

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

*în reorganizare judiciară,  
in judicial  
reorganisation, en  
redressement*

## **PROPOSAL FOR COVERING THE LOSSES CARRIED OUT OF THE PROFIT OF THE ACCOUNTING YEAR 2022**

UCM Reșița SA (company in judicial reorganisation, en redressement) registered at the end of the year 2022 accounting profit of 428,329,437 Lei.

The Judicial Administrator of the Company, in accordance with the provisions of law no 82/1991, decides that the profit registered at 31.12.2022, amounting to 428,329,437 Lei to be assigned for covering the losses from previous years.

### **Judicial Administrator:**

EURO INSOL SPRL and VF Insolvență SPRL Consortium

**s.c. U.C.M. Resita s.a.**  
**(Company in judicial reorganisation, en redressement)**

**Separate Financial Statements**  
prepared in accordance with the  
Order of the Minister of Finance no. 2844/2016  
on  
**DECEMBER 31, 2022**

**Separate Financial Statements on December 31, 2022**  
*(all amounts are given in lei (RON) unless otherwise stated)*

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**YEARLY REPORT  
of Judicial Administrator  
for the accounting year 2022**

**I. Non-financial declaration**

**1. Presentation of SC UCM Resita SA**

UCM Resita SA, a company located in the southwestern part of Romania, was founded on 3 July 1771 by the first kilns and forges, which is the oldest industrial unit in Romania and one of the oldest in Europe. It is worth mentioning that, at the time of their inauguration (July 3, 1771), the factories in Reșița overtook the founding of famous factories such as Krupp Germany (1811), Vitkovice (1829), Donavitz (1836), MAN (1834), Sulzer) Burmeister Wain (1843), Skoda (1851). If the beginning was devoted to the metallurgical sector, the machine building sector gradually developed, reaching to be preponderant in the last quarter of the nineteenth century. The two sectors coexisted for a long time completing each other within the same fully integrated unit.

SC UCM Resita SA, the continuation of the activity of the machine building sector in the Reșița industrial complex, as it is known today, is the result of many years of experience in the construction of machinery, transport, energy, metallurgical and chemical industry.

Since 1960, it has designed and built over 90% of the national hydropower equipment, putting in operation more than 6,325 MW installed power, representing 326 hydro-aggregates. The plant has accumulated over time, a distinct culture and has reached, both in the country and abroad, a special reputation based on tradition, competence and quality.

In 1991, according to Government Decision no. 1296/1990, UCM Resita becomes a public limited company and it is listed on the Bucharest Stock Exchange since 1997.

UCM Resita SA was privatized in 2003, through the conclusion of the share sale-purchase contract no. 57 / 23.12.2003, between the Authority for Privatization and Shareholding Administration (APAPS), as the seller, and the consortium consisting of the Swiss company INET AG and the Association of Employees UCM Resita SA as buyers.

According to the Conclusion of the hearing of 06.12.2011, in the file 75017/3/2011 the Bucharest Court of Law ordered the admission of the request regarding the opening of the insolvency procedure on UCM Resita, leaving to the company the right to conduct the activity, to administer the assets, rights maintained under the supervision of the appointed judicial administrator named by the syndic judge.

On 26.10.2021, the Assembly of Creditors approved the Reorganization Plan of the activity of the debtor UCM Resita SA proposed by the Judicial Administrator.

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On 01.02.2022 by Civil Sentence no. 351 of 01.02.2022 the syndic judge confirmed the Reorganization Plan as approved by the Creditors' Assembly on 26.10.2021.

The company owns a total area of 53.55 hectares located on the two industrial platforms (ABC and Călnicel) as well as in other areas in the Municipality of Reșița and in Anina.

Moreover, the Company owns numerous other assets outside the current production sphere, both in Reșița (Culture House, "Semenic" Extended Program Kindergarten, previously named Extended Program Kindergarten no. 7, a studio apartment on Ion Corvin street, 239 apartments in former non-family homes, etc.), as well as in Anina (Screw Factory).

The production activity of the Company can be structured on the following sectors of production:

- Turbine Division and Spare Parts (former Naval Section)
- The heavy mechanics section
- Electric Machinery Section I
- Electrical Machines Section II
- Sculpture section (preserved)
- Welded Assemblies Section and Mechanical Processing
- Heat Treatments Section
- Diesel locomotive section (preserved).

### **General Meeting of Shareholders**

The General Meeting is the governing body of *the Company* through which the will of the shareholders in any matter of interest to the Company is expressed.

By Civil Sentence no. 351/01.02.2022, pronounced by the Bucharest Court, it was decided that the Company's activity during the reorganization will be led by the Judicial Administrator.

Therefore, the duties of the General Meeting of Shareholders were completely taken over by the Creditors' Meeting, respectively the Creditors' Committee.

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

By Civil Sentence no. 351/01.02.2022, pronounced by the Bucharest Court, the management of the Company was taken over by the Judicial Administrator.

Thus, starting from 01.02.2022, the mandate of the Special Administrators (Mr. Aurel BĂRA and Ms. Sorina Daniela POP), appointed on 15.12.2021 by the Extraordinary General Meeting of Shareholders is limited to representing the interests of shareholders.

### **Creditors' Committee and Creditors' Meeting**

During the observation period, the documents, operations and payments made by the Company, which do not fall under the usual conditions for carrying out the current activity, will be subject to the approval of the Creditors' Committee.

The sale regulations related to the assets to be liquidated, according to the provisions of the Reorganization Plan, are subject to the approval of the Creditors' Assembly.

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

The executive management of the Company during 2021 had the following structure:

- Mr. Cosmin URSONIU – General Director
- Mrs. Liliana Nicoleta IONETE - Human Resources and Economic Director
- Mr. Cristian MURGU - Director of Production

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 internal audit objectives are:

- Objective insurance and counseling of the company's systems and activities in order to make them more efficient
- Supporting the achievement of the company's objectives through a systematic and methodical approach that evaluates and improves the effectiveness of the management system, based on risk management, control and management processes.

Internal audit activity is exercised over all activities within the Company in accordance with the approved Annual Internal Audit Plan or Audit Missions set up by the Special Administrator outside the plan.

Internal auditing ensures greater efficiency through a more appropriate use of human and material resources, as well as better coordination between the various departments of the Company.

**2. Business model description**

The main activity domain according to the National Economy Classification (NACE) is "the manufacture of equipment for the production and use of mechanical power (except for engines for aircraft, motor vehicles and motorcycles) - Code 281."

The main activity of the Company is "manufacture of engines and turbines (except for aircraft, motor vehicles and motorcycles) - 2811 CAEN Code".

The company also provides technical assistance services for the rehabilitation and improvement of existing engineering solutions, specializing in the fields related to its core business.

The main categories of products and services the Company carries out are:

- Hydroelectric units equipped with turbines of the type: Kaplan (up to 180 MW), Francis (up to 170 MW), Bulb (up to 28 MW), Pelton (up to 20 MW) and related installations (valves, regulators and groups pressure oil) and hydrogenerators with auxiliary installations;
- Constructive design, technological design, assembly, service for manufactured products / equipment;

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- Asynchronous electric motors with power ranging from 500 to 10,000 KW; synchronous motors and synchronous generators with power ranging from 500 to 12,500 KW; motors and DC generators with power ranging from 500 to 6000 KW;
- Welded assemblies (metal welding constructions / confections), for various purposes;
- Spare parts and repairs / modernization / rehabilitation for all hydro and non-hydro equipment;
- Hydromechanical equipment - repairs;
- Machining of forged parts,
- Destructive tests within the lab for destructive testing;
- Calibration / verification and repair of measuring instruments within the metrology laboratory
- Thermal, thermochemical and galvanic treatments

Currently, the solution to pollution, global warming and ultimately to energy independence is green energy. Compared to the electricity produced in classical power plants, the energy produced in hydropower plants is clean, non-polluting.

Starting from these premises, all efforts are subordinated to the Company's mission, to be on the Romanian market the main supplier of equipment for investment projects, re-technology and repairs of the hydro-energetic facilities in the country.

### **3. Main suppliers**

Depending on the ability to provide safe products / services, recommended for the manufacture of items of high importance, UCM Resita's suppliers are highlighted in three categories:

- Class A of those who meet between 10 and 15 points for the criteria imposed by society;
- Class B, which consists of those who meet between 5 and 10 points for the criteria imposed by the society;
- Class C among those who meet less than 5 points for the criteria imposed by society.

The company has 172 established suppliers, out of which 143 are suppliers in the country, 22 are suppliers of imported products and 7 are suppliers for external collaborations.

Of the domestic suppliers, 116 are in Class A capability and the rest in Class B. All external suppliers are in Class A, and collaborative suppliers are 6 in Class A, and 1 supplier in Class B.

The main suppliers of UCM Resita SA are:

- Inox Metal SSR- sheets, pipes, rounds, stainless steel fittings;
- Avenarius Agro GMBH– painting material
- Hidarom Sibiu - measuring and control devices, hydraulic equipment, assembly devices
- Ductil Buzău - electrodes, welding equipment
- Romsenzor Bucharest - measuring and control devices, low voltage devices

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- Hexagon OA - assembly parts
- Miras Internațional – metallurgical products, debited metal constructions;
- Mol Romania - petroleum products (lubricating oil for turbines, generators and machine tools)
- Brio Electrotehnic - electrical equipment, electrical insulators
- HPW Metallwerk - copper conductor for winding generators and electric motors

#### **4. Major Customers**

The final beneficiary of hydroelectric equipments made by UCM Resita SA is SPEEH HIDROELECTRICA SA, whether the Company has contracts concluded directly with this company, whether it is a subcontractor of SSH HIDROSERV SA, or Romelectro SA.

SPEEH HIDROELECTRICA SA, a leader in power generation and the main provider of technological services required in the National Energy System, is

- ✓ a vital company for a strategic sector with implications for national security.
- ✓ the largest energy producer in Romania considering the primary source of hydro energy;
- ✓ the largest provider of system services in Romania ensuring the stability of the National Energy System.

The company manages 430 groups, of which 169 in plants with installed capacity <10 MW, and 250 in CHE> 10 MW, and 11 are pumping groups. In an average hydrological year, Hidroelectrica provides 30% of the total national electricity production. Hidroelectrica's mission is to create value by producing and marketing electricity, in a responsible manner towards the community and the environment, in terms of quality and performance.

SPEEH HIDROELECTRICA SA functions through its seven branches: SH Bistrița, SH Cluj, SH Curtea de Argeș, SH Hațeg, SH Porțile de Fier, SH Râmnicu Vâlcea și SH Sebeș, □ which are managed by hydroelectric power plants strategically located throughout Romania. Among the most representative hydropower objectives of the company are:

- ✓ Hydropower and navigation systems Iron Gates I and Iron Gates II
- ✓ HPP Lotru
- ✓ Vidraru Hydroelectric Power Plant
- ✓ Dimitrie Leonida Hydroelectric Power Plant (Stejaru)
- ✓ Mariselu and Remeti Hydroelectric Power Plants
- ✓ HPP Râu-Mare Retezat and HPP Ruienii
- ✓ Gâlceag and Sugag Hydroelectric Power Plants

The strategy of increasing the value of HIDROELECTRICA company takes into account the following main directions:

- cost base optimization and operational optimization
- optimizing the operation of production capacities
- profitable investments
- regional expansion



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➤ listing the company.

SSH HIDROSERV SA, Hidroserv S.A., Hydroelectric Services Company, is a subsidiary of the Hidroelectrica S.A. Hydroelectric Power Generation Company, having the legal form of a joint stock company. Company S.S.H. HIDROSERV S.A. has as main object of activity "Electricity production", the eight branches of the company (Bistrita, Cluj, Curtea de Argeș, Hațeg, Iron Gates, Râmnicu Vâlcea, Sebeș, Slatina) being certified to provide services consisting of:

- Installation and maintenance of energy aggregates;
- Design of electrical, automation and mechanical installations;
- Installation and maintenance of high and low voltage electrical installations;
- Installation, maintenance and modernization of equipment and secondary circuits PRAM, AMC;
- Civil, industrial and hydro-technical constructions;
- Performance and specialty tests;
- Technical support and design works in the energy field;
- Topo-geodetic and topobatiometric measurements;
- Road transport.

By the closing of the hearing held on 10.10.2016 by the Bucharest Tribunal in file 36365/3/2016, the opening of the general insolvency procedure against SSH HIDROSERV SA was ordered.

By the civil sentence no. 1598/24.06.2020 pronounced in the file 36365/3/2016, published in the Bulletin of Insolvency Procedures no. 11232/08.07.2020 the syndic judge confirmed the Reorganization Plan of SSH Hidroserv SA.

On 12.12.2022 the Meeting of Creditors of the debtor SSH Hidroserv approved the extension and modification of the Reorganization Plan in accordance with the provisions of art. 137-139 of Law 85/2014.

SC ROMELECTRO S.A. is one of the most important EPC Contractors in Romania, covering its entire energy chain through its projects: energy production, transportation, distribution and supply. Founded in 1971, Romelectro becomes the foreign trade organization of the Energy Ministry at that time, and since 1994 it has become a 100% privately owned company.

