year, the weight of revenues in total revenues being of 95.32% compared to 93.09% in 2013, respectively 97.70% in 2012.

No.	Revenues	Lei		
		2012	2013	2014
1	Operating revenues	145.286.984	30.880.591	33.193.926
2	Financial revenues	3.427.689	2.292.790	1.628.093
3	Extraordinary revenues	0	0	0
	<b>Total revenues</b>	<b>148.714.673</b>	<b>33.173.381</b>	<b>34.822.019</b>

No.	Revenues	Pondereza (%)		
		2012	2013	2014
1	Operating revenues	97.70%	93.09%	95.32%
2	Financial revenues	2.30%	6.91%	4.68%
3	Extraordinary revenues	0.00%	0.00%	0.00%
	<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

In terms of expenditure, although their value has increased over the previous year, the weight of operating expenses in total expenditures decreased by 2.16% compared to 2013, while the weight of financial expenses increased in the same proportion.

No.	Expenses	Lei		
		2012	2013	2014
1	Operating expenses	142.106.830	24.839.168	26.019.815
2	Financial expenses	3.449.128	6.319.801	7.527.205
3	Extraordinary expenses	0	0	0
	<b>Total expenses</b>	<b>145,555,958</b>	<b>31,158,969</b>	<b>33,547,020</b>

No.	Expenses	Weight in percentage (%)		
		2012	2013	2014
1	Operating expenses	97.63%	79.72%	77.56%
2	Financial expenses	2.37%	20.28%	22.44%
3	Extraordinary expenses	0.00%	0.00%	0.00%
	<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The main economical-financial indicators are shown in the table below, with the note that it was filled with "N/A" at those indicators of the accounting years 2013 and 2014 which include in calculation the negative amounts (values), respectively the losses for the current accounting year and/or previous ones.

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	2013	2014
<b>1 Liquidity indicators</b>		
<i>Indicator for current liquidity - in number of times</i>	<b>0.47</b>	<b>0.40</b>
<i>Indicator for immediate liquidity (acid test) - in number of times</i>	<b>0.46</b>	<b>0.39</b>
<b>2 Risk indicators</b>		
<i>Indicator for indebtedness rate</i>	<b>N/A</b>	<b>N/A</b>
<i>Indicator for interest coverage - in number of times (if negative, it will not be calculated)</i>	<b>1.66</b>	<b>1.29</b>
<b>3 Activity indicators</b>		
<i>Turnover ratio of debts - customers - in number of days</i>	<b>2,146</b>	<b>2,960</b>
<i>Turnover ratio of credits - suppliers - in number of days</i>	<b>180</b>	<b>227</b>
<i>Turnover ratio of fixed assets - number of times</i>	<b>0.37</b>	<b>0.16</b>
<i>Turnover ratio of total assets - in number of times</i>	<b>0.11</b>	<b>0.07</b>
<i>Turnover ratio of stocks - in number of times</i>	<b>0.35</b>	<b>0.62</b>
<b>4 Profitability indicators</b>		
<i>Gross margin on sales (%)</i>	<b>75%</b>	<b>85%</b>

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

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

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

*The rate of interest coverage* shows how many times the expenses can be covered by the interest from profit before interest and tax. The smaller are the values of these indicators, the greater is considered the risk for the *Company's* position.

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

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

*The turnover ratio of fixed assets* shows management efficiency in the use of fixed assets, expressing the value of the turnover generated by their exploitation. A decreasing value shows that there is no better efficiency in the use of the fixed assets.

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

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

*The gross margin from sales* reflects *the Company's* efficiency expressed by the profit realized as percentage of the total revenues, respectively its advantageousness (profitability). A decreasing value of this percentage may reflect the fact that *the Company* is unable to control the production costs or to achieve the optimum sales price.

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**Location of main production capacities:**

The Company's activity on 31.12.2014 was divided into the following sectors of production:

- Department of Turbines and Marine Spare Parts
- Department of Heavy Mechanics
- Department of Electrical Machines I
- Department of Electrical Machines II
- Department of Welded Assemblies and Mechanical Machining
- Department of Heat Treatment

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

The situation of lands owned by the Company at 31.12.2014 is as follows:

No	Location	Certificate of ownership No.	Remaining area recorded in CF	Non-tabulated lands owned by UCMR with certificate of ownership	Legal status (CP /CF) Remarks
1	ABC Industrial Platform	MO3 no. 4424	306,300		Tabulated
2	Dept. of lubricants Mociur	MO3 no. 5059	4,591.62		Tabulated
3	Oxygen Factory Mociur	MO3 no. 5057	24,323		Tabulated
4	Casting Factory Mociur	MO3 no. 5337	174,798.65		Tabulated
5	Parking stock	MO3 no. 5058	11,564		Tabulated
6	Drinking water tank Mociur	MO3 no. 5336	1,415		Tabulated
7	Warehouse for models Dealu Mare	MO3 no. 4726	11,545		Tabulated
8	Industrial water pool land Dealu Mare	MO3 no. 4727	180		Tabulated
9	Reduction Gear Box Renk Factory	MO3 no. 4431	22,907		Tabulated
10	Industrial bays Cilnicel	MO3 no. 5507	86,010.44	158 sq.m.	Tabulated 86,010 sq.m. 158 sq.m. Non-tabulated
11	Warehouses, storage rooms Cilnicel	MO3 no. 5506	50,672.68		Tabulated
12	Deep connection station Cilnicel	MO3 no. 5493	2,860		Tabulated
13	Compressor station Cilnicel	MO3 no. 7639	0	4,680 sq.m.	Non-tabulated
14	House of Culture	CF no. 32854	9,360		Tabulated
15	Nursery	MO3 no. 3907	2,860		Tabulated
16	Hostel no. 1	MO3 no. 3301	623		Tabulated
17	Hostel no. 3	MO3 no. 3302	625		Tabulated
18	Hostel no. 5	MO3 no. 3298	608		Tabulated
19	Hostel no. 2	MO3 no. 3300	621		Tabulated



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20	Block of bachelor's rooms	MO3 no. 3297	441		Tabulated
21	Screw Factory Anina	MO3 no. 4429	10,781		Tabulated
22	Moniom	MO3 no. 4430	24,676		Tabulated
23	Land in Vilcea	Bill of sale and CF No. 15682	1,000		Tabulated
	<b>Total</b>		<b>748,762.39</b>	<b>4,838 sq.m</b>	

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

**Claims:**

No.	File No. In Court	Applicant	Court of jurisdiction	Hearings	Remarks
1.	3436/290/2010	Mihăilescu Gheorghe Mihăilescu Carmen	Courthouse of Resita	-	Termination on 09.04.2012 - Suspends judgment under Art. 36 of Law no. 85/2006
2.	7328/115/2012	Simuț Melania Aurora	Court of Law Caras-Severin	24.04.2013	Claim under Law no. 10/2001

**Marketable securities issued by the Company**

The shares of *the Company* are listed on the Bucharest Stock Exchange. Listing of company shares on BSE started on 07.25.1998, until then *the Company's* shares being traded on RASDAQ market. Once the insolvency was declared, the *Company's* shares were suspended from trading. At the end of 2014 *the Company* had a total of approximately 10,324 shareholders, natural and legal persons.

The synthetic, consolidated structure of shareholders owing financial instruments at least 10% of the registered capital of *the Company* at the end of 2014 is as follows:

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

**Rights arising from shares**

The shares of *the Company* are registered shares, being issued in dematerialized form, and are administered by the Central Depository Bucharest.

The shares are equal in value and give equal rights to the holders.

Each share entitles the holder to dividends, the right to vote and to be elected to the company's bodies, the right to vote at the General Meeting of Shareholders, the preference right to subscribe the registered shares

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issued in order to increase the capital, the right to information, the right to participate in the distribution of company's net assets in case of liquidation and other rights, under the provisions of the Memorandum of Association and the legislation in force.

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

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

The General Meetings of Shareholders may be ordinary and extraordinary.

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

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

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

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

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

#### **Executive management of UCM Resita S.A.**

The executive management of the Company during 2014 had the following structure:

- Mr. Cosmin URSONIU – General Director
- Mrs. Liliana Nicoleta IONETE - Human Resources and Economic Director
- Mr. Daniel BANDRABUR - Contract Management and Commercial Director
- Mr. Stefan VERDET - Production Director

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

From the senior executives, Mr. Stefan VERDET participates in the share capital of the company with a number of 40 shares.

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

#### **Internal Audit**

The objectives of the internal audit are:

- To provide objective and counseling systems for company's activities, with the purpose to improve their efficiency;
- To support achievement of company's goals through a systematic and methodical approach which evaluates and improves the effectiveness of the management system, based on management of risk, control and processes of management.

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The activity of internal audit is exercised over all activities developed in *the Company*, in accordance with the Annual Plan of Internal Audit approved, or with the Audit Missions ordered by the Special Trustee beside the audit plan.

The internal audit provides greater efficiency through more appropriate use of human and material resources, as well as better coordination between different departments of *the Company*.

**Financial – accounting status for the years 2012, 2013, 2014**

In the balance sheets for the accounting years 2012, 2013 and 2014 the significant balance sheet items are as follows:

- Lei -

No.	Balance items	2012	2013	2014
1	Lands and buildings	131.258.607	103.010.824	181.408.122
2	Technical facilities and machinery	5.883.735	4.443.218	3.536.458
3	Stocks	45.333.150	8.918.257	7.918.960
4	Receivables	264.495.603	256.477.767	254.756.954
5	Cash and bank accounts	1.291.320	1.204.424	1.122.049
6	Current assets	313.723.322	278.931.896	268.076.083
7	Current liabilities	456.351.727	587.730.681	664.699.908

The total value of investments made by *the Company* in 2014 was of 428.445 lei, having the following structure:

- Lei -

Category	Value of investments in 2014
Buildings	7.365
Technological equipment and transportation facilities	410.942
Furniture, office equipment, etc.	10.138
<b>TOTAL</b>	<b>428.445</b>

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

No.	Designation of indicator	Differences (Lei)		
		2012/2011	2013/2012	2014/2013
1	Stocks, of which:	(2.245.441)	(36.414.893)	(999.297)
1.a	- raw material, materials	(2.327.147)	(4.793.589)	(1.799.777)
1.b	- production in progress	423.278	(32.220.950)	857.779
1.c	- finished products and goods	(341.573)	599.646	(57.299)
2	Other current assets, of which:	5.591.731	1.649.072	(9.862.284)
2.a	- receivables	5.166.011	(8.017.836)	(1.720.813)
2.b	- short-term financial investments	2.549.443	9.753.804	(8.059.096)
2.c	- cash on hand	(2.123.723)	(86.896)	(82.375)

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

Also, will be continued the steps to recover old receivables and to collect current receivables from customers

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



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No.	Designation of indicator	Differences (Lei)		
		2012/2011	2013/2012	2014/2013
1	Owner's equity	(4.888.124)	(100.309.501)	34.093.171
2	Debts	5.550.214	131.378.954	76.969.227
3	Income in advance	(17.755.814)	(1.100.104)	(4.930)
4	Provisions for liabilities and charges	(4.215.999)	(92.638.847)	(46.109.313)

The Company was privatized in December 2003, the company INET AG – Switzerland buying 51% of the pack of shares held by APAPS. On 31.12.2014, it held 96.7890% of total shares, respectively the same number and the same weight of their total as last year.

On 31.12.2014 the value of the registered capital was of 10.993.390,40 lei, representing 109.933.904 shares.

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

#### Analysis of operating results

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

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

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

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

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

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

No.	Explanations	2013	2014
1	Revenues from sold production	44.682.757	28.545.457
2	Revenues from sale of goods	334.264	3.290.817
3	Discounts granted	704.964	310.887
4	<b>TOTAL TURNOVER ( 4=1+2-3 )</b>	<b>44.312.057</b>	<b>31.525.387</b>

The turnover realized in 2014 is of 31.525.387 lei, of which 9,30% on foreign market (UE and non UE area) and 90,70% on domestic market.

No.	Explanations	2013	2014
1	Romania	42.482.715	28.594.877
2	European Union	1.256.815	2.606.875
3	Other countries in Europe	572.527	260.036
4	Africa	-	-
5	Asia	-	63.599
6	America	-	-
7	<b>TOTAL (7=1+2+3+4+5+6)</b>	<b>44.312.057</b>	<b>31.525.387</b>

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From the profit and loss account for the years 2012, 2013 and 2014 following revenues can be distinguished:

No.	Revenues	Lei		
		2012	2013	2014
<b>1</b>	<b>Turnover (2+3-4)</b>	<b>152.028.478</b>	<b>44.312.057</b>	<b>31.525.387</b>
2	Revenues from sold production	153.140.958	44.682.757	28.545.457
3	Revenues from sale of goods	1.914.497	334.264	3.290.817
4	Discounts granted	3.026.977	704.964	310.887
5	Chances in stocks:			
	Credit balance			750.530
	Debit balance	9.076.279	14.690.817	0
6	Capitalized production	218.426	142.423	474.201
<b>7</b>	<b>Production of accounting year (1+/-5+6)</b>	<b>143.170.625</b>	<b>29.763.663</b>	<b>32.750.118</b>
8	Other operating revenues	2.116.359	1.116.928	443.808
<b>9</b>	<b>Operating revenues, total (7+8)</b>	<b>145.286.984</b>	<b>30.880.591</b>	<b>33.193.926</b>
10	Financial revenues, total	3.427.689	2.292.790	1.628.093
11	Extraordinary revenues	0	0	0
<b>12</b>	<b>Total revenues (9+10+11)</b>	<b>148.714.673</b>	<b>33.173.381</b>	<b>34.822.019</b>

The percentage of key indicators related to revenues in total revenues is shown below:

No.	Revenues	Percentage (%)		
		2012	2013	2014
1	Turnover	104.64%	143.49%	94.97%
2	Changes in stocks	-6.25%	-47.57%	2.26%
3	Capitalized production	0.15%	0.46%	1.43%
4	Other operating revenues	1.46%	3.62%	1.34%
	<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Depending on their nature, the revenues are as follows:

No.	Revenues	Lei		
		2012	2013	2014
1	Operating revenues	145.286.984	30.880.591	33.193.926
2	Financial revenues	3.427.689	2.292.790	1.628.093
3	Extraordinary revenues	0	0	0
	<b>Total revenues</b>	<b>148.714.673</b>	<b>33.173.381</b>	<b>34.822.019</b>

The expenses include those expenses that arise in the course of the ordinary activities of the company, also the losses (such as those resulting from disasters).

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

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

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

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

Depending on their nature, the expenses are as follows:

No.	Expenses	Lei		
		2012	2013	2014
1.	Operating expenses, total	142.106.830	24.839.168	26.019.815
2.	Financial expenses, total	3.449.128	6.319.801	7.527.205
3.	Extraordinary expenses	0	0	0
	<b>Total expenses</b>	<b>145.555.958</b>	<b>31.158.969</b>	<b>33.547.020</b>

The operating expenses have the following structure:

No.	Expenses	Lei		
		2012	2013	2014
1	Physical expenses	38.250.642	12.429.889	8.081.749
2	Other external expenses (energy and water)	10.978.592	6.364.937	4.437.426
3	Expenses on goods	1.925.113	220.102	3.197.896
4	Trade discounts received	16.782	42.586	4.176
5	Expenses with the personnel	52.329.527	38.728.740	29.326.102
6	Adjustments	17.841.564	(39.169.211)	(25.117.992)
7	Other operating expenses	20.798.174	6.307.296	6.098.810
	<b>Total operating expenses</b>	<b>142.106.830</b>	<b>24.839.168</b>	<b>26.019.815</b>

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

No.	Expenses	Percentage (%)		
		2012	2013	2014
1	Physical expenses	26.92%	50.04%	31.06%
2	Other external expenses (energy and water)	7.73%	25.62%	17.05%
3	Expenses on goods	1.35%	0.89%	12.29%
4	Trade discounts received	0.01%	0.17%	0.02%
5	Expenses with the personnel	36.82%	155.92%	112.71%
6	Adjustments	12.56%	-157.69%	-96.53%
7	Other operating expenses	14.64%	25.39%	23.44%
	<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

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**Factors of financial risk**

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

**(i) Foreign exchange risk**

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

The exchange rate LEU/EUR was 4.4821 on 31.12.2014 compared to 4.4874 on 31.12.2013.

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

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

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

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

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

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

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

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

The Romanian economy is still in transition, the recession and global crisis affecting her significantly, even if there is some safety about the future development of policy and economic development through accession of Romania to the European Union.

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

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

The economic recession and the crisis of the financial markets, beginning with 2007, has negatively affected the global economy and performance, including the financial markets, banking centers and consumer markets (industrial) in Romania, leading to an increased uncertainty about future economic development.

