S.C. U.C.M. Resita S.A.

(Company in insolvency, en procedure collective)

Interim Separate Financial Statements

prepared in accordance with the

Order of the Minister of Finance no. 1286/2012

on September 30, 2016

Contents

Report of Special Trustees on September 30, 2016

The accounting reports for the third quarter of 2016 have been prepared in accordance with OMF 1286/2012, relating to approval of accounting regulations compliant with the European Directives.

A. Statement of assets, liabilities and equity

The statement of assets, liabilities and equity on 30.09.2016 is as follows:

Lei

No.	*Balance sheet items*	*30.09.2016*
1	Fixed assets	183.302.590
2	Current assets	80.165.842
3	Prepayments	532.655
	TOTAL ASSETS	**264.001.087**
4	Liabilities	688.398.412
5	Revenues in advance	1.532.872
6	Provisions	242.705.042
7	Equity	(668.635.239)
	TOTAL LIABILITIES	**264.001.087**

The company's assets recorded the following changes compared to the existing values in early 2016:

Lei

No.	*Designation of items*	*01.01.2016*	*30.09.2016*	*Differences*
0	*1*	*2*	*3*	*4=3-2*
1	Fixed assets	186.478.200	183.302.590	(3.175.610)
2	Current assets	80.741.337	80.165.842	(575.495)
3	Prepayments	40.870	532.655	491.785
	TOTAL ASSETS	**267.260.407**	**264.001.087**	**(3.259.320)**

As it can be seen from the table above, on 30.09.2016 the total assets recorded a decrease of 1.22% compared to early, due mainly to the decrease of fixed assets with 1.70%.

Developments in current assets at the end of the third quarter 2016 compared to the beginning of the year are shown in the table below:

Lei

No.	*Designation of items*	*01.01.2016*	*30.09.2016*	*Differences*
0	*1*	*2*	*3*	*4=3-2*
1	Stocks, of which:	24.551.126	23.457.730	(1.093.396)
1.a	- raw material, materials	4.875.895	6.510.010	1.634.115
1.b	- fixed assets held for sale	-	-	-
1.c	- production in progress	16.442.937	13.673.354	(2.769.583)
1.d	- finished products and goods	2.592.974	2.618.118	25.144
1.e	- down payments	639.320	656.248	16.928
2	Other current assets, of which:	56.190.211	56.708.112	517.901
2.a	- receivables	49.791.352	53.776.919	3.985.567
2.b	- short-term financial investments	1.132	1.141	9
2.c	- cash on hand	6.397.727	2.930.052	(3.467.675)

Although the stocks of raw materials and consumables registered an increase of 33.51%, the total stocks decreased by 4.45%, mainly due to the decrease of the stock of products in progress with 16.84% by renewal of the projects for Bumbesti and Dumitra hydropower plants.

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

Lei

No	*Designation of items*	*01.01.2016*	*30.09.2016*	*Differences*
0	*1*	*2*	*3*	*4=3-2*
1	Owner's equity	(658.973.718)	(668.635.239)	(9.661.521)
2	Debts	681.994.003	688.398.412	6.404.409
3	Revenues in advance	1.535.080	1.532.872	(2.208)
4	Provisions for risks and charges	242.705.042	242.705.042	-
	TOTAL LIABILITIES	**267.260.407**	**264.001.087**	**(3.259.320)**

B. Profit and loss account

The table below shows the evolution of the main indicators on 30.09.2016, calculated based on the account of profit and loss compared to the same period of the last year:

Lei

No	*Designation of items*		*30.09.2015*	*30.09.2016*
1	**Turnover (2+3-4)**		**23.603.105**	**37.702.895**
2	Production sold		23.637.425	37.719.430
3	Revenues from sale of goods		4.608	1.143
4	Trade discounts granted		38.928	17.678
5	Changes in stocks:	Credit balance	941.836	-
		Debit balance	-	3.885.853
6	Capitalized production		51.295	-
7	**Production of accounting year (1+/-5+6)**		**24.596.236**	**33.817.042**
8	Other operating revenues		4.547.082	1.280.426
9	**Operating revenues, total (7+8)**		**29.143.318**	**35.097.468**
10	Financial revenues, total		1.095.769	844.919
11	**Total revenues (9+10)**		**30.239.087**	**35.942.387**