In 2005, Romelectro became the majority shareholder of the Institute of Energy Studies and Designs - ISPE and Electromontaj Carpati Sibiu, laying the foundations of the Romelectro Group. About the capabilities of the Romelectro Group, the references speak for themselves: design and complex engineering for more than 15,000 MW in conventional and nuclear power plants, representing 90% of the total installed capacity in Romania; complex rehabilitation programs for more than 3,000 MW; engineering and design for more than 150 high voltage substations and approximately 22,000 km of designed or executed AEL.

In its over 50 years of existence, Romelectro has carried out large-scale contracts both on the domestic and international markets.

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Even if in recent years the projects developed by Romelectro have mainly covered the Romanian market, the international experience is also to be taken into account. Romelectro has become known on all continents as an EPC contractor and equipment supplier. The Vafregan and Saveh dams in Iran, Ksob and El Fakia in Algeria, 10,000 km of AEL in Iran, Iraq, the Philippines, Jordan, Syria, Algeria, Malaysia and Nigeria are some of the most important projects in the external portfolio.

The experience and capabilities of the group of companies have made Romelectro a local reference partner on the Romanian market. Moreover, the strategic partnerships and agreements with the most important suppliers of equipment, technologies and know-how in the world, offer the necessary advantages for consolidating the export activity of services and equipment on a very competitive basis.

By the conclusion of the hearing pronounced on 03.02.2022, by the Bucharest Tribunal in the file 909/3/2022, it was ordered the opening of the general insolvency procedure against SC ROMELECTRO SA.

## **5. Main Competitors**

If on the internal hydro market, the competition is relatively limited due to the fact that the Company has the know-how of all hydropower equipment in operation at Hidroelectrica, on the external market UCM Resita has to face fierce competition represented by brand companies in the field of hydropower equipment, such as:

VOITH HYDRO GmbH & Co. KG KG sets standards in the energy, oil and gas markets, paper, raw materials, transport and automotive. Founded in 1867, Voith has more than 19.000 employees, operates in more than 60 countries around the world, and is currently one of Europe's largest family companies.

A quarter of the world's hydropower is generated by turbines and generators from Voith Hydro. ANDRITZ HYDRO GmbH, headquartered in Vienna, Austria. The cornerstone of this company was laid by the pioneers of turbine and generators in Europe and North America in the nineteenth century. Over time, growth, mergers and cooperation agreements have created a state-of-the-art technology company with over 7,500 employees, working in more than 50 locations in over 25 countries worldwide and is organized in five major divisions: Large Hydro; Service & Rehab; Compact Hydro; Turbo Generators; Pumps. It is a global supplier of electromechanical systems and services ("water-to-wire") for hydropower plants and one of the world's leading manufacturers of hydraulic power. The over 175 years of experience in the activity of hydraulic energy supply, as well as the intensive research and development activities form the solid basis of ANDRITZ Hydro's skills.

ALSTOM POWER HYDRO, headquartered in Levallois - Perret, France, and manufacturing and manufacturing subsidiaries in France, India, Canada and Switzerland and only manufacturing in China, Spain and Brazil, Alstom can deliver hydroelectric solutions and services in a timely

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manner and effective throughout the world. The company offers construction of power plants, turbines, generators, control systems, hydromechanical equipment and electronic components, provides technical assistance, software development, maintenance, financing and status monitoring. It has more than 100 years of experience in engineering, procurement and construction (EPC) of new power plants and operates in more than 70 countries around the world. He also has experts in the refurbishment, modernization and service of existing plants.

From the point of view of the endowments with installations, equipment and machinery that can make hydropower aggregates, the main competitors of the Company are:

GENERAL TURBO, in its 45 years of existence on the entire market, has adapted its strategy according to the requirements of the energy market, materializing its presence especially in rehabilitation, refurbishment and modernization projects.

On foreign markets, the presence of GENERAL TURBO as General Contractor materialized both by carrying out projects aimed at providing turnkey new turbogenerators, and by carrying out complex rehabilitation projects.

POPECI UTILAJ GREU SA, based in Craiova, has over 24 years of experience in the heavy equipment industry, but also in terms of renting spaces in the industrial park. The company has permanently invested in modern equipment and qualified personnel.

CUSBAC SRL Bacău, established in 1991, has as specific the design, production and sale of industrial steel fittings (valves), with working pressures PN2.5 ÷ 25 and nominal dimensions DN150 ÷ 3500, of hydromechanical machinery and equipment for energy, irrigation, water supply and sewerage (butterfly valves, check valves, compensators, flat and dam valves, flow control valves, energy sinks, frequent grate cleaners and zip lines, valve drives, aeration - deaeration devices, hydration valves for irrigation, sorbents).

*The Company* has been equipped with state-of-the-art equipment and machinery, so that in a short time it was possible to manufacture a very wide range of products: butterfly valves, check valves, mounting compensators, energy sinks, flow control valves, fittings IAHC type hydraulic and counterweight installation, dam, flat wall valves, cofferdams, manual and electric reducers, various fittings, specialized in applications.

## **6. Technical Equipment**

UCM Resita has great opportunities for:

- machining on large, medium and small lathes, on milling machines, planning machines, grinding machines, adjusting machines, CNC machines.
- machining on top lathes of parts up to Ø 3,650 x 16,460 mm and weight up to 80 tons;

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- Machining of carousel lathes with diameters up to Ø 16.000 mm and weight up to 125 tons;
- Drilling up to Ø 160 mm with hole widening up to Ø 630 mm maximum at a depth of maximum 11,000 mm; work piece weight up to 20 tons and honing possibilities;
- milling of parts with length / width / height up to a maximum of 24000/5500/4500 mm on milling machines;
- milling and boring on milling and boring machines with large dimensions;
- clamping for parts with width / maximum height: 2000/2000 mm;
- grinding on internal surfaces at minimum / maximum Ø 20/350 mm diameters, external surface grinding to diameters up to Ø 400 mm and lengths of 20.000 mm.
- nondestructive tests in the non-destructive testing laboratory;
- destructive tests within the destructive testing laboratory;
- calibration / verification and repair of measuring instruments within the metrology laboratory;
- thermal, thermochemical and galvanic coatings
- welding equipment: for cutting tins and shaping;
- blasting equipment
- painting equipment

## **7. Company development policies and their outcome**

UCM Resita SA has implemented and operates an Integrated Quality Management System - Environment-Health and Occupational Safety, in accordance with the SR EN ISO 9001: 2015, SR EN ISO 14001: 2015 and SR OHSAS 18001: 2008 referencing requirements, with the certification body Lloyd's Register Quality Assurance, as follows:

- Quality management system according to the SR EN ISO 9001: 2015 standard
- Environmental management system according to the SR EN ISO 14001: 2015 standard
- Occupational health and safety management system according to the SR OHSAS 18001: 2008 standard.

It also holds the following certifications / attestations / authorizations / licenses:

- Certification of the Metrology Laboratory no TM-12-01-20 for the competence to perform calibration of measuring instruments in accordance with the requirements of SR EN ISO / CEI 17025: 2005, issued by the Romanian Legal Metrology Bureau, Timisoara;
- Certificate no. 010/3/2017, rev. 0, capability certificate according to EN ISO 3834-2 for welding (welding, gluing and cutting), hydropower equipment and naval and rail diesel engines and welding processes: manual welding with coated electrode (111, MMA); arc welding in active gas / inert gas with fused electrode (135/131, MAG / MIG); arc welding in active gas with tubular wire (136 MAG); welding

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- under flux layer with electrode wire (121, UP); TIG welding (141, WIG), issued by ISIM Cert Timisoara;
- Certificate of Conformity of factory production control 2028-CRP-359 for structural use according to EN 1090-1 + A1: 2011 issued by RINA SIMTEX;
  - Approval certificate for the production of spare parts for Diesel engines Sulzer 12 LDS 28 B, 6 LDA 28 B and 6 LDSR 28 B, OT series, no.62/2019, issued by AFER (Romanian Railway Authority);
  - Authorization of the Non-destructive Control Laboratory for carrying out the testing and verification categories specific to the railway products - AL Series Nr. 406/2011-R 3 issued by AFER;
  - Authorization of the Physical-Chemical Laboratory to perform the testing and checking categories specific to the railway products - AL series. 409/2011-R 4, issued by AFER;
  - Nondestructive Non-destructive Laboratory Examination for Non-Destructive Examinations in UT, Ultrasonic Examinations Specialty (s, t, l, f, tv) for pressurized products and lifting equipment according to DISPR/CR6/TIPF/0044/0/05.10.2011, issued by ISCIR (State Inspection for Boiler Control, Pressure Receptacles and Lifting Installations);
  - Non-Destructive Laboratory Authorization for: Non-Destructive Examinations in U.T. U.T. specialty (g) - Ultrasonic thickness measurements for pressure products and lifting equipment according to DISPR/CR6/TIPE/0044/0/05.10.2011 issued by ISCIR;
  - Nondestructive Laboratory Authorization for: Non-Destructive Examinations in the field of T.P. - Penetrant Fluid Tests for Pressure Products and Lifting Installations according to DISPR/CR6/TIPA/0044/0/05.10.2011, issued by ISCIR;
  - Non-Destructive Laboratory Authorization for: Non-Destructive Examinations in the Field of M.T- Magnetic Powder Exam for Pressure Products and Lifting Equipment according to DISPR/CR6/TIPB/0035/0/05.10.2011, issued by ISCIR;
  - Agreement for carrying out the destructive testing activity DISPR/CR6/J, K, L/0041/0/21.07.2016, in accordance with the ISCIR CR 6-2013 Technical Prescriptions and Minutes no. 65C-049, issued by ISCIR;
  - License for electricity distribution no.1019 / 30.06.2011, issued by ANRE;
  - Certificate No. DISPR/J/8881/05.06.2013 for technical personnel, Technical officer for non-destructive examinations, issued by ISCIR
  - Certificate No. DISPR/K/8872/05.06.2013 for technical personnel, Technical Assistant for destructive examinations issued by ISCIR
  - Certificate No. DISPR /I/6831/23.11.2012 for technical personnel, Technical Assistant with welding for pressure installations and RTS lifting equipment, issued by ISCIR;

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- Authorization No. OR/CR4/C, O/24,25,26/1192/1/05.08.2013 for repair, maintenance and overhaul of cranes (displaceable on tracks without running track with  $S_o = 50t$ /running with  $S_o = 200 t$ ; with arm and/or rotating platform working at fixed point or moving on horsepower with  $S_o = 20 t$ ), issued by ISCIR;
- Authorization No. DISPR/CR4/E/24, 25/3716/2/21.10.2015 for technical checks in use for technical investigations / examinations on cranes (displaceable on runways without  $S_n = 20t$ /horses with running track with  $S_n = 200 t$ ), issued by ISCIR;
- Authorization no. OR/CR4/P/1482/12.09.2016 for the repair, maintenance and technical review of the electric and hydraulic lifts for people, people and goods or of goods with internal control with  $S_{max} = 5000 kg$ , issued by ISCIR.
- Authorization No: OR/CR4/K, L/14/1094/1 /17.01.2013. Authorization Update No. OR/CR4/K, L/1094/2/11.10.2018 - Verification (on opening-closing), repair and adjustment of the safety devices apvad  $P_{max} = 25 bar$ ,  $D_{nmax} = 80 mm$ , issued by ISCIR;
- Authorization No: OR/CR 4/D/1,2,3/1188/0/04.07.2013. Authorization Update No. OR/CR4/D/1,2,3/1188/1/10.01.2019 – Technical verification in use at: Fuel consuming machines with  $P \leq 400KW$ ; Hot water boilers with  $P \leq 400KW$ ; Low pressure steam boilers with  $Q \leq 0.6 t / h$ , issued by ISCIR;
- CERTIFICATE OF ENERGY MANAGER no. 1049/26.09.2019 with ANRE (National Energy Regulatory Authority), issued by ANRE;
- Certificate of conformity no. GALEX.SP.2018.198.0127X for paint - drying booth from DP0600, contract no. 5859-2018, issued by INSEMEX PETROSANI;
- License No.0178805/2016 for the public road transport of goods and Compliant copies (issued annually), issued by ARR (Romanian Road Authority);
- Certificate of Technical Inspection Stelaj for gas transport in containers-no. 75377 (ADR), issued by IPROCHIM SA Bucharest;
- Authorization of non-destructive examination (visually) according to the technical prescription ISCIR, CR 6-2010-2 people, issued by ISCIR;
- Certificate of visual examination, level 2 (VT), according to EN ISO 9712: 2013- 4 people, issued by ISIM CERT END;
- Authorization of non-destructive examination (visually) according to the technical prescription ISCIR, CR 6-2010-3 people, issued by ISCIR;
- Ultrasound examination certification-UT 2, 6 people.; with penetrating liquids-PT 2, 7 people; with magnetic particles - MT 2, 7 people, issued by ISIM CERT END;
- Certificate (RADTP IR) no. DISPR / D / 11279 / 01.04.2015, issued by ISCIR;
- Certificate (RSL IR) no. DISPR / H / 8435 / 31.03.2015, issued by ISCIR;
- Authorization (RSVTI) no. OR-596 / 11.03.2015, issued by ISCIR;
- Certificate (RADTE IR) no. DISPR / F / 11464 / 10.06.2015, issued by ISCIR;
- Certificate no. DISPR / B / 11752 / 21.10.2015 (RVTA, issued by ISCIR);
- ISCIR authorizations for slide bridge cranes, issued by ISCIR;

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- Welders' Authorizations, issued by ISCIR / ISIM / RINA SIMTEX;
- Certified No. DISPR/G/12536/15.11.2016 Specialized technical personnel, responsible for the supervision of the constructions at installations under pressure (RSL-IP), issued by ISCIR;
- Certificate No. DISPR/A/13988/11.09.2018 Specialized technical personnel, responsible for the technical verification in use of the heating appliances supplied with solid, liquid or gas fuel, of the hot water boilers  $P \leq 400\text{KW}$ , of the low pressure steam boilers with the flow rate  $Q \leq 0.6 \text{ T / H}$  and the burners with gaseous and liquid fuels (RVT), issued by ISCIR;

To Implement the Development Strategy Top Managing:

- Issued Quality Policy, Environmental Policy, Occupational Health and Safety Policy, which represent the general principles on which UCM Resita's work is based on quality, environment, occupational health and safety;
- established objectives in the field of quality/environment/occupational health and safety;
- determined the external and internal aspects relevant to its strategic direction and direction, the context in which the company operates;
- determined the relevant internal and external stakeholders and their requirements;
- determined the organizational and operational risks and opportunities.