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

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



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

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

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

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

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

### Conclusions

In 2014 SC UCM Resita SA continued its activity according to the status of company in insolvency proceedings with the intention of reorganization but retained the right to manage, by 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 UCM Resita to overcome this difficult phase.

At the end of the financial year 2014, the Company recorded a net profit of 609.032 lei, intended to cover losses from previous years, this being the third consecutive year, from the opening of insolvency proceedings, ended on profit (3.000.779 lei in 2012; 2.091.558 lei in 2013).

For 2015, *the Company* established the Budget of Revenue and Expenses through which aims continuity in developing the work specific to their field of activity and to obtain economic-financial results to revive *the Company*.

Even in the current economic situation, *the Company* has a strategic position, a tradition and a particular technical potential that can be considered as basic premises in carrying out the production activities and services in future periods.

**Special Trustees:**

Cosmin URSONIU

Nicoleta Liliana IONETE



**Separate Financial Statements at 31 December 2014**  
[All amounts are given in lei (RON) unless otherwise stated]

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

The Special Trustees of *the Company* hereby declare that they assume their responsibility for the Yearly Financial Statements at 31 December 2014.

The Special Trustees of *the Company* confirm, regarding the Yearly Financial Statements at 31 December 2014, the followings:

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

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

**Special Trustees:**

Cosmin URSONIU

Nicoleta Liliana IONETE





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**STATEMENT OF FINANCIAL POSITION AT 31.12.2014**

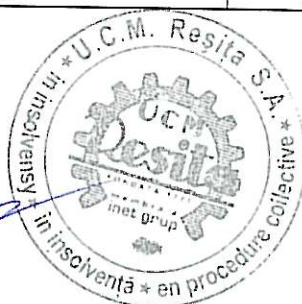
- Lei -

Reference Statement of financial position IAS 1.10(a), 113	Note	Balance sheet items	Balance on 31.12.2012	Balance 31.12.2013
IAS 1.54(a)	3	Tangible fixed assets	107.838.212	185.742.620
IAS 1.54(c)	3	Intangible fixed assets	124.872	35.444
	3	Financial fixed assets	14.211.439	8.994.162
		<b>Total of fixed assets</b>	<b>122.174.523</b>	<b>194.772.226</b>
IAS 1.54(h)	4	Trade receivables and receivables from related parties	19.855.012	20.576.166
IAS 1.54(g)	5	Stocks	8.918.256	7.918.960
IAS 1.54(o), 56	12	Deferred tax receivables	227.412.953	229.169.276
IAS 1.54(h)	4	Other receivables	6.003.540	5.011.512
IAS 1.54(i)	6	Cash and cash equivalents	13.507.670	5.366.200
		Expenses in advance	28.200	33.969
		<b>Total current assets</b>	<b>275.725.631</b>	<b>268.076.083</b>
		<b>TOTAL ASSETS</b>	<b>397.900.154</b>	<b>462.848.309</b>
IAS 1.54(m)	7	Loans bearing interest	37.391.144	35.176.816
IAS 1.54(k)	7	Suppliers and other trade payables	35.922.577	36.668.743
IAS 1.54(k)	7	Taxes and other debts	495.401.104	571.448.258
IAS 1.54(o), 56	12	Deferred tax debts	19.015.856	21.406.091
IAS 1.54(l)	8	Provisions	295.811.629	249.702.316
IAS 1.55, 20.24		Revenues in advance	1.946.949	1.942.019
		<b>Total debts</b>	<b>885.489.259</b>	<b>916.344.243</b>
		<b>Total assets minus Total debts</b>	<b>(487.589.105)</b>	<b>(453.495.934)</b>
	9	Registered capital	601.685.084	601.685.084
	9	Revaluation reserves	99.089.802	179.945.016
	9	Legal reserves	1.915.011	1.947.065
	9	Other reserves	16.088.620	16.088.620
	9	Carried over result	(1.208.459.180)	(1.253.770.751)
	9	Current result	2.201.640	641.086
	9	Profit sharing, establishing of legal reserves	(110.082)	(32.054)
		<b>Total equity</b>	<b>(487.589.105)</b>	<b>(453.495.934)</b>
		<b>TOTAL LIABILITIES</b>	<b>397.900.154</b>	<b>462.848.309</b>

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE



**Separate Financial Statements at 31 December 2014**  
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**STATEMENT OF OVERALL RESULT AT 31.12.2014**

- Lei -

Reference Statement of overall result IAS 1.10(b), 81(a)	Note	Explanations	31.12.2013	31.12.2014
IAS 1. 82(a) IAS 1.99, 103		Operating revenues	45.571.408	32.443.396
IAS 1.99, 103	11	Cost of sales	12.236.515	5.748.086
		<b>Gross operating profit (loss)</b>	<b>33.334.893</b>	<b>26.695.310</b>
IAS 1.99, 103	11	Distribution costs	63.267	12.842
	11	Administrative expenses	27.230.203	19.508.357
IAS 1. 82(a) IAS 1.99, 103		Financial revenues	2.292.790	1.628.092
IAS 1.82(b)		Financial expenses	6.319.801	7.527.205
IAS 1.85		<b>Result before tax</b>	<b>2.014.412</b>	<b>1.274.998</b>
IAS 1.82(d), IAS 12.77	12	Deferred tax expenses	187.228	(633.912)
	12	<b>Net profit (loss)</b>	<b>2.201.640</b>	<b>641.086</b>
	12	Establishing of legal reserves under Law 31/1990	110.082	32.054
IFRS 5.33(a), 1.82(e)	12	<b>Profit attributable to:</b>	<b>2.091.558</b>	<b>609.032</b>
IAS 1.83(b)(ii)		Company's owners	2.024.210	589.421
IAS 1.83(b)(i)		Non-controlling interests	67.348	19.611

**Special Trustees:**

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**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED AT 31 DECEMBER 2014**

- Lei -

Explanation / Description	Registered capital	Revaluation reserves	Legal reserves	Reserves representing surplus from revaluation reserves	Other reserves	Carried over result	Current result of the accounting year	Profit sharing	Total
1	2	3	4	5	6	7	8	9	10
Balance on 01 January 2014	601.685.084	99.089.802	1.915.011	195.420.886	16.088.620	(1.403.880.066)	2.201.640	(110.082)	(487.589.105)
<b>Changes in equity - 31 December 2014</b>									
Loss from revaluation of fixed assets		(2.283.964)							(2.283.964)
Surplus from revaluation of fixed assets		98.045.910							98.045.910
Transfer of surplus from revaluation reserve		(14.906.734)		14.906.734					-
Transfer of the result of the accounting year 2014 to the carried over result						2.091.558	(2.091.558)		-
Account closing - profit sharing							(110.082)	110.082	-
Registration of accounting errors from previous years to the carried over result						(62.309.862)			(62.309.862)
Increases in legal reserves from the result of the current accounting year			32.054			-		(32.054)	-
<b>Reprocessing of IFRS, in which:</b>									
Adjustment of provisions for employees' retirement benefits									-
Impact of deferred tax recognized on the carried over result									-
Net result of the current accounting year							641.086		641.086
<b>Balance on 31 December 2014 - IFRS</b>	<b>601.685.084</b>	<b>179.945.015</b>	<b>1.947.065</b>	<b>210.327.619</b>	<b>16.088.620</b>	<b>(1.464.098.370)</b>	<b>641.086</b>	<b>(32.054)</b>	<b>(453.495.934)</b>

The legal reserves of the Company on 31 December 2014, established under the Law of Trading Companies, are in amount of 1,947,065 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.

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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 note that at 31.12.2014, the Company has not yet reached the maximum level of the legal reserves.

**Special Trustees:**

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**Separate Financial Statements at 31 December 2014**  
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## STATEMENT OF CASH FLOWS AT 31.12.2014

Designation of item A	Row No. B	Accounting year ended on:	
		31.12.2013 1	31.12.2014 2
<b>OPERATING ACTIVITIES</b>			
Net profit + Result carried over from correction of accounting errors	1	(100.496.729)	(61.034.864)
<b>Adjustments for:</b>			
Adjusting the value of tangible and intangible assets	2	30.454.175	23.783.329
Adjusting the value of financial assets	3	1.048.543	4.475.209
Expenses (revenues) with adjustments for depreciation of current assets	4	22.843.606	697.814
Adjustments to the provisions for risks and expenses	5	(92.638.846)	(51.044.254)
Expenses with the donations granted	6	8.300	3.400
Revenues from interests and other financial income	7	(1.065.283)	(667.159)
Expenses with interests and other financial income	8	3.994.851	2.622.087
<b>Cash flow before changes in working capital (row 1 to 8)</b>	<b>9</b>	<b>(135.851.383)</b>	<b>(81.164.438)</b>
Decrease / (Increase) - customers and other assimilated accounts	10	19.385.024	1.983.548
Decrease / (Increase) in stocks	11	17.015.233	(729.550)
(Decrease) / Increase - suppliers and other assimilated accounts	12	109.003.419	72.266.570
<b>Cash flow from operating activities (row 9 to 12)</b>	<b>13</b>	<b>9.552.293</b>	<b>(7.643.870)</b>
Revenues from interests	14	457.792	345.893
Net Increase / (Decrease) in restraint cash	15	356.046	190.131
<b>Cash flow obtained in operating activities (row 13 to 15)</b>	<b>16</b>	<b>10.366.131</b>	<b>(7.107.846)</b>
<b>INVESTING ACTIVITIES</b>			
Cash payments for long-term purchasing of land and other assets	17	(352.333)	(901.357)
<b>Net cash used in investing activities (row 17)</b>	<b>18</b>	<b>(352.333)</b>	<b>(901.357)</b>
<b>FINANCING ACTIVITIES</b>			
Subsidies granted	19	(8.300)	(3.400)
Revenues from dividends	20	37.940	61.264
Payments on account of financial leasing contracts	21	(20.484)	-
<b>Net cash used in financing activities (row 19 to 21)</b>	<b>22</b>	<b>9.156</b>	<b>57.864</b>
<b>Net Increase / (Decrease) in cash and cash equivalents (row 16+18+22)</b>	<b>23</b>	<b>10.022.954</b>	<b>(7.951.339)</b>
Cash and cash equivalents at the beginning of the year	24	2.936.850	12.959.804
<b>Cash and cash equivalents at the end of the period (row 23+24)</b>	<b>25</b>	<b>12.959.804</b>	<b>5.008.465</b>

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE



**Separate Financial Statements at 31 December 2014**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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**1. Reporting entity**

**General information**

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

IAS 1.51(a)-(c) The separate financial statements, in accordance with IFRS, has been prepared for the accounting year ended on 31 December 2014.

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

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

On 31.12.2014, 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, regulators and hydro generators), hydro mechanical equipment, large hydraulic servomotors, bearings and half-bearing shells, spare parts for Diesel engines and the like.

*The Company* also provides services for rehabilitation and improvement, specialized engineering and technical assistance in areas related to its main field of activity.

*Company's* products and services 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 HIDROELECTRICA, the main foreign customers being also those in the production of hydroelectric power (Austria, Hungary, Turkey, etc.).

These 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 Ministerial Order no. 1286/2012 for the approval of Accounting Regulations in compliance with the International Financial Reporting Standards (IFRS) applicable to companies whose marketable securities are admitted to trading on a regulated market (OMPF 1286/2012).

The undersigned, Cosmin URSONIU and Liliana Nicoleta IONETE, in position of Special Trustees of *the Company*, accept the liability for drawing up the Yearly Separate Financial Statements at 31.12.2014 and confirm that they are in compliance with the applicable Accounting Regulations and *the Company* shall conduct its work under the condition of continuity.

**2.2 Basis of evaluation**

*The Company* drawn up the Yearly Separate Financial Statements for the year ended 31 December 2014, in accordance with OMPF 1286/2012, as amended and supplemented.



**Separate Financial Statements at 31 December 2014**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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

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 31 December 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 shares in two companies and is controlling these companies, *the Company* has decided not to prepare consolidated financial statements given that these companies are in insolvency / bankruptcy proceedings.

The Separate Financial Statements for the year ended 31 December 2012 were the first of this kind that *the Company* has prepared in accordance with IFRS, year when it was applied also IFRS1- "First-time Adoption of IFRS".

These Separate Financial Statements have been audited.

*The Company* does not apply IFRS issued and not adopted on 31.12.2014, and cannot estimate the impact of non-application of these provisions on individual financial statements, and intends to apply these provisions only at their entry into force.

***Consolidated Financial Statements***

In accordance with IAS 27 "Consolidated and Separate Financial Statements", *the Company* should present consolidated financial statements that strengthen the investments in subsidiaries.

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

As shown in Note no. 3.3, from the three subsidiaries of *the Company*, two of them are in bankruptcy at 31.12.2014 and their value in the financial statements of the parent company is 0, and the assets have been impaired to an extent of 100%.

Since the subsidiary EUROMETAL Ltd is in bankruptcy and against the subsidiary UCM TURNATE Ltd was initiated the bankruptcy procedure in February 2014, the impact of consolidation of financial statements 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 statement of financial position and statement of comprehensive income at 31.12.2014, would not be different significantly from the separate financial statements of *the Company* on 31.12.2014.

***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 RON.

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

**Separate Financial Statements at 31 December 2014**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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

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

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

The Company does not apply certain IFRS or new provisions of IFRS issued 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.

**Standards and interpretations issued by IASB, adopted by EU but not yet in force**

Amendments to various standards "Improvements to IFRS (cycle 2010-2012)", following the annual project for improvement of IFRS, primarily in order to eliminate the inconsistencies and to clarify wording, adopted by EU in December 17, 2014 (effective for the annual periods beginning on or after February 1, 2015).

- *IFRS 2 "Payment based on shares"* - This improvement changes the definition of "vesting condition" and "market conditions" and adds definitions for "performance condition" and "services condition" (which were previously included in the definition of "vesting conditions")
- *IFRS 3 "Combinations of companies"* - This improvement clarifies that a counter performance contingent in an acquisition of company which is not classified as registered capitals, is subsequently measured at fair value through profit or loss whether or not falls within the scope of IFRS 9 "Financial Instruments".
- *IFRS 8 "Segments of activity"* - This improvement provides that an entity should present judgments issued by senior management members when they implement the aggregation criteria for the segments of activity, and clarifies that an entity must provide only reconciliations of total assets belonging to segments reportable to the assets of the entity, if the assets of segments are reported regularly.
- *IFRS 13 "Assessment at fair value"* - This improvement in the "Basis for Conclusions" of IFRS 13 clarifies the fact that by issuing IFRS 13 and amendment of IFRS 9 and IAS 39 was not eliminated the possibility to evaluate short-term assets and liabilities which have not a declared rate of interest at their billing value, no update, if the effect of failure to update is not significant.
- *IAS 16 "Tangible assets"* - This improvement clarifies that when an item of tangible assets is revaluated, the gross carrying value is adjusted as to fit the value for revaluation of the fair value.
- *IAS 24 "Related party disclosures"* - This improvement clarifies that an entity that provides services of key management personnel for the reporting entity, or the parent entity of the reporting entity, is a related party of the reporting entity.
- *IAS 38 "Intangible assets"* - This improvement clarifies that when the revaluation of intangible assets was performed, the gross carrying value is adjusted as to fit the value for revaluation of the fair value.

Amendments to various standards "Improvements to IFRS (cycle 2010-2012)", following the annual project for improvement of IFRS, primarily in order to eliminate the inconsistencies and to clarify wording, adopted by EU in December 18, 2014 (effective for the annual periods beginning on or after February 1, 2015).

**Separate Financial Statements at 31 December 2014**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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

- *IFRS 1 "First-time Adoption of International Financial Reporting Standards"* - This improvement clarifies the meaning of "each IFRS which is in force at the reporting date for the first-time IFRS financial statements of the entity" as it appears in paragraph 7 of IFRS 1.
- *IFRS 3 "Combinations of companies"* - This improvement clarifies that IFRS 3 excludes from its scope of application the organization of a joint venture in the financial statements of the joint venture itself.
- *IFRS 13 Assessment at fair value* - This improvement clarifies that the scope of exceptions regarding the portfolio, as defined in paragraph 52 of IFRS 13, includes all contracts accounted for under the scope of IAS 39 "Financial Instruments: Recognition and Assessment" or IFRS 9 "Financial Instruments", whether they meet or not the definition of financial assets and financial liabilities, as defined in IAS 32 "Financial Instruments: Presentation".
- *IAS 40 Real Estate Investments* - This improvement clarifies that in order to determine whether a particular transaction meets both the definition of a combination of companies, as defined in IFRS 3 "Combinations of companies" and of a real estate investment as defined in IAS 40, requires that application of the two standards to be carried out independently of each other.