The share of revenues in total operating revenues is as follows:

No.	*Designation of items*	*30.09.2015*	*30.09.2016*
1	Turnover	80.99%	107.42%
2	Changes in stocks	3.23%	-11.07%
3	Capitalized production	0.18%	0.00%
4	Other operating revenues	15.60%	3.65%
	TOTAL	**100.00%**	**100.00%**

The structure of operating revenues is as follows:

Lei

No.	*Designation of items*	*30.09.2015*	*30.09.2016*
1			
1	Costs with raw materials and consumables	7.010.004	10.459.768
2	Other external expenses (energy and water)	3.439.958	3.169.383
3	Expenses on goods	-	-
4	Expenses with the personnel	21.760.552	20.479.146
5	Adjustments	2.542.744	5.256.962
6	Other operating expenses	4.760.588	4.680.466
	Operating expenses, total	**39.513.846**	**44.045.725**

Over the same period of 2015, on 30.09.2016 is noticed an increase of the operating expenses by 11.47%. This was mainly due to an increase in "*Costs with raw material and consumables*" by 49.22%. This increase is also reflected in the level of turnover, which is with 59.74% higher than at 30.09.2015.

The share of expenditure in the operating expenses is shown in the following table:

No.	*Designation of items*	*30.09.2015*	*30.09.2016*
1	Material expenses	17.74%	23.75%
2	Other external expenses (energy and water)	8.71%	7.20%
3	Expenses on goods	0.00%	0.00%
4	Expenses with the personnel	55.07%	46.50%
5	Adjustments	6.44%	11.94%
6	Other operating expenses	12.05%	10.63%
	TOTAL OPERATING EXPENSES	**100.00%**	**100.00%**

The evolution of the results is shown below:

Lei

No.	Designation of indicators	30.09.2015	30.09.2016
1	Operating revenues	29.143.318	35.097.468
2	Operating expenses	39.513.846	44.045.725
3	***Operating result***	***(10.370.528)***	***(8.948.257)***
4	Financial revenues	1.095.769	844.919
5	Financial expenses	2.453.948	1.576.917
6	***Financial result***	***(1.358.179)***	***(731.998)***
7	Profit tax	-	-
8	**Net result of the accounting year**	**(11.728.707)**	**(9.680.255)**

The net result of the accounting year at the end of the third quarter of 2016 is materialized in a net loss of 9,680,255 lei, decreasing by 17.47% compared to the same period of 2015.

Conclusions

SC UCM Resita SA has continued its activity also in the third quarter of 2016, in accordance with the status of a company in insolvency proceedings, during the period of surveillance, with the intention of reorganization, as company which has retained the right of management through the Special Trustees, under the supervision of the Official Receiver.

The management of *the Company* has been and is concerned about the ongoing monitoring of expenses, in order to ensure the economic - financial balance, to keep its business partners and to attract new ones in order to increase the revenue, so as to overcome this difficult phase.

At the end of the third quarter of 2016, *the Company* has recorded a net loss of 9,680,255 lei.

On 30.09.2016, the turnover achieved by UCM Resita S.A. was of 37,702,895 lei, increasing by 59.74% compared to the same period of 2015.

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 the development of production and service activities in future periods.

UCM Resita is a key component of Romania's energetic security since it contributes to the maintenance and development of Romanian hydropower system through the expertise available, high-tech know-how, but also the necessary facilities to perform both new and complex equipment and repair or refurbishment works of the equipment already in use.

UCM Resita contributes, substantially, in preserving the optimum operating conditions and to provide the equipment required for maintenance and commissioning of the power plants owned S.P.E.E.H. HIDROELECTRICA S.A.

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

STATEMENT OF SPECIAL TRUSTEES
of _the Company_ UCM RESITA

The Special Trustees of _the Company_ hereby declare that they assume their responsibility for drawing up the Interim Financial Statements on September 30, 2016.

The Special Trustees of _the Company_ confirm, regarding the Interim Financial Statements on September 30, 2016, the followings:

a) The Interim Financial Statements are prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union;

b) The accounting policies used in preparing the Interim Financial Statements are in accordance with the applicable accounting regulations;

c) The Interim Financial Statements present a fair image on the financial position, financial performance and other information related to the activity carried out;

d) _The Company_ carries out its activity under the condition of continuity.