In order to achieve the proposed goal, the top management of our company is committed to:

- allocating the necessary resources for the implementation and improvement of the quality management system processes;
- promotion of process-based approach and risk-based thinking;
- ensuring the organizational framework for establishing and analyzing the quality objectives, correlated with identified risks and opportunities;
- raise the level of training and awareness of the personnel regarding the quality of the activities carried out;
- continuously improving the quality of products and services provided, as well as increasing customer satisfaction;
- know and comply with legal requirements and applicable regulations
- meeting the requirements and expectations of stakeholders;
- maintaining and improving an effective quality management system;
- protecting the environment including accidental pollution prevention
- employee awareness of the environmental aspects generated by the activity carried out
- compliance with legal requirements and fulfillment of compliance obligations
- continuous improvement of the environmental management system in order to increase the company's environmental performance

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- provide the best conditions for the process, in order to protect the life, body integrity and health of the personnel.
- allocating the necessary resources for implementing and improving the processes of the health and safety management system at work;
- providing protective equipment in accordance with the Collective Labor Agreement and the Internal Regulations;
- implementing the technical measures established in the Prevention and Protection Plan of UCM Reșița by allocating resources to improve working conditions;
- maintaining the certification of the quality management systems/environment/health and safety at work through annual surveillance audits carried out by the certification body;
- recertification of the quality/environmental/health and safety management systems, at a 3-year cycle.

During the annual Analysis session conducted by management at the highest level, the following aspects were discussed:

- the state of execution of the judgments ordered at the previous meeting;
- relevant changes in the Company's external and internal context
- Stage of achieving the objectives in the field of quality;
- product conformity;
- costs of internal non-quality;
- costs of external non-quality;
- the costs of total non-quality;
- the situation of internal/external audits;
- situation of the implementation of corrective actions ordered;
- the stage of the training and the effectiveness of the training;
- measuring customer satisfaction and feedback from relevant stakeholders;
- risk and opportunity management;
- performance of external suppliers;
- proposals for improvement;
- environmental report;
- the occupational health and safety report.

The results of the Management's Analysis are materialized by decisions in the Managing Analysis Session Synthesis, for which the responsible persons and the deadlines for the implementation are established.

The Quality Bulletin is compiled monthly and includes: Product compliance, Internal non-quality costs, External non-quality costs, Total non-quality costs, Quality objectives, Risk and opportunity management, General conclusions.



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## **8. Risk management**

Risk management is a complex process of identifying, analyzing and responding to possible risks to which the Company is exposed, through a documented approach, which uses material, financial and human resources to achieve its objectives, aiming to reduce their exposure to losses.

The implementation of risk management within the Company is achieved by:

- ✓ systematic analysis, at least once a year, of the risks related to the activity
- ✓ identification of new risks
- ✓ establishing the type of risk response and the limits
- ✓ appointing those responsible for the risks
- ✓ recording the information on risks in the risk register.

UCM Resita SA is exposed to the following risks:

- Credit risk
- Liquidity risk
- Currency risk
- Market risk and economic environment
- Personnel risk
- Quality risk
- Occupational health and safety risk
- Environmental risk

Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the Company's business/activity.

*Credit risk* is the risk that the Company will incur a financial loss as a result of the breach of contractual obligations by a client or a counterparty to a financial instrument, and this risk results mainly from trade receivables. The company monitors the exposure to credit risk by analyzing the seniority of the receivables it registers and acts to recover the past due or expired ones.

Exposure to credit risk is influenced by the individual characteristics of each client and the country in which he operates. Most of UCM Resita's clients operate in Romania.

The Company's management constantly monitors this exposure, in order to be able to mention the risk as low as possible.

*Liquidity risk* is the risk that the Company will encounter difficulties in fulfilling its obligations associated with debts that are settled in cash or by transferring another financial asset.

The *Company's* approach to liquidity risk is to provide, to the extent possible, sufficient liquidity at all times to meet its debts when they become due, both under normal and stressful conditions, without bear unacceptable losses or jeopardize the *Company's* reputation.

To counteract this risk factor, the *Company* applied restrictive measures to deliver the products to uncertain customers, even requesting advance payment.

The management of the Company is also concerned with the careful selection of new customers according to their creditworthiness and financial discipline.

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*Currency risk*

*The Company* operates in Romania, in an economic environment with strong fluctuations of the national currency against other currencies; The company has transactions in a currency other than the functional currency (RON).

Transactions made in foreign currency are converted into lei at the exchange rate valid on the date of the transaction.

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.

*Risk of market and economic environment*

The Romanian economy is still in transition, the economic crisis significantly affecting it, even if there is some certainty about the future evolution of Romania's policy and economic development, as a member of the Union European.

Market risk is the risk that changes in market prices, such as exchange rates, interest rates, and declining market demand will affect the *Company's* revenue.

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 instability of the market for raw materials and materials is a risk that has been mitigated by market research, renegotiation of contract terms and even change of suppliers, if it was not possible to change the terms.

The risk of price volatility from electricity, methane gas, metals, diesel, was prevented, as far as possible, by finding new suppliers or renegotiating contracts with traditional suppliers.

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,

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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

*The Company's* management cannot predict all events that could affect the industrial sector in Romania, respectively their impact on *the financial statements*.

*Personnel risk* is the risk that the Company will encounter difficulties in carrying out its activity due to the lack of qualified personnel on the labor market and the aging of the existing one.

The *Company's* approach to the shortage of qualified staff is aimed at maintaining a close link with the city's educational institutions.

Thus, the UCM Resita *Company*, through the schooling applications submitted annually, is involved in the process of establishing the schooling plan at pre-university education level, as well as its endorsement, as a member of the Local Committee for Social Partnership Development (CLDPS).

Furtheron the Society has partnerships with educational institutions for internships for students and pupils in vocational and post-secondary education.

The biological risk posed by age is maintained at a reasonable level.

#### *Quality risk*

In the field of quality, there were identified, evaluated and analyzed 54 risks (50 operational and 4 organizational) and 6 opportunities for which there were established and implemented actions to deal with risks and opportunities.

The Company has appointed, by Internal Decision: the Head of Quality Risk and Opportunity Management, as well as the members of the Quality Risk and Opportunity Management Committee.

The record of risks and opportunities identified, evaluated, analyzed and dealt with is done by completing and keeping up-to-date a Register of risks, respectively an Register of opportunities.

#### *Occupational health and safety risk*

For the occupational health and safety management system, there were identified, evaluated and analyzed 4 risks and 1 opportunity, and there were taken actions to deal with risks and opportunities.

The members of the Health and Safety Risk and Opportunity Management Committee, as well as the Health and Safety Risk and Opportunity Management Officer, have been appointed to the Company by Internal Decision.

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The evidence of the risks and opportunities identified, evaluated, analyzed and treated is made by completing and maintaining an up-to-date Register of risks, respectively of a Register of opportunities.

*The environmental risk* is due to the fact that the organization's activities may generate certain forms of environmental change, thus inducing a potential danger. The effect of human activity can be a threat to flora, fauna, and human health and well-being. Destructive effects can also affect water, air, soil, energy and climate in general.

For the environmental management system, 12 risks and 8 opportunities were identified, evaluated and analyzed, for which actions to deal with the risks and opportunities were established and implemented.

Further on, by Internal Decision, the members of the Environmental Risks and Opportunities Management Commission were appointed, as well as the Person in Charge of Environmental Risks and Opportunities Management.

The record of risks and opportunities identified, evaluated, analyzed and dealt with is done by completing and keeping up-to-date a Register of risks, respectively an Register of opportunities.

The risk to the *Company* stems from environmental issues and includes the risk of non-compliance with existing or future legislation and criteria.

The objectives that the *Company* pursues to reduce and eliminate this risk are:

- Protecting the environment, including preventing accidental pollution;
- Ensuring compliance with legal requirements on environmental protection;
- Awareness of employees about the environmental aspects generated by the activity;
- Collaboration with customers and suppliers to ensure compliance with the Environmental Policy;
- Continuous improvement of the Environmental Management System, in order to increase the environmental performance of the Company.

The environmental risks were identified and assessed, as well as the environmental opportunities corresponding to the activity carried out by all departments. The established measures and the preventive actions carried out led to the prevention of the pollution of the environmental factors.

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**9. Key non-financial performance indicators**

**THE SWOT ANALYSIS**

<b>BEST POINTS</b>	<b>WEAK POINTS</b>
* designed and built over 90% of the Romanian hydropower system; * has the know-how necessary for commissioning new hydropower equipment for the repair and / or refurbishment of existing ones;	* high average age among specialists; * lack of qualified labor market personnel
<b>OPORTUNITIES</b>	<b>THREATS</b>
* investment program of the main client Hidroelectrica SA * maintenance program of the main client Hidroelectrica SA	* technological progress * lack of financial resources * legislative changes * the opening of new companies in the area, which can attract personnel from UCM Resita

**10. Aspects regarding impact over environment**

Aware of the nature and magnitude of the impact of its activities, products and services on the environment, the understanding of the expectations of internal / external stakeholders regarding environmental protection, S.C. U.C.M. Reșița S.A. has proposed the continuous growth of its environmental performance as one of the important factors for sustainable development.

The objectives pursued for this purpose are as follows:

- Protecting the environment, including the prevention of accidental pollution;
- Compliance with legal requirements and fulfillment of compliance obligations;
- Employee awareness of the environmental aspects generated by the work done;
- Collaborate with customers and suppliers to ensure compliance with Environmental Policy;

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- Continuous improvement of the Environmental Management System in order to increase the Company's environmental performance.

The environmental management system of S.C. UCM Resita is certified in accordance with SR EN ISO 14001: 2015, the company holding the certificate no. 10313399 / 03.12.2020 (validity: 22.01.2024), issued by the Lloyd's Register (Romania) LLC certification body.

The way in which compliance with legal requirements in environmental and water management permits is regulated, is monitored at the level of each activity compartment.

Explaining the effects that the incorrect application or the ignorance of the legal provisions may have, is carried out by the personnel of the Environmental Protection service during the internal environmental audits, as well as the environmental protection officers of the Company, at the monthly training sessions organized with the personnel from the departments in which they operate. UCM Resita SA holds the following environmental authorizations issued by the Caraș - Severin Environmental Protection Agency:

- Environmental permit no. 94 of 18.11.2021, for the ABC industrial platform - valid for the entire period in which UCM Resita obtains the annual visa, according to the provisions of Law 219/2019;

- The environmental authorization no. 96/25.11.2019, for the industrial platform Călnicel - valid for the entire period in which the annual visa is obtained, requested from the issuer; Annual visa decision no. 50 from 30.09.2020

The authorizations for water management owned by the Company are the following:

- Water Management Authorization no. 21 / S.G.A. - CS, from 29.03.2021, regarding the ABC industrial platform - valid until 29.03.2024. The document was issued by the CS Water Management System;

- Water Management Authorization no. 60/S.G.A./14.12.2022, regarding the Călnicel industrial platform - valid until 14.12.2025. The document was issued by the CS Water Management System.

The periodic assessment of compliance with legal requirements and other applicable requirements is made in relation to:

- environmental policy and objectives and planning the achievement of the company's environmental objectives;
- compliance obligations (legal requirements and other requirements to which the Company subscribes);
- the environmental aspects identified for each activity of the Company.

Keeping ongoing processes and associated environmental impacts under control is done by Environmental Protection Service staff, supported by the activity coordinators and environmental managers appointed at each compartment/department/service.

Environmental aspects of the activities, products, and services provided by the Company which, from a life-cycle perspective, it can control and/or influence upon, taking into account new,

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planned or new developments, activities, products or services, or modified to identify and evaluate those that have or may have a significant impact on the environment have been identified since 2008. They have been established for permanent activities carried out by their own staff, resulting in permanent environmental issues, as well as temporary activities carried out by its own personnel or by suppliers on behalf of the Company resulting in temporary environmental aspects. A particular emphasis is placed on keeping the significant environmental aspects under control.

In recent years, the total number of significant environmental issues has decreased in proportion to the restriction of activity, but also in direct connection with the awareness of the personnel regarding the protection of the environment. The control of significant environmental aspects arising from the main and auxiliary activities carried out in the compartments is controlled by maintaining the existing operational control.

