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

(Company in insolvency, en procedure collective)

Separate Financial Statements

prepared in accordance with the

Order of the Minister of Finance no. 2844/2016

on

DECEMBER 31, 2016

Contents

YEARLY REPORT

OF SPECIAL TRUSTEES FOR THE ACCOUNTING YEAR 2016

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
Resita Works was established during the reign of Empress Maria Theresa, on July 3, 1771 by commissioning the first two furnaces and forges, on the left bank of the river Bârzava. The plant was developed gradually in the course of history, expanding geographically in proportion as diversification of the production areas took place.

The period (1771 - 1854) during which Resita Works belonged to the Austrian Tax Administration, who exercised its management and control through Banat Mining Directorate.

Within 1855 - 1920, known as St.E.G Period, Resita Works were in the property of the International *C*onsortium St.E.G. "K.u.K Oberprivillegierte Staatseisenbahn Gesellschaft", an Imperial and Royal privileged Company of the State Railways.

In 1872 was built the Screw Factory from Anina.

At the end of the First World War, in 1920, based on the Royal Decree, the industrial colossus of Caras-Severin is named Resita Iron Works and Estate.

In 1948, the plant is nationalized, and in 1949 - as result of the truce between Romania and the USSR, the plant becomes a Romanian-Soviet joint venture, divided into two parts: Sovrom Metal - metallurgical branch and Sovrom Oil Equipment - machine building branch.

In 1962, the two Sovrom are joined into a single administrative entity and the new name is Resita Machine Building Company.

Within 1954-1978 the plant in extended by building the platform for hot-metal working sectors. Within 1970-1972 was built the platform for the General Design Directorate Platform located at the exit from Resita to Caransebes.

Within 1975-1980 was built the platform Câlnicel, in the north of Resita.

The name of the company is changed for the last time in 1991: UCM Resita - Resita Machine Building Company, when by the Government Decision no. 1296/1990 becomes a public joint stock company and is listed on the Bucharest Stock Exchange since 1997.

The Company was privatized in December 2003, by selling the package of shares of 51% 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:

a) 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;
- HYDROELECTRIC GENERATORS, custom designed, with outputs up to 200 MVA, having the parameters adequate for the hydraulic turbines, including separate components;
- Standard 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 HYDRAULIC SERVOMOTORS, with diameters between 160 and 600 mm and strokes between 500 and 17500 mm.

b) Spare parts for Diesel engines:

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

c) Welded assemblies and welded metal structures

The main markets for each product sold or service rendered in 2016:

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

The weight of each sort of products or services reflected in the total sales of UCMR for the year 20156 is as follows:

No.	Group of products	Weight in total sales
1.	Hydro Power Units (new products and rehabilitation)	76.786.516 %
2.	Electric motors + repairs	0.97 %
3.	Spare parts for railway engines	0.01 %
4.	Miscellaneous	1.79 %
5.	Services	9.95 %
6.	Other revenues	0.77 %

The main objective of UCMR for the year 2017 is strengthening of its position in the domestic market and finding of new markets. In order to strengthen the relationship with traditional clients, *the Company* is seeking to increase the volume of contracts/orders in the field of hydro - hydro power units (repairs, modernization, rehabilitation and new equipment).

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

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

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

***UCMR* main competitors in each major products and services**
The main domestic and foreign competitors of *the Company*, i.e. products to which we 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
	Gena Electric SRL Bucharest	Alstom Power
		Litostroj - Slovenia
		Companies in China

Significant reliance on a single customer or to a group of customers, whose loss would have a negative impact on the Company's revenues
The main customers of *the Company*, as a result of the turnover value achieved in 2016, are listed below:

No.	Customer	Weight in total sales
1.	ROMELECTRO S.A.	76.96 %
2.	S.S.H. HIDROSERV S.A.	7.74 %
3.	SPEEH HIDROELECTRICA S.A.	3.03 %

It should be noted that UCM Resita SA is captive on the domestic market depending, at least 87.73%, of a single customer, as in case of contracts carried out through ROMELECTRO S.A. and HIDROSERV S.A, the final beneficiary is the same, namely HIDROELECTRICA SA.

Number of employees, the degree of unionization
On 31.12.2016, *UCMR* had a number of 958 employees assigned to the following structure:

Category	Number	Percentage (%)
Workers	680	70.98 %
Foremen	26	2.71 %
Officials	252	26.30 %
TOTAL	**958**	**100.00 %**

The unionization degree of the workforce in December 2016 was of 74.11%.
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 concluded between the representatives of the employer and the representatives of the employees on 11.08.2015, but also by the Internal Regulation as annex and part of the applicable Collective Labor Agreement.

The signatory parties to this agreement undertake to cooperate in its implementation, based on the principle of good faith, in strict compliance with the law and informing each other and promptly on emerging issues.

During 2016 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 2016 the operating revenues increased by approximately 28.49% over the previous year, the weight of operating revenues in total revenues being of 97.21%, compared to 96.01% in 2015, respectively 95.32% in 2014.

Revenues	Lei		
	2014	2015	2016
Operating revenues	33.193.926	38.697.249	49.722.327
Financial revenues	1.628.093	1.606.307	1.427.730
Total revenues	**34.822.019**	**40.303.556**	**51.150.057**

Revenues	Weight in percentage (%)		
	2014	2015	2016
Operating revenues	95.32%	96.01%	97.21%
Financial revenues	4.68%	3.99%	2.79%
Total	**100.00%**	**100.00%**	**100.00%**

In 2016, the weight of operating costs in total expenses is of 96.59%, compared to 90.70% in 2015, respectively 77.56% in 2014.

Expenses	Lei		
	2014	2015	2016
Operating expenses	26.019.815	34.473.969	6..874.572
Financial expenses	7.527.205	3.536.838	2.392.379
Total expenses	**33.547.020**	**38.010.807**	**70.266.951**

Expenses	Weight in percentage (%)		
	2014	2015	2016
Operating expenses	77.56%	90.70%	96.59%
Financial expenses	22.44%	9.30%	3.41%
Total	**100.00%**	**100.00%**	**100.00%**

The main economical-financial indicators are shown in the table below, with the note that it was filled with "N/A" at those indicators of the accounting years 2014 and 2015 which include in calculation the negative amounts (values), respectively the losses for the current accounting year and/or previous one.

	Indicators	2015	2016
1	**Liquidity indicators**		
	Indicator for current liquidity - in number of times	**0.12**	**0.10**
	Indicator for immediate liquidity (acid test) - in number of times	**0.08**	**0.07**
2	**Risk indicators**		
	Indicator for indebtedness rate	***N/A***	***N/A***
	Indicator for interest coverage - in number of times (if negative, it will not be calculated)	**1.26**	***N/A***

3	**Activity indicators**		
	Turnover ratio of debts - customers - in number of days	***1600***	***305***
	Turnover ratio of credits - suppliers - in number of days	***211***	***130***
	Turnover ratio of fixed assets - number of times	***0.19***	***0.30***
	Turnover ratio of total assets - in number of times	***0.13***	***0.22***
	Turnover ratio of stocks - in number of times	***2.36***	***2.51***
4	**Profitability indicators**		
	Gross margin on sales (%)	**51%**	***N/A***

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

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

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

The rate of interest coverage shows how many times the expenses can be covered by the interest from profit before interest and tax. The smaller are the values of these indicators, the greater is considered the risk for the *Company's* position. In 2016 *the Company* ended the accounting year with losses and this indicator is not calculated.

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

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

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

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

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

The gross margin from sales reflects *the Company's* efficiency expressed by the weight of profit in total revenues, respectively its advantageousness (profitability). A low value of this percentage

may reflect the fact that *the Company* is unable to control its production costs or to achieve the optimum sale price. In 2016 *the Company* ended the accounting year with losses and this indicator is not calculated.

Location of main production capacities:
The Company's activity on 31.12.2016 was divided into the following sectors of production:

- 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
- Department of Turbines and Marine Spare Parts

Situation of lands and issues related to the ownership on *the Company's* tangible assets
The situation of lands owned by the Company at 31.12.2016 is as follows:

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

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

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

Claims:

No.	File No. In Court	Applicant	Court of jurisdiction	Hearings	Remarks
1.	3436/290/2010	Mihăilescu Gheorghe Mihăilescu Carmen	Courthouse of Resita	-	By Termination on 09.04.2012 was suspended the trial under Art. 36 of Law no. 85/2006
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's shares on BSE started on 25.07.1998, until then the company's shares being traded on RASDAQ market.

Once the insolvency was declared, *the Company's* shares were suspended from trading. At the end of 2016 *the Company* had a total of approximately 10,324 shareholders, natural and legal persons.

The nominal value is of 0.1 lei/share.

The synthetic, consolidated structure of shareholders owing financial instruments representing at least 10% of the registered capital of *the Company* at the end of 2016 is as follows:

No.	Name of shareholder	Number of shares	Percentage in the share capital %
1.	INET AG	106.403.900	96.7890
2.	ASSOCIATION OF EMPLOYEES FROM RESITA MACHINE BUILDING COMPANY	662.638	0.6028
3.	List of shareholders – legal persons	1.970.829	1.7927
4.	List of shareholders – natural persons	896.537	0.8155
	TOTAL	**109.933.904**	**100.0000**

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 owners.

Each share entitles the owner 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 issued in order to increase the registered capital, the right to information, the right to participate in the distribution of company's net assets in case of company liquidation, also 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 2015 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, until December 15, 2016
- Mr. Stefan VERDET - Director of Production

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

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

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

Internal Audit
The objectives of the internal audit are:

- Objective assurance and counseling for company's systems and activities, with the purpose to improve their efficiency;

- Supporting fulfillment of company's goals through a systematic and methodical approach, which evaluates and improves the effectiveness of the management system, based on risk management, control and processes of management.

The activity of internal audit is exercised over all activities developed in *the Company*, in accordance with the approved Annual Plan of Internal Audit, 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 a better coordination between different departments of *the Company.*

Financial – accounting status for the years 2014, 2015 and 2016
In the balance sheets for the accounting years 2014, 2015 and 2016 the significant balance sheet items are as follows:

- Lei -

No.	Balance items	2014	2015	2016
1	Lands and buildings	181.408.122	173.318.714	165.285.614
2	Technical facilities and machinery	3.536.458	3.021.130	2.645.845
3	Stocks	8.824.545	24.551.126	23.077.003
4	Receivables	253.839.871	49.791.352	43.568.085
5	Cash and bank accounts	1.122.049	6.397.727	2.256.815
6	Current assets	268.064.585	80.782.207	68.953.616
7	Current liabilities	664.699.908	681.994.003	693.994.537

The total value of investments made in 2016, absolutely necessary for the good development of current activities of *the Company* was of 38,569 lei, having the following structure:

- Lei -

Category	Value of investments in 2016
Technical installations, means of transportation, animals and plantations	26.623
Furniture, office equipment, equipment for protection of material and human values and other tangible assets	11.946

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

No.	Designation of indicator	2014	2015	2016
1	**Stocks, of which:**	8.824.545	24.551.126	23.077.003
1.a	- raw material and consumables	3.518.766	4.875.895	9.306.003
1.b	- production in progress	3.240.951	16.442.937	11.041.580
1.c	- finished products and goods	1.159.243	2.592.974	2.030.630
1.d	- down payments	905.585	639.320	698.790
2	**Other current assets, of which:**	259.206.071	56.190.211	45.826.053
2.a	- receivables	253.839.871	49.791.352	43.568.085
2.b	- short-term financial investments	4.244.151	1.132	1.153

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

It also will be continued the work to recover old receivables and to collect current receivables from customers.

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

No.	Designation of indicator	2014	2015	2016
1	Owner's equity	(453.495.934)	(658.973.718)	(683.895.034)
2	Debts	664.699.908	681.994.003	693.994.537
3	Income in advance	1.942.019	1.535.080	12.457
4	Provisions for liabilities and charges	249.702.316	242.705.042	242.024.879

Analysis of operating results
The revenues include both income from the main activity and gains from any other sources.

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

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

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

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

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

No.	Explanations	2015	2016
1	Revenues from production sold	34.846.983	55.707.904
2	Revenues from sale of goods	4.833	4.034
3	Discounts granted	38.929	17.678
4	**TOTAL TURNOVER (4=1+2-3)**	**34.812.887**	**55.694.260**

The turnover in 2016 is of 55,694,260 lei, 59.98% higher than the turnover in 2015, of which 3.21% on the market in the European Union and 96.79% on domestic market.

No.	Explanations	2015	2016
1	Romania	31.943.757	53.908.531
2	European Union	2.560.281	1.785.729
3	Other countries in Europe	-	-
4	Africa	-	-
5	Asia	308.849	-
6	America	-	-
7	**TOTAL (7=1+2+3+4+5+6)**	**34.812.887**	**55.694.260**

From the profit and loss account for the years 2014, 2015 and 2016 the weight of the main indicators related to revenues in total revenues is shown in the table below:

No.	Revenues	Weight in percentage (%)		
		2014	2015	2016
1	Turnover	94.97%	89.96%	112.01%
2	Changes in stocks	2.26%	-2.51%	-14.71%
3	Capitalized production	1.43%	0.00%	0.00%
4	Other operating revenues	1.34%	12.55%	2.70%
	Total	**100.00%**	**100.00%**	**100.00%**

Depending on their nature, the revenues are as follows:

No.	Revenues	Lei		
		2014	2015	2016
1	Operating revenues	33.193.926	38.697.249	49.722.327
2	Financial revenues	1.628.093	1.606.307	1.427.730
	Total revenues	**34.822.019**	**40.303.556**	**51.150.057**

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

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

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

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

No.	Expenses	Lei		
		2014	2015	2016
1.	Operating expenses	26.019.815	34.473.969	67.874.572
2.	Financial expenses	7.527.205	3.536.838	2.392.379
	Total expenses	**33.547.020**	**38.010.807**	**70.266.951**

The operating expenses have the following structure:

No.	Expenses	Lei		
		2014	2015	2016
1	Physical expenses	8.081.749	8.527.116	14.964.031
2	Other external expenses (energy and water)	4.437.426	4.739.277	4.576.823
3	Expenses on goods	3.197.896	-	-
4	Trade discounts received	4.176	31.917	75.507
5	Expenses with the personnel	29.326.102	28.786.550	27.715.290
6	Adjustments	(25.117.992)	(14.177.673)	14.114.945
7	Other operating expenses	6.098.810	6.630.616	6.578.990
	Total operating expenses	**26.019.815**	**34.473.969**	**67.874.572**

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

No.	Expenses	Weight in percentage (%)		
		2014	2015	2016
1	Physical expenses	31.06%	24.73%	22.05%
2	Other external expenses (energy and water)	17.05%	13.75%	6.74%
3	Expenses on goods	12.29%	0.00%	0.00%
4	Trade discounts received	0.02%	0.09%	0.11%
5	Expenses with the personnel	112.71%	83.50%	40.83%
6	Adjustments	-96.53%	-41.13%	20.80%
7	Other operating expenses	23.44%	19.23%	9.69%
	Total	**100.00%**	**100.00%**	**100.00%**

Factors of financial risk

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

(i) Foreign exchange risk

The exchange rate LEU/EUR was of 4.5411 on 31.12 2016, compared to 4.5245 on 31.12 2015.

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

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

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

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

(ii) Credit risk (rates, interests)

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

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

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

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

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

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

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

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

STATEMENT OF CORPORATE GOVERNANCE 2016

Stipulations of the Code	Comply with	Do not comply or partially comply	The reason for non-compliance / Other explanatory notes
A.1. All companies should have an Internal Regulation of the Board of Directors which includes the terms of reference / responsibilities of the Board and the key management functions of the company, that applies, inter alia, the general principles of Section A.		x	By the Court Decision delivered on 06.12.2011 by Bucharest Court of Law, Section VII, to the File no. 75017/3/2011 was decided to open the general insolvency proceedings against UCM Resita and, as a result, the company operates under the procedures regulated by Law no. 85/2006 on insolvency proceedings. The management of the company is ensured by the Consortium of Official Receivers
A.2. The provisions for managing the conflicts of interest should be included in the Regulation of the Board. However, the members of the Board must		x	

notify the Board with respect to any conflicts of interest that have arisen or may arise and to abstain from participating in discussions (including by default, unless where by default would prevent organization of the quorum) and from voting on a decision on the matter which gives rise to the said conflict of interest.			consisting of EURO INSOL SPRL and VF INSOLVENCY SPRL Bucharest, confirmed by the Creditors Meeting on 11.11.2013. The mandate of the Board of Directors of the company has ceased at the appointment of the Special Trustee. Currently, the company is managed by two Special Trustees appointed by the General Meeting of Shareholders on 11.12.2012, which was empowered them to perform measures of U.C.M. Resita S.A. management under the supervision of the Consortium of Official Receivers. One of the Special Trustees has also the position of CEO of the company. The company is in the stage of observation, under the supervision of the Official Receiver. Most of the relevant aspects of corporate governance stipulated by the Code of Corporate Governance at Sections A, B and C are not applicable to a company in insolvency proceedings.
A.3. The Board of Directors or the Supervisory Board must consist of at least five members.		x	
A.4. Most of Board members must not have executive position. At least one member of the Board of Directors or of the Supervisory Board must be independent in case of companies in Standard Category. For companies in the Premium Category, at least two non-executive members of the Board of Directors or of the Supervisory Board must be independent. Each independent member of the Board of Directors or of the Supervisory Board, as appropriate, shall submit a statement at the time of his nomination for election or re-election, and when there is any change of his status indicating elements based on which it is considered that he is independent in terms of his character and judgment, as well as the criteria laid down in the Code at A.4.1 - A.4.9.		x	
A.5. Other commitments and professional obligations, relatively permanent, of a member of the Board, including executive and non-executive positions on the Board of some companies and non-profit institutions, should be disclosed to shareholders and possible investors before his nomination and during his mandate.		x	
A.6. Any member of the Board of Directors must provide information on any relationship with a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights. This liability also applies to any relationship that may affect the position of the member on matters decided by the Board.		x	
A.7. The company must appoint a Secretary of the Board responsible for supporting the work of the Board.		x	
A.8. The statement of Corporate Governance will inform if it has carried out an assessment of the Board lead by the President or the Nomination Committee and, if so, will summarize the key measures and changes resulting from it.		x	