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

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

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

STATEMENT OF FINANCIAL POSITION ON SEPTEMBER 30, 2016

- Lei -

Reference Statement of financial position IAS 1.10(a), 113	Balance sheet items	Balance on 01.01.2016	Balance on 30.09.2016
IAS 1.54(a)	Tangible fixed assets	177.094.810	170.748.575
IAS 1.54(c)	Intangible fixed assets	16.109	17.515
	Financial fixed assets	9.355.783	12.536.500
	Total of fixed assets	**186.466.702**	**183.302.590**
IAS 1.54(h)	Trade receivables and receivables from affiliated entities	21.151.441	24.889.386
IAS 1.54(g)	Stocks	23.911.806	23.457.730
IAS 1.54(o), 56	Deferred tax receivables	28.093.899	28.093.899
IAS 1.54(h)	Other receivables	1.196.830	793.633
IAS 1.54(i)	Cash and cash equivalents	6.398.859	2.931.193
	Prepayments	40.870	532.655
	Total of current assets	**80.793.705**	**80.698.496**
	TOTAL ASSETS	**267.260.407**	**264.001.086**
IAS 1.54(m)	Loans bearing interest	39.065.875	39.460.412
IAS 1.54(k)	Suppliers and other trade payables	39.917.501	42.613.338
IAS 1.54(k)	Taxes and other debts	575.155.774	578.469.808
IAS 1.54(o), 56	Deferred tax debts	27.854.853	27.854.853
IAS 1.54(l)	Provisions	242.705.042	242.705.042
IAS 1.55, 20.24	Revenues in advance	1.535.080	1.532.872
	Total debts	**926.234.125**	**932.636.325**
	Total assets minus Total debts	**(658.973.718)**	**(668.635.239)**
	Registered capital	601.685.084	601.685.084
	Revaluation reserves	172.379.170	166.748.901
	Legal reserves	1.972.406	1.972.406
	Other reserves	16.088.620	16.088.620
	Carried over result	(1.451.580.487)	(1.445.449.995)
	Current result	506.830	(9.680.255)
	Profit sharing, establishing of legal reserves	(25.341)	-
	Total equity	**(658.973.718)**	**(668.635.239)**
	TOTAL LIABILITIES	**267.260.407**	**264.001.086**

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

U.C.M. Resita S.A. * în insolvență * en procedure collective *

STATEMENT OF OVERALL RESULT ON SEPTEMBER 30, 2016

Reference Statement of overall result IAS 1.10(b), 81(a)	Explanations	30.09.2015	30.09.2016
IAS 1. 82(a) IAS 1.99,103	Operating revenues	28.201.482	38.983.321
IAS 1.99, 103	Cost of sales	28.524.541	38.088.332
	Gross operating profit (loss)	**(323.059)**	**894.989**
IAS 1.99, 103	Distribution costs	10.215	12.083
	Administrative expenses	10.037.254	9.831.163
IAS 1. 82(a) IAS 1.99,103	Financial revenues	1.095.769	844.919
IAS 1.82(b)	Financial expenses	2.453.948	1.576.917
IAS 1.85	**Result before tax**	**(11.728.707)**	**(9.680.255)**
IAS 1.82(d), IAS 12.77	Income tax expenses	-	-
	Net profit (loss)	**(11.728.707)**	**(9.680.255)**
	Establishing of legal reserves under Law 31/1990	-	-
IFRS 5.33(a), 1.82(e)	***Profit attributable to:***	-	-
IAS 1.83(b)(ii)	*Owners of the Company*	-	-
IAS 1.83(b (i)	*Non-controlling interests*	-	-