The Company benefits from the following installations/equipment for the protection of the environmental factors:

- 6 separators of petroleum products/sludge decanters with coalescent filters, one separator with dock and one with float, mounted on the industrial/pluvial wastewater discharges from the ABC platform, in the Bârzava river,
- a wastewater neutralization station with chromium and zinc content with which the Heat Treatments section of the ABC platform is equipped;
- emission retention facilities resulting from blasting and dyeing production processes, which equip the section Welded Assemblies and Mechanical Processing on the Călnicel platform.

Waste management resulting from the production processes is carried out selectively, the personnel being trained for this purpose. UCM Resita has an adequate infrastructure for temporary collection and disposal of dangerous and non-dangerous waste until it is handed over to authorized collectors for recovery or disposal, in compliance with the specific legislation.

Dangerous chemicals used in production processes are safely stored in compliant warehouses and handled in accordance with the Safety Data Sheets accompanying each of these products. The chemical / chemical storage facilities have concrete floors, have natural or forced ventilation and are equipped with means of intervention in case of accidental pollution.

Prevention and intervention in the event of an emergency situation is carried out by the personnel of the Company's Private Service for Emergency Situations as well as the staff of the intervention teams within the departments/services, appointed by internal decisions, in order to prevent accidental pollution.

The consumption of utilities needed to carry out the activity is monitored monthly. By the measures established by the top management, reductions in the consumption of the following energy fluids were made:

- Reduction of natural gas consumption was obtained starting with 2012, due to losses on old networks provided by thermal plants on the ABC and Călnicel platforms was achieved by replacing the centralized heating system with local heating using

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- ceramic gas radiators that are installed on the walls of the halls production; in addition, there are made regularly interventions by ensuring the sealing of the pipes in order to eliminate gas leaks;
- Reduction of drinking water consumption was achieved through interventions on water networks, where they required replacement of broken/damaged sections.
  - The reduction of electricity consumption by 11.9% in 2022, compared to 2021, was achieved by rationalizing the own technological electricity consumption of the Electrical Distribution Stations, decommissioning two 1000 KVA electrical transformers and complying with the exterior and interior lighting.

The environmental risks as well as the environmental opportunities corresponding to the activities of the Company's compartments have been identified and evaluated, the established measures and the preventive actions carried out have led to the prevention of pollution of environmental factors. Verification of compliance with the monitoring requirements of the environmental factors (emissions), waste water, drilling / underground water, equivalent noise level shall be made periodically based on the results of the test reports issued by the Company's laboratory and by the authorized and accredited RENAR external laboratory contracted for this activity. Environmental monitoring requirements are included in the two environmental and water management permits that the Company owns for the work points in which they operate are the following:

- quarterly monitoring of the quality of the industrial and pluvial wastewater discharged into natural emissaries through existing exhaust manifolds on ABC industrial platform and semiannual for evacuation from Călnicel platform;
  - the air quality (immissions) on the ABC and Călnicel industrial platform is monitored annually;
  - the groundwater quality of the ABC platform is monitored annually;

As a result of the activities carried out in recent years by a staff well trained and aware that it has to protect the environment, after monitoring / measurement of the quality of the environmental factors it was concluded that there are no exceedances of the admissible limits, according to the legislation in force. The conclusion resulted from the self-monitoring (by the Internal Physical-Chemical Laboratory), the monitoring provided by the contracted authorized company (SC Givaroli Impex SRL Bucharest), or following the monitoring performed by the representatives of the authority in the field of water management, (The Management System of the Resita, Caraș - Severin Waters).

Regular reports are sent to Caraș-Severin Environmental Protection Agency on: dangerous chemicals management - monthly; management of purchased and consumed oils, as well as used oil - monthly; dangerous waste management - monthly; transport of hazardous waste - quarterly; quantities of industrial emissions - annually; statistical situation on waste management, GD PRODES form - yearly; inventory of volatile organic compounds (VOC) - annually; reporting of classified chemicals in accordance with Regulation 1272/2008) - annually; Updating the PCB Oil



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Disposal Plan - annually, centralized situation of self-monitoring on environmental factors: air, industrial wastewater, groundwater, noise - monthly and annually, according to the requirements of environmental authorizations, or at the request of the competent local or national environmental authorities (APM CS or ANPM).

Periodically, at the frequency established in the environmental authorizations, during 2022, reports were sent to the Caraș-Severin Environmental Protection Agency regarding: the management of hazardous chemical substances – bi-annual; management of the oils purchased and consumed in the activity, as well as of the used oil generated - monthly; hazardous waste management - monthly; transportation of hazardous waste - quarterly; quantities of industrial emissions - annually; the statistical situation on waste management, GD PRODDDES form- annually; inventory of emissions of volatile organic compounds (VOC) – annually; reporting of classified chemical substances, in accordance with Regulation 1272/2008 (CLP) – annually; updating the Plan for the elimination of equipment with PCB oil - annually, the centralized situation of self-monitoring on environmental factors: air, industrial waste water, underground water, noise - monthly and annually, according to the requirements of environmental authorizations, or at the request of the competent local or national environmental authorities (APM CS or ANPM).

During 2023, the requirements for reporting and monitoring the quality of environmental factors will be met on time, in accordance with the provisions of the current revised environmental authorizations.

In April 2022, the Company requested to the Caraș-Severin Environmental Protection Agency to establish the environmental obligations regarding the capitalization/sale of assets owned by S.C. UCM Reșița S.A., located on the ABC Industrial Platform and the Călnicel platform. Pursuant to the provisions of GEO no. 195/2005 for environmental protection, approved with amendments by Law no. 265/2006, with subsequent amendments and additions, by address no. 3958/AAA/12.09.2022, APM CS established the environmental obligations - proposed measures and implementation deadlines, which return to the sale of assets (land and constructions), from the two industrial platforms, which will be taken over by the new owner.

In the context mentioned above, 7 transformers with oil with PCB content above the limit of 50 ppm are taken out of operation and are prepared to be handed over to an authorized economic agent for disposal.

The Company's compliance with the requirements of the environmental and water management authorities is substantiated by the positive conclusions at the end of the external controls of their representatives, as well as based on the internal audits carried out by the staff of the Environmental Protection Service in all departments of activity.

As a result of the inspections carried out by the representatives of the National Environmental Guard Caraș - Severin County Commissariat during the year 2022, no sanctions were applied on the activity carried out by the Company's departments. UCM Reșița was not involved in litigations

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regarding the quality of the environment and no court decisions were issued on the quality of the environment.

## **11. Social and staff aspects**

On December 31, 2022, UCM Resita SA had a staff of 486 employees assigned to the following structure:

- 323 workers, representing 66,46% of the staff
- 16 foremen, accounting for 3,29% of staff
- 147 TESA, representing 30,25% of staff.

The number of workers on 31.12.2022 decreased by 22%, compared to the same date of the previous year. This significant decrease is mainly due to the favorable retirement conditions granted in 2021 and the shortage of skilled labor in the labor market, which has made it impossible to replace those who have left.

The unionization degree of the workforce in December 2022 was of 53%.

The employer acknowledges the “Union Resita 1771” as representative union, in accordance with the Law 62/2011 (The Law of Social Dialogue) that has 214 members and is part of Frăția CNSRL but also the “Independent Free Union”, as legally constituted union with 44 members.

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 28.05.2021, as annex and part of the applicable Collective Labor Agreement.

On December 20, 2022, additional Act no. 1 to the Collective Labor Agreement no. 3 of 28.02.2021 and Additional Act no. 1 to the Internal Regulation.

During 2022 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.

For health and safety at work, UCM Resita provides medical services through the Labor Medicine Cabinet - Doctor Viorel Tătaru, according to the Service Contract.

The employees are consulted by the medical staff of the medical cabinet, according to HG 355/2007.

Chapters IV and V of the Collective Bargaining Agreement provide for health and safety measures at work and social protection, agreed with the representative union.

## **12. Data protection aspects**

As a consequence of the application of Regulation (EU) 679 of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46 / EC (Data Protection Regulation), SC UCM Reșița S.A as data operator took the following measures:

- appointed a Personal Data Protection Officer through an Internal Decision and notified the National Supervisory Authority for Personal Data Processing

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- trained the Data Protection Officer and the personnel who process personal data within the Company
- elaborated and submitted Information Note on the processing of personal data to potential employees, employees, current/potential clients/suppliers/potential partners of the Company, including the rights of the data subject in relation to the processing of personal data
- updated the Internal Regulation
- has implemented adequate technical and organizational measures to ensure personal data security, protection against unauthorized destruction, modification, disclosure or unauthorized access.
- updated internal procedures and Job Descriptions
- has drawn up Additional Documents to the contracts concluded between the operator and the persons empowered, regarding the processing of personal data,
- has drawn up the Record of the processing of personal data within the Company
- set up IT security Policies and IT security procedures.

During 2022 there were no incidents related to the protection and processing of personal data.

### **13. Climate change issues**

SC UCM Resita S.A. is included in the list of economic operators who own installations that consume natural gas in operation and generate carbon dioxide emissions, through the activities of heat production and heat treatment operations of metal parts. The installations from UCM Resita that in operation generate carbon dioxide - greenhouse gas emissions (EGES), are:

- local heating systems (radiant panels / tubes, hot water boilers) and horizontal and vertical heat treatment furnaces from the working point - ABC industrial platform;
- local heating systems (radiant panels / tubes, hot water boilers) and the expansion furnace at the working point - Călnicel industrial platform;
- thermal power plant located on the ABC industrial platform;
- thermal power plant located on the Călnicel industrial platform.

The two thermal power plants have been out of operation since 2012, but being also owned by UCM Resita SA, they are included in the EGES installation on the two industrial platforms, participating in the calculation of the total power of the ABC and Călnicel work points, with its own installed power.

In the above context, the EGES UCM Reșița SA installation - ABC and Călnicel working point is one of the installations that fall under the scheme for the trading of greenhouse gas emission certificates in the period 2021-2030, at national level regarding the performance of the activity of Combustion of fuels in installations with a total nominal thermal power of over 20 MW (with the exception of installations for the incineration of hazardous or municipal waste).

UCM Resita has the authorization no. 123 / 21.04.2021, regarding the greenhouse gas emissions for the period 2021-2030, for the ABC platform work point and no. 124 / 21.04.2021, regarding

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the greenhouse gas emissions for the period 2021-2030, for the Călnicel platform working point. The documents were issued by the National Agency for Environmental Protection (ANPM).

The main cause of climate change is the increase in greenhouse gas emissions. To combat this, reducing emissions has become a priority for the Company. UCM Reșița SA, operator of the installation that falls under the scheme of marketing EGES certificates in the period 2021-2030, has taken measures to achieve this goal constantly reducing the consumption of natural gas and complied with all the obligations stipulated in the EGES authorizations.

The activities carried out during 2022 for this purpose were the following:

- preparation of documents regarding the monitoring and reporting of EGES, requested by ANPM, in accordance with the legal requirements in the field: EGES monitoring and reporting reports for the year 2021, for the installation at the ABC and Călnicel work points and Reports on the level of activity carried out, for the purpose of free allocation of EGES certificates for the year 2022, for the installation at the two points of work;
- Collaboration with the accredited verifier RENAR, SC AEROQ SA, based on contract no. 113/V of 23.02.2021, concluded for the validation of the above documents, according to the requirements of GD no. 780/2006, with subsequent amendments and additions.

In accordance with the provisions of the Order M.M.D.D. no. 1798/2007, art. 14, which specifies that whenever there are substantive changes in the data that were the basis for issuing environmental authorizations, their review is required, UCM Reșița requested the Caraș-Severin Environmental Protection Agency, on 23.08.2022, to review the authorizations environment no. 94 of 18.11.2021, for the ABC industrial platform and no. 96 of 25.11.2019, for the Călnicel industrial platform. The reasons for the review of the two environmental authorizations consisted of the following:

- exclusion from environmental authorization no. 94 of 18.11.2021 of the ABC thermal plant, which was no longer in operation, not being functional for several years, and of 4 defective heat treatment furnaces, incomplete and which can no longer be repaired, from the Thermal Treatments section on the ABC industrial platform;
- exclusion from environmental authorization no. 96 of 25.11.2019, of the Călnicel thermal power plant, which was no longer operated, not being functional for several years, on the Călnicel industrial platform.

This approach was the result of the findings resulting from the verification carried out by the representatives of the Caraș-Severin Environmental Protection Agency on the two sites, conclusions that were the subject of the APM CS address no. 5173/ AAA/07/05/2022.

As a result of the two requests, UCM Reșița came into possession of environmental authorization no. 94/from 18.11.2021, revised on 29.11.2022, for the ABC industrial platform and environmental authorization no. 96 of 25.11.2019, revised on 29.11.2022, for the Călnicel industrial platform.

Taking note that the thermal power plants of the industrial platforms are non-functional and are not supplied with gas, in the content of the two revised environmental authorizations, the Caraș-Severin Environmental Protection Agency ascertained that the activity of Combustion of fuels in installations with total nominal thermal power ( with the exception of installations for the

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incineration of hazardous or municipal waste) from the greenhouse gas emissions installation (GHG) of the Company from the two work points, is below 20 MW.

The fact that the EGES installation of UCM Reșița from the two work points no longer reaches the minimum threshold of 20 MW, indicated in Annex I to Directive 2003/87/EC, makes it possible for UCM Reșița to exit this scheme, as a result of the termination of validity of Authorization on greenhouse gas emissions no. 123/21.04.2021 and no. 124/21.04.2021, issued by the National Agency for Environmental Protection.