The company must have a policy / book of reference on the assessment of the Committee comprising the purpose, criteria and frequency of the assessment process.			
A.9. The statement of Corporate Governance should include information on the number of meetings of the Board and Committees during the last year, participation of administrators (in person and in their absence) and a report of the Board and Committees on their activities.		x	
A.10. The statement of Corporate Governance should include information on the exact number of independent members of the Board of Directors or of the Supervisory Board.		x	
A.11. The Board of companies in the Premium Category should establish a Nomination Committee consisting of people without executive position who will lead the procedures for the nomination of new members of the Board and will make recommendations to the Board. Most of the members of the Nomination Committee should be independent.		x	
B.1. The Board should establish an Audit Committee in which at least one member must be an independent non-executive director. Most of the members, including the President, must be proven to have suitable qualifications relevant to the positions and responsibilities of the Committee. At least one member of the Audit Committee should have proven and appropriate accounting or auditing experience. For companies in the Premium Category, the Audit Committee must be composed of at least three members, and most members of the Audit Committee must be independent.		x	
B.2. The President of the Audit Committee should be an independent non-executive member.		x	
B.3. As part of its responsibilities, the Audit Committee should conduct an annual assessment of the internal control system.		x	
B.4. The assessment should consider the effectiveness and comprehension of the internal audit functions, the adequacy of the reports on risk management and internal control submitted by the Audit Committee of the Board, readiness and effectiveness wherewith the executive management settles the deficiencies or		x	

weaknesses identified during the internal control and submission of relevant reports to the Board.			
B.5. The Audit Committee must assess the conflicts of interest in connection with transactions of the company and its subsidiaries with related parties.		x	
B.6. The Audit Committee must assess the effectiveness of the internal control and risk management systems.		x	
B.7. The Audit Committee must monitor the implementation of legal standards and internal audit standards generally accepted. The Audit Committee should receive and assess the internal audit reports of the team.		x	
B.8. Whenever the Code indicates reports and analyzes initiated by the Audit Committee, they must be followed by periodic reports (at least annually) or ad hoc, which must be submitted subsequently to the Board.		x	
B.9. None of the shareholders can have preferential treatment over the other shareholders in connection with the transactions and agreements concluded by the company with shareholders and their affiliates.	x		
B.10. The Board should adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relationships whose value is equal to or greater than 5% of the net assets of the company (according to the latest financial report) is approved by the Board following a mandatory review of the Audit Committee of the Board, and disclosed correctly to shareholders and possible investors, to the extent that such transactions fall within the category of events subject to reporting requirements.		x	
B.11. The internal audits should be conducted by a separate structural division (the department of internal auditing) of the company or by hiring an independent third party entity.	x		
B.12. In order to ensure fulfillment of the main functions of the internal audit department, this one must report to the Board via the Audit Committee. For administrative purposes and as part of the management obligations to monitor and reduce risks, it must report directly to the CEO.	x		According to the organizational structure, the internal audit office is working under the CEO, who is also the Special Trustee.
C.1. The company must publish on its website the remuneration policy and to include in the annual report a statement on		x	Because it is in insolvency proceedings, the company has not implemented a remuneration policy. The remuneration of special trustees

the implementation of the remuneration policy during the annual period under consideration.			was established by the General Meeting of Shareholders and the remuneration of the official receiver was established by the Meeting of Creditors.
D.1. The company should organize an Investor Relationship Department - widely publicized by the person/persons responsible or as organizational unit. In addition to the information required by the law, the company must include on its website a section dedicated to relationship with the investors, in Romanian and English, with all relevant information of interest to investors, including:		Partial	According to the organizational structure of the company, the persons who have responsibilities in terms of the relationship with the shareholders are integrated within the Controlling Department and the General Secretariat. In terms of the relationship with the investors, this will be provided, when it is appropriate, by the Consortium of Special Trustees and the Official Receiver.
D.1.1. Main corporate regulations: memorandum of association, procedures for the general meetings of shareholders;	x		
D.1.2. Professional CVs of the members of management bodies of the company, other professional commitments of Board members, including executive and non-executive positions on the boards of companies or non-profit institutions;	x		
D.1.3. Current reports and periodic reports (quarterly, half-yearly and yearly) - at least those specified in paragraph D.8 - including current reports with detailed information on non-compliance with this Code;	x		
D.1.4. Information about the general meetings of shareholders: agenda and informatory literature; procedure for the selection of Board members; arguments supporting proposals for the candidates selected for the Board, together with their professional CVs; questions of the shareholders regarding items on the agenda and responses from the company, including decisions adopted;	x		
D.1.5. Information on corporate issues such as payment of dividends and other distributions to shareholders, or other issues that lead to acquisition or limitation of the rights of a shareholder, including the deadlines and principles applied to these operations. This information will be published in sufficient time to allow investors to take investment decisions;		x	There were no corporate events.
D.1.6. Name and contact details of the person who can provide, upon request, relevant information;	x		
D.1.7. The statements of the company (e.g. for the investors, the quarterly results, etc.), financial statements (quarterly, half-yearly, yearly), audit reports and yearly reports.	x		They are available on the company website.
D.2. The company will have a policy		x	Not applicable in view of the legal provisions

related to yearly distribution of dividends or other benefits to shareholders, as proposed by the CEO or the Executive Board and adopted by the Board, as a set of guidelines that the company intends to follow in connection with the distribution of net profits. The principles of yearly policy in connection with distribution to shareholders will be published on the website of the company.			of the Ordinance no. 64/2001 on profit sharing as intended, respectively to cover losses from previous periods.
D.3. The company will adopt a policy regarding forecasts, whether they are made public or not. The forecasts refer to the quantified conclusions of the studies aimed to establish the overall impact of a number of factors relating to a future period (the so-called hypotheses): by its nature, this project has a high level of uncertainty; the actual results may differ significantly from the forecasts presented initially. The forecasting policy will establish the frequency, the period under consideration and the content of forecasts. If published, the forecasts can be included only in the yearly, half-yearly or quarterly reports. The forecasting policy will be published on the website of the company.		x	The company is in the period of observation and the forecasting policy will be subject to the reorganization plan which, if validated, will be available on the Company's website.
D.4. The rules of the general meetings of shareholders should not restrict participation of shareholders in general meetings and the use of their rights. Changes to the rules will enter into force, at the earliest, from the next meeting of shareholders.	x		
D.5. The external auditors will be present at the general meeting of shareholders when their reports are discussed.	x		
D.6. The Board will present to the yearly general meeting of shareholders a brief assessment of the internal control system and management of significant risks and opinions on issues subject to the decision of the general meeting.		x	Not applicable in insolvency proceedings
D.7. Any specialist, consultant, expert or financial analyst may attend the meeting of shareholders, based on a prior invitation from the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the President of the Board decides to the contrary.		x	The Company will comply with, if the agenda of the meeting includes matters of public interest that will be submitted for approval.
D.8. The quarterly and half-yearly financial reports will include information, both in Romanian and in English, on the key factors that influence changes in the	x		

level of sales, operating profit, net profit and other relevant financial indicators, both from one quarter to another and from year to year.			
D.9. A company will hold every year at least two meetings/teleconferences with analysts and investors. The information presented on these occasions will be published in the section Relationship with the Investors of the company's website at the date of meetings / teleconferences.		Partial	It has been deemed that the information submitted and all current and periodic reports published on the website allow the shareholders and investors to make grounded choices.
D.10. If a company supports various forms of artistic and cultural events, sports, educational or scientific activities and considers that their impact on the innovative nature and competitiveness of the company is part of its mission and development strategy, the company will publish the policy on its activity in this field.		x	During the insolvency period, the company is considering mainly measures for financial balancing and cost decrease.

Conclusions

In 2016 SC UCM Resita SA continued its activity according to the status of company in insolvency proceedings with the intention of reorganization but retained the right to manage, through the Special Trustees, under the supervision of the Official Receiver.

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

UCM Resita ended on profit each year of insolvency:

- 2012 – 3.000.779 lei net profit intended to cover large losses from previous years (63,6 million lei in 2009; 376,6 million lei in 2010 and 328 million lei in 2011);
- 2013 – 2.091.558 lei net profit;
- 2014 – 609.032 lei net profit;
- 2015 – 481.489 lei net profit.

2016 is the first year when *the Company* recorded a loss of 24.870.550 lei.

This loss is due, on the one hand, to the insolvency of Hidroserv, UCM Resita having to recover a total debt amounting to 21.725.537,41 lei and, on the other hand, to postponement or cancellation by Hidroelectrica of several contracts totaling 24.713.860 lei, which unbalanced the budget estimated for 2016.

For 2017, *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 UCMR.

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

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

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

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

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

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

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

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

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

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

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

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

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

- "It is necessary for the state, which is represented by several institutions in the Meeting of Creditors, to ascertain the interests of all state representatives in the national economy";

- "This stage is preceding the application of viability solutions";

- "Business continuity in UCM Resita contributes greatly to the proper operation of the largest producer of electricity in the hydropower sector - Hidroelectrica SA, company under the authority of the Ministry of Economy and thus to provide the energetic security of the country".

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

STATEMENT OF SPECIAL TRUSTEES OF UCM RESITA SA COMPANY

The Special Trustees of *the Company* hereby declare that they assume their responsibility for the Yearly Financial Statements on December 31, 2016.

The Special Trustees of *the Company* confirm, regarding the Yearly Financial Statements on December 31, 2016, 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

Statement of financial position on 31.12.2016

- Lei -

Reference Statement of financial position IAS 1.10(a), 113	Balance sheet items	Balance on 01.01.2016	Balance on 31.12.2016
IAS 1.54(a)	Tangible fixed assets	177.094.810	168.636.615
IAS 1.54(c)	Intangible fixed assets	16.109	2.943
	Financial fixed assets	9.355.783	14.532.168
	Total of fixed assets	**186.466.702**	**183.171.726**
IAS 1.54(h)	Trade receivables and receivables from affiliated entities	21.151.441	8.092.311
IAS 1.54(g)	Stocks	23.911.806	22.378.213
IAS 1.54(o), 56	Deferred tax receivables	28.093.899	29.611.092
IAS 1.54(h)	Other receivables	1.196.830	6.574.969
IAS 1.54(i)	Cash and cash equivalents	6.398.859	2.257.968
	Prepayments	40.870	50.560
	Total of current assets	**80.793.705**	**68.965.113**
	TOTAL ASSETS	**267.260.407**	**252.136.839**
IAS 1.54(m)	Loans bearing interest	39.065.875	39.849.737
IAS 1.54(k)	Suppliers and other trade payables	39.917.501	38.745.947
IAS 1.54(k)	Taxes and other debts	575.155.774	580.273.150
IAS 1.54(o), 56	Deferred tax debts	27.854.853	35.125.702
IAS 1.54(l)	Provisions	242.705.042	242.024.879
IAS 1.55, 20.24	Revenues in advance	1.535.080	12.458
	Total debts	**926.234.125**	**936.031.873**
	Total assets minus Total debts	**(658.973.718)**	**(683.895.034)**
	Registered capital	601.685.084	601.685.084
	Revaluation reserves	172.379.170	164.870.831
	Legal reserves	1.972.406	1.972.406
	Other reserves	16.088.620	16.088.620
	Carried over result	(1.451.580.487)	(1.443.641.426)
	Current result	506.830	(24.870.550)
	Profit sharing, establishing of legal reserves	(25.341)	-
	Total equity	**(658.973.718)**	**(683.895.034)**
	TOTAL LIABILITIES	**267.260.407**	**252.136.839**

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

Statement of comprehensive income on 31.12.2016

- Lei -

Reference Statement of overall result IAS 1.10(b), 81(a)	**Explanations**	**01.01.2016**	**31.12.2016**
IAS 1. 82(a) IAS 1.99,103	Operating revenues	39.669.809	57.037.161
IAS 1.99, 103	Cost of sales	21.829.512	61.560.242
	Gross operating profit (loss)	**17.840.297**	**(4.523.081)**
IAS 1.99, 103	Distribution costs	10.931	14.686
	Administrative expenses	13.606.086	13.614.478
IAS 1. 82(a) IAS 1.99,103	Financial revenues	1.606.308	1.427.730
IAS 1.82(b)	Financial expenses	3.536.840	2.392.379
IAS 1.85	**Result before tax**	**2.292.748**	**(19.116.894)**
IAS 1.82(d), IAS 12.77	Income tax expenses	(1.785.918)	(5.753.656)
	Net profit (loss)	**506.830**	**(24.870.550)**
	Establishing of legal reserves under Law 31/1990	25.341	0
IFRS 5.33(a), 1.82(e)	***Profit attributable to:***	481.488	0
IAS 1.83(b)(ii)	*Owners of the Company*	465.984	0
IAS 1.83(b (i)	*Non-controlling interests*	15.504	0

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

Statement of changes in equity for the year ended on December 31, 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		(7.508.339)		7.508.339					-
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						(50.766)			(50.766)
Net result of the current accounting year							(24.870.550)		(24.870.550)
Balance on December 31, 2016 - IFRS	**601.685.084**	**164.870.830**	**1.972.406**	**225.401.804**	**16.088.620**	**(1.669.043.229)**	**(24.870.552)**	**-**	**(683.895.034)**

The legal reserves of *the Company* on December 31, 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*. If this reserve is used, in whole or in part, to cover the losses or for distribution in any form (such as issuance of new shares under the Law of Trading Companies), it becomes chargeable to income tax calculation.
We specify that on 31.12.16 *the Company* has not yet reached the maximum level of the legal reserves.

Special Trustees:
Cosmin URSONIU
Nicoleta Liliana

Statement of cash flows on 31.12.2016

	No.	December 31, 2015	December 31, 2016
A	B	2	3
OPERATING ACTIVITIES			
Net profit + Result carried over from correction of accounting errors	1	2.046.354	(19.167.661)
Adjustments for:			
Adjusting the value of tangible and intangible assets	2	32.342.502	8.512.526
Adjusting the value of financial assets	3	(293.173)	377.524
Expenses (revenues) with adjustments for depreciation of current assets	4	(1.302.750.777)	6.252.066
Adjustments to the provisions for risks and expenses	5	(30.655.635)	(680.163)
Expenses with the donations granted	6	1.500	-
Revenues from interests and other financial income	7	(420.441)	(526.043)
Expenses with interests and other financial income	8	4.223.793	1.294.436
Cash flow before changes in working capital (row 1 to 8)	9	**(1.295.505.877)**	**(3.937.315)**
Decrease / (Increase) - customers and other assimilated accounts	10	1.287.717.328	(7.283.889)
Decrease / (Increase) in stocks	11	1.819.265	3.171.920
(Decrease) / Increase - suppliers and other assimilated accounts	12	6.949.373	3.945.804
Cash flow from operating activities (row 9 to 12)	13	**980.089**	**(4.103.480)**
Revenues from interests	14	54.225	1.425
(Net Increase) / Decrease in restraint cash	15	(137.238)	190.640
Cash flow obtained in operating activities (row 13 to 15)	16	**897.076**	**(3.911.415)**
INVESTING ACTIVITIES			
Cash payments for long-term purchasing of land and other assets	17	(16.996)	(50.836)
Net cash used in investing activities (row 17)	18	**(16.996)**	**(50.836)**
FINANCING ACTIVITIES			
Subsidies granted	19	(1.500)	-
Revenues from dividends	20	16.840	12.000
Net cash used in financing activities (row 19 to 20)	21	**15.340**	**12.000**
Net Increase / (Decrease) in cash and cash equivalents (row 16+18+21)	22	895.420	(3.950.251)
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	**5.903.885**	**1.953.634**

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

Economic - Financial Indicators on 31.12.2016

Indicator	Calculation method	Value
1. Current liquidity	1=2/3	0,10
2. Current assets (lei)	2	68.903.056
3. Current liabilities (lei)	3	693.994.537
4. Level of indebtedness	4=5/6	#N/A
5. Borrowed capital (lei)	5	0
6. Capital employed (lei)	6	(683.895.034)
7. Turnover ratio of customer debits (days)	7 =8/9 x 365	89
8. Average balance of trade receivables (lei)	8	13.528.545
9. Turnover (lei)	9	55.694.260
10. Turnover ratio of fixed assets (days)	10 = 11/12 x 365	1.201
11. Fixed assets (lei)	11	183.183.223
12. Turnover (lei)	12	55.694.260

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

1. Reporting entity

General information

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

IAS 1.51(a)-(c) The separate financial statements, in accordance with IFRS, has been prepared for the accounting year ended on December 31, 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 31.12.2016, 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, governors and hydro generators), hydro mechanical equipment, large hydraulic servomotors, bearings and half-bearing shells, spare parts for Diesel engines and the like.

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

The products and services of *the Company* are delivered / rendered both on domestic and foreign markets.

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

The separate financial statements have been prepared assuming that *the Company* will continue its activity without significant changes in the foreseeable future.

2. Basis for preparation of separate financial statements

IAS 1.112(a)

2.1 Declaration of conformity

IAS 1.16 The Separate Financial Statements have been prepared in accordance with the provisions of the Order no. 1286/2012 of the Minister of Public Finance, with respect to the approval of Accounting Regulations in compliance with the International Financial Reporting

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

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

The undersigned, Cosmin URSONIU and Liliana Nicoleta IONETE, in position of Special Trustees of *the Company*, undertake the liability for drawing up the Yearly Separate Financial Statements on 31.12.2016 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 Yearly Separate Financial Statements for the year ended on December 31, 2016 in accordance with *OMPF 1286/2012*, as amended and supplemented.

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

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

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

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

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

The Separate Financial Statements for the year ended on1 December 31, 2012 were the first of this kind that *the Company* has prepared in accordance with IFRS, year when it was applied also IFRS 1 - "First-time Adoption of IFRS".

These Separate Financial Statements have been audited.

The Company does not apply IFRS issued and not adopted on 31.12.2016, 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.

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

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

On 31.12.2016 the Company owns only two subsidiaries, as for one of the subsidiaries or UCM Turnate Ltd, was ordered by Civil Sentence no. 371/JS dated 11.10.2016 conclusion of insolvency proceedings and removal of the company from the Trade Register.

As shown also in Note no. 3.3, from the two subsidiaries of *the Company*, one of them is in bankruptcy proceedings on 31.12.2016 and its impact in the financial statements of the parent company is 0, as the assets have been impaired to an extent of 100%.

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

Thus, in view of the above, *the Company* has decided not to present consolidated financial statements, considering that the consolidated financial information that should be provided by *the Company* in the statements of financial position and of comprehensive income on 31.12.2016 would not differ significantly from the separate financial statements of *the Company* on 31.12.2016.

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 Romanian Leu.