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED ON SEPTEMBER 30, 2016

- Lei -

Explanation / Description	Registered capital	Revaluation reserves	Legal reserves	Carried over result representing surplus from revaluation reserves	Other reserves	Carried over result	Current result of the accounting year	Profit sharing	Total
1	2	3	4	5	6	7	8	9	10
Balance on January 01, 2016 IFRS	601.685.084	172.379.170	1.972.406	217.893.465	16.088.620	(1.669.473.952)	506.829	(25.341)	(658.973.718)
Changes in equity - September 30, 2016									-
Transfer of surplus from revaluation reserves		(5.630.270)	-	5.630.270					-
Transfer of the result of the accounting year 2015 to the carried over result						481.489	(481.489)		-
Account closing - profit sharing							(25.341)	25.341	-
Registration of accounting errors from previous years to the carried over result						18.734			18.734
Net result of the current accounting year							(9.680.255)		(9.680.255)
Balance on September 30, 2016 - IFRS	601.685.084	166.748.900	1.972.406	223.523.735	16.088.620	(1.668.973.730)	(9.680.256)	-	(668.635.239)

The legal reserves of *the Company* on September 30, 2016, established under the Law of Trading Companies, are in amount of 1,972,406 lei.

The legal reserve of *the Company* is partially formed under the Law of Trading Companies, which states that 5% of the yearly accounting profit is transferred to the legal reserves, until their balance reaches 20% of the registered capital of *the Company*.

We note that on September 30, 2016 *the Company* has not yet reached the maximum level of the legal reserves.

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

STATEMENT OF CASH FLOWS ON SEPTEMBER 30, 2016

Lei

Designation of item	ROW No.	Accounting year ended on: September 30, 2015	September 30, 2016
A	B	2	3
OPERATING ACTIVITIES			
Net profit + Result carried over from correction of accounting errors	1	(11.975.100)	(9.661.521)
Adjustments for:			
Adjusting the value of tangible and intangible assets	2	6.523.189	6.392.379
Adjusting the value of financial assets	3	(276.909)	(22.831)
Expenses (revenues) with adjustments for depreciation of current assets	4	(797.453)	(1.141.415)
Adjustments to the provisions for risks and expenses	5	(3.229.689)	-
Expenses with the donations granted	6	1.500	-
Revenues from interests and other financial income	7	(419.005)	(524.504)
Expenses with interests and other financial income	8	3.143.215	905.111
Cash flow before changes in working capital (row 1 to 8)	9	**(7.030.252)**	**(4.052.781)**
Decrease / (Increase) - customers and other assimilated accounts	10	11.214	(7.155.798)
Decrease / (Increase) in stocks	11	(224.346)	2.251.739
(Decrease) / Increase - suppliers and other assimilated accounts	12	2.925.642	5.527.757
Cash flow from operating activities (row 9 to 12)	13	**(4.317.742)**	**(3.429.083)**
Revenues from interests	14	53.993	1.139
(Net Increase) / Decrease in restraint cash	15	(132.169)	181.283
Cash flow obtained in operating activities (row 13 to 15)	16	**(4.395.918)**	**(3.246.661)**
INVESTING ACTIVITIES			
Cash payments for long-term purchasing of land and other assets	17	(63.600)	(45.722)
Net cash used in investing activities (row 17)	18	**(63.600)**	**(45.722)**
FINANCING ACTIVITIES			
Subsidies granted	19	(1.500)	-
Revenues from dividends	20	8.840	6.000
Net cash used in financing activities (row 19 to 20)	21	**7.340**	**6.000**
Net Increase / (Decrease) in cash and cash equivalents (row 16+18+21)	22	(4.452.178)	(3.286.383)
Cash and cash equivalents at the beginning of the year	23	5.008.465	5.903.885
Cash and cash equivalents at the end of the period (row 22+23)	24	**556.287**	**2.617.502**

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

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

ECONOMIC- FINANCIAL INDICATORS ON SEPTEMBER 30, 2016

Indicator	Calculation method	Value
1. Current liquidity	1=2/3	0,12
2. Current assets (lei)	2	80.165.842
3. Current liabilities (lei)	3	688.398.412
4. Level of indebtedness	4=5/6	#N/A
5. Borrowed capital (lei)	5	0
6. Capital employed (lei)	6	(668.635.239)
7. Turnover ratio of customer debits (days)	7 =8/9 x (365/4*3)	162
8. Average balance of trade receivables (lei)	8	22.280.716
9. Turnover (lei)	9	37.702.895
10. Turnover ratio of fixed assets (days)	10 = 11/12 x (365/4*3)	1.331
11. Fixed assets (lei)	11	183.302.590
12. Turnover (lei)	12	37.702.895