At the beginning of February 2023, the EGES monitoring reports for the year 2022 and the reports on the level of activity for the year 2023, for the EGES installation, were drawn up by the staff of the Environmental Protection Service and verified by the authorized and accredited verifier RENAR, SC AEROQ SA from the two work points.

Based on these documents, the National Agency for Environmental Protection will be able to make the decision that UCM Reșița can leave the EGES certificate commercialization scheme.

#### **14. Remuneration policy**

By civil sentence no. 351/01.02.2022 issued in file no. 75017/3/2011 pursuant to art. 101 of Law 85/2006 on the insolvency procedure, the Bucharest Court, VII<sup>th</sup> Civil Section, confirmed the reorganization plan proposed by the Judicial Administrator for the debtor UCM Reșița SA, as approved by the Creditors' Meeting of 26.10.2021, following that the debtor's activity during the reorganization being led by the Judicial Administrator.

Thus, in accordance with the provisions of the syndic judge related to the management of the activity by the Judicial Administrator, in conjunction with the provisions of art. 103, para. (1) of Law 85/2006 according to which, during the reorganization, the shareholders do not have the right to intervene in the management, or in the administration of the debtor's assets, the General Meeting of Shareholders has no powers on the establishment of the remuneration principles and methods used by Society.

On 31.12.2022, the Company's administration was ensured by the consortium of Judicial Administrators appointed by the Creditors' Assembly convened on 11.11.2013.

The Creditors' Assembly confirmed the syndic judge's decision to remunerate the consortium of Judicial Administrators with a fixed fee of 2500 lei (excluding VAT) and a percentage remuneration of 3% (excluding VAT) from the capitalization of the debtor's assets and/or the recovery of her debts.

The executive management of the Company is ensured by three directors employed with individual employment contracts for an indefinite period.

The company does not grant variable or share-based remuneration.

#### **15. Aspects regarding research and development**

In the financial year ended on 31.12.2022 UCM Resita did not allocate resources for research and development. This fact is mainly due to the reorganization procedure in which the Company was, through the Reorganization Plan approved by the creditors, being no amounts provided for this budget chapter.

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Reformulation Given its technological capabilities and know-how, the Company is trying to consolidate the recently won market segments, in the fields of irrigation pumps and electric motors in the extractive and cement industries.

## **II. Financial Statement**

The Annual Financial Statements on 31 December 2022 are prepared in accordance with the Order of the Minister of Public Finance no. 2844/2016.

The company carries out mainly activities in the hydro-energetic field, both on the domestic and the external market.

### **The main markets for each product or service marketed in 2022:**

<b>No.</b>	<b>Group of products</b>	<b>Markets</b>
1.	Hydro Power Units (new products and rehabilitation)	Romania, Austria, France
2.	Electric motors + repairs	Romania
4.	Miscellaneous	Romania, Germany
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 2022 is as follows:**

<b>No.</b>	<b>Group of products</b>	<b>Weight in total sales</b>
1.	Hydro Power Units (new products and rehabilitation)	63.65%
2.	Electric motors + repairs	13.55%
3.	Others	7.79%
4.	Services	2.31%
5.	Other revenues	12.70%

One of the objective of UCMR 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).

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In order to achieve this goal, UCMR is conducting a number of internal market contracts mainly with Hidroelectrica and SSH Hidroserv branches: HPP Portile de Fier I, HPP Turnu but also with other companies such as Romelectro Bucharest: HPP Stejaru. All products and works related to these contracts have the final beneficiary Hidroelectrica.

For the year 2023 on the domestic market, the Company also proposed, besides the contracted projects, the participation in the execution of the capital repair and modernization works for Hidroelectrica projects, such as: HPP Curtea de Argeș, HPP Cerbureni, HPP Costișa, HPP Porți de Fier I.

As the Company has technological capabilities and know - how, it tries to carry out different types of works and products different from those in the hydro - energetic field, such as water pumps, irrigation pumps and electric motors from the extractive and cement industry.

**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 2021, are listed below:

No.	Customer	Weight in total sales
1.	S.S.H.HIDROSERV S.A.	47.55 %
2.	Voith Hydro GmbH & Co Hydro VHGE	6.85 %
3.	SPEEH HIDROELECTRICA S.A.	5.93 %
4.	ALRO SA	5.81%

It should be underlined that UCM Resita SA is captive on the domestic market, depending on 53.48% of a single customer, as in case of the contracts performed by Romelectro S.A. and Hidroserv, the final beneficiary is the same, namely Hidroelectrica SA.

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

The main economical-financial indicators are shown in the table below, with the note that "N/A" means that these indicators cannot be calculated.

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Indicators	2021	2022
<b>1 Liquidity indicators</b>		
<i>Indicator for current liquidity - in number of times</i>	<b>0.05</b>	<b>0.24</b>
<i>Indicator for immediate liquidity (acid test) - in number of times</i>	<b>0.03</b>	<b>0.05</b>
<b>2 Risk indicators</b>		
<i>Indicator for indebtedness rate</i>	N/A	N/A
<i>Indicator for interest coverage - in number of times (if negative, it will not be calculated)</i>	N/A	N/A
<b>3 Activity indicators</b>		
<i>Turnover ratio of debts - customers - in number of days</i>	<b>441</b>	<b>297</b>
<i>Turnover ratio of credits - suppliers - in number of days</i>	<b>489</b>	<b>292</b>
<i>Turnover ratio of fixed assets - number of times</i>	<b>0.13</b>	<b>0.37</b>
<i>Turnover ratio of total assets - in number of times</i>	<b>0.09</b>	<b>0.13</b>
<i>Turnover ratio of stocks - in number of times</i>	<b>1.37</b>	<b>1.49</b>
<b>4 Profitability indicators</b>		
<i>Gross margin on sales (%)</i>	N/A	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 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-term financing of *the Company* at the end of the accounting year. This indicator is not calculated, since *the Company* has no credits for a period exceeding one year, respectively the equity has negative value.

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

In 2022 *the Company* ended the accounting year with losses and this indicator is not calculated.



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*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. This indicator is not calculated, since the cost of sales has negative value.

**The financial risk factors** identified by the Company are:

- Currency risk
- Credit risk (installments, interest)
- Liquidity risk
- Market and economic risk

A summary of the nature of the activities and managerial policies for managing financial risks has been presented in point 8 - *Risk Management* in the Non-Financial Statement.

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

The situation of lands owned by the Company at 31.12.2022 is as follows:

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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	305,731		Tabulated
2	Drinking water tank Mociur	MO3 no. 5336	1,415.39		Tabulated
3	Warehouse for models Dealu Mare	MO3 no. 4726	11'545		Tabulated
4	Land for industrial water pool Dealu Mare	MO3 no. 4727	180		Tabulated
5	Reduction Gear Box Renk Factory	MO3 no. 4431	22'907		Tabulated
6	Industrial bays Cilnicel	MO3 no. 5507	86,010.44	158	Tabulated 86,010 sq.m. 158 sq.m. Non-tabulated
7	Warehouses, storage rooms Cilnicel	MO3 no. 5506	49,452.68		Tabulated
8	Deep connection station Cilnicel	MO3 no. 5493	2,859.86		Tabulated
9	Compressor station Cilnicel	MO3 no. 7639	0	4,680	Non-tabulated
10	House of Culture	CF no. 32854	9,360		Tabulated
11	Nursery	MO3 no. 3907	2,860		Tabulated
12	Hostel no. 1	MO3 no. 3301	623		Tabulated
13	Hostel no. 3	MO3 no. 3302	625		Tabulated
14	Hostel no. 5	MO3 no. 3298	608		Tabulated
15	Hostel no. 2	MO3 no. 3300	621		Tabulated
16	Block of bachelor's rooms	MO3 no. 3297	441		Tabulated
17	Screw Factory Anina	MO3 no. 4429	10,781		Tabulated

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18	Moniom	MO3 no. 4430	24,676		Tabulated
	<b>Total</b>		<b>530,696.37</b>	<b>4,838</b>	

**Claims:**

On 31.12.2022, UCM Resita was a party to a revision case related to a piece of land. The details of this file are presented in the following table:

No.	File No. In Court	Applicant	Court of jurisdiction	Hearings	Remarks
1.	3436/290/20 10	Mihăilescu Gheorghe Mihăilescu Carmen- plaintiff	Courthouse Resita	-	By the Conclusion of 09.04.2012, it was ordered the suspension of the trial of the case under Art. 36 of Law no. 85/2006

**Marketable securities issued by the Company**

The shares of *the Company* are listed on the Bucharest Stock Exchange. The Company's shares are listed on the Bucharest Stock Exchange. The listing of the company's shares on BVB started on July 25, 1998, until then the company's shares were traded on the RASDAQ over-the-counter market.

Once the insolvency was declared, *the Company's* shares were suspended from trading according to the provisions of art. 43, paragraph 1 of Law 85/2006.

Starting from 09.02.2022, due to the entry into the reorganization period, the Bucharest Stock Exchange ordered the reintroduction of UCM Resita shares to trading.

The Company's shares are registered, being issued in dematerialized form and are administered through the Bucharest CENTRAL DEPOSITARY, having a nominal value of 0.1 lei/share.

Regarding the shareholding structure, on 31.12.2022 more precisely with regard to the majority shareholder, the Company is facing a special situation, described in detail below:

In the Articles of Incorporation of UCM Resita SA, drawn up in accordance with the provisions of Law 31/1990, registered at the National Office of the Trade Register, the Company's main shareholder is INET AG, legal entity of Swiss nationality and at the Central Depository is registered as main shareholder the Swiss society ICESA SA.

The Consolidated Register of shareholders holding at least 10% issued by the Central Depository on 31.12.2022 states:

- ICESA SA - 106,403,900 shares, representing 96.7890% of the share capital
- Legal entities - 2,633,467 shares, representing 2.3955% of the share capital

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- Individuals - 896,537 shares, representing 0.8155% of the share capital.

**Financial – accounting status for the years 2020, 2021, 2022**

In the balance sheets for the accounting years 2020, 2021, 2022 the significant balance sheet items are as follows:

Lei

No.	Balance items	2020	2021	2022
1	Lands and buildings	120,192,904	115,811,886	50,187,586
2	Technical facilities and machinery	1,854,729	1,723,891	997,246
3	Stocks	23,589,716	22,512,085	14,315,964
4	Fixed assets held for sale	-	-	69,115,526
5	Claims	19,483,824	19,667,910	14,097,268
6	Cash and bank accounts	2,013,512	268,285	3,083,117
7	Current assets	52,316,686	49,662,214	103,697,168
8	Current liabilities	713,560,423	926,204,790	438,254,167

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	2020	2021	2022
1	<b>Stocks, of which:</b>	<b>23,589,716</b>	<b>22,512,085</b>	<b>83,431,490</b>
1.a	- fixed assets held for sale	-	-	69,115,526
1.b	- raw material and consumables	5,075,719	3,937,490	3,724,905
1.c	-production in progress	13,294,221	13,332,659	6,918,121
1.d	- finished products and goods	5,096,400	5,099,641	3,656,482
1.e	- down payments	123,376	142,295	16,456
2	<b>Other current assets of which:</b>	<b>28,684,244</b>	<b>27,109,365</b>	<b>20,250,112</b>
2.a	- receivables	19,483,824	19,667,910	14,097,268
2.b	- short-term financial investment	7,186,908	7,173,170	3,069,727
2.c	- cash availability	2,013,512	268,285	3,083,117

Production in progress and finished products decreased by 48.11% and 28.3%, respectively, mainly as a result of the increase in depreciation adjustments related to the suspended HPP Căineni project. This increase was imposed due to the fact that the Hidroelectrica SA debt representing an

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advance for this project was not included in the Payment Schedule through the Reorganization Plan.

Moreover, in the category of finished products, it should be mentioned the sale, within the reorganization procedure, of some spare parts for Diesel engines produced mostly in the period 2005-2011.

There was also a decrease in receivables, by 28.32%. An important contribution in this regard was made by the proceeds from SSH Hidroserv SA according to the distribution schedule from the Reorganization Plan of this debtor, as well as the assignment of part of the claim held on SSH Hidroserv SA in the amount of 2,104,504 lei in favor of DPP Consulting & Security SRL, on account of the debts towards it.

Regarding short-term financial investments, of the 2 term bank deposits existing at the beginning of the year, one was no longer extended, the availabilities being used for the payment of current debts.

In the Company's liabilities, the patrimonial changes recorded in the last 3 years are presented in the following table:

No.	Designation of indicator	2020	2021	2022
1	Owner's equity	(758,553,901)	(798,633,416)	(388,542,167)
2	Total debts	713,560,423	926,204,790	438,254,167
3	Income in advance	11,277	11,277	26,789,156
4	Provisions for liabilities and charges	232,605,508	43,177,792	82,817,115

The *Company* implemented in accounting, in February 2022, the Payment Schedule related to the confirmed Reorganization Plan, which led to the significant reduction of debts on 31.12.2022 compared to 31.12.2021.

Thus, the debt accounts were adjusted with the amount of 521,343,240 lei according to the Reorganization Plan, which does not provide for distributions to the categories of unsecured and subordinated claims and distributions lower than the amounts admitted to the credit table for the category of unsecured budgetary claims.