Amendments to IAS 19 "Employee Benefits" - defined benefit plans: contributions from employees. This amendment applies to contributions from employees or third parties under defined benefit plans. The objective is to simplify the accounting operations on contributions, which are independent of the seniority of employees, for example, the contributions from employee are calculated as a fixed percentage from the salary. This amendment was adopted by EU in December 17, 2014 (effective for annual periods beginning on or after February 1, 2015).

- *IFRIC 21 "Taxation"* - This is an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". IAS 37 establishes the criteria for the recognition of a liability, one of them imposing an entity to have a current obligation resulting from a past event (known as an event that constrains). The interpretation clarifies that an event that constrains and gives rise to a debt relating to the payment of a tax, is the activity stipulated in the relevant legislation that determines taxation. This interpretation was adopted by EU in June 13, 2014 (effective for annual periods beginning on or after June 17, 2014).

***Standards and interpretations issued by IASB, but not yet adopted by EU***

- *IFRS 9 "Financial Instruments"* (replaces IAS 39) - The package of improvements to IFRS 9 includes a logical model for classifying and measuring of financial assets, a unique model of expected losses and substantially enhanced approach to hedge accounting (effective for annual periods beginning on or after January 1, 2018).
- *IFRS 14 "Regulation of deferred accounts"* - The purpose of this interim standard is to enhance the comparability of financial statements by the entities that are involved in activities with regulated tariffs (effective for annual periods beginning on or after 1 January 2016).
- *IFRS 15 "Revenues from contracts with customers"* - This will replace the standards and interpretations that dictate accounting of revenues (IAS 18 and IAS 11). The main objective of IASB was to develop a common and comprehensive income standard, based on principles that can be applied consistently to complex transactions in a wide range of industries (effective for annual periods beginning on or after January 1, 2017).

Additions to IFRS 11 "Joint Ventures" - Improving the method of accounting the interests in jointly controlled entities. The objective was to add new accounting means appropriate for such acquisitions. IASB decided that buying such interests should apply all the principles of accounting regarding accounting of company combinations in IFRS 3 and other IFRSs that are not conflicting with the guidance from IFRS 11 and to present information that are required by these IFRSs in connection to combinations of companies (effective for annual periods beginning on or after January 1, 2016).

**Separate Financial Statements at 31 December 2014**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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

Additions to IAS 16 "Tangible assets" and IAS 38 "Intangible assets" - Clarification of acceptable methods for depreciation and amortization. The amendments clarify that the use of methods based on revenues in order to calculate the depreciation of an asset is not appropriate, because the revenues generated by an activity that includes the use of an asset reflects factors that are different from the consumption of economic benefits embodied in that asset. The amendments also clarify that the revenues represent an inappropriate basis for assessment of the economic benefits embodied in an intangible asset. This presumption may be disputed in limited circumstances (effective for annual periods beginning on or after January 1, 2016).

Additions to IAS 16 "Tangible assets" and IAS 41 "Agriculture" - Agriculture: biological assets. The amendments establish that the biological assets are to be accounted similar to the tangible assets, biological assets that are used to develop new products in accordance with IAS 16 (effective for annual periods beginning on or after January 1, 2016).

Additions to IAS 27 "Separate Financial Statements" – method of equivalency – allows that investment in subsidiaries, associates or joint ventures to be accounted optionally by the method of equivalency in the separate financial statements (effective for annual periods beginning on or after January 1, 2016).

Additions to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in associates and joint ventures" - clarify the sale or contribution with assets between investors and the associate / joint venture. The objective was to approach the inconsistencies between the requirements of IFRS 10 and IAS 28 and clarifies that, in a transaction involving an associate or a joint venture, recognition of gain or loss depends on whether the assets sold or brought as contribution represents a business (effective for annual periods beginning on or after January 1, 2016).

Amendments to various standards "Improvements to IFRS (cycle 2010-2012)" following the annual project for improvement of IFRS, primarily in order to eliminate the inconsistencies and to clarify wording (effective for the annual periods beginning on or after January 1, 2016).

- *IFRS 5 "Fixed assets held for sale and discontinued operations"* - This improvement clarifies the application of the guide with reference to situation when changes occur in the sale plan, such as from the plan to sell a division through an initial public offer to the plan to rotate the division and distribute dividends to shareholders.
- *IFRS 7 "Financial Instruments: Disclosures"* - This improvement consists in adding a guide to IFRS 7 to clarify how it is applied the principle from the paragraph 42C to service contracts in order to transfer the information requirements from paragraphs 42E-42H. Also, was clarified the applicability of additions to IFRS 7 to the abbreviated interim financial statements.
- *IAS 19 "Benefits of employees"* – This improvement clarifies the applicability of IAS 19 provisions in determining the discount rate in a regional market consisting of several countries that use the same currency.
- *IAS 34 "Interim Financial Reporting"* - This improvement clarifies the meaning of presenting the information "elsewhere in the interim financial report".

Additions to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Information to be presented with reference to interests in other entities" and IAS 28 "Investments in associates and joint ventures" - Investment entity: application of exception to consolidation. The objective is to clarify which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of IFRS 10, to clarify whether the exemption from presenting consolidated financial statements referred to in paragraph 4 of IFRS 10 applies to a parent entity which is a subsidiary of an investment entity, respectively to clarify how an entity that is not an investment entity should apply the method of equivalency to its investment in an associate entity or a joint venture that is an investment entity (effective for annual periods beginning on or after January 1, 2016).



**Separate Financial Statements at 31 December 2014**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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

Additions to IAS 1 "Presentation of Financial Statements" - Initiative on presentation – The amendments to IAS 1 are designed to encourage companies to apply professional judgment in determining the information to be presented in the financial statements. For example, the amendments clarify that materiality is applied to whole financial statements and inclusions of immaterial information may reduce the usefulness of financial information. In addition, the amendments clarify that the companies can use the professional judgment in order to determine where and in what order the information should be presented in the financial statements (effective for annual periods beginning on or after January 1, 2016).

**2.6 Presentation of separate financial statements**

*The Company* applies IAS 1 - Presentation of Financial Statements (2007) revised, which entered into force on 1 January 2009. As a result, in the Statement of Changes in Shareholders' Equity *the Company* presents all amendments thereto.

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 the entity's financial statements 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 financial 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 31 December 2003, adjustments were made to reflect the application of IAS 29 "Financial reporting in hyperinflationary economies".

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

**Monetary assets and liabilities**

The monetary assets and liabilities have not been revalued to apply IAS 29 because 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 31 December 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 Financial Statements at 31 December 2014**  
*[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 individual financial statements in conformity with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, of contingent assets and liabilities at the date of the financial statements and of the reported amounts of revenues and expenses registered during the reporting period. The actual results may be different from these estimates. The estimates are periodically reviewed and, if adjustments are required these are reported in the profit and loss account for the period in which they become known.

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

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

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

***c) Registered capital***

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

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

***d) Equity papers in affiliated entities***

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

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

***e) Tangible fixed assets***

***Acknowledgment and assessment of fixed assets***

The fixed assets, except lands and buildings, are recognized according to the requirements of OMFP 1286/2012 and are shown in the accounts at cost, less the accumulated depreciation and the impairment losses.

The buildings are stated at fair value based on periodic assessments, at least every three years, carried out by independent external evaluators. Any accumulated depreciation at the date of revaluation is eliminated from the gross carrying amount of the asset and the net amount is recorded as revalued amount of the asset. The buildings are stated at revalued amounts on 31.12.2014 and the lands at revalued amount on 31.12.2011.

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

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*[All amounts are given in lei (RON) unless otherwise stated]*

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

*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**

*Acknowledgment and assessment*

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.

**Separate Financial Statements at 31 December 2014**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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

The recoverable amount represents the highest value between the net selling price of an asset and its value in use. The net selling price represents the amount obtainable from the sale of the asset in a normal transaction, and the value in use represents the present value of future cash flows estimated if continuing to use the asset and from its sale at the end of its service lifetime. The recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating units. Reversal of impairment losses recognized in previous years may occur when there is an indication that the impairment losses recognized for that asset no longer exist or has decreased; the cancellation shall be recorded as revenue.

***h) Financial assets***

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

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

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

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

**Separate Financial Statements at 31 December 2014**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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

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 31 December 2013 and 2014 are as follows:

<u>Currency</u>	<u>31 December 2014</u>	<u>31 December 2013</u>
RON/EUR	4,4821	4,4847
RON/USD	3,6868	3,2551
RON/GBP	5,7430	5,3812
RON/CHF	3,7273	3,6546

**l) Stocks**

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

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

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

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

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

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



**Separate Financial Statements at 31 December 2014**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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

**m) Receivables**

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

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

**n) Cash and cash equivalents**

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

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

**o) Debts**

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

**q) Loans**

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

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

**r) Benefits of employees**

**Short-term benefits:**

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

**Post employment benefits – pension plan:**

Both *the Company* and its employees are legally obliged to pay monthly social security contributions, administered by ANAF and the County Pension Houses. As a result, *the Company* has no legal obligation to pay in future other amounts related to pension contributions. *The Company* does not contribute to any other pension plan 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.

**Separate Financial Statements at 31 December 2014**  
*[All amounts are given in lei (RON) unless otherwise stated]*

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

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

The tax losses may be carried forward for a period of five years for tax losses realized until December 31, 2008, and for a period of seven years for tax losses carried thereafter.

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

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

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

**§) Acknowledgment of revenues and expenses**

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

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

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

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

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

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

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

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

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

**t) Fair value of financial instruments**

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

**t) Provisions**

A provision is recognized when, and only when *the Company* has a current obligation (legal or constructive) as a result of a past event and if it is probable (more likely to succeed than not be realized) as an output of resources embodying economic benefits, will be required to settle the obligation, and it can make a reasonable estimate of the amount of the obligation. The provisions are reviewed at the end of each accounting year and are adjusted to reflect the current best estimate. When the effect of money value in time value is significant, the value of the provision is the present value of the expenses required to settle the obligation.

**u) Contingent debts or assets**

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

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

**v) Subsequent events**

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

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

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

**w) Affiliated parties**

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

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

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

- The entity and the reporting entity are members of the same group;
- An entity is an associate or joint venture of the other entity;
- Both entities are joint ventures of the same third party;
- An entity is a joint venture of a third entity and the other is an associate of the third entity;



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

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

**x) Correction of accounting errors**

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

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

According to OMFP 1286/2012, correction of errors related to previous accounting years does not require publication of the revised yearly financial statements for that accounting year, and their correction is performed based on the retained earnings account, without affecting the result of the current accounting year.

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

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### 3. Fixed assets

The values (gross, net), depreciation, composition and other relevant aspects regarding the movement of fixed assets during the accounting year ended 31.12.2014, are presented below.

#### 3.1 Intangible fixed assets

The statements of movement and depreciation of intangible fixed assets in the accounting year 2014 are presented in Tables 1, 2 and 3 below.

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

- Lei -

Explanations	31.12.2013	Inputs	Transfers	Outputs	31.12.2014
0	1	2	3	4	5 = 1+2-3-4
Other intangible fixed assets	10.642.746	2.436	-	-	10.645.182

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

- Lei -

Explanations	31.12.2013	Costs with depreciation	Cumulative depreciation of outputs	31.12.2014
0	1	2	3	4 = 1+2-3
Other intangible fixed assets	(10.517.875)	(91.863)	-	(10.609.738)

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

- Lei -

Explanations	31.12.2013	31.12.2014
0	1	2
Other intangible fixed assets	124.871	35.444

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

The depreciation method used is the linear one.

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

#### 3.2 Tangible fixed assets

The statements of movement and depreciation of tangible fixed assets in the accounting year 2014 are presented in Tables 4, 5 and 6 below.

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**3. Fixed assets (continued)**

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

- Lei -

No.	Explanations	31.12.2013	Inputs	Outputs	Revaluation on 31.12.2014	31.12.2014
0	1	2	3	4	5	6=2+3-4+5
1.	Land and land improvements	55.868.100	-	-	-	55.868.100
2.	Buildings	104.574.921	7.365	64.513	21.022.250	125.540.022
3.	Equipment	64.297.938	410.942	163.413	-	64.545.468
4.	Furniture and others	1.379.286	23.841	13.419	-	1.389.708
5.	Fixed assets under construction	448.105	474.201	7.365	-	914.941
	<b>TOTAL (1+2+3+4+5)</b>	<b>226.568.350</b>	<b>916.349</b>	<b>248.710</b>	<b>21.022.250</b>	<b>248.258.239</b>

**Table No. 5 – Cumulative depreciation of tangible fixed assets**

- Lei -

No.	Explanations	31.12.2013	Costs with depreciation	Cumulative depreciation of outputs	Revaluation on 31.12.2014	31.12.2014
0.	1	2	3	4	5	6 = 2+3-4-5
1.	Land improvement	-	-	-	-	-
2.	Buildings	57.432.196	17.059.088		74.491.284	-
3.	Equipment	59.854.720	1.317.703	163.413	-	61.009.010
4.	Furniture and others	1.071.746	76.806	13.419	-	1.135.133
	<b>TOTAL (1+2+3+4)</b>	<b>118.358.662</b>	<b>18.453.597</b>	<b>176.832</b>	<b>74.491.284</b>	<b>62.144.143</b>

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

- Lei -

No.	Explanations	01.01.2014	31.12.2014
0.	1	2	3
1.	Land and land improvement	55.868.100	55.868.100
2.	Buildings	47.142.725	125.540.022
3.	Equipment	4.443.218	3.536.458
4.	Furniture and others	307.539	307.540
5.	Fixed assets under construction	448.105	914.941
6.	Adjustments for depreciation of fixed assets under construction	(371.476)	(371.476)
	<b>TOTAL (1+2+3+4+5+6)</b>	<b>107.838.212</b>	<b>186.538.537</b>

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### 3. Fixed assets (continued)

The company owns, mainly:

- Land, total area of 748,762 square meters;
- Constructions, with a developed area of 320,015 square meters, and built from the ground surface of 230,828 square meters, with an average age of 35 years;
- Technological equipment specific for machine building industry, numbering over 2,000 pieces, with an average age of 30 years.

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

#### Revaluation of fixed assets

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

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

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

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

**Table no. 7 – Statement of changes in revaluation reserves**

		- Lei -	
No.	Explanations	31.12.2013	31.12.2014
0.	1.	2.	3.
1.	Revaluation reserves at the beginning of the accounting year	124.782.228	99.089.802
2.	Differences in revaluation reserves transferred into reserves as the assets are depreciated during the year and at deregistration of assets	(25.692.426)	(14.906.733)
3.	Revaluation differences recorded during the accounting year as a result of revaluation	-	95.7671.947
4.	<b>Revaluation reserves at the end of the accounting year (4=1+2+3)</b>	<b>99.089.802</b>	<b>179.945.016</b>

Reductions in the revaluation reserve during the year refers to the revaluation differences that have been transferred to the account 1175 - "Retained earnings representing the surplus from revaluation reserves", according to the provisions of IFRS, as the assets are depreciated during the year, as well as at deregistration of assets.

As a result of the revaluation of buildings 31.12.2014, resulted both increases and decreases in revaluation reserves as follows:

- Increases            98.045.911  
- Decreases         2.283.964

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

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### 3. Fixed assets (continued)

the regulations listed above, in total amount of 13.094.760 lei, amount that was reclassified to revaluation reserves included in the registered capital.

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

#### Tangible fixed assets pledged and restricted

For the credits and guarantee agreements wherewith BCR was part of the Preliminary Table of Creditors, on the date of declaration of insolvency, were established mortgages of first and second rank on certain tangible fixed assets with a total carrying amount of 85.900.839 lei, on 31.12.2014, in which 54.250.019 lei represents constructions and 31.650.820 represents lands.

Also, ANAF have been established seizure of some tangible fixed assets with the net carrying value of 47.862.219 lei, on 31.12.2014, in which 36.603.349 lei represents constructions and 11.258.870 lei represents lands.

During 2014 there were no pledges or mortgages established.