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

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

1. Reporting entity

General information

IAS 1.138 (a), (b), **UCM RESITA S.A.** - (company in insolvency, en procedure collective) is a joint stock company with the headquarters in Romania.
IAS 1.51(a)-(c) The separate financial statements, in accordance with IFRS, has been prepared for the interim accounting year ended on September 30, 2016.
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 September 30, 2016 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.
The Company's products and services are delivered/rendered both on domestic and foreign markets.
On domestic market, the main customers at the end of the third quarter of 2016 are ROMELECTRO S.A. and S.S.H. HIDROSERV S.A., the final beneficiary of the products delivered and services rendered by *the Company* to these two customers being S.P.E.E.H. HIDROELECTRICA S.A. The main foreign customers are also those in the field of production of hydroelectric power (Austria, Hungary, India, Turkey, etc.).
The separate financial statements have been prepared assuming that *the Company* will continue its activity without significant changes in the foreseeable future.

2. Basis for preparation of separate financial statements

IAS 1.112(a)

2.1 Declaration of conformity

IAS 1.16 The Separate Financial Statements have been prepared in accordance with the provisions of 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 interim separate financial statements on September 30, 2016 and confirm that they are in compliance with the applicable accounting regulations, and *the Company* shall conduct its work under the condition of continuity.

2.2 Basis of evaluation

The Company drawn up the Interim Separate Financial Statements on September 30, 2016 in accordance with *OMPF 1286/2012*, as amended and supplemented.

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 the legislative requirements in Romania, the functional currency of *the Company* is considered to be RON ("Romanian LEU").
The Separate Financial Statements presented have been prepared on a historical cost basis.
For all periods up to and including the year ended on 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 three companies and is controlling these companies, it was decided not to prepare consolidated financial statements given that two of these companies are in bankruptcy proceedings. *The Company* also holds a total of 23 shares in the Romanian Commodities Exchange (BRM), which represents a share of 0.29% of the registered capital of BRM.
The Separate Financial Statements for the year ended on December 31, 2012 were the first of this kind that *the Company* has prepared in accordance with IFRS, year when it was applied also IFRS1 - "First-time Adoption of IFRS".
These Interim Separate Financial Statements have not been subjected to an audit.
The Company does not apply IFRS issued and not adopted on September 30, 2016 and cannot estimate the impact of non-application of these provisions on the separate financial statements, and intends to apply these provisions only at their entry into force.

Consolidated Financial Statements

In accordance with IAS 27 "Consolidated and Separate Financial Statements", *the Company* should present consolidated financial statements that strengthen the investments in subsidiaries.
In preparing the consolidated financial statements should be combined the financial statements of the parent company and those of its subsidiaries, item by item, by adding together all similar items of assets, liabilities, equity, revenues and expenses.
On September 30, 2016 *the Company* has three subsidiaries, two of which are in bankruptcy and their value in the financial statements of the parent company is zero, and the related financial assets have been impaired to an extent of 100%). *The Company* also holds 23 shares in BRM, which represents a share of 0.29% of its registered capital.
Given that both EUROMETAL SRL and UCM TURNATE SRL are in bankruptcy proceedings, but with no final decision in this regard, 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 in the statement of financial position and the statement of overall result on September 30, 2016 would not be different significantly from the interim separate financial statements of *the Company* on September 30, 2016.

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 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.

2.6 Presentation of separate financial statements

The Company applies IAS 1 - Presentation of Financial Statements (2007) revised, which entered into force on January 1, 2009.
As a result, in the Statement of Changes in Shareholders' Equity *the Company* presents 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 December 31, 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.

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

Non-monetary assets and liabilities and equity

Equity components have been restated by applying the inflation index for the month in which the assets, liabilities and equity components were initially recorded in the financial statements (the date of purchase or contribution) until December 31, 2003. The remaining non-monetary assets and liabilities are not restated using the inflation index, considering that their value is updated as a result of the application of alternative accounting treatments of evaluation during the previous periods.