The existing debts in the balance on 31.12.2022 refer only to the rest to be distributed through the Payment Schedule, to which are added the current debts that are paid according to the documents from which they result.

The adjustment of debts in accordance with the definitive Table, by resuming on income the debts that are not subject to distributions through the Reorganization Plan, had a significant impact on equity.

In November of 2022 payment requests were made by AAAS and ANAF, for current debts between the date of opening the insolvency procedure and the date approval of the Reorganization Plan.

During the year, while inventory, tangible and intangible assets not registered in the accounting records were identified. Their value was established on the basis of the Valuation Report drawn up

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by the Darian DRS appraiser, designated by the Creditors' Assembly, and their registration was trade of with advance income accounts.

The adjustment of the Company's debt to Energy Holding SRL of 59,480,839 lei due to the confirmation of the reorganization plan and the fact that UCM Resita is a civilly responsible party in file 8308/3/2021 pending at the Bucharest Court required the creation of a provision for this the amount.

Also, the provision in the amount of 19,907,227 lei was resumed for immobilized assets reclassified as held for sale, considering that during the reclassification prices were taken into account in accordance with the offers or their reasonable estimates and depreciations were made where it was imposed. This provision was established in 2014 by applying a 20% depreciation related to some unfavorable factors, external to the analyzed properties, to estimate a level of obtainable values, values that rather depend on the nature of the pressure to sell to which the seller is subjected.

#### **Analysis of the profit and loss account**

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.

According to the profit and loss account for the years 2020, 2021 and 2022, the operating income is presented as follows:

<i>No.</i>	<i>Indicator name</i>	<i>31.12.2020</i>	<i>31.12.2021</i>	<i>31.12.2022</i>
<b>1</b>	<b>Turnover (2+3-4)</b>	<b>26,090,175</b>	<b>16,219,995</b>	<b>20,741,707</b>
2	The production sold	26,090,175	16,219,995	20,741,707
3	Income from sale of goods		-	-
4	Commercial discounts granted		-	-
5	Inventory variation: Credit balance	1,857,986	31,360	-
	Debit balance		-	1,013,091
6	Income from the production of fixed assets		-	-
<b>7</b>	<b>Exercise production (1+/-5+6)</b>	<b>27,948,161</b>	<b>16,251,355</b>	<b>19,728,616</b>
8	Other operating revenues	8,809	1,345,465	527,932,705

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<b>9</b>	<b>Operating income, total (7+8)</b>	<b>27,956,970</b>	<b>17,596,820</b>	<b>547,661,321</b>
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No.	Income reversal tables	Weight in percentage (%)		
		2020	2021	2022
1	Turnover	93.32%	92.18%	3.79%
2	Inventory/Stocks variation	6.65%	0.18%	-0.18%
3	Immobilized production	0.00%	0.00%	0.00%
4	Other operating revenues	7.65%	7.65%	96.40%
	<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The turnover in 2022 is of 20,741,707 lei, with 27.88% bigger from the turnover from 2021, out of which 11.59% % was accomplished on the market in the European Union and 88.41 % on domestic market.

-lei-

No.	Explanations	2020	2021	2022
1	Romania	25,344,981	14,611,925	18,337,714
2	European Union	745,194	1,608,070	2,403,993
<b>3</b>	<b>TOTAL turnover (3=1+2)</b>	<b>26,090,175</b>	<b>16,219,995</b>	<b>20,741,707</b>

The classification of the Company's income according to their nature is presented in the following table:

Revenues	Lei		
	2020	2021	2022
Operating revenues	27,956,970	17,596,820	547,661,321
Financial revenues	664,291	887,953	1,485,305
<b>Total revenues</b>	<b>28,621,261</b>	<b>18,484,773</b>	<b>549,146,626</b>

The significant increase in operating income compared to previous years is mainly due to the adjustment of debts, during February 2022, in accordance with the definitive Table of creditors.

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

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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		
		2020	2021	2022
1.	Operating expenses	51,525,234	51,308,718	89,398,344
2.	Financial expenses	(3,867,157)	7,333,974	(259,173)
	<b>Total expenses</b>	<b>47,658,077</b>	<b>58,642,692</b>	<b>89,139,171</b>

Within the operating expenses we have the following structure:

No.	Expenses	Lei		
		2020	2021	2022
1	Expenses on goods	6,019,147	3,692,477	2,073,879
2	Other external expenses (energy and water)	5,019,972	5,537,079	4,505,215
3	Trade discounts received	19,452	215	-
4	Expenses with the personnel	28,929,778	25,326,806	23,579,635
5	Adjustments	5,448,906	(185,403,853)	46,911,577
6	Other operating expenses	6,126,883	202,156,424	12,328,038
	<b>Total operating expenses</b>	<b>51,525,234</b>	<b>51,308,718</b>	<b>89,398,344</b>

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



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No.	Expenses	Weight in percentage (%)		
		2020	2021	2022
1	Expenses on goods	11.68%	7.20%	2.32%
2	Other external expenses (energy and water)	9.74%	10.79%	5.04%
3	Expenditure on goods	0.00%	0.00%	0.00%
4	Trade discounts received	0.04%	0.00%	0.00%
5	Expenses with the personnel	56.15%	49.36%	26.38%
6	Adjustments	10.58%	-361.35%	52.47%
7	Other operating expenses	11.89%	394.00%	13.79%
	<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The recording of a provision for litigation in the amount of 59,480,839 lei and the resumption of provisions for fixed assets in the amount of 19,907,227 lei are the most important transactions that influenced the overall increase in operating costs.

The share of operating expenses in total expenses is 100.24%.

The negative value of financial expenses in 2022 is the result of the resumption of depreciation adjustments of financial assets.

In 2022, the Company registered a net profit of 428,329,437 lei resulting from the deduction from a gross profit of 460,007,455 lei of the amount of 30,943,059 lei representing current profit tax and the amount of 734,959 lei representing deferred profit tax. The adjustment of debts from the definitive table of creditors as a result of the confirmation of the reorganization plan significantly influenced the result of the current year.

The reported losses are to be covered from the net profit, in accordance with the legislation in force.

The declarations regarding the taxes, contributions and fees due to the consolidated budget of the state were drawn up and submitted within the deadlines and in accordance with the requirements set forth in the legislation in force.

### **III STATEMENT OF CORPORATE GOVERNANCE 2022**

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The stage of compliance with the Corporate Governance Code on 31.12.2022 is further on presented:

Stipulations of the Code	Comply with	Do not comply or partially comply	The reason for non-compliance / Other explanatory notes
<b>A.1.</b> 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.
<b>A.2.</b> The provisions for managing the conflicts of interest should be included in the Regulation of the Board. However, the members of the Board must 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.		x	The management of the company is ensured by the Consortium of Official Receivers 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. On 31.12.2021, the Company was managed by two Special Trustees appointed by the General Meeting of Shareholders on 15.12.2021, which empowered them to perform measures of U.C.M. Resita S.A. management under the
<b>A.3.</b> The Board of Directors or the Supervisory Board must consist of at least five members.		x	
<b>A.4.</b> Most of Board members must not have executive position. At least one		x	

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<p>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.</p>			<p>supervision of the Consortium of judicial administrators.</p> <p>On 31.12.2021 the company is in the stage of observation, under the supervision of the Judicial Administrator.</p> <p>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.</p>
<p><b>A.5.</b> 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.</p>		x	
<p><b>A.6.</b> 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</p>		x	

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voting rights. This liability also applies to any relationship that may affect the position of the member on matters decided by the Board.			
<b>A.7.</b> The company must appoint a Secretary of the Board responsible for supporting the work of the Board.		x	
<b>A.8.</b> 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. 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.		x	
<b>A.9.</b> 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	
<b>A.10.</b> 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	

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<p><b>A.11.</b> 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.</p>		x	
<p><b>B.1.</b> 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.</p>		x	
<p><b>B.2.</b> The President of the Audit Committee should be an independent non-executive member.</p>		x	
<p><b>B.3.</b> As part of its responsibilities, the Audit Committee should conduct an</p>		x	

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annual assessment of the internal control system.			
<b>B.4.</b> 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 weaknesses identified during the internal control and submission of relevant reports to the Board.		x	
<b>B.5.</b> The Audit Committee must assess the conflicts of interest in connection with transactions of the company and its subsidiaries with related parties.		x	
<b>B.6.</b> The Audit Committee must assess the effectiveness of the internal control and risk management systems.		x	
<b>B.7.</b> 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>B.8.</b> 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	

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<p><b>B.9.</b> 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.</p>	x		
<p><b>B.10.</b> 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.</p>		x	
<p><b>B.11.</b> 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.</p>	x		
<p><b>B.12.</b> 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</p>	x		<p>According to the organizational structure, the internal audit office is working under the CEO.</p>

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report directly to the CEO.			
<b>C.1.</b> The company must publish on its website the remuneration policy and to include in the annual report a statement on the implementation of the remuneration policy during the annual period under consideration.		x	In accordance with the provisions of the civil sentence 351/01.02.2022 regarding the management of the activity of the judicial administrator, in conjunction with the provisions of art. 103, para. (1) from Law 85/2006 according to which, during the reorganization, the shareholders do not have the right to intervene in the management, or in the administration of the debtor's assets, the AGA has no powers on the establishment of the principles and remuneration methods used by the Company.
<b>D.1.</b> 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 within the Financial Department.  In terms of the relationship with the investors, this will be provided, when it is appropriate, by the Consortium of Judicial Administrators.
<b>D.1.1.</b> Main corporate regulations: memorandum of association, procedures for the general meetings of shareholders;	x		
<b>D.1.2.</b> 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;		Partial	



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<b>D.1.3.</b> 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		
<b>D.1.4.</b> 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		
<b>D.1.5.</b> 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.
<b>D.1.6.</b> Name and contact details of the person who can provide, upon request, relevant information;	x		
<b>D.1.7.</b> The statements of the company (e.g. for the investors, the quarterly results, etc.), financial statements	x		They are available on the company website.

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(quarterly, half-yearly, yearly), audit reports and yearly reports.			
<p><b>D.2.</b> The company will have a policy 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.</p> <p>The principles of yearly policy in connection with distribution to shareholders will be published on the website of the company.</p>		x	<p>This is not the case given the losses from previous periods to be covered in the future.</p>
<p><b>D.3.</b> The company will adopt a policy regarding forecasts, whether they are made public or not.</p> <p>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</p>		x	<p>The company is in the period of observation and the forecasting policy will be subject to the Reorganization plan which was validated on 01.02.2022, and is available on the Company's website.</p>

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published on the website of the company.			
<b>D.4.</b> 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		
<b>D.5.</b> The external auditors will be present at the general meeting of shareholders when their reports are discussed.		Partial	
<b>D.6.</b> 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
<b>D.7.</b> 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.
<b>D.8.</b> 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 level of sales,	x		

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operating profit, net profit and other relevant financial indicators, both from one quarter to another and from year to year.			
<b>D.9.</b> 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.
<b>D.10.</b> 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

SC UCM Reșița SA continued its activity in 2022 according to the status of a company under reorganization, under the leadership of the Judicial Administrator – Consortium EURO INSOL SPRL and VF Insolvency SPRL.

During 2022, the Company's management, in addition to the actions aimed at securing a substantial portfolio of contracts and orders, focused on the implementation of the measures proincluded in the Reorganization Plan.

In this sense, the Judicial Administrator periodically submitted to the Assembly of Creditors the approval of the sale of assets that are not necessary in the development of the production process, and prioritized the assets proposed for capitalization, so that liquidity can be obtained in a

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relatively short time, for the payment of current debts and for making distributions according to the Reorganization Plan.

Thus, according to the Sales Regulations approved by the Creditors' Meeting on 16.05.2022, respectively 17.08.2022, the following current assets were capitalized in 2022:

- spare parts for diesel engines manufactured by UCM Reșița within the production activity
- 770 tons of ferrous and non-ferrous waste identified in the company's premises while preparing for sale the assets that were not part of the core business.

Further on, according to the Sales Regulations approved by the Creditors' Meeting on 04.08.2022, respectively 30.09.2022, in 2022 the following fixed assets were capitalized:

- The "Carpentry Workshop" asset located in Reșița, Caraș Severin county, composed of a 1,220 sqm area of and a workshop building (building in an advanced state of decay, land affected by the right of servitude for pedestrians and cars), property registered in Land Registry no. 37264 Reșița (old CF 12230), having cadastral no.2164 and topographic no.G. 101/1/b/13/1/2.
- The asset "Residential apartment" located in Resita, Libertății street, bl. A.1, 1<sup>st</sup> floor, ap. 4, Caraș – Severin county, composed of 3 rooms, kitchen, pantry, storage room, bathroom, bathroom, hall and balcony, with an area of 95.81 sqm and common use space quotas, registered in the Land Registry no. 32487-C1-U3, with topographic map no. R209/7/etI/IV, together with the movable property and the land on which it stands (is situated).
- The asset "Residential apartment" located in Resita, no. 1 Golului street, Sc. 2, 2<sup>nd</sup> floor, ap. 11, Jud Caraș Severin county, composed of 2 rooms, kitchen, hall, bathroom, pantry, balcony, having 73.11 sq.m., basement (mezzanine) = 4.64 sqm and common use space quotas, registered in the Book land no. 36741-C1-U2, with topographic map no. R214/7/1/sc II/et II/XI, together with the movable property and the land on which it stands (is situated).
- The 1,000 sqm asset within the built-up area in Râmnicu Vâlcea, no. 4 Lacului street, Vâlcea county, point "Near IRE Troianu station", in an area of, registered in the Land Registry no. 43675, old cad no.: 6503;
- The asset "Thermal plant" composed of 2 boilers of 10Gcal/h and related installations located on the Calnicel platform - decommissioned

Although several auction sessions were organized, in accordance with the Sales Regulations approved by the Creditors' Assembly, during 2022 the following assets were not knocked down:

- ✓ "Thermal plant" composed of 4 boilers of 10Gcal/h and the related installations located on the ABC platform - decommissioned
- ✓ " Casa de cultură /House of culture" located in Reșița, Caraș Severin county, composed of land with an area of 9,360 sqm, the constructions that make up the House of Culture Building and the related movable assets, real estate registered in Land Registry No. 32854 Reșița (old CF 1738), having cadastral no. 656 and topographic no. 22/1, 23/1, 24/1, 25, 26, 27, 28;"

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The promotion, release on the market and the organization of auctions for these assets will continue in 2023, up to the level of 50% of the starting price, as approved by the Creditors' Assembly through the sale regulations. If the assets are not sold until this level is reached, a new starting price and a new regulation must be approved.