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

2.4 The use of estimates and professional judgments

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

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

2.5 New International Standards that are not applied by the Company

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

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*
  - Amended by *Annual Improvements to IFRS Standards 2014–2016 Cycle*;

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

- Subject of amendment: deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose;
- Effective for annual periods beginning on or after 1 January 2018.

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

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

- IFRS 9 *Financial Instruments*
  - IASB has published, on 2014, the final version of IFRS 9 bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *'Financial Instruments: Recognition and Measurement'*.

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

- IFRS 9 (2014) was issued as a complete standard including the requirements previously issued and the additional amendments.
- The Standard is effective for reporting periods beginning on or after 1 January 2018 with early adoption permitted.
- IASB has issued, on 2016, *Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)* to address concerns about the different effective dates of IFRS 9 and the new insurance contracts standard
- The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4
  - an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
  - an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach**.**
- The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.
- An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9.
- An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

- IFRS 12 *Disclosure of Interests in Other Entities*
  - Amended by *Annual Improvements to IFRS Standards 2014–2016 Cycle* (Clarification of the scope of the Standard).
  - Subject of amendment: clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*
  - Effective for annual periods beginning on or after 1 January 2017.

- IFRS 15 *Revenue from Contracts with Customers*
  - The Standard was issued by IASB on May 2014.
  - The standard supersedes IAS 18 *'Revenue'*, IAS 11 *'Construction Contracts'* and a number of revenue-related interpretations.

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

Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

- Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2017
- IASB has published on September 2015 *'Effective Date of IFRS 15'* deferring the effective date of IFRS 15 to 1 January 2018. Earlier application of IFRS 15 continues to be permitted.
- In 2016 was issued *Clarifications to IFRS 15 'Revenue from Contracts with Customers'*. Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2018. The amendments do not change the underlying principles of the standard, just clarify and offer some additional transition relief.
- The amendments in *Clarifications to IFRS 15 'Revenue from Contracts with Customers'* address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The IASB concluded that it was not necessary to amend IFRS 15 with respect to collectability or measuring non-cash consideration. In all its decisions, the IASB considered the need to balance helping entities with implementing IFRS 15 and not disrupting the implementation process.

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

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

- IAS 12 *Income Taxes*
  - Amended by *Recognition of Deferred Tax Assets for Unrealized Losses;*
  - The amendments clarify the following aspects:

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

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

  - Effective for annual periods beginning on or after 1 January 2017.

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

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

- IAS 28 *Investments in Associates and Joint Ventures*
  - Amended by *Annual Improvements to IFRS Standards 2014–2016 Cycle* (Measuring an associate or joint venture at fair value);
  - Subject of amendment: clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition;
  - Effective for annual periods beginning on or after 1 January 2018.

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

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

- Effective for annual periods beginning on or after 1 January 2018.

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

The Company cannot estimate the impact of non-application of these provisions on the financial statements and intends to apply these provisions with the date of their entry into force.

2.6 Presentation of separate financial statements

The Company applies IAS 1 - "Presentation of Financial Statements" (2007) revised, which entered into force on January 1, 2009.

As a result, in the "Statement of Changes in Shareholders' Equity" *the Company* presents to shareholders all amendments thereto.

The comparative information has been reconciled so that they conform to the revised standard. As the impact of change in accounting policy is reflected only on presentation aspects, there is no impact on earnings per share.

IAS 1 "Presentation of Financial Statements" is governing the basis for presentation of financial statements for general purpose, in order to ensure comparability both with financial statements of the entity for previous periods and with the financial statements of other entities.

a) Basis of accounting and reporting in hyperinflationary economies

The currency used by *the Company* for evaluation and reporting is the "Romanian Leu" ("RON").

IAS 29 - "Financial Reporting in Hyperinflationary Economies", requires that the statements of companies that are reporting in the currency of a hyperinflationary economy should be made in terms of the current monetary unit at the date of the balance sheet and all amounts must be restated in the same conditions. IAS 29 states that reporting of operating results and financial position in

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

local currency without restatement related to inflation is useless, since the money lose their purchasing power so quickly that a comparison between the value of transactions or of other events that occur at different moments, even within the same reporting period, is wrong. IAS 29 suggests that an economy should be considered hyperinflationary if certain conditions are met; one of them being that the cumulative rate of inflation over a period of three years exceeds 100%.

By December 31, 2003 adjustments were made to reflect the application of IAS 29 "Financial reporting in hyperinflationary economies".

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

Monetary assets and liabilities
Monetary assets and liabilities have not been reassessed for the implementation IAS 29 since they are already expressed in terms of the current monetary unit at the date of the balance sheet.

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

b) Estimates and assumptions

Preparation of individual financial statements in conformity with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, of contingent assets and liabilities at the date of the financial statements and of the reported amounts of revenues and expenses registered during the reporting period. The actual results may be different from these estimates. The estimates are periodically reviewed and, if adjustments are required these are reported in the profit and loss account for the period in which they become known.

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

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

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

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

c) Registered capital

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

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

d) Equity papers in affiliated entities

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

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

e) Tangible fixed assets

Recognition and measurement of fixed assets

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

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

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

Subsequent expenses on maintenance and repairs

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

Depreciation

The fixed assets are depreciated from the month following the date of purchase or the date of commissioning, as appropriate, using their lifetime periods.

Depreciation is calculated using the straight-line method over the lifetime of the fixed assets and/or their components, which is accounted separately.

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

The terms of depreciation used are as follows:

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

The land and fixed assets in progress are not depreciated and the ongoing investments are depreciated from the date of commissioning.

The estimated useful lives and the depreciation method are reviewed periodically, to ensure they are consistent with the projected evolution of economic benefits generated by the tangible assets.

Tangible assets are derecognized from the balance sheet when the asset exits the equity or when no benefits are expected from the use of the asset. Losses or gains on disposal/sale of fixed assets are recognized in the statement of the comprehensive income.

f) Intangible assets

Recognition and Measurement of intangible assets
The intangible assets acquired by *the Company* are recognized and presented at cost, less accumulated depreciation and impairment losses.

Depreciation
Depreciation is recognized in the comprehensive income, on a straight line basis, over the estimated lifetime (service life) of the intangible asset.

Most of the intangible assets recorded *by the Company* are represented by the software programs, which are depreciated linearly over a period of 3 years.

g) Depreciation of the value for non-financial assets

According to IAS 36 Depreciation of Assets, the value of tangible and intangible assets is reviewed annually to identify circumstances that indicate their depreciation.

Whenever the net value of the asset exceeds its recoverable amount, depreciation of its value is recognized in the statement of the comprehensive income for tangible and intangible assets.

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

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

h) Financial assets

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

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

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

Derecognizing of financial assets occurs when the rights to receive cash flows from the asset have expired, or *the Company* has transferred its rights to receive cash flows from the asset (directly or through a "pass-through" commitment). All normal purchases and sales of financial assets are recognized at the transaction date, i.e. the date when *the Company* commits to purchase an asset.
Regular purchases and sales are those that require delivery of assets within the period generally accepted by the regulations or conventions valid on that market.

The Company has no financial assets at fair value registered in the profit and loss account or financial assets available for sale.

i) Financial debts

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", *the Company's* financial debts are classified into the following categories: loans, trade debts and other debts.

The trade debts are stated at nominal amounts payable for goods or services received. Short and long term loans are initially recognized at the nominal value, representing the amount received under this head, not including the specific costs (fees, interest).

The gains and losses are recognized in the statement of the comprehensive income on derecognizing of debts, as well as through the depreciation process. Derecognizing of financial debts occurs if an obligation is fulfilled, canceled or expires. The financial assets and debts are compensated only if *the Company* has a legally enforceable right to make compensations and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

j) Debts related to leasing contracts

Financial leasing contracts
The leasing contracts in which *the Company* takes substantially the risks and benefits of ownership are classified as financial leasing. The amounts due are included in the short or long term debts, the elements of interest and other costs of financing being recorded in the profit and loss account during the contract period. Assets held under the financial leasing contracts are reflected in the accounting system using the accounts of tangible and intangible assets and are depreciated over their useful lifetime.

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 December 31, 2015 and 2016 are as follows:

Currency	December 31, 2015	December 31, 2016
RON/EUR	4.5245	4.5411
RON/USD	4.1477	4.3033
RON/GBP	6.1466	5.2961
RON/CHF	3.0333	4.2245

l) Stocks

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

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

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

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

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

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

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

m) Receivables

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

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

n) Cash and cash equivalents

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

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

o) Debts

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

q) Loans

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

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

p) Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions attached will be satisfied. When the grant relates to an expense item, it is recognized as income over the period necessary to correlate, on a systematic basis, the grant with

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

the costs to be offset. When the grant relates to an asset, it is recognized as deferred income and taken to income in equal amounts over the expected life of the related asset.

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

r) Benefits of employees

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

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

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

- Granting of two average gross wages per company for the birth of each child;

- Granting of one average gross salary per company to the dismissal of an employee for whom it was issued a decision by the relevant medical expertise finding physical and/or mental inability thereof, which does not allow him to fulfill his duties appropriate to the position held.

Post employment benefits –plan for retired pay:
Both *the Company* and its employees are legally obliged to pay monthly social security contributions, administered by ANAF and the County Houses of Pensions. As a result, *the Company* has no legal obligation to pay in future other amounts related to retirement contributions. *The Company* does not contribute to any other plan for retired pay or retirement benefits and has no other obligations such as those mentioned for its employees.

s) Profit tax

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

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.

ş) Recognition of revenues and expenses

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

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

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

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

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

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

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

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.

ț) 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.

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

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

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

statements which publication was approved after their discovery, by means of: restating the comparative amounts for the prior period presented in which the error occurred or if the error occurred before the first prior period.

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

In order to correct the errors for the current accounting year, the accounting entries made wrong are, the appropriate registration of the operation in question.

y) Reserves

The Company creates legal reserves according to Art. 183 of Law 31/1990.

Given the provisions of *OMFP 1286 / 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**.

3. Fixed assets

The values (gross, net), depreciation, composition and other relevant aspects regarding the movement of fixed assets during the accounting year ended on 31.12.2015, are presented show below.

3.1 Intangible fixed assets

The statements of movement and depreciation of intangible fixed assets in the accounting year 2015 are presented in Tables 1, 2 and 3 below**.**

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

- Lei -

Explanations	31.12.2014	Inputs	Transfers	Outputs	31.12.2016
0	1	2	3	4	5=1+2-3-4
Other intangible fixed assets	10.645.182	2.597	-	-	10.647.779

3. Fixed assets (continued)

Table No. 2 – Cumulative depreciation of intangible assets

- Lei -

Explanations	31.12.2015	Costs with depreciation	Cumulative depreciation of outputs	31.12.2016
0	1	2	3	4=1+2-3
Other intangible fixed assets	(10.629.073)	(15.763)	-	(10.644.836)

Table No. 3 – Net accounting values of intangible assets

- Lei -

Explanations	31.12.2015	31.12.2016
0	1	2
Other intangible fixed assets	16.109	2.943

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 2015 are presented in Tables 4, 5 and 6 below**.**

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

- Lei -

No.	Explanations	31.12.2015	Inputs	Outputs	Revaluation on 31.12.2016	31.12.2016
0	1	2	3	4	5	6=2+3-4+5
1.	Lands and land improvements	55.868.100	-	-	-	55.868.100
2.	Buildings	125.540.022	-	-	-	125.540.022
3.	Equipment	63.993.359	26.622	238.900	-	63.781.081
4.	Furniture and others	1.395.402	11.946	41.108	-	1.366.240
5.	Fixed assets under construction	914.941	-	-	-	914.941
	TOTAL (1+2+3+4+5)	**247.711.824**	**38.568**	**280.008**	**-**	**247.470.384**

3. Fixed assets (continued)

Table No. 5 – Cumulative depreciation of tangible fixed assets

- Lei -

No.	Explanations	31.12.2015	Costs with depreciation	Cumulative depreciation of outputs	Revaluation on 31.12.2015	31.12.2016
0.	1	2	3	4	5	6=2+3-4-5
1.	Land improvement	-	-	-	-	-
2.	Buildings	8.089.408	8.033.100	-	-	16.122.508
3.	Equipment	60.972.229	398.529	235.523	-	61.135.235
4.	Furniture and others	1.183.901	61.757	41.108	-	1.204.550
	TOTAL (1+2+3+4)	**70.245.538**	**8.493.386**	**276.631**	**-**	**78.462.293**

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

- Lei -

No.	Explanations	01.01.2016	31.12.2016
0.	1	2	3
1.	Land and land improvement	55.868.100	55.868.100
2.	Buildings	117.450.614	109.417.515
3.	Equipment	3.021.130	2.645.846
4.	Furniture and others	211.501	161.690
5.	Fixed assets under construction	914.941	914.941
6.	Adjustments for depreciation of fixed assets under construction	(371.476)	(371.476)
	TOTAL (1+2+3+4+5+6)	**177.094.810**	**168.636.616**

The company owns, mainly:

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

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

Revaluation of fixed assets

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

3. Fixed assets (continued)

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	31.12.2015	31.12.2016
0	1	2	3
1.	Revaluation reserves at the beginning of the accounting year	179.945.016	172.379.170
2.	Differences in revaluation reserves transferred into reserves as the assets are depreciated during the year and at deregistration of assets	*(7.565.846)*	*(7.508.339)*
3.	Revaluation differences recorded during the accounting year as a result of revaluation	-	-
4.	**Revaluation reserves at the end of the accounting year (4=1+2+3)**	**172.379.170**	**164.870.831**

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

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

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

Tangible fixed assets pledged and restricted

For the 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 79.558.468 lei, on 31.12.2016, in which 31.650.820 lei represents buildings and 47.907.648 lei represents lands.

Also, ANAF have been established seizure of some tangible fixed assets with the net carrying value of 42.284.092 lei, on 31.12.2016, in which 31.025.222 lei represents buildings and 11.258.870 lei represents lands.

3. Fixed assets (continued)

During 2016 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	31.12.2015	31.12.2016
0	1	2	3
1.	Tangible fixed assets for which payment was made in previous years	11.498	11.498
2.	Acquisitions financed through financial leasing	-	-
3.	Purchases from suppliers of fixed assets	956.472	944.867
	TOTAL (1+2+3)	**967.970**	**956.365**

3.3 Financial assets

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

Table No. 9 – Investments (shares) in subsidiaries

- Lei -

No.	Explanations	31.12.2015	31.12.2016
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	0
3.	S.C. EUROMETAL Ltd., Resita	11.377.950	11.377.950
4.	Adjustments for depreciation of financial assets	(45.777.950)	(11.377.950)
	TOTAL OF NET VALUE (1+2+3-4)	**17.000**	**17.000**

On 31.12.2016, *the Company* had the following subsidiaries:

- **S.C. MULTI-FARM Ltd.**, a company registered in the Trade Register under no. J11/799/2004, in which *the Company* holds 70.8333% of the shares. The main object of activity is the retail trade of pharmaceutical products.

- **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.

At the date when these financial statements were drawn-up for SC UCM Turnate Ltd., the insolvency procedure was closed in accordance with the Civil Sentence no. 371/JS dated November 10, 2016.

3. Fixed assets (continued)

Based on the above Civil Sentence, *the Company* recognized the value of shares totaling 34,400,000 Lei as loss but not affecting the current year, whereas the entire value of the shares owned, amounting to 34,400,000 lei has been adjusted.

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

Table No. 10 – Equity papers held in other entities

- Lei -

Explanations	31.12.2015	31.12.2016
Romanian Commodities Exchange	23.000	23.000
TOTAL	**23.000**	**23.000**

The Company has shareholding in Romanian Commodities Exchange (*BRM*), holding 23 shares with a nominal value of 1,000 lei per share, representing 0.29% of *BRM* capital.

Other financial assets

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

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

The performance bond guarantees with maturity less than one year, amounting 11.768.672 lei, are included in the trade receivables, being reduced with the value of adjustment in amount of 10.757.562 lei, related to guaranties due and unpaid on 31.12.2016 (**see Note no. 4**).

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

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

- Lei -

No.	Explanations	31.12.2015	31.12.2016
0	1	2.	3.
1.	Performance guarantees given to customers recoverable in a period longer than one year	8.911.425	14.487.770
2.	Debtors for the guarantees filed	404.358	404.358
3.	Adjustments for impairment of other receivables	0	0
	TOTAL (1+2+3)	**9.315.783**	**14.892.128**

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.

4. Receivables (continued)

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

- Lei -

No.	Explanations	Balance on 31.12.20145	Balance on 31.12.20156	Liquidity term	
				Less than 1 year	Over 1 year
1	Trade receivables	34.350.960	29.061.954	29.061.954	-
2	Value adjustments for depreciation of trade receivables	(13.446.021)	(21.214.727)	(21.214.727)	
3	**Total net values for trade receivables (1 + 2)**	**20.904.940**	**7.847.227**	**7.847.227**	-
4	Receivables to be collected from related parties	2.945.269	2.943.852	2.943.852	-
5.	Value adjustments for depreciation of other receivables	(2.698.768)	(2.698.768)	(2.698.768)	
6	Other receivables, of which:	45.197.877	52.395.094	52.395.094	-
6.1	- Deferred tax acc. to IFRS	28.093.899	29.611.092	29.611.092	
7	Value adjustments for depreciation of other receivables	(16.087.347)	(16.209.032)	(16.209.032)	-
8	**Total net values for other receivables (4+5+6+7)**	**29.357.032**	**36.431.146**	**36.431.146**	
9	**TOTAL NET VALUES OF RECEIVABLES (3+8)**	**50.261.972**	**44.278.373**	**44.278.373**	-

On 31.12.2016 the main customers stated on the in balance, from which *the Company* has to collect trade receivables is: S.S.H. HIDROSERV – Sector of hydropower services and repairs Bistrita (2.581.851 lei); Sector of hydropower services and repairs Hateg (1.958.634 lei); Sector of hydropower services and repairs Portile de Fier (1.197.023 lei); Sector of hydropower services and repairs Ramnicu Valcea (1.221.020 lei).

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

The increase in value adjustments for depreciation of trade receivables in 2016, compared to 2015, is due to the insolvency of S.S.H. HIDROSERV on 10.10.2016, to which *the Company* has receivables, amounts with which we enrolled in the Preliminary Table of Claims S.S.H. HIDROSERV.

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

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

4. Receivables (continued)

Thus, the Company recorded at the end of 2016 receivables for deferred tax totaling 29.598.337 lei, 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 34.794.697 lei, amount representing the difference between the accounting basis and tax depreciation basis.