b) Estimates and assumptions

Preparation of individual financial statements in conformity with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, of contingent assets and liabilities at the date of the financial statements and of the reported amounts of revenues and expenses registered during the reporting period. The actual results may be different from these estimates. The estimates are periodically reviewed and, if adjustments are required these are reported in the profit and loss account for the period in which they become known.
The uncertainties related to these estimates and assumptions may cause, in the future, significant adjustments of the values presented in the financial statements, as a result of insolvency proceedings which *the Company* is involved.
These adjustments are likely to significantly affect *the Company's* assets that can no longer be achieved under normal operating conditions, in this case being required a massive depreciation in value (possibly more than 50%) due to the very probable recovery by enforcement and/or by the procedure of insolvency, a situation that causes a corresponding damage to the profit and loss account.
In the process of applying *the Company's* accounting policies, the management has made estimates for provisions, impairment of receivables and stocks, which have significant effect on the values stated in the individual financial statements.

c) Registered capital

The shares held by the Company are classified (shown) at nominal values and, in accordance with the Law of Trading Companies (*L 31/1990*) and the articles of incorporation their total value is to be found in the registered capital.
The dividends on holdings of shares (capital), established under Decision of *AGA*, are recognized as a liability in the period in which their distribution is approved.

d) Equity papers in affiliated entities

The investments held in affiliated entities are presented in the separate financial statements of *the Company* at cost less any impairment.
The dividends receivable from affiliated entities are recognized when *the Company* established the right to receive payment.

e) Tangible fixed assets

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 depreciation accumulated and the impairment losses.

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

The buildings are stated at fair value based on periodic assessments, at least every three years, carried out by independent external evaluators. Any accumulated depreciation at the date of revaluation is eliminated from the gross carrying amount of the asset and the net amount is recorded as revalued amount of the asset. The buildings are stated at revalued amounts on 31.12.2014, and the lands at revalued amount on 31.12.2011.
If a fixed asset includes significant components that have different useful lives, they are accounted (depreciated) individually.

Subsequent expenses on maintenance and repairs
The expenses with repairs or maintenance of fixed assets are made to restore or maintain the value of these assets and are recognized in the comprehensive income on the date they are made, while the expenses made in order to improve the technical performance are capitalized and depreciated over the remaining period of depreciation for that fixed asset.

Depreciation
The fixed assets are depreciated from the month following the date of purchase or the date of commissioning, as appropriate, using their lifetime periods.
Depreciation is calculated using the straight-line method over the lifetime of the fixed assets and/or their components, which is accounted separately.

The terms of depreciation used are as follows:

- Constructions 6 – 50 years
- Equipment and machinery 2 – 28 years
- Other installations, tools and furniture 2 – 15 years

The land and fixed assets in progress are not depreciated and the ongoing investments are depreciated from the date of commissioning.
The estimated useful lives and the depreciation method are reviewed periodically, to ensure they are consistent with the projected evolution of economic benefits generated by the tangible assets.
The 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.

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

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

h) Financial assets

In accordance with IAS 39 "Financial Instruments: Acknowledgment and assessment", *the Company's* financial assets are classified into the following categories: held-to-maturity and loans and receivables originated by *the Company.*
The investments with fixed or determinable payments and fixed maturity, other than loans and receivables originated by *the Company*, are classified as held-to-maturity.
These financial assets are recognized in the historical cost or at the value determined by their acquisition contract, the cost of acquisition including also the transaction costs, the gains and losses being recognized in the statement of the comprehensive income when the financial assets are derecognized or impaired, as well as through the depreciation process.
Derecognizing of financial assets occurs when the rights to receive cash flows from the asset have expired, or *the Company* has transferred its rights to receive cash flows from the asset (directly or through a "pass-through" commitment). All normal purchases and sales of financial assets are recognized at the transaction date, i.e. the date when *the Company* commits to purchase an asset. 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 profits 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

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

loss account during the contract period. Assets held under the financial leasing contracts are reflected in the accounting system using the accounts of tangible and intangible assets and are depreciated over their useful lifetime.
The rates paid to the lessor plus the interest is highlighted as a debt in the account 406 "Debts from operations of financial leasing".