Since the confirmed Reorganization Plan provides, not only the capitalization of assets, but also the transfer of the core business to another entity, the Judicial Administrator continued in 2022 the steps to achieve this reorganization measure provided by the Plan.

Thus, by adopting during July 2022, the binding offer no. 83376, the management of the Company had several working meetings with the representatives of SPEEH Hidroelectrica SA to establish as precisely as possible the Perimeter of the transaction, as well as to discuss the requirements and suspensive conditions presented in the offer.

During the meeting of the Creditors' Assembly of 07.11.2022, the creditors, with the legal majority, voted to approve the block sale proposal, through direct negotiation with the identified buyer SPEEH Hidroelectrica SA, of the functional asset belonging to UCM Reșița SA, consisting of a business transfer of the business lines related to the ABC platform and partially to the Călnicel platform, as identified in Annex 1 to the SPEEH Hidroelectrica S.A Offer no. 83376/21.07.2022, specified by Address no. 111430/28.09.2022, under the terms of art. 117 and art. 118 of Law no. 85/2006, with overbidding starting from the price resulting from the negotiation, without additional costs for the creditors and the debtor, with an overbidding step of 1,000,000 lei, to be reconvened the meeting of creditors in order to present the sales regulation, respectively the conditions and payment terms, the term by which overbids can be submitted, the overbid announcement, advertising terms and conditions.

On 21.12.2022, the Creditors' Meeting approved:

- ✓ the direct sale price resulting from the negotiation, without additional costs for the creditors or the debtor, with an overbid step of 1,000,000 lei, as concluded with the identified buyer SPEEH Hidroelectrica SA, through the Minutes of price negotiation no. 136571/17.11.2022
- ✓ The sale regulation (conditions of sale, payment terms, the term by which overbids can be submitted, the overbid announcement, the terms and conditions of advertising) relating to the block sale, through direct negotiation with the identified buyer SPEEH Hidroelectrica SA, of the functional asset belonging to UCM Reșița SA, consisting in the business transfer of the business lines related to the ABC platform and partially to the Călnicel platform, the specification and the framework sale-purchase contract will be presented to the creditors, in order to formulate any possible observations.

Having fulfilled all the preceding conditions, approved by the Sales Regulation, the overbidding notice was published on 20.01.2023, in the Financial newspaper, the deadline for submission of overbids being 20.02.2023.

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Until the set deadline, no overbid was submitted, so the The Company for the Production of Electric Energy in Hydropower Plants Hidroelectrica SA was declared the winner of the overbidding procedure.

According to the provisions of the Reorganization Plan approved by the creditors and confirmed by the syndic judge by Civil Decision 351/01.02.2022, after the completion of the transfer, the production activity of UCM Reșița SA will be carried out in two sections, located on the 2 platforms, named generically, within this Plan, newUCMR:

- ✓ the blue hall, known as MFL or Plastomet, after the names of some tenants who carried out activities in it, located on the ABC platform
- ✓ the Electrical Machines 2 (SME 2) section located on the Călnicel platform.

The activities that will be carried out in the SME 2 section are:

- the production of generators of any power and type, in the international hydro field, without being a direct competitor to the core business
- the production and repair of synchronous or asynchronous electric motors such as those for driving irrigation pumps, motors for driving steel installations such as rolling mills, motors for driving installations in the extractive and mining industry, in the oil industry or in the cement industry.

Due to the existence of the test stand, the finished products from the range of generators or motors can be delivered together with the specific electrical tests carried out on this stand.

- The production of spare parts for the products listed above, including for work related to turbines or pumps.

In the blue hall, a production activity of benchmarks of welded assemblies of any nature will be developed:

- bridges, pedestrian walkways;
- metal structures used in construction;
- welded assemblies related to the production assumed in the SME2 Section.

**Judicial Administrator:**

The consortium EURO INSOL SPRL and VF Insolventă SPRL

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**STATEMENT OF JUDICIAL ADMINISTRATOR**  
**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, 2022.

The Special Trustees of *the Company* confirm, regarding the Yearly Financial Statements on December 31, 2022, 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.

**Judicial Administrator:**  
EURO INSOL SPRL and VF Insolventă SPRL Consortium



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**Statement of financial position on 31.12.2022**

Lei

Reference Statement of financial position IAS 1.10(a), 113	Note	Balance sheet items	Balance on 01.01.2022	Balance on 31.12.2022
<i>IAS 1.54(a)</i>	3	Tangible fixed assets	118,089,025	51,961,419
<i>IAS 1.54(c)</i>	3	Intangible fixed assets	5,801	466,756
	3	Financial assets	3,003,403	3,192,928
		<b>Total of fixed assets</b>	<b>121,098,229</b>	<b>55,621,103</b>
<i>IAS 1.54(h)</i>	4	Trade receivables and receivables from affiliated entities	4,681,659	2,378,982
<i>IAS 1.54(g)</i>	5	Stocks Deferred tax assets	22,369,790	14,299,508
<i>IFRS 5.38</i>		Fixed assets held for sale	-	69,115,526
<i>IAS 1.54(o), 56</i>	12	Deferred tax assets	13,721,204	10,724,131
<i>IAS 1.54(h)</i>	4	Other receivables	1,407,342	1,010,611
<i>IAS 1.54(i)</i>	6	Cash and cash equivalents	7,441,455	6,152,844
		Prepayments	40,764	15,566
		<b>Total of current assets</b>	<b>49,662,214</b>	<b>103,697,168</b>
		<b>TOTAL ASSETS</b>	<b>170,760,443</b>	<b>159,318,271</b>
<i>IAS 1.54(k)</i>	7	Supplies and other trade payables	42,328,552	9,739,295
<i>IAS 1.54(k)</i>	7	Taxes and other debts	858,081,888	404,982,636
<i>IAS 1.54(o), 56</i>	12	Deferred tax debts	25,794,350	23,532,236
<i>IAS 1.54(l)</i>	8	Provisions	43,177,792	82,817,115
<i>IAS 1.55, 20.24</i>		Revenues in advance	11,277	26,789,156
		<b>Total debts</b>	<b>969,393,859</b>	<b>547,860,438</b>
		<b>Total assets minus Total debts</b>	<b>(798,633,416)</b>	<b>(388,542,167)</b>
	9	Registered capital	601,685,084	601,685,084
	3	Revaluation reserves	121,902,571	99,553,985
	9	Legal reserves	1,972,406	1,972,406
		Other reserves	16,088,620	16,088,620
	9	Carried over result	(1,500,202,582)	(1,536,171,699)
	9	Current result	(40,079,515)	428,329,437
	9	Profit sharing, establishing of legal reserves	-	
		<b>Total equity</b>	<b>(798,633,416)</b>	<b>(388,542,167)</b>
		<b>TOTAL LIABILITIES</b>	<b>170,760,443</b>	<b>159,318,271</b>

**Judicial Administrator:**  
EURO INSOL SPRL and VF Insolventă SPRL  
Consortium

**General Manager:**  
Cosmin URSONIU  
**Economic Manager:**  
Nicoleta-Liliana IONETE

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**Statement of comprehensive income on 31.12.2022**

- Lei -

Reference Statement of overall result IAS 1.10(b), 81(a)	Explanations	31.12.2021	31.12.2022
<i>IAS 1. 82(a) IAS 1.99,103</i>	Operating revenues	16,219,995	20,741,707
<i>IAS 1.99, 103</i>	Cost of sales	31,458,195	29,373,339
	<b>Gross operating profit (loss)</b>	<b>(15,238,200)</b>	<b>(8,631,632)</b>
<i>IAS 1.99, 103</i>	Other operating revenues	1,345,465	527,932,705
<i>IAS 1.99, 103</i>	Distribution costs	-	647
<i>IAS 1.99, 103</i>	Administrative expenses	19,819,163	17,926,923
<i>IAS 1.99, 103</i>	Other operating expenses	-	43,110,526
<i>IAS 1. 82(a) IAS 1.99,103</i>	Financial revenues	887,953	1,485,305
<i>IAS 1.82(b)</i>	Financial expenses	7,333,974	(259,173)
<i>IAS 1.85</i>	<b>Result before tax</b>	<b>(40,157,919)</b>	<b>460,007,455</b>
<i>IAS 1.82(d), IAS 12.77</i>	Income tax expenses	(78,404)	31,678,018
	<b>Net Profit (loss)</b>	<b>(40,079,515)</b>	<b>428,329,437</b>
	<i>Establishing of legal reserves under Law31/1990</i>	-	-
<i>IFRS 5.33(a), 1.82(e)</i>	<b>Profit attributable to:</b>	-	-
<i>IAS 1.83(b)(ii)</i>	<i>Owners of the Company</i>	-	-
<i>IAS 1.83(b) (i)</i>	<i>Non-controlling interests</i>	-	-

**Judicial Administrator:**  
EURO INSOL SPRL and VF Insolventă SPRL  
Consortium

**General Manager:**  
Cosmin URSONIU  
**Economic Manager:**  
Nicoleta-Liliana IONETE

**Separate Financial Statements on December 31, 2022**  
(all amounts are given in lei (RON) unless otherwise stated)

**Statement of changes in equity for the year ended on December 31, 2022**

- 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	Total
1	2	3	4	5	6	7	8	9
<b>Balance on 01.01.2022</b>	<b>601,685,084</b>	<b>121,902,570</b>	<b>1,972,406</b>	<b>268,370,064</b>	<b>16,088,620</b>	<b>(1,768,572,645)</b>	<b>(40,079,515)</b>	<b>(798,633,416)</b>
<i>Changes in equity- December 31 2022</i>								
Transfer of surplus from revaluation reserves		(4,199,805)		4,199,805				-
Decrease in reserves for reclassification of fixed assets		(18,148,781)						(18,148,781)
Transfer of the result of the accounting year 2021 to the carried over result						(40,079,515)	40,079,515	-
Account closing -profit share								-
Registration of accounting errors from previous years to the carried over result						(89,407)		(89,407)
Net result of the current accounting year							428,329,437	428,329,437
<b>Balance on December 31 2022 IFRS</b>	<b>601,685,084</b>	<b>99,553,985</b>	<b>1,972,406</b>	<b>272,569,869</b>	<b>16,088,620</b>	<b>(1,808,741,568)</b>	<b>428,329,437</b>	<b>(388,542,167)</b>

The legal reserves of *the Company*, constituted in accordance with the provisions of the Commercial Companies Act, as at 31 December 2022 amount to 1,972,406 lei.

*The Company's* legal reserve is partially constituted in accordance with the Companies Act, according to which 5% of the annual accounting profit is transferred within the legal reserves until their balance reaches 20% of *the Company's* share capital. If this reserve is used wholly or partly to cover losses or to distribute in any form (such as the issuance of new shares under the Companies Act), it becomes taxable in the calculation of corporation tax.

We mention that on December 31, 2022, *the Company* has not yet reached the maximum level of legal litigation.