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	*31.12.2015*	*31.12.2016*
1	Raw materials	6.457.960	9.768.892
2	Materials	863.561	1.086.687
3	Inventory items	452.291	537.315
4	Packages and materials from third parties, raw materials and materials in progress of purchasing	987.914	1.509.363
5	Semi-finished products	1.665.999	1.665.999
6	Production in progress	24.549.224	18.449.742
7	Finished products	6.881.560	5.668.592
8	**Total of gross value (1+2+3+4+5+6+7)**	**41.858.509**	**38.686.590**
9	Adjustment of value for raw materials	(3.171.816)	(2.908.340)
10	Adjustment of value for materials	(483.254)	(461.557)
11	Adjustment of value for inventory items	(214.932)	(210.658)
12	Adjustment of value for packages	(15.829)	(15.699)
13	Adjustment of value for semi-finished products	(1.576.402)	(1.576.402)
14	Adjustment of value for production in progress	(8.195.884)	(7.497.759)
15	Adjustment of value for finished products	(4.288.586)	(3.637.962)
16	**Total value adjustments (9+10+11+12+13+14+15)**	**(17.946.703)**	**(16.308.377)**
17	**Total net value (8-16)**	**23.911.806**	**22.378.213**

In 2016, the stocks of raw materials and consumables increased by 4.140.531 lei (variation in row 1 to row 4). This increase was due to purchasing of large quantities at the end of the year for the execution of some components for Stejaru project.

The adjustments for depreciation of raw materials, consumables and semi-finished products decreased by 289.577 lei (variation in row 9 to row 13) linked to the consumption of materials for which adjustments were made in previous periods.

The production in progress decreased by 6.099.442 lei in 2016 (variation in row 6) due mainly to completion of the projects Bumbesti and Dumitra.

The most important projects started in 2016 whose performance will continue over the next year are upgrading of HPP Stejaru and modernization of the hydro power unit 2 for HPP Beresti.

The adjustments for depreciation of production in progress on 31.12.2016 are in amount of 7.497.759 lei, with a decrease of 698.125 lei from the previous year (variation in row 14). This

5. Stocks (continued)

decrease in adjustments is largely due to the advanced stage of completion of the project Dumitra, for which there were depreciation of production.

The largest weight in total adjustments for depreciation of production in progress on 31.12.2016 is on the following contracts:

- Seymareh: 180,086 lei
- Lavours: 4,900,411 lei
- Middle Kolab: 398,434 lei
- Paşcani: 648,037 lei
- Caineni: 484,160 lei

The finished products have decreased by 1,212,968 lei (variation in row7), mainly due to deliveries of power units to HPP Dumitra, which were in stock at the end of last year. Following these deliveries was recorded also a decrease in adjustments for depreciation of finished products, with the amount of 650.624 lei (rd.7 variation).

6. Cash and cash equivalents

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

Table No. 14– The available cash and credits committed

- Lei -

No.	Explanations	31.12.2015	31.12.2016
1.	Bank accounts in Lei	6.012.231	2.133.905
2.	Bank accounts in foreign currency	385.420	110.331
3.	Cash in hand	76	12.579
4.	Treasury advances	-	-
5.	Short-terms deposits	1.132	1.153
6.	Other securities	-	-
7.	**Total cash in hand (7=1+2+3+4+5+6)**	**6.398.859**	**2.257.968**
8.	Restricted cash (account securities)	(494.974)	304.334
9.	**Total deficit/surplus of account (9=7+8)**	**5.903.885**	**1.953.634**

7. Debts

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

7. Debts Continued)

Table No.15 – Summary statement of debts

- Lei -

No.	Explanations	31.12.2015	31.12.2015	Before 06.12.2011	Currently	Liquidity time		
						Less than 1 year	1-5 years	Over 5 years
1.	Amounts owed to credit institutions	39.065.875	39.849.737	19.353.829	20.495.908	39.849.737	0	0
2.	Advances received in account of orders from customers	19.637.007	19.376.186	16.449.850	2.926.336	19.376.186	0	0
3.	Trade payables	20.280.494	19.369.761	16.415.403	2.954.358	19.369.761	0	0
4.	Bills payable	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	476.718.222	488.775.443	392.938.062	95.837.381	488.775.443	0	0
	TOTAL (1+2…+6)	**681.994.003**	**693.663.533**	**571.449.550**	**122.213.983**	**693.663.533**	**0**	**0**

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 31.12.2016, from which have been collected down payments for orders, is Hidroelectrica SA - the subsidiary Hydro Power Plants Sibiu (project HPP Câineni), the amount for down payment being of 8.817.043 lei.

The main suppliers of raw materials and services (in terms of the value for the contracts developed in 2016) are represented by: Division Security and Protection Consulting & Security SRL Schitu, Laromet Metal SA Bucharest, Enel Energie SA Bucharest, Romelectro SA Bucharest, Sodexo Pass Romania SRL Bucharest, Miras International SRL Buftea ranging from domestic suppliers, and from the foreign suppliers: Forgital Dembiermont SAS France, Cogent Surahammars Bruks AB Sweden, Isovolta AG Austria, Unionocel Czech, Alpk Elektric LTD STI Turkey.

7.2 Amounts owed to credit institutions

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

On 31.03.2016 the total amounts owed to BCR, including the interests and fees calculated by the bank after the date of insolvency, also the insurance premiums, is of 41.486.039 lei (at the exchange rate mentioned above), representing:

7. Debts (continued)

- outstanding credits amounting 25.025.866 lei of which: 18.196.328 lei outstanding credits at the date of insolvency and 6.829.538 lei credits from enforcement of letters of bank guarantee after declaring the insolvency;
- outstanding interests in amount of 14.492.514 lei;
- outstanding fees in amount of 1.832.718 lei;
- outstanding insurance premiums in amount of 134.941lei

In April, *the Company* received a notice from BCR hereby notifying assignment of receivables, guarantees and all rights arising from credit agreements, as follows:

- on 29/02/2016 the receivables held of BCR were transferred to Assets Recovery Debts SRL Romania under an assignment contract, according to the notification received by *the Company*;
- on 13.04.2016 was signed the assignment contract between Assets Recovery Loan Debts SRL Romania and Serraghis Loan Management LTD Cyprus, by which was assigned the receivables held initially by BCR.

Following the above, as of 25.04.2016, BCR no longer has legal rights arising from the following credit agreements as they have been amended and/or supplemented: 258/09.01.2003, 229/10.12.2007, 247/42692/29.08.2006, 225/10.09.2007 and 165/09.11.2001.

Except for the change of the creditor, these assignments do not affect the obligations and commitments of credit agreements mentioned above and their related guarantee documents.

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

Table No. 16 – Amounts owed to credit institutions

- Lei -

No.	Explanations	Total on 31.12.2015	Total on 31.12.2016	Balance on 31.12.2016 of which:	
				Before 06.11.2011	Currently
1.	Line of credit and short-term credits	24.152.035	24.206.439	17.210.429	6.996.009
2.	Current obligation (portion) of long-term loans	985.899	985.889	985.899	-
3.	Long-term obligation (portion) of loans	-	-	-	-
4.	Interests on bank credits	13.927.941	14.657.399	1.157.501	13.499.899
	TOTAL (1+2+3+4)	**39.065.875**	**39.849.737**	**19.353.829**	**20.495.908**

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

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

7. Debts (continued)

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

- Lei -

No.	Explanations	31.12.2015	31.12.2016	Out of which on 31.12.2016	
				Before 06.12.2011	Currently
-	1	2		4	5
1	Associates, current accounts - loan	102.707.107	102.707.107	102.707.107	-
2	Associates, current accounts - interest	23.585.298	23.585.298	23.585.298	-
3	Social security payable	108.077.227	109.061.646	84.471.426	24.590.220
4	VAT payable	54.604.450	58.174.215	31.180.469	26.993.746
5	VAT non-payable	12.039	12.039	12.039	-
6	Wages taxes	12.375.399	11.966.851	11.737.442	229.409
7	Obligations to unemployment fund	7.146.264	7.148.411	7.164.877	(16.466)
8	Obligations to special funds, other taxes, charges and remittances	228.042.634	236.863.235	197.189.545	39.673.690
9	Other creditors	65.031.399	64.386.487	64.386.487	-
10	Retained performance bond guarantees	274.147	294.049	85.369	208.680
11	Salaries and other personnel benefits	694.801	721.439	-	721.439
12	Other payables to employees	459.862	478.076	279.595	198.480
	Total other debts (excluding bank credits)	**603.010.627**	**615.398.853**	**522.799.655**	**92.599.198**

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 to VAT, CAS Employer, CASS Employer.

The total current debt of 92.599.198 lei, including the obligation for December 2016 with maturity on 25.01.2017, in amount of 953,108 lei, of which *the Company* has paid in whole in January 2017 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 06.12.2011-31.12.2016.

7. Debts (continued)

Also, included in the total current debt is the debt for deferred tax amounting 34.794.697 lei.

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

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

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

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

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

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

Loans (financing) granted by the shareholder INET AG Switzerland
The loans from the majority shareholder represent the amounts deposited by INET AG Switzerland under the privatization contract, according to which it has undertaken the obligation to provide *the Company* with the amounts needed for carrying out environmental investments (6.003.805 USD), investments for development (6.202.278 USD) and for the working capital (372.137 USD).

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

- 600.000 USD – in cash (1.860.296 lei), to carry out environmental investments;

7. Debts (continued)

- 1.923.182 USD – in cash and by conversion of debts (5.687.452 lei) to carry out investments for development;

- 372.123 USD – in cash (1.170.933 lei), for the working capital.

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

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

Table No. 18 – Summary statement of the loans granted by the majority shareholder INET AG on 31.12.2015

No.	Explanations (currency)	Value of loans (currency unit)	Exchange rate on 06.12.2011 - date of insolvency (lei / currency unit)	Value of loans on 31.12.2016 (lei)
1.	USD	13.452.297	3.2486	43.701.132
2.	CHF	7.299.983	3.5166	25..671.120
3.	EUR	7.657.200	4.3534	33.334.855
	TOTAL (1+2+3)			**102.707.107**

On 31.12.2016, the total interest calculated and recorded, related lo loans granted by the majority shareholder is of 23.585.298 lei. Both the loans and interests are revalued at the exchange rate on 06.12.2011, the date of insolvency of *the Company* and were enrolled in the Preliminary Table of Receivables.

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

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

- Were exempted from payment the budgetary obligations outstanding at 31.12.2003, amounting to 54.018.544 lei (VAT, profit tax, social security contributions payable by the employer and special taxes) and the interests and penalties related to these obligations, in amount of 114,160,603 lei.

- Were staggered for payment in 5 years, with a grace period of 6 months, the budgetary obligations outstanding at 31.12.2003, amounting to 11.481.825 lei (wedge tax, tax on income from wages, contribution to health insurance and other obligations owed by the employer).

7. Debts (continued)

On 29.03.2007, *the Company* benefited from the Order no. 9083 issued by *AVA*S 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 31.12.2016 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
	TOTAL (1+2+3+4+5)	**0**	**625.854**	**625.854**

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

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

The Company paid up to the date the insolvency proceedings, namely 06.12.2011, the amounts staggered by the Common Order issued by AVAS, at the deadlines in the graph, so on 31.12.2016 the debt resulting from the amounts is of 673.419 lei of which 625.854 lei represents the debit and 47.656 lei represents the related increases. This amount, cumulated with the rates that would have been exempted as well as the increases calculated, represents the total amount of 11.922.654,91 lei with which AVAS, currently AAAS (Authority for State Assets Management) entered in the Preliminary Table of Receivables.

7. Debts (continued)

Although, according to Art. 4 of the Common Order 6/2006, for the loss of facilities granted, ANAF must calculate the ancillary tax liabilities (interest and penalties) from the date of the loss of facilities, namely on 20.12.2009, it was found that in the Table of Creditors, ANAF entered with the ancillaries calculated from the date of *Company* ‘s privatization.

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

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

7.4 Debts related to leasing contracts

On 31.12.2016 *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 31.12.2016 is show in Table no. 21 below.

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

- Lei -

No.	Explanations	31.12.2015	Increase	Reduction	31.12.2016
1	Provisions for litigation	1.800.176	199.232	0	1.999.408
2	Provisions for costs within the guaranty period	1.328.994	0	0	1.328.994
3	Provisions for risk of debts payment to the state budget	187.289.970	0	0	187.289.970
4	Provisions for costs required to dismantling of tangible assets	48.766.365	0	0	48.766.365
5	Provisions for risk s and expenses (suppliers)	2.644.272	952	487.834	2.157.390
6	Provisions for employee retirement benefits	875.264	482.752	875.264	482.752
	TOTAL (1+2+3+4+5+6)	**242.705.042**	**682.935**	**1.363.098**	**242.024.879**

8. Provisions (continued)

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*, provisions for risks and expenses were established.

Until 2015, inclusively, *the Company* policy, in terms of benefits granted to employees, has provided provisioning for all employees that in the following year meet the conditions for retirement, both for early and age limit retirement.

Analyzing the situation of persons that had the right to submit their retirement file versus the situation of people that were actually retired, it was found that the number of applications for retirement has been far below those who meet the retirement conditions, achieving an average of 52% per the last three years.

Taking this into account, starting with 2016 it was decided to change the policy of provisioning for the benefits of employees, thus these provisions will be made in percentage as the average number of people who have retired in the last three years, compared to the number of persons eligible for retirement over the same period.

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 31.12.2016, the company INET AG owns 96.7890% of total shares.

The value of the registered capital on 31.12.2016 was of 10.993.390,40 lei, representing 109.933.904 shares.

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

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

Table No. 22 – Structure of shareholding on 31.12.2016

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

9. Structure of shareholding and equity (continued)

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

Following the application of IAS 29, adjustment was done by restating the Financial Statements for the years 2010, 2011 and 2012, based on result carried forward in the account 118 "Result carried forward from the adoption of IAS 29 for the first time.

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

On 31.12.2016 *the Company* had no bonds issued.

The Company is listed on Bucharest Stock Exchange since 1998, but as of 06.11.2011, the date of opening the general proceeding of insolvency, the company was suspended from trading.

The shares issued by the Company are registered, dematerialized, and they are administered by S.C. Central Depository S.A. Bucharest.

Table No. 23 – Structure of equity and evolution of results for the accounting years 2014 and 2015, also of major adjustments on retained earnings

No.	Explanations	31.12.2015	31.12.2016
0.	1.	2	3
1.	*Registered capital*	*601.685.084*	601.685.084
A	**Total (1)**	**601.685.084**	**601.685.084**
2.	*Revaluation reserves*	*179.945.015*	*172.379.170*
3.	** Transfer of surplus from revaluation reserves*	*(7.565.846)*	*(7.508.339)*
4.	** Use of revaluation reserves*	-	-
5.	** Registration of revaluation reserves*	-	-
B	**Total (2+3+4+5)**	**172.379.170**	***164.870.830***
6.	*Legal reserves*	*1.947.065*	*1.972.406*
7.	*Increases in legal reserves from the result of current accounting year*	*25.341*	-
C	**Total (6+7)**	**1.972.406**	***1.972.406***
8.	*Earnings representing surplus from revaluation reserves*	*210.327.619*	*217.893.465*
9.	** Transfer of surplus from revaluation reserves*	*7.565.846*	*7.508.339*
D	**Total (8+9)**	**217.893.465**	***225.401.804***
10.	*Other reserves*	*16.088.620*	*16.088.620*
E	**Total (10)**	**16.088.620**	***16.088.620***
11.	*Loss carried forward*	*(1.46.098.370)*	*(1.669.473.951)*
12.	** Transfer of accounting year result to retained earnings account*	*609.032*	*481.489*
13.	** Registration of accounting errors from previous years to retained earnings account*	*(246.392)*	*(50.766)*
	Restatement of IFRS, of which:		
14.	** Adjustment of provisions for employees' retirement benefits*	-	-

15.	** Reduction in deferred tax receivables recognized on the retained earnings account*	*(205.738.221)*	-
F	**Total (11+12+13+14+15)**	**(1.669.473.951)**	***(1.669.043.229)***
16.	*Profit sharing*	*(32.054)*	-
17.	** Account closure - profit sharing*	*32.054*	-
18.	** Increases in legal reserves from the result of current accounting year*	*(25.341)*	-
G	**Total (16+17+18)**	**(25.341)**	**-**
19.	*Profit / (Loss)*	*506.830*	*(24.870.550)*
20.	** Transfer of accounting year result to retained earnings account*	*(474.776)*	*24.472.579*
21.	** Account closure - profit sharing*	*(32.054)*	-
22.	** Net result of current accounting year*	*506.830*	*(24.472.579)*
H	**Total (19+20+21+22)**	**506.830**	***(24.870.550)***
	TOTAL (A+B+C+D+E+F+G+H)	**(658.973.718)**	**(683.895.034)**

10. Revenues from current activity

The turnover for the year 2016 is of 55.694.260 lei, of which 3.21% lei on European Union and 96.79% on domestic market. Regarding the structure of the turnover on December 31 2016 the percentage of 99.99% represents revenues from production sold.

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	2015	2016
1.	Revenues from sold production	34.808.054	55.690.226
2.	Revenues from sale of goods	4.833	4.034
3.	**TOTAL TURNOVER (3=1+2)**	**34.812.887**	**55.694.260**

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

- Lei -

No.	Explanations	2015	2016
1.	Romania	31.943.757	53.908.531
2.	European Union	2.560.281	1.785.729
3.	Asia	308.849	-
4.	**TOTAL (1 = 1+2+3)**	**34.812.887**	**55.694.260**

11. Expenses

The cost of sales for the years ended December 31, 2015 and 2016 is as follows:

	2015	2016
Raw material and materials	8.277.156	14.682.335
Goods	4.387.558	4.252.114
Facilities	23.182.049	22.213.512

Expenses with the personnel	1.600.008	1.101.443
External services	29.904.457	6.374.147
Value adjustments on fixed assets	(15.859.068)	6.285.960
Value adjustments on current assets	(30.655.635)	(680.163)
Expenses on provisions	20.427	16.061
Other expenses	972.560	7.314.833
Changes in stocks of finished goods and production in progress	**21.829.512**	**61.560.242**
Total cost of sales	**2015**	**2016**

The general administrative expenses for the years ended December 31, 2015 and 2016 are as follows:

	2015	**2016**
Raw material and materials	218.043	206.189
Facilities	351.719	324.709
Expenses with the personnel	5.604.501	5.501.778
External services	2.589.412	3.062.883
Value adjustments on fixed assets	2.438.045	2.135.001
Other expenses	2.404.366	2.383.918
Total general administrative expenses	**13.606.086**	**13.614.478**

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 31.12.2016, *the Company* recorded accounting loss in the amount of 24,870,550 lei, loss that will be covered from the profit of next years.