#### Transactions not involving cash outflows

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

- Lei -

No.	Explanations	31.12.2013	31.12.2014
0.	1.	2.	3.
1.	Tangible fixed assets for which payment was made in previous years	170.383	11.498
2.	Acquisitions financed through financial leasing	-	-
3.	Purchases from suppliers of fixed assets	1.019.815	956.472
	<b>TOTAL (1+2+3)</b>	<b>1.190.198</b>	<b>967.970</b>

### 3.3 Financial assets

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

**Table No. 9 – Investments (shares) in subsidiaries**

- Lei -

No.	Explanations	31.12.2012	31.12.2013
0.	1.	2.	3.
1.	S.C. MULTI-FARM Ltd., Resita	17.000	17.000
2.	S.C. UCM TURNATE Ltd., Resita	34.400.000	34.400.000
3.	S.C. EUROMETAL Ltd., Resita	11.377.950	11.377.950
4.	Adjustments for depreciation of financial assets	(45.777.950)	(45.777.950)
	<b>TOTAL OF NET VALUE (1+2+3-4)</b>	<b>17.000</b>	<b>17.000</b>



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**3. Fixed assets (continued)**

On 31.12.2014, *the Company* had the following subsidiaries:

- **S.C. MULTI-FARM Ltd.**, a company registered in the Trade Register under no. J11/799/2004, in which *the Company* holds 85% of the shares. The main object of activity is the retail trade of pharmaceutical products.
- **S.C. UCM TURNATE Ltd.**, a company registered in the Trade Register under no. J11/175/2007. The main object of activity is steel casting. *UCMR* is the main shareholder of sc UCM Castings Ltd., owning 99,999045% of the shares.  
During 2012, S.C. UCM Turnate Ltd requested opening of insolvency proceedings, which was known by *the Company* at the date of the financial statements for 2011, therefore was adjusted the entire value of the shares held, in amount of 34,400,000 million lei. At the date of these financial statements, S.C. UCM Turnate Ltd is in bankruptcy procedure.
- **S.C. EUROMETAL Ltd.**, a company registered in the Trade Register under no. J11/967/2006. The main object of activity is manufacture of metal structures and components for metallic structures, in which *the Company* holds 92,07% of the shares.  
Since for this company was opened the insolvency proceedings in 2010, *the Company*, following the principle of prudence, kept the adjustment of the value for the shares held by their full depreciation. Currently, S.C. Eurometal Ltd. is in bankruptcy procedure.

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

**Table No. 10 – Equity papers held in other entities**

-Lei-

Explanations	31.12.2013	31.12.2014
Romanian Commodities Exchange	20.000	20.000
<b>TOTAL</b>	<b>20.000</b>	<b>20.000</b>

*The Company* has shareholding in Romanian Commodities Exchange (*BRM*), holding 20 shares with a nominal value of 1,000 lei per share, representing 0.26% of *BRM* capital.

**Other financial assets**

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

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

The performance bond guarantees with maturity less than one year, amounting 10.364.367 lei, are included in the trade receivables, being reduced with the value of adjustment in e amount of 9.543.692 lei, related to guaranties due and unpaid on 31.12.2014 (see Note no. 4).

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

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**3. Fixed assets (continued)**

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

- Lei -

No.	Explanations	31.12.2013	31.12.2014
0.	1.	2.	3.
1.	Performance guarantees given to customers recoverable in a period longer than one year	10.563.816	8.556.083
2.	Debtors for the guarantees filed	404.358	404.358
3.	Adjustments for impairment of other receivables	0	0
	<b>TOTAL (1+2+3)</b>	<b>10.968.174</b>	<b>8.960.441</b>

**4. Receivables**

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

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

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

- Lei -

No.	Explanations	Balance on 31.12.2013	Balance on 31.12.2014	Liquidity term	
				Less than 1 year	Over 1 year
1	Trade receivables	1.321.829.122	1.319.844.440	1.319.844.440	-
2	Value adjustments for depreciation of trade receivables	(1.299.040.290)	(1.299.508.493)	(1.299.508.493)	
3	<b>Total net values for trade receivables (1 + 2)</b>	<b>22.788.832</b>	<b>20.335.948</b>	<b>20.335.948</b>	-
4	Receivables to be collected from related parties	2.999.412	2.938.988	2.938.988	-
5.	Value adjustments for depreciation of other receivables	(2.698.768)	(2.698.768)	(2.698.768)	
6	Other receivables, of which:	250.977.305	250.270.566	250.270.566	-
6.1	- Deferred tax acc. to IFRS	227.412.953	229.169.276	229.169.276	
7	Value adjustments for depreciation of other receivables	(17.589.014)	(16.089.779)	(16.089.779)	-
8	<b>Total net values for other receivables (4+5+6+7)</b>	<b>233.688.934</b>	<b>234.421.007</b>	<b>234.421.007</b>	
8	<b>TOTAL NET VALUES OF RECEIVABLES (3+7)</b>	<b>256.477.767</b>	<b>254.756.955</b>	<b>254.756.955</b>	-

On 31.12.2013 the main customers stated on the in balance, from which *the Company* has to collect trade receivables are: SPEEH Hidroelectrica – the subsidiary Hydro Power Plants Hateg (2.900.236 lei) the Company of hydropower services Hidroserv Ramnicu Valcea (6.544.903 lei), the Company of hydropower services Hidroserv Hateg (4.947.286 lei), the Company of hydropower services Hidroserv Sebes (933.094) and the Company of hydropower services Hidroserv Curtea de Arges (768.029 lei).

We state that *the Company* has applied the principle of prudence and adjusted for depreciation the entire value of such uncertain receivables.

The value of trade receivables is high due to the contract and transactions concluded in 2010 with S.C. Agri LIBAROM Ltd., in amount of 250.000.000 EUR plus VAT, contract for the sale of four engines manufactured by UCMR (before 1990) and which, together with the components purchased from S.C. BETA Trading &

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#### 4. Receivables (continued)

Investment Ltd., also the technical instructions provided by S.C. MIKE Trading & Investment Ltd., were to be exported by S.C. LIBAROM Agri Ltd.

In 2012, *the Company* was notified on the opening of insolvency proceedings for the customer Libarom Agri Ltd., with effect from 16.11.2012. As a result, *the Company* requested the entry in the Table of Creditors with the entire amount receivable, respectively 1.289.597.079,97 lei, out of which has been accepted only the amount of 3,706,200 lei, the difference of 1.285.863.879,97 lei being stated as conditional receivable, since there is pending the criminal case no. 6973/299/2011 and the services related the down-payment invoice was considered as not provided.

On 31.12.2011, *the Company* has adjusted the entire debt in amount of 1.289.597.079,97 lei.

By judgment dated 13. 02.2013 issued in the file no. 29140/3/2012, pending on the Law Court Bucharest, Section VII, Panel of judges 6, under paragraph 6 of Article 33 of Law 85/2006, *the Company* was notified by the liquidator AA Total Insolvency I.U.P.R.L. about the fact that the customer Libarom Agri Ltd. entered the insolvency proceedings, the registration deadline for filing a claim on the debtor's equity being on 28.03.2013. At the date of these financial statements the company Libarom Agri Ltd. is still in the insolvency procedure at the Law Court Bucharest, having the hearing on 22.04.2015.

Under "Other receivables" are given the highest values representing the receivables for deferred tax and the debtors from loans granted by *the Company*, respectively Sports Club UCM Resita, in amount of 14.727.010 lei (13.099.046 lei representing the balance of the loan granted and 1.627.964 lei the balance of the interest receivable), amount for which *the Company* made adjustments for depreciation since 2011.

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

Thus, the Company recorded at the end of 2014 receivables for deferred tax totaling 229.169.276 lei, an amount that represents deductible timing differences related to adjustments and provisions recorded at the date of these notes, as well as a debt in total amount of 21.406.091 lei, amount representing the difference between the accounting basis and tax depreciation.

#### 5. Stocks

The status and structure of current assets, such as stocks, is shown in the table below:

**Table No. 13 - Stocks and their value adjustments**

		- Lei -	
No.	Explanations	31.12.2013	31.12.2014
1	Raw materials	7.070.611	7.283.056
2	Materials	956.824	956.821
3	Inventory items	458.692	464.871
4	Packages and materials from third parties, raw materials and materials in progress of purchasing	1.146.245	906.653
5	Semi-finished products	1.677.239	1.673.665
6	Production in progress	24.853.743	25.601.932
7	Finished products	6.784.871	6.790.777
8	<b>Total of gross value ( 1+2+3+4+5+6+7 )</b>	<b>42.948.225</b>	<b>43.677.775</b>
9	Adjustment of value for raw materials	(3.365.869)	(4.875.513)
10	Adjustment of value for materials	(766.991)	(819.678)
11	Adjustment of value for inventory items	(174.998)	(367.382)
12	Adjustment of value for packages	(5.971)	(30.062)
13	Adjustment of value for semi-finished products	(1.326.746)	(1.671.955)
14	Adjustment of value for production in progress	(22.821.064)	(22.362.691)
15	Adjustment of value for finished products	(5.568.329)	(5.631.534)
16	<b>Total value adjustments (9+10+11+12+13+14+15)</b>	<b>(34.029.968)</b>	<b>(35.758.815)</b>
17	<b>Total net value ( 8-16 )</b>	<b>8.918.257</b>	<b>7.918.960</b>

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## 5. Stocks (continued)

In 2014, the stocks of raw materials and consumables decreased by 20.971 lei (variation in row 1 to row 4), the stocks necessary for projects in progress being purchased in the current year.

The adjustments for depreciation of raw materials, consumables and semi-finished products increased by 1.778.806 lei (variation in row 9 to row 13) due to the fact that part of the stocks purchased/manufactured in previous years were assigned to projects that have been suspended or canceled, and they could not be integrated into the production process.

Production in progress increased by 748.289 lei in 2014 (variation in row 6) due to the fact that some new projects were started following to be completed, for the most part, in the first quarter of 2015. Among them, we mention: Dragasani, Portile de Fier II, Sarihidir and Zelizowce.

Adjustments for depreciation of production in progress on 31.12.2014 are in amount of 22.362.691 lei, with a decrease of 458.373 lei from the previous year (variation in row 14).

The largest weight in total adjustments for depreciation of production in progress on 31.12.2014 has the following contracts:

- Seymareh : 209.333 lei
- Lavours : 5.052.711 lei
- Middle Kolab : 888.375 lei
- Căineni : 7.635.185 lei
- Bumbesti : 5.881.304 lei
- Pașcani : 1.772.873 lei

The finished products had no significant variations, the products manufactured in the current year being mostly delivered by the end of the year. Their growth is of 5.906 lei (variation in row 7).

## 6. Cash and cash equivalents

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

**Table No. 14– The available cash and credits committed**

No.	Explanations	31.12.2013	31.12.2014
1.	Bank accounts in Lei	656.529	1.024.333
2.	Bank accounts in foreign currency	544.159	97.187
3.	Cash in hand	2.856	530
4.	Treasury advances	-	-
5.	Short-terms deposits	12.303.247	4.244.151
6.	Other securities	879	-
7.	<b>Total cash in hand ( 7=1+2+3+4+5+6 )</b>	<b>13.507.670</b>	<b>5.366.201</b>
8.	Restricted cash (collateral account)	(547.866)	(357.736)
9.	<b>TOTAL SURPLUS (DEFICIT ACCOUNT) (9=7+8 )</b>	<b>12.959.804</b>	<b>5.008.465</b>

## 7. Debts

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

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**7. Debts (continued)**

**Table No.15 – Summary statement of debts**

- Lei -

No.	Explanations	31.12.2013	31.12.2014	Before 06.12.2011	Currently	Liquidity time		
						Less than 1 year	1-5 years	Over 5 years
1.	Amounts owed to credit institutions	37.391.144	35.176.816	19.353.829	15.822.987	35.176.816	0	0
2.	Advances received in account of orders from customers	16.674.463	16.679.034	16.491.266	187.768	16.679.034	0	0
3.	Trade debts	19.248.114	19.989.709	17.727.184	2.262.525	19.989.709	0	0
4.	Bills receivable	0	0	0	0	0	0	0
5.	Loans and interests owed to the main shareholder	126.292.405	126.292.405	126.292.405	0	126.292.405	0	0
6.	Other debts, including tax and social securities	388.124.555	466.561.944	400.777.267	65.784.677	466.561.944	0	0
	<b>TOTAL (1+2...+6)</b>	<b>587.730.681</b>	<b>664.699.908</b>	<b>580.641.950</b>	<b>84.057.958</b>	<b>664.699.908</b>	<b>0</b>	<b>0</b>

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

The amounts due to related parties are detailed in **Note no. 14**.

The main customer in the balance on 31.12.2014, from which have been collected advances for orders, is represented by Hidroelectrica SA - the subsidiary Hydro Power Plants Sibiu (project HPP Căineni), the amount for down payment being of being of 8.817.043 lei.

The main suppliers of raw materials and services (in terms of the value for the contracts developed in 2014) are represented by: SC Enel Energie S.A Resita, SC Electroechipament Industrial Ltd. Resita, SC Security Consulting Ltd Slatina, SC Favorite Servcont Ltd Resita, SC Eon Energy

Romania S.A. Timișoara, SC Hydro=Engineering S.A. Resita, SC Sodexo Pass Romania Ltd Bucharest, SC Aquacaras S.A. Resita, S.C. Italinox Romania Ltd. Cluj-Napoca.

**7.2 Amounts owed to credit institutions**

As a result of the company's insolvency, BCR enrolled in Preliminary Table of Creditors with the total of 81.148.393,74 lei, representing: outstanding credits and letters of guarantees in amount of 79.612.748,42 lei, outstanding interests in amount of 221.229,66 lei and outstanding commissions in amount of 1.314.415,66 lei.

From the date of insolvency announcement till now, these amounts were changed following the expiry of some letters of bank guarantee. Also, the debt due to the Credit Line in EUR, in amount of 3.683.540 EUR decreased by 1.038.480 EUR (4.520.919 lei), as a result of the partial recovery of the debt by BCR through the sale of a mortgaged property for this credit owned by the endorser UCM Turnate Ltd.

On 31.12.2014, from the total amounts entered by BCR on the list of creditors, remained in force the amount of 27.395.682 lei (amount calculated using the exchange rate at the date of insolvency announcement, i.e. 06.12.2011) representing:



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**7. Debts (continued)**

- Outstanding credits and letters of guarantee amounting to 25.877.735 lei (of which: 18.196.328 lei outstanding credits at the date of insolvency, the amount of 6.526.106 lei credits from execution of letters of guarantee, after insolvency announcement and the amount of 1.155.301 lei representing letters of bank guarantees in force);
- Overdue interest in amount of 1.157.501 lei;
- Outstanding bank commission in amount of 360.446 lei.

*The bank credits enrolled by BCR in the list of creditors are the following:*

- Credit line granted in 2003, with the initial value of 1.900.000 lei. In 2011 were included to the credit the outstanding interests in amount of 80.535,40 lei. On 31 December 2014, the balance of the credit line is of 1.980.535,40 lei.
- Long-term credit contracted in 2006, with repayment in monthly installments, the initial value being of 9.000.000 lei. In 2011 were included to the credit the outstanding interests in amount of 48.399,27 lei. On 31 December 2014, the balance of the credit is of 985.899,27 lei.
- Credit line taken by BCR in 2011 from the Anglo-Romanian Bank Limited, with the initial value of 3.626.943 EUR. In 2011 were included to the credit the outstanding interests in amount of 56.597,14 EUR. On 31.12.2014 the balance of the credit line is of 2.645.060 EUR (11.515.004,60 lei).
- Treasury credit taken by BCR in 2011 from the Anglo-Romanian Bank Limited, with the initial value of 2.791,217.92 lei. In 2011 were included to the credit the outstanding interests in amount of 18.617,75 lei. On 31.12.2014 the balance of the credit is of 2.809.835,67 lei. This treasury credit was granted under the Guarantee Agreement no. 225/10.09.2007, in amount of 6.000.000 EUR, which was also taken up by BCR from the Anglo-Romanian Bank Limited. The Agreement no. 225/ 10.09.2007 expired on 31.10.2012, but the treasury credit granted therein is still valid.

*Credits from execution of letters of guarantee:*

The Letter of Guarantee for good payment, reference no. T90002/2009 issued under the Guarantee Agreement no. 225/10.09.2007 by the Anglo-Romanian Bank, on 16.02.2009 (later taken over by BCR in May 2011) with the beneficiary Niro Exim Ltd, has been partially executed, resulting two credits, as follows:

- A credit in amount of 682.536,54 lei with the maturity date on 06.09.2011, granted as specified in an addendum dated 07.06.2011 at the Convention for issuing the letters of guarantee no. 225/10.09.2007, signed with BCR. The balance of this credit on 31.12.2014 is of 549.895 lei.
- A credit in amount of 355.158,65 RON with the maturity date on 26.07.2011, granted as specified in an addendum dated 27.06.2011 at the Convention for issuing the letters of guarantee no. 225/10.09.2007, signed with BCR. The balance of this credit on 31.12.2014 is of 355.158,65 lei.

*From the date of insolvency announcement, following letters of guarantees were executed:*

In February 2012, BCR proceeded to partial execution of 10 letters of guarantee for good payment issued in favor of BCR Leasing IFN SA under the Guarantee Agreement no. 165/21.07.2003, corresponding to the rates unpaid by *the Company* in the leasing contracts. The total amount executed was of 119.925 EUR, representing 537.830 lei on 31.12.2014.