Operating leasing contracts
The leasing contracts in which a significant portion of the risks and benefits of ownership are assumed by the lessor are classified as operating leasing contracts, the payments (expenses) made under such contracts being recognized in the comprehensive income on a straight-line basis during the contract period, the leased assets are recorded in the accounting system of the lessee, in the off-balance sheet accounts.

k) Transactions in foreign currency

Functional currency and presentation currency: the financial statements of *the Company* are prepared using the currency of the economic environment in which operates.
The functional currency and the currency used for presentation of financial statements is the Romanian Leu ("RON").
Transactions in foreign currency are translated into RON applying the exchange rate at the transaction date. The monetary assets and liabilities denominated in foreign currencies are revalued in RON at the exchange rate at the balance sheet date.
The profits and losses resulting from differences in foreign exchange rate, realized or unrealized, are recorded in the statement of the comprehensive income.

The exchange rates on September 30, 2015 and 2016 are as follows:

Currency	September 30, 2015	September 30, 2016
RON/EUR	4.4167	4.4523
RON/USD	3.9342	3.9822
RON/GBP	5.9770	5.1627
RON/CHF	4.0442	4.1041

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.

2. Basis for preparation of separate financial statements (continued)
The Company's management analyzes and proposes/decides the adjustments (depreciation) of stocks according to the accounting policy approved in this respect and the results of the inventory. The inventory of stocks shall be made according to the internal procedure and the inventory manual, related both to the needs of *the Company* and the law in force.

m) Receivables

Trade receivables are stated at their nominal value less the adjustments for their depreciation, the adjustments that are carried out where there is objective data and information about the fact that *the Company* will not be able to collect all amounts in due time.
The Company records depreciations of 100% for trade receivables older than 360 days and for those in dispute.

n) Cash and cash equivalents

The cash includes the cash in hand and in bank accounts. Cash equivalents are short-term investments, highly liquid, which can be quickly converted into a sum of money, with the original maturity of maximum three months and have an insignificant risk of change in value.
Records of them are kept on banks, currencies, respectively on pay desks and cash advances holders being evaluated, in case of foreign currency by using their exchange rate (reference rate) with the national currency (RON) released by the National Bank of Romania (BNR).

o) Debts

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

q) Loans

The costs related to loans are recorded as an expense in the period in which they occur, except the case when the loans are for the construction of assets that are qualified for capitalization. *The Company* classifies its loans on short-term and long-term, depending on the maturity specified in the credit agreement.
The loans are initially recognized at the net value of withdrawals. They are subsequently carried at the depreciated cost, using the method of effective interest rate, the difference between the value of withdrawals and the redemption value being recognized in the net profit of the period, during the entire loan period.

p) Government grants

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

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

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

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 average gross salaries per company for a period of over 25 years In UCM Resita, respectively up to 2 average gross salaries per company for a period of under 25 years in UCM Resita). These contributions are recognized as an expense when the services are rendered.
In addition to the grants and allowances provided expressly by law, *the Company* grants to its employees the following benefits:

- Granting of bereavement benefits representing 4 average gross salaries per company, upon the death of an employee of *the Company* and 1 average gross salary per company in case of death of the husband (wife) or of a first degree relative (parents, children);
- Granting of 2 average gross salaries per company for the birth of each child;
- Granting of 1 average gross salary per company to the dismissal of an employee for whom it was issued a decision by the relevant medical expertise finding physical and/or mental inability thereof, which does not allow him to fulfill his duties appropriate to the position held.

Post employment benefits – 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.
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.

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

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

ş) 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).

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.

ţ) 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.

2. Basis for preparation of separate financial statements (continued)
A contingent asset is not recognized in the financial statements but is disclosed in notes when an inflow of economic benefits is probable.

v) Subsequent events

The events subsequent to the date of the balance sheet are those events, favorable and unfavorable, that occur between the date of the balance sheet and the date when the financial statements are authorized for issue.
The events subsequent to the date of the balance sheet that provide additional information about *the Company's* position at the date of the balance sheet are subsequent events that led to adjustment of the financial statements.
The events subsequent to the date of the balance sheet that provide information about the conditions that arose after the balance sheet date don't require adjustment of the financial statements and are disclosed in the notes, if they are significant.

w) Affiliated parties

A party is considered to be affiliated if by ownership, contractual rights, and family relationship, or otherwise, has the power to control directly or indirectly or to influence significantly the other party.
Affiliated parties include also individuals such as main owners, management and members of the Board of Directors and their families.
According to the International Financial Reporting Standards, **an entity is affiliated to a reporting entity if it meets any of the following conditions**:

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

x) Correction of accounting errors

Accounting errors found in the financial statements at the date of their drawing up may refer either to the current accounting year or in previous accounting years, correction will be performed at the date when becoming aware of them.
When recording the operations required to correct the accounting errors, are applied the provisions of IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors", stating that the entity must correct retrospectively significant errors of the period in the first set of financial statements which publication was approved after their discovery, by means of: restating the comparative amounts for the prior period presented in which the error occurred or if the error occurred before the first prior period.