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

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

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	9.199.055	5.451.663
Deferred tax in 2011	216.597.928	5.232.393
Deferred tax in 2012	(2.694.175)	4.208.882
Deferred tax in 2013	4.310.146	4.122.918
Deferred tax in 2014	1.756.322	2.390.235
Deferred tax in 2015	4.662.844	6.448.763
Reversal of deferred tax receivable, erroneous recording when restating the year 2011	(205.738.221)	0
Total receivables and debts recorded on 31.12.2016	1.517.193	7.270.848

Table No. 27 Calculation of deferred tax 31.12.2016

- Lei -

No.	Category / Explanations	Carrying amount	Tax base	Temporary deductible differences	Temporary taxable differences	Receivables	Debts
1	Adjustments for depreciation of stocks	209.318		209.318		33.491	
2	Cancellation of adjustments for depreciation of stocks	1.847.644		1.847.644			295.623
3	Adjustments for depreciation of receivables various debtors	153.199		153.199		24.512	
4	Cancellation of adjustments for depreciation of receivables various debtors	31.514		31.514			5.042
5	Cancellation of adjustments in loss of value of shares held in affiliated entities	34.400.000		34.400.000			5.504.000
6	Provisions for performance bond guarantees	514.798		514.798		82.368	
7	Cancellation of provisions for performance bond guarantees	137.273		137.273			21.964
8	Adjustments for depreciation of receivables	7.922.208		7.922.208		1.267.553	
9	Cancellation of adjustments for depreciation of receivables	153.501		153.501			24.560
10	Provisions for retirement benefits to employees, year 2016	482.751	-	482.751		77.240	

11	Cancellation of provisions for retirement benefits to employees, year 2015	875.264		875.264			140.042
12	Other provisions for risks	200.184		200.184		32.029	
13	Cancellation of provisions for risks	487.834		487.834			78.053
14	Differences between accounting depreciation and tax depreciation	8.509.148	999.377		7.509.772		1.201.563
	TOTAL	**55.924.637**	**999.377**	**47.415.488**	**7.509.772**	**1.517.193**	**7.270.848**

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 31.12.2016, *the Company* had the structure of the personnel as shown in Table No. 28 below.

Table No. 28 – Structure of employees

No.	Category	Number of employees		%
		31.12.2015	31.12.2016	
1.	Production personnel	709	706	74
2.	Administrative personnel	278	252	26
	TOTAL	**987**	**958**	**100**

The executive management of the Company during 2016 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, until December 15, 2016
- Mr. Stefan VERDET - Director of Production

The executive management of the company was assigned on indefinitely period of time. On 31.12.2016, *the Company* has no obligation of any kind (credits granted or future liabilities such as guarantees, etc.) incurred to former members of the administrative, management or supervisory departments.

The expenses with the wages made by *the Company* in the accounting year 2016 are shown in Table No. 29 below.

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

Table No. 29 – Expenses with the wages in the accounting year 2016

- Lei -

No.	Explanations	01.01-31.12.2016
1.	Expenses with the wages of personnel	21.161.449
2.	Expenses in kind and with vouchers for meals	1.556.821
3.	Contribution of the company to social security	3.642.046
4.	Contribution of the company for unemployment benefits	85.588
5.	Contribution of the company to health insurance	1.107.254
6.	Contribution of the employer to the trust fund	52.632
7.	Other expenses on insurance and social protection	109.500
	TOTAL	**27.715.290**

14. Affiliated parties

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

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

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

No.	Explanations	Type of relationship (affiliation)	
		2015	2016
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	-
4.	S.C. EuroMetal Ltd., Resita	Subsidiary company	Subsidiary company
5.	Romanian Commodities Exchange Bucharest	Affiliated entity	Affiliated entity

On the date of these financial statements, S.C. EuroMetal Ltd. is in bankruptcy proceedings and for S.C. UCM Turnate Ltd., under the Civil Sentence no. 371/JS dated 11.10.2016, the insolvency proceedings were closed and the company was discharged.

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

14. Affiliated parties (continued)

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

- Lei -

No.	Explanations	2015	2016
	Sales of goods and services		
1.	Affiliated entities		
2.	Subsidiary companies	13.187	13.067
3.	Major shareholder	-	-
4.	Others	-	-
5.	**Total sales (1+2+3+4)**	**13.187**	**13.067**
	Purchases of goods/services		
6.	Subsidiary companies	-	-
7.	Affiliated entities	-	-
8.	Major shareholder	-	-
9.	**Total purchases (6+7+8)**	**-**	**-**

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

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

- Lei -

No.	Explanations	31.12.2015	31.12.2016
1.	Subsidiary companies – trade receivables	200.884	200.064
2.	Affiliated entities	-	-
3.	Major shareholder	1.710.524	1.716.800
4.	Others	-	-
5.	Advances granted to affiliated entities	-	-
	Total trade receivables (1+2+3+4+5)	**1.911.408**	**1.916.864**

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

- Lei -

No.	Explanations	31.12.2015	31.12.2016
1.	Subsidiary companies	1.291.071	22.455
2.	Major shareholder	1.292.481	1.292.481
3.	Advances received from the major shareholder	-	-
4.	Advances received from affiliated entities	-	-
	Total obligations (1+2+3+4+5)	**2.583.552**	**1.314.936**

The receivables and obligations to affiliated parties are revalued at the exchange rate on 31.12.2016.

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

14. Affiliated parties (continued)

Table No. 34 - Associates - current accounts

- Lei -

Explanations	31.12.2015	31.12.2016
Major shareholder	102.707.107	102.707.107

Associates - current accounts represent the amounts granted as a loan during the period 2006 - 2011 by the major shareholder INET AG.

Table No. 35 – Loans received from the major shareholder

Currency of the loan	Value of the loan in the currency granted	Exchange rate on 06.12.2011 - date of insolvency	Value of loan on 31.12.2016 in Lei, reassessed on 06.12.2011
USD	13.452.297	3.2486	43.701.132
CHF	7.299.983	3.5166	25.671.120
EUR	7.657.200	4.3534	33.334.855
TOTAL			**102.707.107**

The value of loans received from the major shareholder remained the same as at 31.12.2011, the amounts being reassessed 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	31.12.2015	31.12.2016
1	S.C. EUROMETAL Ltd.	2.698.768	2.698.768
2	Interests on loans granted	199.883	199.883
3	**TOTAL (3=1+2)**	**2.898.651**	**2.898.651**

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.

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.

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

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

- *Development investment, in amount of 6.202.278 USD*
  These investments had to be made within 7 years after privatization.
  In 2004, were made investments totaling 517.000 USD, in 2005 totaling 500.000 USD (by contribution in kind to the registered capital) and in 2006 investments were made totaling 1.000.000 USD, according to the timetable (increase of the registered capital by conversion of debts and cash contributions).
  In 2007, investments were made totaling 883.000 USD, according to the timetable, and have been paid in full, in advance, the sums required for development investments by the last year of investment.
  In 2008, investments were made totaling 3.508.436 Lei (the equivalent of 1.238.000 USD).

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

On 31.12.2016 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 respectively 384,442 USD, 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 31.12.2016 *the Company* has no guarantees granted to third parties, the last two letters of guarantee issued by *the Company* in favor of the beneficiaries under agreements concluded with BCR, expired on 31.12.2015.

15.2 Contingent liabilities and litigation

a) Actions at the law court

STATUS OF LITIGATIONS PENDING AT THE LAW COURTS ON 31.12.2016

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
						Allows the application filed by SC U.C.M. Resita SA. The defendant company laid an	

1.	S.C. DOMENIILE NICOLA S.R.L.	Plaintiff	4887/290/2011	Courthouse Resita	Judgment in civil matters no. 334/31.01.2013	appeal, rejected by the Civil Decision no. 435/11.06.2013 of the Law Court Caras-Severin. By Minutes of findings concluded by BEJ Grimacovschi Justin in case no. 287/2013 it was ordered to refund the grape separator to the subscribed company and by conclusion No. 287/2016 cease enforcement of the debtor for lack of traceable goods, missing incomes.	19,617.15 LEI
2.	SC GDF SUEZ ENERGY ROMANIA	Defendant	31118/4/2011	Courthouse Sector 4 Bucharest	Termination on 21.02.2012	Suspends judgment based on art. 36 of Law no. 85/2006.	83,220.28 LEI
3.	SC Metalica Impex	Petitioner	849/290/2011*	Courthouse Resita	Termination on 19.11.2012	Suspends judgment based on art. 36 of Law no. 85/2006.	75,000 LEI
4.	SC Adeplast	Respondent in appeal	902/290/2011*	Law Court Caras-Severin	Termination on 11.09.2012	Suspends judgment based on art. 36 of Law no. 85/2006.	61,500 LEI
5.	S.C. LACOSIN S.R.L.	Creditor	4953/118/2009	Law Court Constanta	Bankruptcy – Enrollment to the Table of Creditors	Time limit: 18.04.2016	30,972.33 LEI
6.	S.C HIDROELECTRICA S.A.	Creditor	22456/3/2012	Law Court Bucharest	Merits of the case - 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 amount of 902,163.98 LEI (delivery of goods) and partly the amount of 4,739,014.17 LEI (performance bond guarantees, as the maturity thereof). Of this latter amount will be paid in cash in the extent of the performance bond guarantees maturity.
7.	SC GIA Security	Plaintiff	2031/290/2012	Courthouse Resita	Termination on 21.07.2015	Maintain trial suspension of the case by conclusion dated 14.06.2012	7,885.60 LEI
8.	SC GIA Security	Creditor	1388/115/2012	Law Court Caras-Severin	By judgment in civil matters no. 682/JS on 11.10.2012 was ordered the bankruptcy	Time limit: 18.05.2017	7,885.60 LEI
9.	S.C. Eurocar Impex S.R.L.	Plaintiff	Exceptional case 324/2011	Bailiff - Nebunu Nicolae	Debt enforcement		1,663.36 LEI
	SC Scorilo	Recurrent -	2245/290/2009	Law Court	Appeal - Termination	Suspends judgment	24,727.69 LEI

10.		Defendant		Caras-Severin	on 07.02.2012	based on art. 36 of Law no. 85/2006.	claims and 2,183.18 LEI for delay penalties
11.	SC Joboloct	Respondent - Defendant	225/290/2011	Law Court Caras-Severin	Appeal - Termination on 13.12.2011	Suspends judgment based on art. 36 of Law no. 85/2006	19,834.68 LEI
12.	SC NG Voximpex	Defendant	6059/115/2011	Law Court Caras-Severin	Termination on 28.02.2012	Suspends judgment based on art. 36 of Law no. 85/2006.	143,863.27 LEI
13.	Public Finance Administration Iasi	Defendant - third party under seizure	1611/290/2012	Courthouse Resita	Termination on 15.05.2012	Suspends judgment based on art. 36 of Law no. 85/2006.	189,359 LEI
14.	SC Sapa Profiles	Defendant	2345/115/2011	Law Court Caras-Severin	Application for annulment - Termination on 17.01.2012	Suspends judgment based on art. 36 of Law no. 85/2006.	It was joined the file no. 2486/115/2011
15.	SC General Com Invest	Opponent	2514/290/2010	Court of Appeal Timisoara	Appeal - Opposition to enforcement.	Civil Decision no. 1852/12.12.2013. Notes obsolete the appeal of SC General Com Invest	Provisional suspension in case no. 2410/290/2010
16.	SC General Com Invest	Opponent	2513/290/2010*	Law Court Caras-Severin	Appeal - Opposition to enforcement. Termination on 26.03.2012.	Suspends judgment based on art. 36 of Law no. 85/2006.	Provisional suspension in case no. 2412/290/2010
17.	SC General Com Invest	Opponent	2563/290/2010*	Law Court Caras-Severin	Appeal - Opposition to enforcement Termination on 12.03.2012.	Suspends judgment based on art. 36 of Law no. 85/2006.	Provisional suspension in case no. 2512/290/2010
18.	SC General Com Invest	Objector	1487/290/2011	Law Court Caras-Severin	Appeal - Termination on 06.03.2012	Suspends judgment based on art. 36 of Law no. 85/2006.	
19.	SC General Com Invest	Opponent	1162/290/2011*	Courthouse Resita	Merits of the case - cassation Termination on 29.04.2014	Suspends judgment based on art. 36 of Law no. 85/2006.	Provisional suspension in case no.. 1490/290/2011
20.	SC General Com Invest	Objector	1485/290/2011	Law Court Caras-Severin	Appeal - Termination on 17.01.2012	Suspends judgment based on art. 36 of Law no. 85/2006.	
21.	SC General Com Invest	Opponent	2659/290/2011*	Law Court Caras-Severin	Appeal - Opposition to enforcement Termination on 31.01.2012.	Suspends judgment based on art. 36 of Law no. 85/2006.	Provisional suspension in case no. 2658/290/2012
22.	SC General Com Invest	Objector	1485/290/2011	Law Court Caras-Severin	Appeal - Termination on 06.03.2012	Suspends judgment based on art. 36 of Law no. 85/2006.	
23.	SC General Com Invest	Objector	2965/290/2010*	Law Court Caras-Severin	Appeal - Termination on 06.03.2012	Suspends judgment based on art. 36 of Law no. 85/2006.	
24.	SC General Com Invest	Opponent	2902/290/2010*	Law Court Caras-Severin	Appeal - Opposition to enforcement Termination on 27.03.2012.	Suspends judgment based on art. 36 of Law no. 85/2006.	Provisional suspension in case no. 2966/290/2010
25.	SC General Com Invest	Objector	3584/290/2010*	Law Court Caras-Severin	Appeal - Termination on 06.03.2012	Suspends judgment based on art. 36 of Law no. 85/2006.	
26.	SC General Com Invest	Opponent	3421/290/2010*	Law Court Caras-Severin	Appeal - Opposition to enforcement Termination on 12.03.2012.	Suspends judgment based on art. 36 of Law no. 85/2006.	Provisional suspension in case no. 3587/290/2010
	SC General Com	Objector	3583/290/2010*	Law Court	Appeal -	Suspends judgment	

27.	Invest			Caras-Severin	Termination on 12.03.2012	based on art. 36 of Law no. 85/2006.	
28.	SC Balear de Materiales	Objector	4732/290/2010	Law Court Caras-Severin	Appeal - Termination on 13.12.2011	Suspends judgment based on art. 36 of Law no. 85/2006.	
29.	SC Balear de Materiales	Objector	4733/290/2010	Law Court Caras-Severin	Appeal - Termination on 12.02.2013	Suspends judgment based on art. 36 of Law no. 85/2006.	
30.	SC Balear de Materiales	Objector	4731/290/2010	Law Court Caras-Severin	Appeal - Termination on 05.02.2013	Suspends judgment based on art. 36 of Law no. 85/2006.	
31.	SC General Com Invest	Objector	4867/290/2010	Law Court Caras-Severin	Appeal - Termination on 06.03.2012	Suspends judgment based on art. 36 of Law no. 85/2006.	
32.	SC General Com Invest	Opponent	3639/290/2010*	Law Court Caras-Severin	Appeal - Opposition to enforcement Termination on 12.03.2012.	Suspends judgment based on art. 36 of Law no. 85/2006.	Provisional suspension in case no. 4870/290/2010
33.	SC General Com Invest	Objector	4866/290/2010	Law Court Caras-Severin	Appeal - Termination on 12.03.2012	Suspends judgment based on art. 36 of Law no. 85/2006.	Provisional suspension in case no. 4868/290/2010
34.	SC General Com Invest	Objector	4865/290/2010	Law Court Caras-Severin	Appeal - Termination on 04.10.2011	Based on art. 244 point 1 Code of Civil Procedure, orders suspension the of the appeal until final settlement in case no. 3637/290/2010 of the Courthouse Resita	Provisional suspension in case no. 4869/290/2010
35.	SC General Com Invest	Opponent	3637/290/2010*	Law Court Caras-Severin	Appeal - Opposition to enforcement Termination on 12.03.2012.	Suspends judgment based on art. 36 of Law no. 85/2006.	
36.	SC General Com Invest	Objector	5152/290/2010	Law Court Caras-Severin	Appeal - Termination on 04.10.2011	Based on art. 244 point 1 Code of Civil Procedure, orders suspension of the appeal until final settlement in case no. 4488/290/2010 of the Courthouse Resita	Provisional suspension in case no. 5144/290/2010
37.	SC General Com Invest	Opponent	4488/290/2010	Law Court Caras-Severin	Appeal - Opposition to enforcement Termination on 13.12.2011.	Suspends judgment based on art. 36 of Law no. 85/2006.	
38.	SC General Com Invest	Objector	5153/290/2010	Law Court Caras-Severin	Appeal - Civil Decision no. 18/14.01.2013	Rejects the appeal of UCMR. Maintains the decision of the Courthouse Resita. Indisputable.	Provisional suspension in case no. 5145/290/2010
39.	SC General Com Invest	Objector	5155/290/2010	Law Court Caras-Severin	Appeal - Termination on 17.10.2011	Based on art. 244 point 1 Code of Civil Procedure, orders suspension of the appeal until final settlement in	Provisional suspension in case no. 5144/290/2010