In March 2012, at the request of Endel SAS France, the letter of guarantee for good payment with the reference K028375/836, issued by the Anglo-Romanian Bank Limited under the Guarantee Agreement no. 225/ 0.09.2007 and subsequently taken over by BCR, was fully executed. The amount executed was of 806.691 EUR, representing the amount of 3.615.766 lei on 31.12.2014.

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## 7. Debts (continued)

In September 2012, at the request of EGAT Thailand, the performance bond guarantee letter with the reference K028378, issued by the Anglo-Romanian Bank Limited under the Guarantee Agreement no. 225/10.09.2007 and subsequently taken over by BCR, was fully executed. The amount executed was of 206.121,50 USD, representing 759.929 lei on 31.12.2014.

In October 2012, at the request of Farab International FZE, the performance bond guarantee letter with the reference K028382, issued by the Anglo-Romanian Bank Limited under the Guarantee Agreement no. 225/10.09.2007 and subsequently taken over by BCR was fully executed. The amount executed was of 418.654 EUR was executed, representing 1.876.449 lei on 31.12.2014.

By letter no. DDR 3850/25.04.2012, BCR has notified *the Company* that it will proceed to diminish the limit for each of the guarantee agreements concluded for issuance of the letters of guarantee in accordance with the terms set out therein. As a result, on 25.04.2012, the limits for the guarantee arrangements have been reduced to a value representing the quantum of the letters of guarantee issued and in force on that date, as follows:

- For AG 207/18.11.2012, the limit was reduced from 21.300.000 LEI to 16.396.897 LEI;
- For AG 165/21.07.2003, the limit was reduced from 3.000.000 EUR to 2.250.836 EUR;
- For AG 225/10.09.2007, the limit was reduced from 6.000.000 EUR to 2.538.099 EUR.

The limits are to be reduced further, as the letters of guarantee issued expires. On 31.12.2014, the limit of the guarantee agreement, representing the value of the guarantee letters, for AG 165/21.07.2003 was of 265.379 EUR. , for AG 207/18.11.2012 there are no letters of guarantee in force and for AG 225/10.09.2007 there is no longer a limit since it expired on 31.10.2012, respectively 30.12.2014.

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

**Table No. 16 – Amounts owed to credit institutions**

- Lei -

No.	Explanations	Total on 31.12.2013	Total on 31.12.2014	Balance on 31.12.2014 in which:	
				Before 06.11.2011	Currently
1.	Line of credit and short-term credits	28.435.428	23.999.994	17.210.429	6.789.565
2.	Current obligation (portion) of long-term loans	985.899	985.899	985.899	-
3.	Long-term obligation (portion) of loans	-	-	-	-
4.	Interests on bank credits	7.969.817	10.190.923	1.157.501	9.033.422
	<b>TOTAL (1+2+3+4)</b>	<b>37.391.144</b>	<b>35.176.816</b>	<b>19.353.829</b>	<b>15.822.987</b>

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

The other debts, including tax and social securities, to be paid within a period of up to one year are shown in Table no. 17 below.

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**7. Debts (continued)**

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

- Lei -

No.	Explanations	31.12.2013	31.12.2014	Out of which on 31.12.2014	
				Before 06.12.2011	Currently
0	1	2	3	4	5
1	Associates, current accounts - loan	102.707.107	102.707.107	102.707.107	-
2	Associates, current accounts - interest	23.585.298	23.585.298	23.585.298	-
3	Social security payable	101.281.020	104.313.161	84.471.426	19.841.735
4	VAT payable	46.831.647	49.401.090	31.180.469	18.220.621
5	VAT non-payable	12.039	12.039	12.039	
6	Wages taxes	12.372.969	12.388.306	12.169.446	218.860
7	Obligations to unemployment fund	7.142.764	7.147.164	7.164.877	(17.713)
8	Obligations to special funds, other taxes, charges and remittances	154.964.704	220.186.329	197.192.603	22.993.725
9	Other creditors	64.011.377	71.570.317		-
10	Retained performance bond guarantees	253.019	302.226	71.655.686	216.857
11	Salaries and other personnel benefits	781.538	731.030	-	731.030
12	Other payables to employees	473.477	510.282	299.822	210.460
	<b>Total other debts (excluding bank credits)</b>	<b>514.416.959</b>	<b>592.854.349</b>	<b>530.438.773</b>	<b>62.415.576</b>

From the date of insolvency, *the Company* has paid in whole the current withholding debts and partly those payable by the employer, remaining unpaid amounts from VAT, CAS employer, CASS employer.

The total current debt of 62.415.576 lei, including the obligation for December 2014 with maturity on 01.25.2014, in amount of 2.005.515 lei, of which *the Company* has paid in whole in January 2015 the withholding debts and partly the budgetary obligations owed by the employer. Of the total current debt, the largest share is hold by the VAT payable for the period 06.12.2011-31.12.2014.

Also, included in the total current debt is the debt for deferred tax amounting 21.406.091 lei.

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

We note that *the Company*, after performing payment to the single account, sent several addresses to the Public Finance Administration for Medium Taxpayers, by which requested settlement of payments made after the opening of insolvency proceedings, in accordance with the detailing made in those addresses.

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

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

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**7. Debts (continued)**

The Company requested from the National Agency for Fiscal Administration (ANAF) a copy of the Minutes of the handover of the receivables in order to reconcile the budgetary obligations owed to the two institutions, while the payments made by the Company after the date of insolvency, have not been operated on the payment sheet as requested by the Company, but the response was that the document requested is an internal act that concerns only the only two institutions.

**Loans (financing) granted by the shareholder INET AG Switzerland**

The loans from the majority shareholder represent the amounts deposited by INET AG Switzerland under the privatization contract, according to which it has undertaken the obligation to provide the Company with the amounts needed for carrying out environmental investments (6,003,805 USD), investments for development (6,202,278 USD) and for the working capital (372,137 USD). Part of these amounts was granted as contribution to the registered capital during the period 2004 – 2006, as follows:

- 600.000 USD – in cash (1.860.296 lei), to carry out environmental investments;
- 1.923.182 USD – in cash and by conversion of debts (5.687.452 lei) to carry out investments for development;
- 372.123 USD – in cash (1.170.933 lei), for the working capital.

The majority shareholder INET AG has no longer granted loans to the Company after entry into insolvency and the last amount granted as a loan was in November 2011, its value being of 30.000 USD.

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

**Table No. 18 – Summary statement of the loans granted by the majority shareholder INET AG on 31.12.2014**

No.	Explanations (currency)	Value of loans (currency unit)	Exchange rate on 06.12.2011 - date of insolvency (lei / currency unit)	Value of loans on 31.12.2014 (lei)
1.	USD	13.452.297	3.2486	43.701.132
2.	CHF	7.299.983	3.5166	25.671.120
3.	EUR	7.657.200	4.3534	33.334.855
	<b>TOTAL (1+2+3)</b>			<b>102.707.107</b>

On 31.12.2014, the total interest calculated and recorded, related to loans granted by the majority shareholder is of 23.585.298 lei. Both the loans and interests are revalued at the exchange rate on 06.12.2011, the date of insolvency of the Company and entered in the Preliminary Table of Receivables.

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

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

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**7. Debts (continued)**

- Were exempted from payment the budgetary obligations outstanding at 31.12.2003, amounting to 54.018.544 lei (VAT, profit tax, social security contributions payable by the employer and special taxes) and the interests and penalties related to these obligations, in amount of 114.160.603 lei.
- Were staggered for payment in 5 years, with a grace period of 6 months, the budgetary obligations outstanding at 31.12.2003, amounting to 11.481.825 lei (wedge tax, tax on income from wages, contribution to health insurance and other obligations owed by the employer).

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

- There have been exempted from payment the interests and penalties related to FNUASS obligations calculated until the date of the Protocol (14.11.2003) by which AVAS took over the budget receivables from the National Health Insurance Fund (CNAS), in total amount of 9.537.055 lei representing the contribution to health insurance (employer and employees).
- Were staggered for payment in 5 years, with a grace period of 6 months the outstanding obligations to FNUASS, representing outstanding contributions to social health insurance (employer and employees) at 30.06.2003, amounting to 8.449.102 lei.

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

**Table No. 19 - Debt outstanding at 31.12.2014 staggered in accordance with the Common Orders of MFP-ANAF and AVAS**

- Lei -

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

We note that although the Company was unable to pay, in full, the current debts to the consolidated state budget, in accordance with the requirements imposed by the two Common Orders (MFP-ANAF and AVAS), however, the staggered payments provided by them was performed, observing exactly the graphics, both in terms of the amounts paid and the payment terms.

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

The Company paid up to the date the insolvency proceedings, namely 06.12.2011, the amounts staggered by the Common Order issued by AVAS, at the deadlines in the graph, so on 31.12.2013 the debt resulting from the amounts is of 673.419 lei of which 625.854 lei represents the debit and 47.656 lei represents the related increases, amount with which AVAS entered in the Preliminary Table of Creditors.

Although, according to art. 4 of the Common Order 6/2006, for the loss of facilities granted ANAF must calculate appurtenances for tax liabilities (interest and penalties) from the date of the loss of facilities,



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## 7. Debts (continued)

namely on 20.12.2009, it was found that in the Table of Creditors, ANAF entered with the appurtenances calculated from the date of *Company*'s privatization.

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

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

### 7.4 Debts related to leasing contracts

On 31.12.2014 *the Company* no longer has signed leasing contracts.

In February 2012 the Romanian Commercial Bank proceeded to execution of the letters of performance bond guarantees issued in favor of BCR Leasing IFN SA., the amount carried out being of **119,925 EUR**.

## 8. Provisions

The situation regarding the provisions made and their evolution towards 31.12.2012 is presented in Table no. 21 below.

**Table No. 21 - Evolution of provisions in the accounting year 2014**

- Lei -					
No.	Explanations	31.12.2013	Increase	Reduction	31.12.2014
1	Provisions for litigation	10.892.144	178.310	49.468	11.020.986
2	Provisions for costs within the guaranty period	323.880	1.072.940	0	1.396.820
3	Provisions for risk of debts payment to the state budget	259.803.195	10.086.205	61.999.510	207.889.890
4	Provisions for costs required to dismantling of tangible assets	20.173.448	25.108.004	20.173.448	25.108.005
5	Provisions for risk s and expenses (suppliers)	4.002.186	1.085	762.869	3.240.401
6	Provisions for employee retirement benefits	617.160	1.046.214	617.160	1.046.214
	<b>TOTAL (1+2+3+4+5+6)</b>	<b>295.811.629</b>	<b>37.492.758</b>	<b>83.602.071</b>	<b>249.702.316</b>

Given the estimates related to certain lawsuits in which *the Company* is the defendant, and *the Company's* management considered that these actions will have a significant effect on the economic results and financial position of *the Company*, were established provisions for risks and expenses.

As for the performance guarantees retained on invoice, due and unpaid, is established a provision, the *Company* considered that it is prudent to record a provision also for the guaranties deposited in the bank accounts opened for the customer. Also, on 31.12.2014 there was registered a provision for post delivery guarantees in the amount of 887.360 lei, representing the equivalent of 198.978,53 EUR for the project Motz, the beneficiary being Endel-Cofely GDF Suez.

According to Article 41, paragraph 4 of the Law 85/2006, until the date of confirmation of the reorganization plan, no penalty will be added for debts arising after the date of opening of insolvency proceedings, but *the Company* by virtue of precautionary principle, decided to record appurtenances for current debts due to the local budget and the state budget in the accounting year it owes.

The increase in amount of 10.086.205 lei of provisions for risk of debts payment to the state budget is due to reconsideration on how to register the appurtenances for current debts, made at the suggestion of the auditor. Thus, *the Company* decided that it prudent to record a provision for the appurtenances related to

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current debits, since the obligation for registration of appurtenances for unpaid debts is made only on the basis of a tax decision issued by the tax authority.

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

Since, at that moment it was considered that these facilities will be observed entirely, all the conditions imposed by the two Common Orders, the obligations (debts and appurtenances) exempted by their provisions were removed from the accounts of debts in correlation with the operating revenues, their records being kept only in the off-balance sheet accounts.

As in October 2013 was issued the Emergency Ordinance 97/2013 concerning takeover by AAAS of the budget debts administered by ANAF, *the Company* decided recognition of obligations exempted by the Common Order 6/2004 as a liability in the statement of the financial position, amounts outlined previously in the balance sheet accounts and, consequently, cancellation of the provision made for them.

Under the circumstances where *the Company* repeatedly called for reducing of the debt enrolled by ANAF in the Preliminary Table of Debts, this amount including also the appurtenances calculated incorrectly, and because the Preliminary Table is not definitive, *the Company* considered that it is prudent to partly reflected in the accounting system these debits and appurtenances outlined previously in the balance sheet and, consequently, partial cancellation of the provision made for them.

According to the amounts recorded in tax certificates issued by ANAF during 2014, we found that the amounts making the object of the Emergency Ordinance 97/2013 were transferred from ANAF to AAAS.

At the request of *the Company* to find out which are the amounts making the object of the delivery and receiving protocol between the two institutions, also their breakdown by type of budgetary obligations and related appurtenances, the answer received from NAFA was that "the requested protocol is an internal document that covers only the two institutions."

Following this response, but also because *the Company* has not received a response to the addresses in which requested reduction of the amounts addresses that ANAF enrolled itself to the Preliminary Table, it was decided to register as a liability in the financial statements, the amount of 61,999,510 lei, representing the appurtenances of the facility granted by the Joint Order 6/2006, recorded in the off-balance sheet and, concomitantly, to cancel the provision established.

Since several letters of guarantee have expired in 2014, letters of guarantee for which the Company has established provisions in earlier years, their corresponding provision in amount of 691.215,05 lei was renewed.

From the total of the letters of guarantee that BCR enrolled itself in the preliminary Table of Debts, on 31.12.2014 remained in force two of them issued in favor of the customer Boving Fouress India, in total amount of 127.200 EUR obtaining their extension to 31.03.2015.

**9. Structure of shareholding and equity**

*The Company* was privatized in December 2003, the company INET AG Switzerland buying 51% of the parcel of shares held by APAPS. On 31.12.2014, the company INET AG owns 96,7890% of total shares.

The value of the registered capital on 31.12.2014 was of 10.993.390,40 lei, representing 109,933,904 shares. All shares are common and have the same voting rights, with a nominal value of 0.1 lei / share.

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

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**9. Structure of shareholding and equity (continued)**

**Table No. 22 – Structure of shareholding on 31.12.2014**

No.	Explanations	Number of shares -pcs.-	Percentage in the registered capital -%-
1.	INET AG, Switzerland	106.403.900	96.7890
2.	Association of UCMR employees	662.638	0.6028
3.	Other shareholders – legal persons	1.970.829	1.7927
4.	Other shareholders – natural persons	896.537	0.8155
	<b>TOTAL</b>	<b>109.933.904</b>	<b>100.0000</b>

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

The adjustment, from the application of IAS 29, was performed on the reported result in the account 118 - "Retained earnings resulting from the adoption of IAS 29 for the first time.

On 31.12.2013 the Company had no bonds issued.

The Company is listed on the Stock Exchange Bucharest; the shares issued by it are nominative, dematerialized and are administered by S.C. Central Depository S.A. Bucharest. Following the opening of insolvency proceedings on 06.12.2011, the Company trading on the Stock Exchange was suspended.