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

3. Transactions or significant events

At the meeting of the Board of Directors held on 30.11.2011 was decided to open the general procedure of insolvency, with the intention to reorganize the activity, in this respect the necessary documents being submitted to the Law Court of Bucharest.
By conclusion of the meeting dated 06.12.2011, the syndic judge ordered the opening of insolvency proceedings with the intention to reorganize the activity. *The Company* the right to manage the activity and to administrate the equity, rights held under the supervision of the Official Receiver. In order to reorganize the activity, *the Company* must submit a restructuring plan in accordance with Law 85/2006 on insolvency proceedings.
By letter no. 16994/21.10.2016, *the Company* was notified about the initiation of the general insolvency proceedings on the Company for hydropower services Hidroserv SA, following the decision of Bucharest Court of Law rendered by concluding meeting on 10.10.2016. Given that Hidroserv SA is a major customer, opening of the insolvency procedure will significantly influence the activity of UCM Resita.

Strategy and forecasts of the Company's management (**Special Trustees, Directors*****) regarding continuation of the activity and future cash flows***
The Company is considering the high need of repair and modernization projects from **S.C. HIDROELECTRICA S.A.**, knowing that most of the hydro power plants in Romania are at the end of their life time, in addition, the design costs can be reduced significantly, since such works/services have been made before.
Given the expectations for the development of current activities (operational) and tightening of the general conditions to get credit, *the Company* has developed a financial restructuring program designed to assure proper operation and compliance with the payment schedules negotiated or to be negotiated with the main categories of creditors.
The management of *the Company* supports its statement of compliance with the principle of continuity in preparing these interim financial statements also by the contracts signed and in progress and by those that are expected to be concluded.

3. Transactions or significant events (continued)

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

Also, in order to support business continuity, we state that in addition to ongoing contracts mentioned above, it is expected to sign new contracts on the domestic market, such as:

- Arrangement of HPP Beresti, amounting 2,100,000 EUR, contract which will by carried over during 2016-2017;
- Arrangement of HPP Calimanesti, amounting 2,900,000 EUR, contract which will by carried over within 2016-2017;
- Arrangement of HPP Slatioara, amounting 3,500,000 EUR, contract which will by carried over within 2016-2017.

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

- Koessler from Austria, amounting 300,000 EUR, contract which will by carried over during 2016;
- Fractum 2012 AsP in Denmark, amounting 60,000 EUR, contract which will by carried over during 2016.

The Company shall seek further:

- To lower the costs;
- To recover old receivables and to collect the current receivables at maturity;
- To reduce and liquidate the stocks, as far as possible, such as: raw materials and materials, production in progress and slow moving finished products;
- To optimize the organizational structure.

On 01.02.2016, SC Darian DRS SA, ANEVAR assessor designated by the Committee of Creditors met on 02.03.2015, delivered the Assessment Report of UCM Resita SA patrimony, highlighting distinctive the guarantees of creditors according to Art. 41, paragraph 2 of Law 85/2006.

By forwarding address no. 143/DG0000/18.02.2016, *the Company* sent to secured creditors (AAAS and BCR), but also to the Court of Law Bucharest - Section VII Civil, copies of the Assessment Report, following them to submit their observations, comments or objections within 30 working days of receipt, but not later than 08.04.2016.

After this deadline, *the Company* convened the Committee of Creditors to show them the Assessment Report drawn up under the procedure by the assessor Darian DRS.

According to the minutes of the Committee of Creditors no. 587/21.04.2016, none of the creditors have approved the Assessment Report; thereby the Official Receiver is unable to draw up the final Table of Debts.

Due to insufficient load in some working sectors was decided, for some of the employees in those sectors, suspension of the individual employment contract according to Art. 52, paragraph 1, letter c in conjunction with Art. 53, paragraph 1 of the Labor Code, in the period August-October 2016.

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

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