						case no. 4486/290/2010 of the Courthouse Resita.	
40.	SC General Com Invest	Opponent	4486/290/2010*	Law Court Caras-Severin	Appeal - Opposition to enforcement Termination on 06.03.2012.	Suspends judgment based on art. 36 of Law no. 85/2006.	Provisional suspension in case no. 5146/290/2010
41.	SC General Com Invest	Objector	5154/290/2010	Law Court Caras-Severin	Appeal - Civil Decision no. 50/06.10.2015	Notes obsolete the appeal of UCMR. Indisputable.	
42.	SC Adeplast	Objector	1083/290/2011	Courthouse Resita	Merits of the case - Termination on 21.07.2015	Maintain trial suspension of the case by conclusion dated 12.05.2011	
43.	SC Metal Inox Import Export	Objector	387/290/2011	Courthouse Resita	Merits of the case - Termination on 11.07.2011	Based on art. 244 point 1 Code of Civil Procedure, orders suspension of the appeal until final settlement of the opposition to enforcement in case no. 5/290/2011.	
44.	SC Metal Inox Import Export	Opponent	5/290/2011	Law Court Caras-Severin	Appeal - Opposition to enforcement Termination on 26.03.2012.	Suspends judgment based on art. 36 of Law no. 85/2006.	Provisional suspension in case no. 388/290/2011
45.	SC Metalica Impex	Objector	900/290/2011	Courthouse Resita	Merits of the case - Termination on 21.07.2015	Maintain trial suspension of the case by conclusion dated 17.05.2011	
46.	SC Eurometal	Creditor	2243/115/2010	Law Court Caras-Severin	Bankruptcy - request for enrolment in the table of creditors	Time limit: 23.03.2017 (for further procedure)	
47.	SC Extensiv Company	Creditor	4181/115/2009	Law Court Caras-Severin	Insolvency proceedings - request for enrolment in the table of creditors	Time limit: 08.06.2017 (for further procedure)	39,175.00 LEI
48.	SC Crosi Grup	Creditor	4143/115/2011	Law Court Caras-Severin	Insolvency proceedings - request for enrolment in the table of creditors	Time limit: 09.03.2017 (for further procedure)	24,722.42 LEI + 4,041.91 LEI additional table
49.	SC Conpex Construct	Creditor	2253/115/2009	Law Court Caras-Severin	Insolvency proceedings - request for enrolment in the table of creditors	Time limit: 09.03.2017 (for further procedure)	98,914.84 lei
50.	SC Muroetal (fosta SC Saero SRL)	Creditor	9505/30/2013	Law Court Timis	Merits of the case - Insolvency proceedings	Time limit: 23.03.2017; The request for enrolment in the table of creditors was rejected whereas the bill in question was prescribed.	25,183.28 LEI
51.	SC Astral Impex	Creditor	6607/108/2010*	Law Court Arad	Merits of the case - Bankruptcy	Establishes administrative term	3,357.35 lei

					proceedings - Civil Sentence no. 187/23.02.2015	for further processing on 22.05.2015	
52.	SC Hydro-Engineering	Creditor	5911/115/2013	Law Court Caras-Severin	Merits of the case - Insolvency proceedings - reorganization	Time limit: 23.03.2017 (for further proceedings)	126,633.68 LEI
53.	SC Libarom Agri	Creditor	29140/3/2012	Law Court Bucharest	Merits of the case - Insolvency proceedings	Time limit: 21.06.2017 (for further proceedings)	Requests the amount of 1,289,570,079.97 LEI. Allowable the amount of 3,706,200.00 LEI, according to the decisions in case no. 29140/3/2012/a1.
54.	AAAS (former AVAS), SC DAC AIR SA	Defendant - third party under seizure	49158/299/2013	Courthouse Sector 1 Bucharest	Request for garnishment validation - Termination on 15.10.2014	Suspends judgment based on art. 36 of Law no. 85/2006.	9,671,328 USD and 5,203.68 LEI trial costs
55.	SC OXYGAZ PLUS (former UCM OXY GAZ)	Plaintiff	6461/290/2013	Courthouse Resita	Merits of the case - Termination on 15.10.2014	Suspends judgment based on art. 36 of Law no. 85/2006.	60,000 LEI
56.	SC UCM Energy	Plaintiff	731/290/2014	Courthouse Resita	Civil Sentence no. 1042/13.06.2014	Admits the action, irrevocable by not appealing;; enforcement	35,631.99 LEI
57.	SC UCM Turnate	Creditor	1888/115/2012	Law Court Caras-Severin	Civil Sentence no. 371/10.11.2016	Orders closing of insolvency proceedings	120,166.13 LEI - amount recovered
58.	SC Total Service	Defendant	2259/121/2014 2259/121/2014/a1 2259/121/2014/a1 * 2259/121/2014	Law Court Galati Courthouse Resita Law Court Caras-Severin Courthouse Resita Law Court Caras-Severin	Merits of the case - Presidential Ordinance - Civil Sentence no. 974/23.05.2014 Termination on 23.09.2014 Civil Decision no. 27/28.04.2015 Merits of the case - Civil Sentence no. 2361/08.12.2015 Appeal - Civil Decision on 29.02.2016	Decline jurisdiction to hear the case for the Courthouse of Resita Suspends judgment based on art. 36 of Law no. 85/2006. Admits the appeal of SC Total Service against conclusion of suspension, changes the conclusion appealed and, by judgment, rejects the request for suspension. Rejects the objection of inadmissibility raised by the defendants, reject the application for presidential ordinance filed by SC Total Service. Rejects the appeal of SC Total Service. Irrevocable.	185,828.24 LEI without VAT
59.	SC OXYGAZ PLUS (former UCM OXY GAZ)	Plaintiff	5160/290/2014	Courthouse Resita	Merits of the case - Termination on 20.04.2014	Suspends judgment based on art. 75 par. (1) of Law no. 85/2014	49,614.51 LEI rent and 27,139.51 LEI delay penalties

60.	SC Reşiţa Reductoare şi Regenerabile	Plaintiff	4838/290/2014	Courthouse Resita	Merits of the case - Termination on 18.11.2014	Suspends judgment based on art. 75 par. (1) of Law no. 85/2014	79,701.28 LEI rent and electricity and 4,234.95 LEI delay penalties
61.	SC Reşiţa Reductoare şi Regenerabile	Creditor	2391/115/2014	Law Court Caras-Severin	Merits of the case - Insolvency proceedings - request for enrolment in the table of creditors	Time limit: 16.03.2017	79,701.28 LEI
62.	SC OXYGAZ PLUS (former UCM OXY GAZ)	Creditor	2940/115/2014	Law Court Caras-Severin	Merits of the case - Bankruptcy proceedings - request for enrolment in the table of creditors	Time limit: 16.03.2017	115,814.51 LEI
63.	SC Reflex Impex	Creditor	2745/115/2014	Law Court Caras-Severin	Merits of the case - Reorganization procedure - request for enrolment in the table of creditors	Time limit: 25.05.2017	1,240.00 LEI
64.	SC IMB Miloş	Plaintiff	6502/290/2014	Courthouse Resita	Merits of the case - Termination on 27.05.2015	Suspends judgment based on art. 75 par. (1) of Law no. 85/2014	18,200.46 LEI
65.	SC ISPH Bucureşti	Creditor	38503/3/2014	Law Court Bucharest	Merits of the case - Insolvency proceedings - request for enrolment in the table of creditors	Time limit: 08.09.2017	32,460.00 LEI
66.	SC IMB Miloş	Creditor	1088/115/2015	Law Court Caras-Severin	Merits of the case - Insolvency proceedings - request for enrolment in the table of creditors	Time limit: 06.04.2017	18,200.46 LEI
67.	SC Zad Tiara	Creditor	1020/108/2015	Law Court Arad	Merits of the case - Insolvency proceedings - request for enrolment in the table of creditors	Time limit: 14.03.2017	17,721.38 LEI
68.	SC WMC Stahlbau	Plaintiff	2509/115/2015	Law Court Caras-Severin	Merits of the case - Termination on 16.11.2016	Suspends judgment based on art. 75 par. (1) of Law no. 85/2014	323,422.31 LEI rent and 288,777.44 LEI delay penalties
69.	SC Lis Consulting	Creditor	2048/115/2015	Law Court Caras-Severin	Merits of the case - Insolvency proceedings - request for enrolment in the table of creditors	Time limit: 11.05.2017	595,20 lei
70.	SC WMC Stahlbau	Creditor	1934/115/2015	Law Court Caras-Severin	Merits of the case - Simplified procedure of insolvency - request for enrolment in the table of creditors	Time limit: 08.06.2017 for further proceedings	323,422.31 LEI rent and 131,518.31 LEI delay penalties
71.	A.A.A.S.	Objector - Judicial Administrator action appeal against the measures of the	20166/3/2015	Law Court Bucharest Court of Appeal Bucharest	Merits of the case - Civil Sentence no. 7908/13.10.2015 Appeal - Civil Decision no. 24/19.01.2016	Rejects AAAS litigation. Rejects AAAS appeal as groundless.	

		Official Receiver					
72.	SC Impex Inox	Plaintiff	145/290/2016	Courthouse Resita	Merits of the case – Tiime limit: 28.03.2017		12,646.76 Lei
73.	SC Elsid SA	Plaintiff	5533/290/2016	Courthouse Resita	Merits of the case – Civil Sentence no. 260/15.02.2017	Notes waiver of judgment made by UCM Resita.	4,.315.45 Lei – amount paid
74.	Serraghis Loan Management LTD	Respondent in appeal	39129/3/2016	Law Court Bucharest Court of Appeal Bucharest	Merits of the case - Civil Sentence no. 6962/08.11.2016 Appeal – Time limit: 14.03.2017	Rejects contestation made by Serraghis	Contestation - Legal administrative measures
75.	SC Hidroserv SA	Creditor	36365/3/2016	Law Court Bucharest	Merits of the case – Insolvency proceedings	Time limit: 26.04.2017	21,725,537.41 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. INSOLVENȚA S.P.R.L, HYDRO-ENGINEERING S.A. and BRD SA	Defendant	1475/3/2013 1475/3/2013*	Law Court Bucharest Court of Appeal Bucharest Law Court Bucharest	Civil Sentence no. 9497/11.11.2014 Appeal - Civil Decision no. 145/24.02.2015 Merits of the case - Retrial - Termination on 10.06.2015	Rejects the action of VF Insolventa, Orders VF Insolventa to pay the amount of 12,750 lei as trial costs. Rejects the appeal of UMR as uninteresting, Admits the appeal of VF Insolventa, Repeals the case and sends back for retrial to Court Bucharest. Based on art. 244 par. 1 pt. 2 of the Code of Civil Procedure, suspends the proceedings until final resolution of the criminal case no. 1541/115/2014, before the Law Court Caras-Severin.	Action for annulment of sale-purchase contract no. 1128/11.05.2010
2.	V.F. INSOLVENȚĂ S.P.R.L, SC AC MANAGEMENT S.R.L., SC Aquaris Crivaia SRL and KMOBIL SRL	Defendant	1471/3/2013	Law Court Bucharest	Termination on 24.03.2015	Based on Art. 244, par. 2 of the Code of Civil Procedure, suspends the proceedings	Action for annulment of sale-purchase contract no.388/13.02.2009

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.	Petcu Maria andi Petcu Cătălin	Defendant	5616/115/2011	Law Court Resita	Merits of the case - Termination on 03.04.2012	Suspend judgment based on art. 75 par. (1) of Law no. 85/2014	300,000 EUR
2.	Staicu Eugen	Plaintiff	File in execution no. 297/2012	Bailiff Nebunu Nicolae	Debt enforcement		1,453.30 LEI
3.	Staicu Eugen	Plaintiff	File in execution no. 444/2013	Bailiff Nebunu Nicolae	Debt enforcement		2,117.83 LEI
4.	Dumitru Costel	Plaintiff	File in execution no. 443/2013	Bailiff Babeu Adrian	Debt enforcement		1,437 LEI
5.	Aldea Tudor	Plaintiff	File in execution no. 386/2013	Bailiff Babeu Adrian	Debt enforcement		2,025 LEI
6.	"UDR" Foundation , Resita municipality by Mayor - third party	Plaintiff	13474/3/2013* 13474/3/2013** 13474/3/2013**/a1	Courthouse Resita Law Court Bucharest High Court of Cassation and Justice Court of Appeal Timisoara	Merits of the case– Civil Sentence no. 1877/18.11.2014 Appeal - Termination on 29.09.2015 Action for cancellation of suspension	Rejects the action of UCMR Suspends judgment based on art. 244 par. 1 pt. 2. CPC Time limit: 16/03/2016	revocation of donation
7.	Moşoarcă Nicoleta-Maria	Plaintiff	File in execution no. 427/2012	Bailiff Nebunu Nicolae	Debt enforcement		1,350 LEI – amount recovered 1,127.54 LEI
8.	Mihăilescu Gheorghe and Mihăilescu Carmen	Plaintiff	3436/290/2010	Courthouse Resita	Termination on 09.04.2012	Suspends judgment based on art. 36 of Law no. 85/2006	Action in claims
9.	Tănase Ion Corneliu	Plaintiff claiming damages	3156-P/2012	Courthouse Resita Court of Appeal Timisoara	Merits of the case– Judgment in criminal case no.265/03.10.2016 Criminal Decision no. 164/A/02.02.2017	Accepts the application for constitution as civil party Rejects the appeal of Tănase Ion Corneliu	97,461.38 LEI
10.	Moldovan Mihai	Plaintiff	File in execution no. 586/2015	Bailiff Marchiş Dan	Debt enforcement		1,759 LEI amount recovered
11.	Aldea Tudor	Plaintiff	File in execution no. 1299/2014	Bailiff Babeu Adrian	Debt enforcement		690.00 LEI
12.	Adam Ioan Vasile	Plaintiff	File in execution no. 1298/2014	Bailiff Babeu Adrian	Debt enforcement		306.00 LEI amount recovered
13.	Dumitru Costel	Plaintiff	File in execution no. 125/2016	Bailiff Marchiş Dan	Debt enforcement		1,051 LEI + 149.12 LEI trial costs amount recovered
14.	Iordache Ionel and Iacob Roman	Civil party	File in execution no. 126/2016	Bailiff Marchiş Dan	Debt enforcement		3,683.86 LEI
15.	Monoranu Marinela	Plaintiff	File in execution no. 579/2015	Bailiff Marchiş Dan	Debt enforcement		1,099 LEI
16.	Monoranu Marinela	Plaintiff	File in execution no. 580/2015	Bailiff Marchiş Dan	Debt enforcement		2,122 LEI
17.	Voica Georgeta Andreea	Plaintiff	1751/290/2015	Courthouse Resita	Debt enforcement		4,172 LEI
18.	Dobre Alina Loredana	Plaintiff	1896/290/2015	Courthouse Resita	Civil Sentence no. 2233/25.11.2015	Accept in part the action specified	3,782 LEI amount recovered

19.	Maruşca Ion	Plaintiff	1897/290/2015	Courthouse Resita	Civil Sentence no. 92/26.01.2016	Notes waiver of UCMR by paying the debit	1,936 LEI amount recovered
20.	Borca Ion	Defendant	1356/115/2014	Law Court Caras-Severin	Termination 09.12.2012	Suspends judgment based on art. 36 of Law no. 85/2006	100,000 LEI
21.	Borca Ion	Defendant	45476/3/2014 45476/3/2014*	Law Court Bucharest Law Court Caras-Severin	Merits of the case - Termination on 27.01.2015 Civil Sentence no. 6400/16.06.2015 Termination on 15.12.2015	Remove from the register of the Civil Section VII and transpose on the register of Section VIII, labor disputes. Admits exception for lack of jurisdiction, decline jurisdiction to adjudicate in favor Law Court Caras-Severin. Joins the file of this case to file no. 1356/115/2014	100,000 LEI
22.	Borca Ion	Defendant	3/16/2015	Law Court Bucharest Law Court Caras-Severin Court of Appeal Timisoara	Merits of the case - Civil Sentence no. 6554/19.06.2015 Civil Sentence no. 2153/30.10.2015 Appeal- Civil Decision no. 285/08.03.2016	Admits exception for lack of jurisdiction, decline jurisdiction to adjudicate in favor Law Court Caras-Severin. Admits lateness, rejects the action. Rejects appeal. Irrevocable	Appeals the decision to terminate the employment + salaries
23.	Chebuțiu Adrian, Preda Coriolan-Adrian, Chebuțiu Lăcrimioara Sofia, SC Hydro-Engineering (HYE) - accused	UCMR and INET Plaintiff claiming damages	1541/115/2015	Law Court Arad	Judgment in criminal case no. 106/08.03.2017		17,000,000 EUR
24.	AAAS	Defendant	20166/3/2015	Law Court Bucharest Court of Appeal Bucharest	Merits of the case - Civil Sentence no. 7908/13.10.2015 Appeal- Civil Decision no. 24/19.01.2016	Dismisses the complaint as unfounded .Rejects AVAS appeal as unfounded. Irrevocable	Appeal against the measures of the Official Receiver
25.	Ştefănescu Liviu Octavian	Plaintiff	4277/290/2015	Courthouse Resita	Civil Sentence no. 628/06.04.2017	Notes waiver of UCMR by paying the debit	1,023 LEI Amount paid
26.	Farkaş Robert	Plaintiff	4276/290/2015	Courthouse Resita	Civil Sentence no. 12/12.01.2016	Notes waiver of UCMR by paying the debit	1,023 LEI Amount paid
27.	Floarea Sorin Paul	Plaintiff	File in execution no. 119/2017	Bailiff Marchiş Dan	Debt enforcement		2,376 LEI
28.	Curta Gheorghe	Plaintiff	File in execution no. 678/2016	Bailiff Marchiş Dan	Debt enforcement		2,250 LEI
29.	Maruşca Ion	Plaintiff	4499/290/2015	Courthouse Resita Law Court Caras-Seerin	Civil Sentence no. 665/11.04.2016 Appeal- Civil Decision no. 506/02.11.2016	Accepts in part the action. Notes waiver of UCMR	1,350 LEI Amount paid
30.	Adam Ioan Vasile	Plaintiff	File in execution no.586/2016	Bailiff Marchiş Dan	Debt enforcement		2,672 LEI
31.	Aldea Tudor	Plaintiff	File in execution no. 647/2016	Bailiff Marchiş Dan	Debt enforcement		3,163 Lei
32.	Novac Gheorghe	Defendant	3084/115/2015	Law Court Caras-Severin Court of Appeal Timisoara	Civil Sentence no. 314/25.03.2016 Civil Decision no. 921/20.07.2016	Accepts the appeal. Rejects the appeal of UCMR. Irrevocable	Appeals the decision to terminate the employment + salaries
33.	Chebutiu Adrian, Preda Coriolan-Adrian, SC AC Management, S Kmobil- accused	Injured party	48/P/2012	Prosecutor's Office within I.C.C.J., DNA, Territory Legal Department	File in phase of criminal investigation		
34.	Farkas Rober	Plaintiff claiming damages	1440/290/2016	Courthouse Resita Law Court Timisoara	Merits of the case– Judgment in criminal case no.251/19.09.2016 Appeal-Criminal Decision no. 261/23.02.2017	Accepts the application for civil party, admits the appeal made by Farkas, repeal and by rehearing reduce the penalty	373.00 Lei