**Table No. 23 – Structure of equity and evolution of results for the accounting years 2013 and 2014, also of major adjustments on retained earnings**

No.	Explanations	31.12.2013	31.12.2014
0.	1.	2.	3.
1.	Registered capital	601.685.084	601.685.084
<b>A</b>	<b>Total (1)</b>	<b>601.685.085</b>	<b>601.685.084</b>
2.	Revaluation reserves	124.782.228	99.089.802
3.	* Transfer of surplus from revaluation reserves	(25.692.426)	14.906.733
4.	* Reduction of revaluation reserves		(2.283.964)
5.	* Registration of revaluation reserves		98.045.910
<b>B</b>	<b>Total (2+3+4+5)</b>	<b>99.089.802</b>	<b>179.945.015</b>
6.	Legal reserves	1.804.926	1.915.011
7.	Increases in legal reserves from the result of current accounting year	110.082	32.054
<b>C</b>	<b>Total (6+7)</b>	<b>1.915.011</b>	<b>1.947.065</b>
8.	Earnings representing surplus from revaluation reserves	169.728.460	195.420.886
9.	* Transfer of surplus from revaluation reserves	25.692.426	14.906.733
<b>D</b>	<b>Total (8+9)</b>	<b>195.420.886</b>	<b>210.327.619</b>
10.	Other reserves	16.088.620	16.088.620
<b>E</b>	<b>Total (10)</b>	<b>16.088.620</b>	<b>16.088.620</b>

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11.	Loss carried forward	(1.304.369.704)	(1.403.880.065)
12.	* Transfer of accounting year result to retained earnings account	3.000.779	2.091.558
13.	* Registration of accounting errors from previous years to retained earnings account	(102.511.141)	(62.309.862)
	Restatement of IFRS, of which:		
14.	* Adjustment of provisions for employees' retirement benefits	-	-
15.	* Impact of deferred tax recognized on the retained earnings account	-	-
<b>F</b>	<b>Total (11+12+13+14+15)</b>	<b>(1.403.880.066)</b>	<b>(1.464.098.370)</b>
16.	Profit sharing	(157.936)	(110.082)
17.	* Account closure - profit sharing	157.936	110.082
18.	* Increases in legal reserves from the result of current accounting year	(110.082)	(32.054)
<b>G</b>	<b>Total (16+17+18)</b>	<b>(110.082)</b>	<b>(32.054)</b>
19.	Profit / (Losses)	3.158.715	2.201.640
20.	* Transfer of accounting year result to retained earnings account	(3.000.779)	(2.091.558)
21.	* Account closure - profit sharing	(157.936)	110.082
22.	* Net result of current accounting year	2.201.640	641.086
<b>H</b>	<b>Total (19+20+21+22)</b>	<b>2.201.640</b>	<b>641.086</b>
	<b>TOTAL (A+B+C+D+E+F+G+H)</b>	<b>(487.589.105)</b>	<b>(453.495.934)</b>

### 10. Revenues from current activity

The turnover for the year 2014 is of 31.525.387 lei, of which 90,70% lei on the domestic market and 9,30% on intra-Community and foreign market.

Regarding the structure of the turnover at 31 December 2014, the percentage of 89,56% represents revenues from production sold and the difference derives from the sale of goods.

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

**Table No. 24 – Structure of revenues from current activities**

- Lei -			
No.	Explanations	2013	2014
1.	Revenues from sold production	43.977.793	28.234.570
2.	Revenues from sale of goods	334.264	3.290.817
3.	<b>TOTAL TURNOVER ( 3=1+2 )</b>	<b>44.312.057</b>	<b>31.525.387</b>

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

- Lei -			
No.	Explanations	2013	2014
1.	Romania	42.482.715	28.594.877
2.	European Union	1.256.815	2.606.875
3.	Other European countries	572.527	260.036
4.	Africa	-	-
5.	Asia	-	63.599
6.	America	-	-
7.	<b>TOTAL (7 = 1+2...+6)</b>	<b>44.312.057</b>	<b>31.525.387</b>

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## 11. Expenses

The cost of sales for the years ended 31 December 2013 and 2014 is as follows:

	2013	2014
Raw material and materials	11.918.381	7.692.920
Goods	220.102	3.197.896
Facilities	5.651.465	3.944.665
Expenses with the personnel	31.023.026	23.679.815
External services	1.610.186	1.372.106
Value adjustments on fixed assets	16.722.195	15.385.936
Value adjustments on current assets	22.843.606	2.186.149
Expenses on provisions	(92.638.846)	(51.044.254)
Other expenses	195.583	83.383
Changes in stocks of finished goods and production in progress	14.690.817	(750.530)
<b>Total cost of sales</b>	<b>12.236.515</b>	<b>5.748.086</b>

The general administrative expenses for the years ended 31 December 2012 and 2013 are as follows:

	2013	2014
Raw material and materials	468.922	384.654
Facilities	713.472	492.761
Expenses with the personnel	7.705.714	5.646.287
External services	2.724.836	2.667.182
Value adjustments on fixed assets	13.728.421	8.354.176
Value adjustments on current assets	175.414	-
Other expenses	1.713.424	1.963.297
<b>Total general administrative expenses</b>	<b>27.230.203</b>	<b>19.508.357</b>

## 12. Current and deferred profit tax

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

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

On 31.12.2014, the Company recorded accounting profit in the amount of 641.086 and, according to the regulations in force regarding distribution of obligations that are performed according to Law no. 31/1990 with reference to trading companies, as amended and supplemented, the Company established legal reserves in amount of 32.054 lei and the difference of 609.032 lei will be intended to cover losses from previous years.

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

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



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**12. Current and deferred profit tax (continued)**

**Table No. 26 Deferred tax – detailed receivables and debts**

- Lei -

Centralization of deferred tax	Receivables	Debts
Deferred tax in 2010	9.199.054	5.451.663
Deferred tax in 2011	216.597.928	5.232.393
Deferred tax in 2012	(2.694.175)	4.208.882
Deferred tax in 2013	4.310.146	4.122.918
Deferred tax in 2014	1.756.322	2.390.235
<b>Total receivables and debts recorded on 31.12.2014</b>	<b>229.169.276</b>	<b>21.406.091</b>

**Table No. 27 Calculation of deferred tax 31.12.2014**

- Lei -

No.	Category / Explanations	Carrying amount	Tax base	Temporary deductible differences	Temporary taxable differences	Receivables	Debts
1	Adjustments for depreciation of stocks	2.914.296		2.914.296		466.287	-
2	Adjustments for depreciation of receivables	4.622.891		4.622.891		739.663	-
3	Adjustments for depreciation of tangible fixed assets	-		-		-	-
4	Adjustments for depreciation of financial assets	-		-		-	-
5	Provisions for decommissioning of tangible fixed assets	25.108.004		25.108.004		4.017.281	-
6	Provisions for performance bond guarantees	1.072.940		1.072.940		171.670	-
7	Provisions for risks - suppliers	1.183.272		1.183.272		189.324	-
8	Provisions for retirement benefits to employees	1.046.214		1.046.214		167.394	-
9	Differences between accounting depreciation and tax depreciation	18.535.462	3.596.496	14.938.966	14.938.966		2.390.235
10	Cancellation of provisions for retirement benefits to employees established on 31.12.2013	(617.160)		(617.160)		(98.746)	
11	Cancellation of provisions and adjustments on 31.12.2014	(24.353.444)		(24.353.444)		(3.896.551)	
	<b>TOTAL (1+2+3+4+5+6+7+8+9+10+11)</b>	<b>29.512.475</b>	<b>3.596.496</b>	<b>25.915.979</b>	<b>14.938.966</b>	<b>1.756.322</b>	<b>2.390.235</b>

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

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

On 31.12.2014, the Company had the structure of the personnel as shown in Table No. 28 below.

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**13. Information on employees, managers and directors (continued)**

**Table No. 28 – Structure of employees**

No.	Category	Number of employees		%
		31.12.2013	31.12.2014	
1.	Production personnel	1.112	1.006	75.64
2.	Administrative personnel	342	324	24.36
	<b>TOTAL</b>	<b>1.454</b>	<b>1.330</b>	<b>100.00</b>

The executive management of the Company during 2014 was composed of:

- Mr. Cosmin URSONIU – General Director
- Mrs. Liliana Nicoleta IONETE - Human Resources and Economic Director
- Mr. Daniel BANDRABUR - Contract Management and Commercial Director
- Mr. Stefan VERDET - Production Director

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

On 31.12.2014, *the Company* has no obligation of any kind (credits or future liabilities such as guarantees, etc.) incurred to former members of the administrative, management or supervisory departments.

The expenses with the wages made by *the Company* in the accounting year 2014 are shown in Table No. 29 below.

**Table No. 29 – Expenses with the wages in the accounting year 2014**

- Lei -

No.	Explanations	01.01-31.12.2014
1.	Expenses with the wages of personnel	22.185.193
2.	Expenses with vouchers for meals	1.117.372
3.	Contribution of the company to social security	4.637.354
4.	Contribution of the company for unemployment benefits	57.498
5.	Contribution of the company to health insurance	1.159.557
6.	Contribution of the employer to the trust fund	55.148
7.	Other expenses on insurance and social protection	113.980
	<b>TOTAL</b>	<b>29.326.102</b>

**14. Affiliated parties**

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

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

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**14. Affiliated parties (continued)**

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

No.	Explanations	Type of relationship (affiliation)	
		2013	2014
1.	INET AG, Switzerland	Majority shareholder	Majority shareholder
2.	S.C. MULTI-FARM Ltd., Resita	Subsidiary company	Subsidiary company
3.	S.C. UCM Turnate Ltd., Resita	Subsidiary company	Subsidiary company
4.	S.C. EuroMetal Ltd., Resita	Subsidiary company	Subsidiary company
5.	Romanian Commodities Exchange Bucharest	Affiliated entity	Affiliated entity

In April 2012, S.C. UCM Turnate Ltd. requested opening of the insolvency proceedings and to the preparation of these financial statements was declared the bankruptcy. Also, S.C. EUROMETAL Ltd. is in bankruptcy.

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

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

- Lei -			
No.	Explanations	2013	2014
	<b><i>Sales of goods and services</i></b>		
1.	Affiliated entities		
2.	Subsidiary companies	377.625	14.853
3.	Major shareholder	-	-
4.	Others	-	-
5.	<b>Total sales (1+2+3+4)</b>	<b>377.625</b>	<b>14.853</b>
	<b><i>Purchases of goods/services</i></b>		
6.	Subsidiary companies	872	-
7.	Affiliated entities	-	-
8.	Major shareholder	-	-
9.	<b>Total purchases (6+7+8)</b>	<b>872</b>	<b>-</b>

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

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

- Lei -			
No.	Explanations	31.12.2013	31.12.2014
1.	Subsidiary companies – trade receivables	115.575	214.031
2.	Affiliated entities	-	-
3.	Major shareholder	1.695.478	1.694.4095
4.	Others	-	-
5.	Advances to affiliated entities	-	-
	<b>Total trade receivables (1+2+3+4+5)</b>	<b>1.811.053</b>	<b>1.908.526</b>

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**14. Affiliated parties (continued)**

**Table No. 32 – Obligations (credit balances) to affiliated parties**

		- Lei -	
No.	Explanations	31.12.2013	31.12.2014
1.	Affiliated entities	-	-
2.	Subsidiary companies	1.291.071	4.698.735
3.	Major shareholder	1.292.481	1.292.481
4.	Advances received from the major shareholder	-	-
5.	Advances received from affiliated entities	-	-
	<b>Total obligations (1+2+3+4+5)</b>	<b>2.583.552</b>	<b>5.991.216</b>

The receivables and obligations to affiliated parties are revalued at the exchange rate on 31.12.2014.

**Table No. 34 - Associates - current accounts**

- Lei -		
Explanations	31.12.2013	31.12.2014
Major shareholder	102.707.107	102.707.107

Associates - current accounts represent the amounts awarded in the form of loan during the period 2006 - 2011 by the major shareholder INET AG.

**Table No. 35 – Loans received from the major shareholder**

Currency of the loan	Value of the loan in the currency granted	Exchange rate on 06.12.2011 - date of insolvency	Value of loan on 31.12.2013 in Lei, revalued on 06.12.2011
USD	13.452.297	3.2486	43.701.132
CHF	7.299.983	3.5166	25.671.120
EUR	7.657.200	4.3534	33.334.855
<b>TOTAL</b>			<b>102.707.107</b>

The value of loans from the major shareholder remained the same as at 31.12.2011, the amounts being revalued at the exchange rate at the date when the Company entered into insolvency, namely 06.12.2011.

**Table No. 36 – Loans granted to affiliated parties**

		- Lei -	
No.	Explanations	31.12.2013	31.12.2014
1	S.C. EUROMETAL Ltd.	2.698.768	2.698.768
2	Interests on loans granted	199.883	199.883
3	<b>TOTAL (3=1+2)</b>	<b>2.898.651</b>	<b>2.898.651</b>

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

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

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

**15.1 Commitments and guarantees**

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

According to the privatization contract, *the Company* had to make the following investments:

- *Environmental investments, in amount of 6.003.805 USD*

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

In 2004, investments were made totaling 100.000 USD, and in 2005-2007 have been paid in full, in advance, the sums required for environmental investments by the last year of investment (according to the timetable). The amounts paid in advance were given as a loan from the major shareholder.

- *Development investment, in amount of 6.202.278 USD*

These investments had to be made within 7 years after privatization.

In 2004, investments were made totaling 517.000 USD, in 2005 totaling 500.000 USD (issued otherwise than for cash to the registered capital) and in 2006 amounted to investments were made totaling 1,000,000 USD, according to the timetable (increase of the registered capital by conversion of debts and cash contributions).

In 2007, investments were made totaling 883.000 USD, according to the timetable, and have been paid in full, in advance, the sums required for development investments by the last year of investment.

In 2008, investments were made totaling 3.508.436 Lei (the equivalent of 1.238.000 USD).

- *Within 2004-2008, the Company made investments in environment and development totaling approximately 40.500.000 Lei (the equivalent of 15.238.000 USD), investments financed both by contribution from the major shareholder and by own sources.*

On 31.12.2012 all commitments in investment were accomplished.

**b) Commercial Commitments received**

*The Company* has contracts secured by Letters of Credit (receivable) totaling 227.965 EUR and 384.442 USD respectively, carried out by its customers through BCR, being taken over from the Anglo-Romanian Bank together with the entire portfolio of banking products.

**c) Guarantees granted to third parties**

On 31.12.2014 the Company had issued letters of guarantee in favor of the beneficiaries under the agreements concluded with BCR, amounting to 1.189.455 lei (1.282.516 lei on 31.12.2012) that can be executed (used) in the supply of products and inadequate provision of services, which are secured by mortgages on tangible fixed assets and assignment of claims.

**15.2 Contingent liabilities and litigation**

**a) Actions at the law court**



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

**STATUS OF LITIGATIONS PENDING AT THE LAW COURTS ON 31.12.2014**

**Table No. 37 - COMMERCIAL LITIGATION**

No.	PARTIES	U.C.M.R. S.A IN POSITION OF	NO. of FILE	LAW COURT	PROCESS STAGE	DELIVERED SENTENCE	AMOUNT / OTHER DATA
0	1	2	3	4	5	6	7
1.	S.C. DOMENILE NICOLA S.R.L.	Plaintiff	4887/290/2011	Courthouse of Resita	Judgment in civil matters no. 334/31.01.2013	Allows the application filed by SC U.C.M. Resita SA. The defendant company laid an appeal, rejected by the Civil Decision no. 435/11.06.2013 of the Law Court Caras-Severin. At present, the case is under BEJ Grimacovschi Justin for debt recovery, file no. 287/2013 for debt enforcement	19,617.15 LEI
2.	S.C. FOERCH S.R.L.	Debtor	4892/290/2011	Courthouse of Resita	Payment summons	Decision no. 1373 / 25.04.2013 notes obsolescence (for keeping the file in inactivity, the file is closed after 1 year)	7,596.46 LEI
3.	S.C. NEXTCITY S.A. (Former S.C. VELOCITY S.R.L.)	Plaintiff	3515/290/2012	1. Courthouse of Resita  2. Law Court of Caras- Severin County	Judgment in civil matters no. 929/14.03.2013  Judgment in civil matters no. 1340/07.10.2014	Notes that there is no jurisdiction to hear and refer the case to the Law Court of Caras- Severin County  Rejects the action filed by UCMR and forces the applicant to pay the defendant the amount of 10,810 lei. This sentence was appealed.	- 1,126,238.07 LEI claims - 351,386.61 LEI penalties
4.	S.C. LACOSIN S.R.L.	Creditor	4953/118/2009	Law Court of Constanta	Bankruptcy – Enrollment to the Table of Creditors	Time limit: 19.01.2015 (for further proceedings)	30,972.33 LEI
5.	S.C. HIDROELECTRICA S.A.	Creditor	22456/3/2012	Law Court of Bucharest	Judgment on the merits – insolvency Enrollment to the Table of Creditors	By Decision no. 6482/26.06.2013 was approved the final report of activity prepared by the Official Receiver and was ordered closure of proceedings for judicial reorganization	7,060,007.01 LEI Compared to the above amount, by the explanatory note filed in by UCMR to the court file, was called for to reduce the amount of this claim to the amount of 5,641,178.15 LEI, of which was charged the

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							amount of 902,163.98 LEI (delivery of goods) and partly from the amount of 4,739,014.17 LEI (performance bond guarantees, as the maturity thereof).
6.	S.C. GIA SECURITY S.R.L.	Creditor	1388/115/2012	Law Court of Caras-Severin County	By judgment in civil matters no. 682/JS on 11.10.2012 was ordered the bankruptcy	Time limit: 29.01.2015 (for further proceedings)	7,885.60 LEI
7.	S.C. Eurocar Impex S.R.L.	Plaintiff	File 324/2011	Bailiff - Nebunu Nicolae	Debt enforcement		1,663.36 LEI
8.	S.C. N.G. Vopsimpex S.R.L.	Plaintiff	791/290/2012	1. Courthouse of Resita 2. Law Court of Caras-Severin County	Judgment in civil matters no. 2128/27.09.2013 Civil Decision no. 53/25.02.2014	Rejects the action filed by UCMR  Rejects the appeal filled by UCMR, irrevocable	83,956.99 LEI
9.	Polytechnic University of Timisoara	Defendant	25/290/2012*	Courthouse of Resita	Judgment in civil matters no. 768/29.04.2014	Admits the exception of time limitation claimed ex officio by the court and observes obsolescence of the application made by UP Timisoara.	973.45 LEI
10.	S.C.TMD S.A. Filiasi	Plaintiff	3336/290/2012	Courthouse of Resita	Merits of the case-Claims	Judgment in civil matters dated 07.12.2012. Admits the action filed by UCMR	561.25 LEI
11.	S.C. METAL CAS GRUP S.R.L.	Plaintiff	24388/4/2012	1. Courthouse of Sector 4 Bucharest 2. Law Court of Bucharest	Judgment in civil matters no. 2698/13.03.2013 Civil Decision no. 696/12.02.2014	Rejects the action filed by UCMR  Rejects the appeal filled by UCMR as unfounded, irrevocable	Claims: 40,000.00 LEI Penalties: 2,000 LEI
12.	S.C. Eurostructur S.R.L.	Creditor	7102/30/2009	Law Court of Timis County	Judgment in civil matters no. 1229/15.05.2014	Closes the bankruptcy proceedings, irrevocable	Request for cancellation of fraudulent acts
13.	S.C. EUROMETAL S.R.L.	Creditor	2243/115/2010	Law Court of Caras-Severin County	Merits of the case-Bankruptcy	Time limit: 22.01.2015 (for further proceedings)	
14.	S.C. WINGS S.R.L.	Creditor	5794/30/2012	Law Court of Timis County	Judgment in civil matters no. 2652/20.11.2014	Closes the bankruptcy proceedings	4,000 LEI
15.	S.C. EXTENSIV COMPANY S.R.L.	Creditor	4181/115/2009	Law Court of Caras-Severin County	Insolvency proceedings	Time limit: 27.02.2014 (for further proceedings)	39,175 LEI
16.	S.C. CROSI GRUP S.R.L.	Creditor	4143/115/2011	Law Court of Caras-Severin County	Merits of the case - Insolvency proceedings	Time limit: 05.02.2015 (for further proceedings)	24,722.42 LEI
17.	S.C. CONPEX CONSTRUCT	Creditor	2253/115/2009	Law Court of Caras-Severin County	Merits of the case - Insolvency proceedings	Time limit: 15.01.2015 (for further proceedings)	98,914.84 LEI

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18.	S.C. MUROETAL (Former SC SAERO SRL)	Creditor	9505/30/2013	Law Court of Timis County	Merits of the case - Insolvency proceedings	The application for enrollment in the table of creditors was rejected, as the invoice in question is prescribed	25,183.28 LEI
19.	S.C. ASTRAL IMPEX S.R.L.	Creditor	6607/108/2010*	Law Court of Arad County	Merits of the case – Bankruptcy proceedings	Time limit: 23.02.2015 (for further proceedings)	3,357.35 LEI
20.	S.C. HYDRO-ENGINEERING S.A.	Creditor	5911/115/2013	Law Court of Caras-Severin County	Merits of the case - Insolvency proceedings	Time limit: 29.01.2015	126,633.68 LEI
21.	S.C. LIBAROM AGRI S.R.L.	Creditor	29140/3/2012	Law Court of Bucharest	Merits of the case - Insolvency proceedings	Time limit: 16.01.2015 (for further proceedings)	1,289,570,079.97 LEI of which is entirely accepted the amount of 3,706,200.00 LEI and the remaining 1,285,863,880 LEI is accepted provisionally, subject to the resolution of the criminal case no. 6973/299/2011
22.	Baaklini Said Special Trustee of LIBAROM AGRI S.R.L.	Respondent in appeal	29140/3/2012/al	Law Court of Bucharest	Merits of the case – Contestation of Preliminary Table	Time limit: 18.02.2015	
23.	AAAS (former AVAS) S.C. DAC AIR S.A. BEJ NEMES DAN	Defendant-third party under garnishment	6267/290/2013	1. Courthouse of Resita  2. Courthouse of Sector 1 Bucharest	AAAS dispute on debt enforcement	Decision no. 483/14.03.2014 decline jurisdiction to hear the case for the Courthouse of Sector 1 Bucharest  Judgment in civil matters no. 12501/25.07.2014 – Rejects the appeal filled by UCMR	9,671,328 USD 5,203.68 LEI trial costs
24.	S.C. UCM ENERGY S.R.L.	Plaintiff	731/290/2014	Courthouse of Resita	Judgment in civil matters no. 1042/13.06.2014	Admits the action, final by not filling in the appeal; debt enforcement	35,631.99 LEI
25.	S.C. WMC STAHLBAU S.R.L.	Plaintiff	1342/115//2014	Law Court of Caras-Severin County	Judgment in civil matters no. 1407/28.10.2014	Rejects the objection of inadmissibility, admits the action as specified, in the sense of finding the termination, dispossession, order to pay the amount of 38,745.90 lei as rent (the	222,054.90 LEI claims 67,750.96 LEI penalties for delay

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						difference was paid) and the amount of 131,518.31 lei as penalty	
26.	Sindicatul Resita 1771 UCMR	Respondent in appeal	31347/3/2013  31347/3/2013*	1. Law Court of Bucharest  2. Court of Appeal Bucharest  3. Law Court of Bucharest	Judgment in civil matters no. 4311/18.04.2014  Civil Decision no. 1771/14.10.2014	Admits the exception of time limitation. Rejects the contestation. Admits de appeal, repeals and sends to re-trial  Time limit: 13.01.2015	Contestation to the Preliminary Table of UCMR – 95,050 LEI
27.	Sindicatul Liber Independent	Respondent in appeal	31349/3/2013	1. Law Court of Bucharest  2. Court of Appeal Bucharest	Judgment in civil matters no. 4312/18.04.2014  Civil Decision no. 1885/11.11.2014	Admits the exception of time limitation. Rejects the contestation. Admits de appeal, repeals and sends to re-trial	Contestation to the Preliminary Table of UCMR – 46.356 LEI
28.	S.C. UCM TURNATE SRL	Creditor	1888/115/2012	Law Court of Caras-Severin County	Merits of the case - Bankruptcy proceedings – request for admission of debt to additional table	Time limit: 29.01.2015	102.166,13 LEI - debt recovered
29.	CNTEE Transelectrica/ U.C.M. Energy SRL/ BEJ Jurchescu Cristian	Objector – third party seized of CNTEE for claim of UCM Energy	11507/325/2014	1. Courthouse of Timisoara	Judgment in civil matters no. 15795/30.10.2014	Rejects the lack of Locus Standi, rejects contestation of UCMR.	590.484,40 lei debit difference, costs, executor fees
30.	BCR	Debtor	7099/3/2014	Law Court of Bucharest	Judgment in civil matters no. 7217/16.09.2014	Rejects contestation of BCR to the Report of Official Receiver	43.035,36 lei costs
31.	Mardare Gheorghe SC TOTAL SERVICE SRL	Defendant	2259/121/2014	1. Law Court of Galati  2. Courthouse of Resita	Obligation to make Presidential Ordinance	Judgment in civil matters no 974/23.05.2014 – decline jurisdiction to hear the case for the Courthouse of Resita  Termination on 23.09.2014 suspends the proceedings based on Art. 36 of L.85/2006.	185,828.24 LEI without VAT
32.	S.C. OXYGAZ PLUS SRL (former UCM OXY GAZ)	Plaintiff	5160/290/2014	Courthouse of Resita	Time limit: 26.01.2015		
33.	S.C. OXYGAZ PLUS SRL (former UCM OXY GAZ)	creditor	2940/115/2014	Law Court of Caras-Severin County	Time limit: 12.03.2015		
34.	S.C. RESITA REDUCTOARE SI REGENERABILE	creditor	2391/115/2014	Law Court of Caras-Severin County	Time limit: 22.01.2015		

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35.	SA S.C. REFLEX IMPEX	creditor	2745/115/2014	Law Court of Caras-Severin County	Time limit: 19.02.2015		
36.	S.C. IMB MILOS SRL	Plaintiff	6502/290/2014	Courthouse of Resita	Time limit: 18.02.2015		
37.	S.C. ROMEX IMPORT-EXPORT SRL S.C. ELECTROTERMO- METRIA SRL	Debtor	75017/3/2011/ a1	1. Law Court of Bucharest	Judgment in civil matters no. 6058/17.06.2014	Admits the applications filled by creditors	
38.	S.C. RAND GROUP SRL	Debtor	75017/3/2011	Law Court of Bucharest	Time limit: 27.01.2015		Payment request Current debt 48,019.19 LEI

**Table 38 - Litigation advanced by the Official Receiver for cancellation of contracts**

No.	PARTIES	U.C.M.R. S.A IN POSITION OF	NO. of FILE	LAW COURT	PROCESS STAGE	DELIVERED SENTENCE	AMOUNT / OTHER DATA
1.	V.F. INSOLVENTĂ S.P.R.L./HYDRO- ENGINEERING S.A./BRD	Defendant	1475/3/2013	Law Court of Bucharest	Action in annulment of sale-purchase contract	Time limit: 29.01.2015	
2.	V.F. INSOLVENTĂ S.P.R.L/ AC MANAGEMENT S.R.L./AQUARIS CRIVAIA SRL/ KMOBIL SRL	Defendant	1471/3/2013	Law Court of Bucharest	Action in annulment of sale-purchase contract	Time limit: 27.01.2015	

**Table No. 39- CIVIL / CRIMINAL LITIGATION**

No.	PARTIES	U.C.M.R. S.A IN POSITION OF	NO. of FILE	LAW COURT	PROCESS STAGE	DELIVERED SENTENCE	AMOUNT / OTHER DATA
1.	Staicu Eugen	Plaintiff	File in execution no. 297/2012	Bailiff Nebunu Nicolae	Debt enforcement		1,453.30 LEI
2.	Staicu Eugen	Plaintiff	File in execution no. 444/2013	Bailiff Nebunu Nicolae	Debt enforcement		2,117.83 LEI
3.	Dumitru Costel	Plaintiff	File in execution no. 443/2013	Bailiff Nebunu Nicolae	Debt enforcement		1,437 LEI
4.	Adam Ioan- Vasile	Plaintiff	File in execution no. 422/2013	Bailiff Babeu Adrian	Debt enforcement		1,493 LEI
5.	Aldea Tudor	Plaintiff	File in execution no. 386/2013	Bailiff Babeu Adrian	Debt enforcement		2,025 LEI
6.	UDR Foundation	Plaintiff	1. 2163/290/2012  2. 13474/3/2013  3. 13474/3/2013	Courthouse of Resita  Law Court of Bucharest  High Court of Cassation and Justice	Merits of the case- Repeal of donation	Termination on: 12.03.2013 (Declined to the Law Court of Bucharest) Termination on: 11.06.2013 declares no jurisdiction to hear the case and submit the file to Î.C.C.J for resolution of negative	



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			4. 13474/3/2013	Courthouse of Resita		conflict of jurisdiction Decision no. 5036/ 05.11.2013	
				Law Court of Caras-Severin County	Establishes negative conflict of jurisdiction, decline to the Court of Appeal Timisoara,	establishes jurisdiction to hear the Courthouse of Resita	
				Court of Appeal Timisoara	establishes jurisdiction to hear the Courthouse of Resita	The Decision on 21.01.2014 accepts the exception for lack of material jurisdiction of the Courthouse Resita and decline the case to the Law Court of Caras-Severin County, going to establish a hearing	
				Courthouse of Resita	Judgment in civil matters no. 1877/18.11.2014		
			5.13474/3/2013*			Rejects the action of UCMR	
7.	I.S.C.T.R. – Territorial Inspectorate no. 6	Objector	2898/223/2012	Law Court of Valcea	Appeal of ISCTR. Infringement complaint	Reject the appeal of ISCTR, civil sentence on 08.04.2013	Civil penalty paid in 48 H and recovery in amount of 4,000 LEI
8.	I.S.C.T.R. – Territorial Inspectorate no. 8	Objector	2980/289/2012	Courthouse of Reghin	Judgment in civil matters on 12.02.2013	Rejects the infringement complaint of UCMR	Civil penalty: 4,000 LEI
9.	SIMUȚ Melania Aurora	Plaintiff	7328/115/2012* - cassation	1. Law Court of Caras-Severin County 2. Court of Appeal Timisoara	Judgment in civil matters no. 915/06.08.2014 Civil Decision no. 811/15/10/2014	Rejects the action Admits the appeal, repeals and sends to re-trial Time limit: 28.01.2015	Law no. 10/2001
10.	Moldovan Mihai	Plaintiff	File in execution no. 360/2013	Bailiff Babeu Adrian	Debt enforcement		2,367 LEI
11.	Moșoarcă Nicoleta-Maria	Plaintiff	File in execution no. 427/2012	Bailiff Nebunu Nicolae	Debt enforcement		1,350 LEI – amount recovered 1,127.54 LEI
12.	CNADNR Bucharest	Defendant	11550/1748/11	Law Court of Ilfov	Appeal of UCMR-Infringement complaint	Civil Sentence no. 684/14.05.2013 accepts the appeal of UCMR	Civil penalty: 250 LEI, case closed, we are not obliged to pay fine
13.	a) Trade Union Confederations of Romania b) National Trade Union Confederation "Cartel Alfa" c) Democratic Trade Union Confederation of Romania d) Confederation of National Trade Union Bloc	Defendant	3985/100/2011	C). Law Court of Maramures CI). Court of Appeal Cluj CII). High Court of Cassation and Justice CIII). Court of Appeal Cluj	Judgment in civil matters no. 2043/12.12.2012. Civil Decision no. 117/11.10.2013 Decision on. 22.05.2014 Civil Decision no. 890/03/10/2014	Rejects the action of defendants. Cancels the appeal of the defendant as unpaid Admits the appeal of CBNS, repeals and sends to re-trial at the Court of Appeal Cluj Admits the exception of time limitation invoked by UCMR. Rejects as tardy the appeal of the plaintiff CBNS	Vindication on the House of Culture in Resita
14.	ORBAN IULIU FLORINEL	Plaintiff claiming damages	15819/62/2010	Law Court of Brasov	Judgment in criminal case no.	Allows the criminal complaint regarding	Order the defendant to

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					22/S/31.01.12, under debt enforcement	the offense of cheating	pay the amount of 94,459.44LEI
15.	TĂNASE ION CORNELIU	Plaintiff claiming damages	3156-P/2012 Criminal complaint	Prosecutor's office under the Courthouse of Resita	Criminal investigation		127,767.66 LEI
16.	MOLDOVAN MIHAI	Plaintiff	3441/290/2013	Courthouse of Resita	Judgment in criminal case no. 2596/18.10.2013	Allows the application of UCMR	1,759 LEI
17.	ALDEA TUDOR	Plaintiff	3483/290/2013	Courthouse of Resita	Judgment in civil matters no. 2588/18.10.2013	Allows the application of UCMR	690.00 LEI
18.	ADAM IOAN VASILE	Plaintiff	3484/290/2013	Courthouse of Resita	Judgment in civil matters no. 3471/04.10.2013	Allows the application of UCMR	306.00 LEI
19.	DUMITRU COSTEL TIMOTEI	Plaintiff	3710/290/2013	Courthouse of Resita	Judgment in civil matters no. 600/31.03.2014	Allows the application of UCMR	521.00 LEI
20.	ALB SIMION	Plaintiff	5636/290/2013	Courthouse of Resita	Judgment in civil matters on 15.01.2013	Allows the application of UCMR	1,326 LEI – amount recovered
21.	MARTIN MIREL	Plaintiff	5637/290/2013	Courthouse of Resita	Judgment in civil matters no. 84/16.01.2014	Notes waiver of judgment by paying the debit	1,765 LEI – amount recovered
22.	DUMA GHEORGHE ALEXANDRU	Plaintiff	1243/290/2014	Courthouse of Resita	Judgment in civil matters no. 1564/09.05.2014	Allows the application of UCMR	779 lei
23.	FEHER GHEORGHE	Plaintiff	1954/290/2014	Courthouse of Resita	Judgment in civil matters no. 2007/04.06.2014	Notes waiver of trial by paying off the debit	773 LEI – amount recovered
24.	DERBAC PETRU	Plaintiff	1955/290/2014	Courthouse of Resita	Civil Decision no. 2635/10.07.2014	Allows the application of UCMR	706 LEI – amount recovered
25.	FLOAREA SORIN PAUL	Plaintiff	5262/290/2014	Courthouse of Resita	Judgment in civil matters no. 23/08.01.2015	Notes waiver of trial by paying off the debit	Termination of contract, dispossessio n 1,584 LEI – amount recovered 3.683,86 lei
26.	IORDACHE I. IONEL LACATUS I. SIMION IACOB ROMAN, etc.	Plaintiff claiming damages - theft	501/290/2014	Courthouse of Resita	Time limit: 22.01.2015		
27.	MONORANU MARINELA	Plaintiff	1953/290/2014	Courthouse of Resita	Judgment in civil matters no. 2634/10.07.2014	Allows the application of UCMR	2,122 lei
28.	MONORANU MARINELA	Plaintiff	5071/290/2014	Courthouse of Resita	Time limit: 21.01.2015		Termination of contract, dispossessio n and 1,099 LEI claims
29.	HALMACI MITICA CIPRIAN	Plaintiff	5506/290/2014	Courthouse of Resita	Time limit: 07.01.2015		Termination of contract, dispossessio n and 1,415 LEI claims