35.	Peia Gheorghe, Peia Bogdan and Dănoiu (formar Peia) Oana – plaintiffs; TMK and Romanian State through the Ministry of Finance - defendants	Defendant	1453/290/2016	Courthouse Resita	Merits of the case - Time limit: 03.05.2017		Finding invalid legal act
36.	A.N.A.F.	Objector		Courthouse Resita	Merits of the case – Civil Sentence no. 2136/19.12.2016	Notes waiver to judgment made by UCM Resita.	Opposition to enforcement – 215,645 Lei – Writ of execution canceled
37.	Semeniuc Cristian Alexei	Plaintiff	2604/290/2016	Courthouse Resita	Civil Sentence no. 2182/14.09.2016	Accept the request for a reduced amount	1,113 lei
38.	Gângă Georgeta, Gângă Marius, Gângă Georgiana	Plaintiff	2731/290/2016	Courthouse Resita	Civil Sentence no. 2220/22.12.2016	Notes waiver to judgment made by UCM Resita.	1.549.92 Lei – amount paid
39.	Popovici Mariana, Popovici Vasile	Constrained intervener	547/290/2016	Courthouse Resita	Civil Sentence no. 1778/02.11.2016	Assigns the benefit of the lease contract concluded with UCM Resita to the applicant Popovici Mariana.	Divorce with Children
40.	Kanasz Ioan	Plaintiff	3564/290/2016	Courthouse Resita	Civil Sentence no. 33/10.01.2017	Notes waiver to judgment made by UCM Resita.	665,00 Lei – amount pad
41.	Gai Ion	Defendant	4369/115/2016	Law Court Caras-Severin Court of Appeal Timisoara	Merits of the case – Civil Sentence no. 2714/15.11.2016 Appeal – Time limit: 21.03.2017	Accepts in part the action.	Action in verification
42.	Ştefanovici Petre Silviu, Ştefanovici Rozalina Veronica, Ştefanovici Lucas Daniel and Ianu Ioan Alexandru	Plaintiff	2846/290/2016	Courthouse Resita	Merits of the case – Time limit: 05.04.2017		1,934 Lei
43.	Szabo Ion Mihaly, Tănăsie Mihaela	Plaintiff	2845/290/2016	Courthouse Resita	Merits of the case – Civil Sentence no. 84/25.01.2017	Accepts the action of UCM Resita.	1,447 Lei
44.	Halmaci Mitică Ciprian, Halmaci Ramona	Plaintiff	4004/290/2016	Courthouse Resita	Merits of the case – Civil Sentence no. 323/22.02.2017	Accepts the action of UCM Resita.	2,805 Lei
45.	Ifca Marta, Minea Petronela	Plaintiff	4204/290/2016	Courthouse Resita	Merits of the case – Civil Sentence no. 85/25.01.2017	Accepts the action of UCM Resita.	2,279 Lei
46.	But Adrian Nicolae	Plaintiff	4502/290/2016	Courthouse Resita	Merits of the case – Civil Sentence no. 1906/18.11.2016	Notes waiver to judgment made by UCM Resita.	1,647.23 Lei – amount paid
47.	CNAIR - CESTRIN	Objector	6009/290/2016	Courthouse Resita	Merits of the case – Time limit: 23.03.2017		Minor offence complaint
48.	Floarea Sorin Paul, Albeiu Maria, Floarea Simona Bianca	Plaintiff	5895/290/2016	Courthouse Resita	Merits of the case – Time limit: 05.04.2017		2,299 Lei
49.	Popa Ştefan	Defendant	10495/63/2016	Law Court Dolj	Merits of the case – Time limit: 03.04.2017		Action in verification – Working Group I
50.	Radu Vasile, County Pension Fund Caras-Severin	Defendant	6477/115/2016	Law Court Caras-Severin	Merits of the case – Time limit: 04.04.2017		Action in verification – Working Group I

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

We mention that at the Court of justice 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; therefore, the tax legislation still allows different interpretations (texts formulated equivocal and/or insufficiently precise, inconsistencies with other regulative documents, etc.).

The practices for the financial statements remain open for inspection for five years.

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

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

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

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

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

c) Environmental contingencies and other contingencies

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

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

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

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

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

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

- 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.
- Cîlnicel 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. UCM Resita has submitted to the Water Basin Administration Banat Timisoara, the request no. 55/DG 0022/08.02.2016, in order to get the authorization for the management of industrial water on Câlnicel platform.
- Mociur Platform: environmental authorization no. 17/31.01.2012 reviewed on 18.06.2012, valid until 31.01.2022 and the authorization for water management 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 Câlnicel, 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 for calculation was the activity carried out by *the Comp*any in the period before 2013.

Relinquishment to the centralized heating system in recent years, namely the renunciation to operate the thermal power plants located on the industrial platforms ABC and Câlnicel, also lowering production activity, resulted in lower gas consumption and thus to decreased amounts of low gas emissions with greenhouse effect. For these reasons, *the Company* has received a lower number of certificates for greenhouse gas emissions compared to the initial allocation. Thus, the initial allocation was followed by allocations adjusted commensurate with the work done every year so far, in the interval 2013 - 2020.

For each calendar year elapsed, early next year, as required by H. G. 780/2006 regarding the trading schedule for greenhouse gas emissions certificates, *the Company* must return to UE EGES Register the number of certificates commensurate with the activity carried out, respectively with the consumption of natural gas consumed. The difference between the adjusted number of certificates

received and the number of certificates to be returned to MMAP is represented by those units that UCM Resita can trade at the price on specialized markets.

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 40 – Situation of certificate allocation for the period 2013-2020

Facility	**2013**		**2014**		**2015**	**2016**	**2017**	**2018**	**2019**
	Initial allocation	Adjusted allocation	Initial allocation	Adjusted allocation	Initial allocation	Initial allocation	Initial allocation	Initial allocation	Initial allocation
Industrial Platform ABC	8,243	4,122	8,100	1,525	7,955	7,809	7,661	7,512	7,360

Industrial Platform Câlnicel	3,663	1,953	3,600	1,359	3,536	3,470	3,404	3,338	3,271

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

Table 41. The situation of EGES certificates corresponding to the interval 2013 - 2015, in relation to the adjustment mode for the initial allocation in the interval 2013 - 2016

Facilities	2013		2014		2015		2016
	Adjusted allocation	Certificates remaining to be traded	Adjusted allocation	Certificates remaining to be traded	Adjusted allocation	Certificates remaining to be traded	Adjusted allocation
Industrial Platform ABC	4,122	2,911	1,525	765	749	- 358	1,471
Industrial Platform Câlnicel	1,953	1,015	1,359	582	1,335	527	1,310
TOTAL Certificates to be traded		3,926		1,347		169	

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 4.511 on 30.12.2016 compared to 4.4525 on 30.12.2015. 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.

16. Management of risk (continued)

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.

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

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

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

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

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

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

16. Management of risk (continued)

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 Directors on 30.11.2011 was decided opening of insolvency proceedings with the intention to reorganize the activity, the necessary documentation in this respect being submitted to the Law Court of Bucharest.

By decision of the court dated 06.12.2011, the syndic judge ordered opening of insolvency proceedings with the intention to reorganize the activity. *The Company* has retained the right to conduct the activity, to administrate and to dispose of the equity assets rights held under the supervision of the Official Receiver. In order to reorganize the activity, *the Company* must submit a Restructuring Plan in accordance with the provisions of Law 85/2006 on insolvency proceedings.

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

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

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

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

17. Business continuity (continued)

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

- Contracts concluded and in progress (see Table No. 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 2017, 2018 and 2019

Type of contract	Currency	Value of contracts in progress (unit of currency)	Exchange rate on 31.12.20156 (lei / unit of currency)	Value with delivery in 2017	Value with delivery in 2018	Value with delivery in 2019
				(lei)	(lei)	(lei)
EXTERNAL	EUR	211.794	4,5411	199.354	-	762.423
TOTAL EXTERNAL CONTRACTS				**199.354**		
INTERNAL	EUR	12.194.905	4,5411	15.956.785	32.549.656	6.871.842
	GBP	198.180	5,2961	1.049.581	-	-
	RON	65.212.158		17.232.075	84.200	47.895.883
TOTAL INTERNAL CONTRACTS				**34.238.441**	**32.633.856**	**54.767.725**
GRAND TOTAL				**34.437.795**	**32.633.856**	**55.530.148**

The main contracts in progress at 31.12.2016 are:

- Contract no. 87/2016, customer Hidroserv S.A., HPP Beresti, ongoing value 10.489.280 RON;
- Contract no. 33/2016 customer Romelectro Bucuresti, HPP Stejaru (final beneficiary Hidroelectrica), ongoing value 1.251.704 EUR (HG 5 and 6);
- Contract no. 32/2016 customer Romelectro Bucuresti, HPP Stejaru (final beneficiary Hidroelectrica), ongoing value 346.676 EUR (spherical valve 2500);
- Contract no. 32/2016 customer Romelectro Bucuresti, HPP Stejaru (final beneficiary Hidroelectrica), ongoing value 620.259 EUR (butterfly valve 4200);
- Contract no.111/2016 customer Hidroserv S.A. Branch Hateg, HPP Paclisa, ongoing value 994.020 RON;
- Contract no. 275/2008 customer Romelectro Bucuresti, HPP Bumbesti (final beneficiary Hidroelectrica), ongoing value 567.433 RON;

17. Business continuity (continued)

- Contract no. 22/2017 customer Hidroserv S.A. Portile de Fier, HPP PdF I, ongoing value 559.056 RON;

- Contract no. 184/2016 customer Kossler Austria Stromdalen Project, ongoing value 24.900 EUR;

- Contract no. 224/2016 customer Kossler Austria Moravica Project, ongoing value 16.500 EUR;

- Contract no. 162/1989 customer Hidroelectrica S.A. S.H. Bistrita Piatra Neamt, HPP Pascani, value temporarily suspended 18,269,018 RON;

- Contract no. 165/1991 customer Hidroelectrica S.A. S.H. Sibiu, HPP Câineni, value temporarily suspended 29.390.144 RON.

In order to support business continuity, we emphasize that in the first quarter of 2016 was signed with Romelectro SA the contract for upgrading of HPP Stejaru - "Dimitrie Leonida" Neamt County, in amount of 12.500.000 EUR, contract that will be carried out within 2016 - 2018.

Likewise, in order to support business continuity, we mention that beside the ongoing contracts mentioned above, there is the prospect of concluding contracts on domestic market that will take place over a long period of time, as follows:

- HPP Calimanesti, in amount of 3.100.000 EUR, contract that will be carried out within 2016 - 2018;

- Koessler Austria, in amount of 250.000 EUR, contract that will be carried out during 2017.

Also, important steps have been made for entering markets, other than those in hydropower field, since *the Company* has the required capacity to perform a wide variety of products and welded assemblies.

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

The Company, which was created to support, almost entirely, the development of hydropower in Romania, being able to execute new and complex equipment and to repair or refurbish the equipment already in use, has a strategic position, a tradition and a special technical potential that can be considered as basic premises in the development of production activities and services in future periods.

Has specialists and on organizational system designed for commissioning and/or rendering of specialized services for the national hydropower equipment in operation, of which over 90% were designed and built at UCM Resita.

17. Business continuity (continued)

Still holds the necessary know-how and capability required for upgrading of equipment installed in the Romanian power plants, of which more than 80% have exceeded their lifetime and requires rehabilitation works.

Has the know-how required for the manufacture of spare parts necessary for proper operation of equipment, also the design and production capability for continuous upgrading of the solutions offered.

Moreover, starting with 2015, with the specialists employed in the design department, *the Company* is capable to provide the following types of engineering works:

- Design works for hydropower equipment:

  - Vertical synchronous generators, with outputs from 1 MW to 200 MW and speed of 62 rpm;

  - Vertical synchronous generators, with outputs from 1 MW to 200 MW; speeds from 62 rpm to 1,000 rpm and voltages from 6.3 kV to 15.75 kV;

  - Horizontal synchronous generators, with outputs from 1 MW to 15MW; speeds from 62.5 rpm to 1,000 rpm and voltages from 6.3 kV to 10.5 kV;

  - Synchronous generators horizontal, encapsulated, bulb type, with outputs from 1 MW to 30 MW; speeds from 62.5 rpm to 1,000 rpm and voltages from 6.3 kV to 10.5 kV;

  - Synchronous exciters with rotating diodes for the generators designed;

  - Conversion of DC exciters into exciters with rotating diodes;

  - Synchronous and asynchronous generators for MHP with outputs from 100 kW to 1MW;
  - Francis hydraulic turbines with outputs from 1 MW up to 200 MW and heads between 50 and 500 m;

  - Kaplan hydraulic turbines with outputs from 1 MW up to 200 MW and heads between 10 and 30 m;

  - Bulb-type hydraulic turbines with outputs from 1 MW up to 30 MW and heads between 3 and 15 m;

  - Pelton hydraulic turbines with outputs 1 MW up to 175 MW and heads between 50 and 750 m;

  - Hydraulic turbines for MHC with outputs between 100 kW and 1 MW;

17. Business continuity (continued)

- Butterfly intake valves and pressure noose turbine with diameters between 1 m up to 5 m and heads up to 200 m water column;
- Spherical intake valves with diameters between 0.5 m up to 2.2 m and heads up to 770 m water column;
- Speed governors, oil pressure groups and facilities related to the hydro power units offered.

➢ Feasibility studies for new investments or refurbishment;

➢ Technical expertise diagnostics for existing equipment in operation;

➢ Review of projects for the works performed, validated by project verifiers certified on both mechanical and electrical segments;

➢ Consultancy and technical assistance during installation work, commissioning and maintenance.

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

On 02.01.2016, SC Darian DRS SA, ANEVAR assessor designated by the Committee of Creditors convened on 03/02/2015, delivered the Assessment Report of UCM Resita SA patrimony, highlighting distinct the guarantees of creditors in accordance with Art. 41, paragraph 2 of Law 85/2006.

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 Division, 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.

By Concluding Session on 08.03.2016, delivered in case no. 75017/3/2011, the Court of Law Bucharest ordered termination of the consortium of legal liquidators consisting of EURO INSOL SPRL and V.F. INSOLVENTA SPRL and continuation of the procedure with a sole official receiver in the person of the insolvency practitioner V.F. INSOLVENTA SPRL

By letter no. 16994/21.10.2016, *the Company* was notified of the initiation of insolvency proceedings against the company of hydropower services Hydropower Hidroserv SA, following the decision of Bucharest Law Court delivered by concluding meeting on 10.10.2016. Considering that Hidroserv SA was one of the main customers of *the Company*, the insolvency proceedings significantly influenced the activity of UCM Resita, mainly by not collecting the existing outstanding invoices before the opening of the procedure.

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

17. Business continuity (continued)

Thus, the contract for overhauling of HPP Beresti, in amount of 10.700.000 lei, was postponed in the first phase, from 2016 to April 2017, and then for July 2017 and further delay of three months is foreseen on behalf of Hidroelectrica.

Contract for overhauling of HPP Paclisa, in amount of 994.020 lei, had to begin in August 2016, but was postponed several times, without communicating a specific date to start the work.

The Company shall seek further:

- to reduce the costs;
- to recover old receivables and to collect current receivables at maturity;
- to optimize the organizational structure.

18. Subsequent events

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

By Public Prosecutor's charge on 11.05.2015 drawn up by the Prosecution Department attached to the High Court of Cassation and Justice, the Directorate for Investigation of Organized Crime and Terrorism, the Territorial Office Caras-Severin in case no. 7-D/ P/2014, were sent to trial the defendants Chebutiu Adrian, Adrian Preda Coriolan and Chebutiu Lăcrimioara-Sofia. From this document it appears that the defendants Chebutiu Adrian, Adrian Preda Coriolan and Chebutiu Lăcrimioara-Sofia organized a criminal group with the aim of embezzling S.C. U.C.M. Resita S.A., namely to appropriate, in the interest of S.C. HYDRO-ENGINEERING S.A., the know-how consisting of technology, documents, sketches, manuals and industrial designs.

U.C.M. Resita S.A. and INET AG formulated and submitted to court the request to set up as a civil party in the criminal proceedings against the defendants prosecuted, claiming to constrain them, jointly and severally, to pay provisional prejudice in amount of 17.000.000 Euro at the rate of B.N.R. on the day of payment. By Judgment in criminal case no. 106/08.03.2017 of the Law Court Arad pronounced in case no. 1541/115/2015 was ordered:

- In our case, acceptance of the civil action brought by the undersigned, forcing the defendants Chebutiu Adrian, Preda Adrian Coriolan and HYDRO-ENGINEERING SA, jointly and severally, to reimburse the technical documentation for 85 industrial models and the associated documentation created before the establishment of HYDRO-ENGINEERING SA, under seizure on the fourth floor of the building in a room called the archive, and if it cannot be returned in kind, to force the defendants to pay jointly and severally a sum of 29.842.419,03 lei;

- Dismisses the remainder of civil claims requested by the undersigned and INET AG;

- Maintain effective the precautionary measures;

18. Subsequent events (continued)

- Enforce the defendants to pay us the amount of 1.691,09 lei representing legal expenses.

Against the Minutes of Judgment in criminal case we have made an official appeal, following that after communicating the reasons for such judgments to submit our motivation for this appeal, file which will be sent to the Court of Appeal Timisoara.

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

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

experience the difference

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societate in insolventa
in insolvency
en procedure collective

MOTION FOR COVERING LOSSES FROM THE ACCOUNTING YEAR 2016

UCM Resita SA (company in insolvency, en collective procedures) at the end of the accounting year 2016 registered an accounting loss of 24,870.550 Lei.

The Special Trustees of *the Company* propose and recommend to the General Meeting of Shareholders to approve that the loss registered at 31.12.2016, amounting to 24,870,550 Lei to be deferred, following to be covered from the favorable results of future accounting years.

Special Trustee
Ursoniu Cosmin
Ionete Nicoleta Liliana

No. 2.18.2 / 27.03.2017

REPORT OF THE INDEPENDENT FINANCIAL AUDITOR

about the separate financial statements prepared as at 31.12.2016
by UCM Resita S.A. (company in insolvency)

To,

The shareholders, creditors and management of UCM Resita S.A. (company in insolvency)

and

The other legal users of the information included in the separate financial statements and this *Report*

Report on the separate financial statements

I OPPOSITE VIEW

(1.1) We have audited *the Separate Financial Statements* for the accounting year ended on 31.12.2016 and attached to this, prepared by the management of UCM Resita S.A. (company in insolvency), hereinafter referred to as *the Company*, consisting of:

- statement of financial position
- statement of comprehensive result
- statement of changes in equity
- statement of cash flow
- (explanatory) notes and accounting policies

(1.2) The *Separate Financial Statements* audited have been prepared by the management of *the Company* (*the Special Trustees*), but have not yet been submitted and approved by the General Meeting of Shareholders (AGA).