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

**Table No. 40 - LABOR LITIGATION**

No.	PARTIES	U.C.M.R. S.A IN POSITION OF	NO. of FILE	LAW COURT	PROCESS STAGE	DELIVERED SENTENCE	AMOUNT / OTHER DATA
1.	ȘTEFĂNUȚ FLORINA	Defendant	4097/115/2013	Law Court of Caras- Severin County	Judgment in civil matters no. 28/24.01.2014	Rejects the application filed by the defendant Final, not appealed	II working class
2.	BĂLĂNESCU GRIGORE	Defendant	3940/115/2013	Law Court of Caras- Severin County	Judgment in civil matters no.27/24.01.2014	Rejects the application filed by the defendant Final, not appealed	II working class
3.	LENGYEL IULICA	Defendant	4100/115/2013	Law Court of Caras- Severin County	Judgment in civil matters on 24.01.2014	Rejects the application filed by the defendant	II working class
4.	CONSTANTIN LIDIA	Defendant	4101/115/2013	Law Court of Caras- Severin County	Judgment in civil matters on 24.01.2014	Partially upheld the defendants action, we appealed	II working class
5.	TOVLADIȚ JIVOMIR	Defendant	3939/115/2013	1. Law Court of Caras- Severin County 2. Court of Appeal Timisoara	Judgment in civil matters nr.3814/10.12.2013 Civil Decision no. 243/A/27.03.2014	Partially admits the application filed by the defendant. Admits the appeal of UCMR	II working class
6.	MUNTEANU ILIE	Defendant	4098/115/2013	1. Law Court of Caras- Severin County 2. Court of Appeal Timisoara	Judgment in civil matters no. 3813/10.12.2013 Civil Decision no. 413/A/08.05.2014	Partially admits the application filed by the defendant. Admits the appeal of UCMR	II working class
7.	ȚEICU IOAN	Defendant	5880/115/2013	1. Law Court of Caras- Severin County 2. Court of Appeal Timisoara	Judgment in civil matters no. 300/04.04.2014 Civil Decision no. 684/18.08.2014	Partially admits the application filed by the defendant. Admits the appeal of UCMR Rejects the action	II working class
8.	ANDREI DUMITRU	Defendant	2784/115/2013	1. Law Court of Caras- Severin County 2. Court of Appeal Timisoara	Judgment in civil matters nr.3429/29.10.2013 Civil Decision no. 154/11.03.2014	Partially admits the application filed by the defendant. Admits the appeal of UCMR Rejects the action	II working class
9.	MILITARIU OVIDIU ILIE	Defendant	9152/115/2012	1. Law Court of Caras- Severin County 2. Court of Appeal Timisoara	Judgment in civil matters no. 3608/26.11.2013 Civil Decision no. 53/26.02.2014	Partially admits the application filed by the defendants. Admits the appeal of UCMR Rejects the action	I working class
10.	JARCU ADELA	Defendant	5367/115/2013 Litigation on dismissal decision	Law Court of Caras- Severin County	Judgment in civil matters no. 275/25.03.2014	Rejects the application filed by the defendant Final, not appealed	Indexed, increased and updated wages (approx. 45,000 LEI) + trial costs
11.	NITU MILCA	Defendant	451/115/2014	1. Law Court of Caras- Severin	Judgment in civil matters no. 843/23.06.2014	Admits the application filed by the defendant.	I working class

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				County 2. Court of Appeal Timisoara	Civil Decision no. 1053/11.11.2014	Admits the appeal of UCMR Rejects the action	
12.	BORCA ION	Defendant	1356/115/2014	Law Court of Caras- Severin County	Suspends the proceedings base on Art. 36 of Law no. 85/2006	Termination on 09.12.2014	100,000 LEI Cash compensation
13.	BORCA ION	Defendant	1357/115/2014 Litigation on dismissal decision	Law Court of Caras- Severin County	Judgment in civil matters no. 882/16.07.2014	Rejects the application filed by the defendant Final, not appealed	Indexed, increased and updated wages + trial costs + 20,000 LEI Revenues from technical assistance

We mention that on the role of the courts there are for settlement cases in which *the Company* acts as debtor or creditor, but under art. 36 of Law no. 85/2006 on insolvency proceedings they are suspended from resolution.

#### b) Taxation and Transfer Pricing

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

The accounting years remain open for inspection for five years.

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

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

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

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

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

#### c) Environmental contingencies and other contingencies

According to the privatization contract, *the Company* had to perform environmental investments in amount of 6.003.805 USD over the next five years from the date of privatization, also development investments in amount of 6.202.278 USD over the next seven years from the date of privatization.

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

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

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

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

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

- ABC Platform: environmental authorization no. 166/12.10.2011 reviewed on 15. 07.2013, valid until 12.10.2021 and the water management authorization no. 272/11.07.2014, valid until 11.07.2017.
- Călnicel Platform: environmental authorization no. 239/05.10.2009, valid until 05.10.2019 and the water management authorization no. 65/ 19.03.2013, valid until 19.03.2016.
- Mociur Platform: environmental authorization no. 17/31.01.2012 reviewed on 18.06.2012, valid until 31.01.2022 and the water management authorization no. 273/11.07.2014, valid until 11.07.2017.

In order to control the activities generating emissions of gases with greenhouse effect, *the Company* holds the authorization EGES no. 3/26.11.2012 for the industrial platform ABC and the authorization EGES no. 4/26.11.2012 for the industrial platform Călnicel, issued for the period 2013-2020.

For the period 2013 - 2020, there was an initial allocation of certificates from the Ministry of Environment and Climate Changes, for which the basis of calculation was the work carried out by *the Company* in the period before 2013.

The initial allocation was followed by adjusted allocations, commensurate with the work carried out every year so far, in the interval. Waiver of centralized heating system in recent years and giving up operation of heating plants located on the industrial platforms ABC and Călnicel ABC, also lowering of production activity led to lower gas consumption and thus to lower amounts of emissions of gases with greenhouse effect. Thus, application of adjustments to the number of certificates initially allocated by the Ministry of Environment was required.

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

**Table 41 – Situation of certificate allocation for the period 2013-2020**

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

In March 2014, the Ministry of Environment, Waters and Forests confirmed that *the Company* has a surplus of 3927 certificates for the activity of the year 2013, certificates that can be traded. This fact results from the balance sheet below:

Installations / sub-installations		No. of certificates - Initial allocation for 2013	No. of certificates - Allocation adjusted by MMSC for 2013	No. of certificates delivered to MMSC acc. to activity in 2013	No. of certificates remained for trading
PI ABC	S1 – Heating station	5139	2570	365	2205
	S2 – TT	3104	1552	846	706
PI Călnicel	S1 – Heating station	2280	570	70	500
	S2 – TT	1383	1383	867	516



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

Notations:

S1 - sub-installation with gas consumption for heating;

S2 - sub-installation with gas consumption for heat treatment of pieces.

MMSC - Ministry of Environment and Climate Changes

The data calculated for the balance sheet of the activities generating emissions of gases with greenhouse effect for the year 2014 will receive confirmation from the Ministry of Environment in March 2015.

**16. Management of risk**

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

**(iv) Currency risk**

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

In recent years, the national currency (LEU) suffered devaluation against the EUR and the exchange rate LEU/EUR was of 4.4821 on 30.12.2014 compared with to 4.4847 on 30.12.2013. Therefore, there is a moderate risk of depreciation of net monetary asset value expressed in domestic currency, the foreign exchange market in Romania regarding conversion of domestic currency in other currencies being organized by the rules and common practices strengthened in the last years and the role of BNR in this regard is very important.

Currently, there is no market from abroad to perform conversion of the domestic currency into other currencies. In this respect, in order to repay the credits opened in foreign currency and to manage the risks, *the Company's* management is concerned to maintain and, if possible, to increase the weight of products / services rendered to foreign customers.

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

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

Along the development of its activity, *the Company* is exposed to credit risk from trade receivables. *The Company's* management permanently monitors the degree of exposure to such risks, in order to keep it to a level as low as possible.

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

Romanian economy is still in transition, the recession and global crisis affecting it significantly, even if there is some safety about the future development of policy and economic development through accession of Romania to the European Union.

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

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

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**16. Management of risk (continued)**

The economic recession and the crisis of the financial markets, beginning with 2007, has negatively affected the global economy and performance, including the financial markets, banking centers and consumer markets (industrial) in Romania, leading to an increased uncertainty about future economic development. The current crisis of liquidity and crediting that began in mid-2008 led, among other things, to low and difficult access to capital market funding, lower liquidity levels in the Romanian banking sector, high interest rates on bank loans, including to an increase in inflation and adjustment of product prices.

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

Identification and evaluation of business opportunities, including the development (capital investment), influenced by the current state of economic recession (crisis), analysis of compliance with the crediting

contracts and other contractual obligation, evaluation of significant uncertainties, including those related to the ability of *the Company* to continue to operate for a reasonable period of time, due to falling demand, all these are permanent tasks in attention of Company's management (*Official Receivers, Special Trustees, Directors*) for the purposes of identification, access and use of financial resources, respectively substantiation of possible future financial flows in order to support the principle of continuity.

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

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

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

On 06.12.2011, the Law Court of Bucharest, in the file no. 75017/3/2011, ordered opening of insolvency proceedings, leaving the management of *the Company* the right to manage the activity and to administrate the equity, rights held under the supervision of the Official Receiver appointed by the syndic judge - VF INSOLVENCY S.P.R.L.

By the Court Decision dated 29.05.2012 has been appointed as provisional official receiver the consortium of VF INSOLVENCY S.P.R.L. and EUROINSOL S.P.R.L.

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

**17. Business continuity**

***Events and conditions with significant impact on business continuity***

At the meeting of the Board of Administration 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.

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**17. Business continuity (continued)**

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

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

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

Given the prospects of development of current activities (operational) and tightening of the general conditions of credit, the Company was developed a financial restructuring program designed to assure

proper operation and compliance with the payment schedules negotiated or to be negotiated with the main categories of creditors.

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

- Contracts concluded and in progress (see Table No. 42 below);
- Strategic projects on the Romanian energy system or of other significant partners.

**Table No. 42 - Statement of contracts in progress over the years 2015, 2016 and 2017**

Type of contract	Currency	Value of contracts in progress (unit of currency)	Exchange rate on 31.12.2014 (lei / unit of currency)	Value with delivery in 2015	Value with delivery in 2016	Value with delivery in 2017
				(lei)	(lei)	(lei)
EXTERNAL	EUR	15.900.000	4,4821	14.790.930	32.719.330	23.755.130
INTERNAL	EUR	38.000.000	4,4821	30.030.070	64.990.450	75.299.280
<b>GRAND TOTAL</b>		<b>53.900.000</b>	<b>4,4821</b>	<b>44.821.000</b>	<b>97.709.780</b>	<b>99.054.410</b>

The main contracts in progress at 31.12.2014 are:

- Contract no. 162/1989, customer Hidroelectrica S.A. - SH Bistrita Piatra Neamt, power plant Pascani, ceased value 18.347.418 RON;
- Contract no. 165/1991 customer Hidroelectrica S.A. - SH Sibiu, power plant Căineni, ceased value 29.390.144 RON;
- Contract no. 275/2008, customer Romelectro Bucharest, power plant Bumbesti (final beneficiary Hidroelectrica), ceased value 21.644.538 RON;
- Contract no. 275/2008, customer Romelectro Bucharest (final beneficiary Hidroelectrica), power plant Dumitra, ceased value 1.961.365 RON;

In order to support business continuity, we mention that it is expected to conclude contracts that will be developed for a long period of time, as follows:

- On the domestic market, the power plant Stejarul, its value being of 12.500.000 EUR, contract which will be carried out within 2016-2020;
- On the external market, in Asia - Philippines, its value being of 12.000.000 EUR, contract which will be carried out within 2016-2018.

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**17. Business continuity (continued)**

**b) Other premises for the possibility to observe the principle of continuity**

In the current economic situation, *the Company* still has a strategic position, a tradition and a special technical potential that can be considered as basic premises in the development of production activities and services in future periods.

Thus, *UCMR*:

- Was created to support, almost entirely, the development of hydropower in Romania, being able to execute new and complex equipment and to repair or refurbish the equipment already in use.
- Has designed and built, till present, over 90% of the national hydropower system, putting into operation more than 7,500 MW installed capacity.
- Has specialists and an organizational system designed for commissioning and/or rendering of specialized services for the hydropower equipment in operation.
- Has the know-how and capability required for upgrading of equipment installed in the Romanian power plants, of which more than 80% have exceeded their lifetime and requires rehabilitation works.
- Has the know-how required for the refurbished equipment to optimize the operation of control systems, being able to put them back promptly in operation in the event of breakdown.
- Has the know-how required for the manufacture of spare parts necessary for proper operation of equipment, also the design and production capability for continuous upgrading of the solutions offered.
- Has the organizational system and the specialized personnel required to intervene and put to into operation immediately the equipments in case of unforeseen damage.
- By its unique character (strategic for Romanian economy), its own high-tech know-how, the strategic markets targeted, but also by the level of prices applied can maintain and develop the portfolio of customers.

**Important events influencing the continuity of *UCMR* activity:**

The Company Hidroelectrica SA reentered in insolvency, following the Decision of the Court of Appeal Bucharest dated 25.02.2014. This led to restrictions of the amounts allocated for the investment plan, as well as for repairs and rehabilitation, but also will reduce its ability to conclude new contracts, which will directly affect *the Company's* activity.

In exercising the rights conferred by the law, the Official Receiver - the Consortium EURO-INSOL SPRL and VF Insolvency SPRL, at the request of the Special Trustees, considered appropriate to convene the Committee of Creditors, on 28.08.2014, in order to approve sale of about 800 tons of ferrous and non-ferrous scrap from the industrial platform Mociur.

Since *the Company* no longer operates on this platform, and lately there were several break-ins in various places, also to avoid theft of such waste, the Committee of Creditors approved their capitalization and the use of 50% from the amount received to pay debts to the local budget and the remaining 50% to purchase components required to complete the rehabilitation of several machine-tools needed in the production process.

**18. Subsequent events**

As a result of the final judgments, a new category of claims was born at *the Company's* Table of Creditors, namely, the category of wage receivables, according to Article 123, paragraph 2 of the Law 85/2006, as follows:

1. The amount of 95,050 lei representing wage receivable claimed by the Syndicate 1771 UCM Resita S.A., according to the Civil Sentence no. 326/13.01.2015, issued by the Law Court Bucharest in the case no. 31347/3/2013;
2. The amount of 46,356 lei representing wage receivable claimed by the Independent Free Union SC UCM Resita SA, Trade Union Federation "Metal" of Industry Workers, according to the Civil Sentence no. 1343/10.02.2015, issued by the Law Court Bucharest in the case no. 31349/3/2013.

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**18. Subsequent events (continued)**

During the meeting held on 06.02.2015, the Committee of Creditors approved extension of the validity of the Guarantee Agreement, credit contract No. 165/21.07.2001, closed between BCR and UCM Resita until 30.06.2015.

The Minutes of the Committee of Creditors, no. 2947/02.03.2015, ordered designation of the evaluator DARIAN DRS SA, member of ANEVAR in order to determine the value of guarantees under Article 41, paragraph 2 of Law 85/2006.

Following the reorganization of the activity and an assessment of the personnel needed, temporary suspension without termination of employment within the period January-May 2015 was ordered for the personnel of the *Company* from the working sectors where there is no full load.

Special Trustee  
**Cosmin URSONIU**



Special Trustee  
**Nicoleta Liliana IONETE**