(1.3) The reference values on 31.12.2016 on the aforementioned *Separate Financial Statements*, are:

• total assets	252,136,839 lei
• total liabilities, provisions and income collected in advance	936,031,873 lei
• total equity (net asset)	- 683,895,034 lei
• turnover	55,694,260 lei
• result of the accounting year (loss)	- 24,870,550 lei

(1.4) **In our view, according to paragraphs (3.1) - (3.14) below, *the Separate Financial Statements* of UCM Resita S.A. for the accounting year ended on 31.12.2016, attached to this, do not make a right presentation (true), in all material respects, of**

the financial position and changes in its, the overall outcome (performance), cash flows and other information in the explanatory notes (accounting policies) in accordance with the requirements of *the general framework for accounting and financial reporting* (IFRS/IAS) as defined in paragraph 2.8 below.

II REFERENCES ON THE AUDIT MISSION AND LEGAL NORMS (STANDARDS) APPLICABLE

(2.1) A financial audit consists in:

- performing procedures and tests in order to obtain audit evidences to support the amounts and disclosures contained in the financial statements and to allow the *auditor* to base his opinion;
- assessing the risks of material misstatement of the financial statements due to fraud or error on both their preparation and fair presentation (true) of the operations and transactions performed by analyzing (testing) the relevance of the internal control system in this regard, but without having the purpose of expressing an opinion on its effectiveness;
- assessing the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates made by the management of the audited entity for the financial statements prepared;
- assessing the overall l presentation of the financial statements

(2.2) The objective of a financial audit mission is to provide reasonable assurance by reducing the risks undertaken in conducting it to an acceptably low level, so that the evidences collected can form the basis of the conclusions (opinion) made by the auditor and, thus reinforcing the confidence of the users of the audit report and of the financial statements audited in their quality and content.

(2.3) The reasonable assurance represents a high level of assurance, but there is no guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement, if any.

(2.4) The misstatements can be caused either by fraud or by error and are considered significant if it can be expected, reasonably, that they, individually or in aggregate, will influence the economic decisions of users taken based on the information given in the financial statements and/or in the report of the independent financial auditor.

(2.5) The risk of not detecting a material misstatement due to fraud is higher than that of not detecting a material misstatement due to error, because fraud may involve collusion, willful omission, documents and false declarations, avoidance of internal control systems, and so on.

(2.6) The mission of ECULDA s.r.l. (*the Auditor*) for conducting the audit on the financial statements were was based on the Addendum no. 2.79.2/03.10.2016 to the Service Rendering Contract no. 2.155.2/17.03.2011, by which we have been appointed by the management of *the Company* (Special Trustees) as an independent financial auditor.

(2.7) Our audit was planned and conducted in accordance with the International Standards on Auditing (ISAs) developed by the International Federation of Accountants (IFAC) and adopted by the Chamber of the Financial Auditors of Romania (CAFR).

(2.8) According to these standards, our responsibility is further described in the "Section VII - Auditor's Responsibilities" of this *Report*.

(2.9) ISA standards and other legal regulations require that the auditor must comply with the IFAC Code of Ethics and that the audit mission must be so planned and conducted as to allow him to obtain reasonable assurance whether the financial statements are free of material misstatement or, if appropriate, that they are altered by such a misstatement (error) following that his report to be drawn, respectively his opinion to be formulated, accordingly.

(2.10) We are independent given *the Company*, in accordance with the relevant requirements of professional ethics, to audit the financial statements of an entity from Romania, fulfilling also the other requirements/responsibilities regarding ethical conduct, including non-provision of professional services other than auditing.

(2.11) *The Separate Financial Statements* of *the Company* have been prepared taking into account the legal regulations applicable in Romania (*the general framework for accounting and financial reporting*) respectively:

- Accounting Law no. 82/1991, republished, with subsequent amendments (*L 82/1991*);
- Order of the Ministry of Public Finance no. 2844/2016 for the approval of Accounting Regulations compliant with the International Financial Reporting Standards (IFRS/IAS), applicable to companies whose securities are admitted to trading on a regulated market (*OMPF 2844/2016*);
- Other legal regulations and/or applicable professional standards.

(2.12) We believe that the audit evidences obtained during the mission, following the application of professional standards, the tests and specific procedures, are sufficient and appropriate to base our opposite view on *the Separate Financial Statements*, as is apparent from those shown below in "Section III – Fundamentals of opposite view".

III FUNDAMENTALS OF OPPOSITE VIEW

Concerning impairment of the qualitative characteristics of information (relevance, accuracy, comparability, etc.)

(3.1) Given that the structure (composition) of stocks is complex and heterogeneous, especially those from the production in progress (manufacturing), and that the inventory operations took place on different dates throughout the accounting year (some of them shifted significantly from 31.12.2016), even under the conditions that alternative procedures (tests) have been used, as mentioned also in paragraphs (3.2) and (3.3) below, we can not declare by certainty about the consistency between the factual situation (in the field), resulting from these inventory documents, and the script situation according to the balance sheets, of these assets on 31.12.2016.

(3.2) In accordance with the legal provisions and current practices, the production in progress (manufacturing) is established by its inventory at the end of the period, by technical methods for establishing the level of completion or the stage to perform technological operations and to assess its production costs (cumulative), inclusively by considering the physical (technical) condition of its material components, respectively the perspective of completion/non-completion of some orders (contracts, projects).

(3.3) For the purposes referred to in paragraph (3.2) above, the inventory documents provided by *the Company* results that also on 31.12.2016 was carried out an inventory of the physical state of the production in progress (manufacturing), expressed as a percentage, in accordance with the internal procedures/customs applicable, but its evaluation in *the Separate Financial Statements* being made only based on script information (from the computer system) existing at that date to which some adjustments have been made taking into account other data and information about the contracts/projects concerned, respectively cancellation of provisions have been made for depreciation established in the previous period, we (*the Auditor*) being unable to assess by alternative methods whether, in these conditions, the value of these stocks is over or undervalued.

(3.4) In 2016 no other depreciation for tangible assets was performed maintaining the provisions already existent in previous accounting years, but there is still a major risk that the current result and loss carried forward will not include the corresponding depreciation in the value of remaining tangible assets according to IAS 36 - *Impairment of assets* also under the conditions stated at paragraph (3.12) below, that is, the remaining amount has not been adjusted (reduced) appropriately respectively be greater than the recoverable/achievable value of such assets on 31.12.2016.

(3.5) As result of some operations and transactions with the suppliers BETA TRADING & INVESTMENTS s.r.l. and MIKE TRADING & INVESTMENT s.r.l., respectively with the customer LIBAROM Agri s.r.l., in 2010 and 2011, entered into the insolvency proceedings (bankruptcy), mentioned in all our previous reports, investigated by the National Anti Corruption Directorate (DNA), related depreciation were established (obligations/receivables, revenues/expenses) for significant values, but *the Auditor* did not get relevant and sufficient information on such transactions and operations.

(3.6) Following the opening of the insolvency proceedings for the customer LIBAROM Agri s.r.l., at the end of 2012 and subsequently in February 2013 following the entry into bankruptcy, *the Company* requested and by civil sentence no. 5762/17.06.2015 was included in the Final Table of Creditors with the amount of 3,706,200 lei, with little chance of collecting.

(3.7) Following the entry of *the Company* in the insolvency proceedings, the Romanian Commercial Bank S.A. (BCR) joined the Preliminary Table of Creditors with amounts representing credits/interests/outstanding fees and letters of bank guarantees, and on 25.04.2016 sent a notification *("Notification no. 1/25.04.2016 assignment of claims arising from the following contracts, as they have been modified and/or supplemented: 258/09.01.2003, 229/10.12.2007, 247/42692/29.08.2006, 225/10.09.2007, 165/09.11.2001, 225/10.09.2007")* by which *the Company* is informed that contracts for assignment of claims have been made in favor of Assets Recoverz debts Assets s.r.l., which in turn transferred them to another third party (Serraghis Loan Management Ltd.),

without being specified any values or composition (mainly, interests/penalties) of those receivables assigned.

(3.8) Considering those mentioned under paragraph (3.7) above, without questioning the content and relevance of the documents at our disposal and/or the calculation method (reflected in the accountancy) on interests earned on credits taken with BCR, respectively the quantum of the amounts with which the bank enrolled in the list of creditors, however in the absence of confirmation of these balances at 31.12.2016 by the bank, or by the assignees/assignors, we cannot be sure of the correctness and accuracy of these obligations (*see also Note 7*).

(3.9) According to OMPF 2844/2016, *the Company* prepares *the Separate Financial Statements* in accordance with IAS/IFRS, but the requirements of these standards either could not be complied with (lack of sufficient and reliable data and information) or some of these requirements have not been properly applied, as follows:

- Presentation of tangible assets includes only partially (equipment / machinery / equipment fully depreciated) data and information on the residual values, under IAS 16 – *Tangible Assets*.
- Due to the significant decrease of the activity and the risks arising from the conduct of the insolvency proceedings of *the Company*, the tangible assets were reclassified accordingly as required by IFRS 5 – *Fixed assets held for sale and discontinued operations*, even if taking into account other data and information on estimating their value, in the absence of revaluation at 31.12.2016, some depreciation were applied in accordance with the requirements of IAS 36 – *Depreciation of assets*, as mentioned under paragraph (3.4) above.
- *The Company* decided, in 2016, to change the policy of provisioning for benefits granted to employees, so that there was no longer made provisions for all employees that in the next year will be eligible for retirement, but only for 52% of them (the average number of persons who have retired in the last three years, based on the average number of people eligible for retirement).
- For the purposes referred to in the previous paragraph for employees who have a seniority of less than 25 years within *the Company*, the benefits that are to be granted were calculated only at the level of two average salaries compared to previous periods when they have been calculated at the level of four average salaries.
- The last two paragraphs referred to provisions for benefits granted to employees who will retire emphasize that the comparability of information is significantly affected and thus are infringed the provisions of IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors.*

Regarding the principle of business continuity

(3.10) Observing the principle of business continuity claimed by the Company's management (Special Trustees) in preparing *the Separate Financial Statements*, according to the information (arguments) presented in *the Report of Special Trustees* and *the Explanatory Notes* (see *Note 17*) is questionable, being significantly affected, in our view, by the current legal situation thereof, respectively by the acceptance on 06.12.2011 of the application for opening the insolvency proceedings by the Law Court of Bucharest (file no. 75017/3/2011).

(3.11) Other risks and situations/adverse events, which are likely to maintain, or to have effect during the accounting year 2017 and the next, which also put into question *the Company's* business continuity and solvency, are as follows:

- The Statement of financial position on 31.12.2016, highlights the negative equity (-683,895,034 lei) and financial rates (solvency, liquidity) which is well below the normal range, and a current loss recorded (-24,870,550 lei).
- Although in 2016 Hidroelectrica s.a. came out of insolvency, carrying out of some contracts with this company is questioned, and *the Company* still depends on (domestic market) of this customer, directly or indirectly (through Romelectro s.a. and/or S.S.H. Hidroserv s.a.), in a proportion of more than 85%.
- The entry in insolvency proceedings of S.S.H. Hidroserv s.a., while *the Company's* claims against it are over 20,000,000 lei basically will significantly increase its losses.
- Although the Authority for State Assets Administration (AAAS) took over the budgetary claims administered by ANAF (approx. 530 million lei based on the Government Emergency Ordinance no. 97/2013, becoming the main creditor, there are no clear signs that they could possibly be converted into shares of the state to the registered capital of *the Company,* as a real possibility to get out of the insolvency.
- Compliance/noncompliance, namely achievement/failure by the management of *the Company* of the forecasts assumed with respect to revenues/expenses or cash flows for the period beginning with 2017, as well as acceptance or non-acceptance of that achievement or failure as such of business reorganization plan, make also uncertain the business continuity.
- Other events subsequent to closing of the accounting year 2016, presented as such by *the Company* (*see Note 18*), are also possible causes for failure to observe the principle of business continuity.

(3.12) Failure, most likely, to observe the principle of business continuity at least for the following 12 months starting with 01.01.2017, as noticed from the paragraphs (3.10) and (3.11) above, is likely to affect very significantly *the Company's* assets that cannot be carried out in normal operating conditions, under such circumstances being necessary a massive depreciation of their value (possibly by more than 50%) due to the very probable sale (recovery) of them by way of enforcement and/or in accordance of the insolvency proceedings, situation resulting in a corresponding impairment on the comprehensive income (profit and loss account).

(3.13) Given those referred to in paragraph (3.12) above, there are enough conditions, information and issues likely to argue that the principle of business continuity will not be met, in which case, according to applicable legal regulations, *the Separate Financial Statements* would have to be prepared or adjusted (corrected) on the basis of such premises and in accordance with a set of specific accounting policies approved by *the Company's* management.

(3.14) Since *the Company's* management disagreed with *the Auditor* as concerns the principle of business continuity, not accepting those referred to in paragraph (3.12) above, and by not applying those specified in paragraph (3.13) above, the information in the Separate Financial Statements (assets value, losses by depreciation, statement of comprehensive result, cash flows, other adjustable values under these conditions) are damaged (denatured) significantly.

IV OTHER MATTERS

(4.1) Apart from the opposite view presented above, we draw attention to users of the information in *the Separate Financial Statements* and in this *Report*, that the current legal situation of *the Company*, including its administration and management imposed by the insolvency proceedings, can create significant difficulties on the reorganization itself and achievement of current activities related to this phase, including the measures to safeguard and ensure the security of some assets.

(4.2) In accordance with the *general framework for accounting and financial reporting*, *the Company* was required to prepare *Consolidated Financial Statements* on 31.12.2016 and to request their auditing, but decided not to apply these provisions (see *Note 2*), a decision which take into account the situation of shareholdings (securities) held within the three subsidiaries, which are practically fully depreciated and cannot change significantly the consolidated financial position.

V KEY MATTERS OF THE AUDIT

(5.1) Except the matters described under " Section III - Basis for opposite view" and "Section IV - Other Matters", which by their nature and content were very important to perform the audit mission, being also discussed with the management of *the Company*, we did not thought that it would be necessary to provide in this *Report* other key matters of the audit.

VI MANAGEMENT LIABITY

(6.1) The management of *the Company* is liable for:

- preparation and fair presentation (true) of transactions and operations performed in *the Separate Financial Statements* in accordance with the applicable *general framework for accounting and financial reporting*;
- drafting, implementing and maintaining of an internal control relevant (effective) for preparation of the financial statements so that they are free from material misstatement due to fraud or error.

(6.2) When preparing *the Separate Financial Statements*, the management of *the Company* is responsible for assessing the company's ability to continue the activity and to apply the accounting principle of business continuity as basis for financial reporting and accounting.

(6.3) If *the Company's* management identify high risks and great uncertainty as concerns the business continuity, it has the obligation and responsibility to approve a set of accounting policies that take into account these risks and uncertainties and to prepare *the Separate Financial Statements* assuming breach of the principle of business continuity (see paragraph 3.13).

VII AUDITOR LABILITY

(7.1) During an audit in accordance with ISAs, the auditor uses professional judgment and shall maintain professional skepticism throughout the audit, namely:

- Should identify and assess the risks of material misstatement of the financial statements, due either to fraud or error, and to design and perform audit procedures in response to such risks, or to obtain audit evidence sufficient and appropriate to substantiate the his audit opinion.
- Has to understand the internal control relevant to the audit, in order to choose the work procedures most appropriate to the circumstances, but has no obligation and it's not the purpose of his mission to express an opinion on the effectiveness of the internal control of the audited entity.
- Assess the adequacy of the accounting policies used and the reasonableness of accounting estimates and financial and accounting disclosures in the financial statements prepared and presented by the management of the entity.
- Inform those responsible for the governance, among other things, planning and timing of the audit and the main findings, including any weaknesses of the internal control identified during the mission.
- Has to draw a conclusion on the appropriateness of the use by the management of accounting based on business continuity and to establish, based on the audit evidences obtained, whether there is a significant uncertainty regarding events or conditions that may lead to significant doubt on the ability of the audited entity to continue its activity.
- If the auditor concludes that there is a significant uncertainty regarding business continuity, he must draw attention in his report on the related presentations from the financial statement or, if these disclosures are inadequate to change the view.
- The conclusions on compliance with the principle of business continuity are based on the audit evidences obtained until the date of the report but nevertheless, future events or conditions may cause that the audited entity will not carry out its activity based on the principle of business continuity.

(7.2) Our liability as independent auditor was to observe those referred to in paragraph (7.1) above and to express an opinion on *the Separate Financial Statements* prepared by *the Company,* based on the audit performed.

(7.3) Our objective was to get reasonable assurance on whether *the Separate Financial Statements*, as a whole, are free from significant misstatement, due to fraud or error, as well as in issuing of this *Report* that includes our opinion.

VIII Report on other legal and regulatory requirements

VIII REPORT OF SPECIAL TRUSTEES

(8.1) The attached *Report of the Special Trustees* is not part of *the Separate Financial Statements* even though it was submitted/presented with them, and our opinion on the financial statements does not cover also this report.

(8.2) Our liability, *as the Auditor,* is to study *the Report of the Special Trustees*, to determine whether there is significant discrepancy between it and *the Separate Financial Statements*, if *the Report of the Special Trustees* includes the information required by legal regulations applicable and if, based on our knowledge and understanding acquired during the auditing of *the Company* and the specific of its business, the information included in *the Report of the Special Trustees* are erroneous (affected) significantly.

(8.3) Regarding the data and financial-accounting information that can be found in *the Report of the Special Trustees* on *the Company's* business in 2016, *the Auditor* did not identify any aspect to determine him to question their compliance with those in *the Separate Financial Statements* audited, they in turn being significantly misstated, as mentioned above in "Section III - Basis for opposite view".

(8.4) Taking into account those specified in paragraph 8.3 above, *the Report of the Special Trustees* is issued in terms of structure (composition) of information in accordance with applicable legal requirements, the Special Trustees being liable for its preparation and presentation.

(8.5) Based on our knowledge and understanding acquired during the audit on *the Company* and its current activities, including the economic environment in which they operate, we have not identified any other information significantly misstated (erroneous) which have been included in *the Report of the Special Trustees*, other than those referred to by the paragraphs (3.1), ..., (3.14), respectively (4.1) and (4.2) above.

On behalf of ECULDA s.r.l.
Registered at the Chamber of Financial Auditors of Romania with the number 597

EMIL CULDA
managing partner
Registered at the Chamber of Financial Auditors of Romania with the number 152

Cluj-Napoca
27.03.2017