**Judicial Administrator:**

EURO INSOL SPRL and VF Insolventă SPRL  
Consortium

**General Manager:**

Cosmin URSONIU

**Economic Manager:**

Nicoleta-Liliana IONETE

**Separate Financial Statements on December 31, 2022**  
(all amounts are given in lei (RON) unless otherwise stated)

**Statement of cash flows on 31.12.2022**

-Lei-

Name of the element	No. line	Financial exercise ended on:	
		31 decembre 2021	31 decembre 2022
<b>OPERATING ACTIVITIES</b>			
Net profit+Result carried over from correction of accounting errors	1	(40,157,919)	428,974,989
<b>Adjustments for:</b>			
Adjusting the value of tangible and intangible assets	2	4,504,100	53,945,385
Adjusting the value of financial assets	3	7,092,745	(1,688,771)
Expenses (revenues) with adjustments for depreciation of current assets	4	(462,401)	2,602,063
Adjustments to the provisions for risks and expenses	5	(189,406,898)	59,689,876
Expenses with the donating granted	6	-	318,801
Revenues from interests and other financial income	7	(55,540)	(66,241)
Expenses with interests and other financial income	8	-	-
<b>Cash flow before changes in working capital (row. 1 to 8)</b>	<b>9</b>	<b>(218,485,913)</b>	<b>543,776,102</b>
Decrease /(Increase) – customers and other assimilated accounts	10	3,372,628	7,250,694
Decrease /(Increase) in stocks	11	1,291,274	(67,892,411)
Decrease /(Increase)- supplies and other assimilated accounts	12	211,996,563	(359,415,095)
<b>Cash flow from operating activities (row. 9 to 12)</b>	<b>13</b>	<b>(1,825,448)</b>	<b>123,719,290</b>
Revenue from interests	14	53,700	66,242
(Net increase) / Net decrease in restraint	15	155,977	2,646
<b>Cash flow from operating activities (row.13 to 15)</b>	<b>16</b>	<b>(1,615,771)</b>	<b>123,788,178</b>
<b>Investing activities</b>			
Cash payment for long-term purchasing of land and other assets	17	(8,026)	
Proceeds from sales of real estate	18	18,969	1,218,261
Revenues from dividends	19	1,840	
<b>Net cash used in investing activities (row. 17 to 19)</b>	<b>20</b>	<b>12,783</b>	<b>1,218,261</b>
<b>Financing activities</b>			
Subsidies granted	21	-	
Discounts of borrowed amounts	22	-	(126,292,405)
<b>Net cash used in financing activities (row. 21 to 22)</b>	<b>23</b>	<b>-</b>	<b>(126,292,405)</b>
Net increase/(Decrease) în cash and cash equivalents (row. 16+20+23)	24	(1,602,988)	(1,285,966)
Cash and cash equivalents at the beginning of the year	25	8,843,740	7,240,752
<b>Cash and cash equivalents at the end of the period (row. 24+25)</b>	<b>26</b>	<b>7,240,752</b>	<b>5,954,786</b>

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**Separate Financial Statements on December 31, 2022**  
(all amounts are given in lei (RON) unless otherwise stated)

**Economic - Financial Indicators on 31.12.2022**

<b>Indicator</b>	<b>Calculation method</b>	<b>Value</b>
<b>1. current liquidity</b>	$1=2/3$	0.24
2. Current assets (lei)	2	103,681,602
3. Current liabilities (lei)	3	438,254,167
<b>4. Level of indebtedness</b>	$4=5/6$	#N/A
5. Borrowed capital (lei)	5	0
6. Capital employed (lei)	6	(388,542,167)
<b>7. Turnover ratio of customer debits (days)</b>	$7 = 8/9 \times 365$	58
8. Average balance of trade receivables (lei)	8	3,284,229
9. Turnover (lei)	9	20,741,707
<b>10. Turnover ratio of fixed assets (days)</b>	$10 = 11/12 \times 365$	979
11. Fixed assets (lei)	11	55,621,103
12. Turnover (lei)	12	20,741,707

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**Separate Financial Statements on December 31, 2022**  
(all amounts are given in lei (RON) unless otherwise stated)

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**1. Reporting entity**

**General information**

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

IAS 1.51(a)-(c) The separate financial statements, in accordance with IFRS, has been prepared for the accounting year ended on December 31, 2022.

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 31.12.2022, the registered office of *UCMR* was in Bucharest, Charles de Gaulle Square 15, Charles de Gaulle Plaza Building, 3<sup>rd</sup> Floor, Peles Office, Sector 1, as mentioned in Endorsement no. 592087/15.11.2019, registered at *ONRC* at no. **J40/13628/2011**, Fiscal Code RO 1056654, and the administrative headquarters in Resita, Golului Street No. 1.

The main activity of *the Company* consists in manufacturing and marketing of hydro power units (hydraulic turbines, valves, governors and hydro generators), hydro mechanical equipment, large hydraulic servomotors, bearings and half-bearing shells, spare parts for Diesel engines and others. The Company provides also services for the design of new constructive solutions or for the rehabilitation and enhancement of the existing ones, as well as specialized engineering services for technical assistance in areas related to its main field of activity.

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

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

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

**2. Basis for preparation of separate financial statements**

IAS 1.112(a)

**2.1 Declaration of conformity**

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

**Separate Financial Statements on December 31, 2022**  
(all amounts are given in lei (RON) unless otherwise stated)

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

The Judicial Trustee/Administrator of the *Company*, undertake the liability for drawing up the Yearly Separate Financial Statements on 31.12.2021 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, 2022 in accordance with OMPF 2844/2016, as amended and supplemented.

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

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

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

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

The Separate Financial Statements for the year ended on 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 31.12.2022, and cannot estimate the impact of non-application of these provisions on the separate financial statements, and intends to apply these provisions only at their entry into force.

### ***Consolidated Financial Statements***

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

At December 31, 2022, the Company also holds 1 subsidiary, s.c. MULTI-FARM s.r.l. that has as its object the sale of medicines and pharmaceuticals. The *Company* has decided not to present consolidated financial statements, considering that the consolidated financial information, which should be presented in the statement of financial position and overall result as on 31.12.2022, would not significantly differ from the *Company's* individual financial statements on 31.12. 2022.

**Separate Financial Statements on December 31, 2022**  
(all amounts are given in lei (RON) unless otherwise stated)

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**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 17 "Insurance Contracts"** - Amendments to the initial application of IFRS 17, including amendments to address implementation concerns and challenges that have been identified since the publication of IFRS 17 (applicable for annual periods beginning on or after January 1, 2023);
- **Amendments to IAS 1 "Presentation of Financial Statements"**
  - ✓ Amendments regarding the disclosure of accounting policies (applicable for annual periods beginning on or after January 1, 2023);
  - ✓ Classification of Debts into Short-Term Debts and Long-Term Debts. Amendments to accounting disclosures (applicable for annual periods beginning on or after 1 January 2024);
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - regarding the definition of accounting estimates (applicable for annual periods beginning on or after January 1, 2023);
- **Amendments to IAS 12: "Profit Tax"** - changes to deferred tax relating to assets and liabilities arising from a single transaction, which clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations (applicable for annual periods beginning on or after January 1, 2023);
- **IFRS 16 "Leases"** - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions, (applicable for annual periods beginning on or after January 1, 2024);

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



**Separate Financial Statements on December 31, 2022**  
*(all amounts are given in lei (RON) unless otherwise stated)*

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***Presentation of separate financial statements***

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

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

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

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

***a) Basis of accounting and reporting in hyperinflationary economies***

The currency used by *the Company* for evaluation and reporting is the "Romanian Leu" ("RON"). IAS 29 - "Financial Reporting in Hyperinflationary Economies", requires that the statements of companies that are reporting in the currency of a hyperinflationary economy should be made in terms of the current monetary unit at the date of the balance sheet and all amounts must be restated in the same conditions. IAS 29 states that reporting of operating results and financial position in local currency without restatement related to inflation is useless, since the money lose their purchasing power so quickly that a comparison between the value of transactions or of other events that occur at different moments, even within the same reporting period, is wrong. IAS 29 suggests that an economy should be considered hyperinflationary if certain conditions are met; one of them being that the cumulative rate of inflation over a period of three years exceeds 100%.

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

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

**Monetary assets and liabilities**

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

**Non-monetary assets and liabilities and equity**

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

**Separate Financial Statements on December 31, 2022**  
(all amounts are given in lei (RON) unless otherwise stated)

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***b) Estimates and assumptions***

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

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

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

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

***c) Registered capital***

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

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

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

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

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

***e) Tangible fixed assets***

*Recognition and measurement of fixed assets*

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

The buildings are stated at fair value based on periodic assessments, 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.

**Separate Financial Statements on December 31, 2022**  
(all amounts are given in lei (RON) unless otherwise stated)

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The buildings are stated at revalued amounts on 31.12.2014 and the lands at revalued amount on 31.12.2011.

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

*Subsequent expenses on maintenance and repairs*

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

*Depreciation*

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

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

The terms of depreciation used are as follows:

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

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

The estimated useful lives and the depreciation method are reviewed periodically to ensure they are consistent with the projected evolution of economic benefits generated by the tangible assets. Tangible assets are derecognized from the balance sheet when the asset exits the equity or when no benefits are expected from the use of the asset. Losses or gains on disposal/sale of fixed assets are recognized in the statement of the comprehensive income.

***f) Intangible assets***

*Recognition and evaluation*

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.

**Separate Financial Statements on December 31, 2022**  
(all amounts are given in lei (RON) unless otherwise stated)

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

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

***h) Financial assets***

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

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

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

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

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

**Separate Financial Statements on December 31, 2022**  
(all amounts are given in lei (RON) unless otherwise stated)

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compensated only if *the Company* has a legally enforceable right to make compensations and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

***j) Debts related to leasing contracts***

*Financial leasing contracts*

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

The rates paid to the lessor plus the interest is highlighted as a debt in the account 406 "Debts from operations of financial leasing".

*Operating leasing contracts*

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

***k) Transactions in foreign currency***

*Functional currency and presentation currency:* the financial statements of *the Company* are prepared using the currency of the economic environment in which operates.

The functional currency and the currency used for presentation of financial statements is the Romanian leu ("RON").

Transactions in foreign currency are translated into RON applying the exchange rate at the transaction date. The monetary assets and liabilities denominated in foreign currencies are revalued in RON at the exchange rate at the 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, 2021 and 2022 are as follows:

Currency	<u>December 31, 2021</u>	<u>December 31, 2022</u>
RON/EUR	4.8694	4.9481
RON/USD	3.9660	4.3707
RON/GBP	5.4201	5.8994
RON/CHF	4.4997	4.7884

***l) Stocks***

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

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

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

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

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

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

***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.

**Separate Financial Statements on December 31, 2022**  
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The loans are initially recognized at the net value of withdrawals. They are subsequently carried at the depreciated cost, using the method of effective interest rate, the difference between the value of withdrawals and the redemption value being recognized in the net profit of the period, during the entire loan period.

***p) Government grants***

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

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

***r) Benefits of employees***

***Short-term benefits:***

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

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

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

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

**s) Profit tax**

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

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

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

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

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

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

**s) Recognition of revenues and expenses**

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

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

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

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

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



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

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

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

***t) Fair value of financial instruments***

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

***t) Provisions***

A provision is recognized when, and only when *the Company* has a current obligation (legal or constructive) as a result of a past event and if it is probable (more likely to succeed than not be realized) as an output of resources embodying economic benefits, will be required to settle the obligation, and it can make a reasonable estimate of the amount of the obligation.

The provisions are reviewed at the end of each accounting year and are adjusted to reflect the current best estimate.

When the effect of money value in time value is significant, the value of the provision is the present value of the expenses required to settle the obligation.

***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.

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

**w) *Affiliated parties***

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

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

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

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

**x) *Correction of accounting errors***

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

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

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

The correction of the errors related to the current financial year, is carried out, before the approval of the annual financial statements, by reversing (the registration in red/with the minus sign or by the method of the reverse registration) of the incorrectly recorded operation and, at the same time, the corresponding recording of the operation in question.

**y) Reserves**

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

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

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

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

**3. Fixed assets**

The amounts (gross, net), depreciation, composition and other relevant issues relating to the movement of fixed assets during the financial year ended 31.12.2022 are presented below.

**3.1 Intangible fixed assets**

The statements of movement and depreciation of intangible fixed assets in the accounting year 2022 are presented in Tables 1, 2 and 3 below.

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

- lei -

Explanations	31.12.2021	Inputs	Transfers	Outputs	31.12.2022
0	1	2	3	4	5=1+2-3-4
Other intangible fixed assets	9,176,832	26,564,581	-	34,085,046	1,656,367

The registration in the accounting records of the projects and drawings of hydro aggregates and electric motors, identified as pluses during the inventory, in a total amount of 33,587,000 lei, value established on the basis of the evaluation report carried out by DARIAN DRS SA, led to the significant increase of intangible assets. The future economic benefits, estimated in the same report, are 50 years for the drawings and technical projects for hydro aggregates and 15 years for the drawings and technical projects for electric motors.

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The loss of value resulting from the reclassification of the projects and drawings included in Hidroelectrica's offer determined the corresponding decrease in the value of intangible assets.

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

- lei -

Explanations	31.12.2021	Costs with depreciation	Cumulative depreciation of outputs	31.12.2022
0	1	2	3	4=1+2-3
Other intangible fixed assets	(9, 171,031)	(117,805)	(8,099,224)	(1,189,612)

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

- lei -

Explanations	31.12.2021	31.12.2022
0	1	2
Other intangible fixed assets	5,801	466,756

The lifetimes used to calculate the amortization of intangible assets are 50 years for the drawings and technical projects for hydro aggregates, 15 years for the drawings and technical projects for electric motors, and 3 years for the rest of the intangible assets.

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 2022 are presented in Tables 4, 5 and 6 below.

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

lei -

No.	Explanations	31.12.2021	Inputs	Outputs	Revaluation on 31.12.2012	31.12.2022
0	1	2	3	4	5	6=2+3-4+5
1.	Lands and land improvements	45,040,470	-	19,543,776	-	25,496,694
2.	Buildings	109,168,589	-	58,871,930	-	50,296,659
3.	Equipment	62,466,279	-	33,905,558	-	28,560,721

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4.	Furniture and others	1,310,278	232,287	974,144	-	568,421
5.	Fixed assets under construction	914,941	-	-	-	914,941
	<b>TOTAL (1+2+3+4+5)</b>	<b>218,900,557</b>	<b>232,287</b>	<b>113,295,408</b>	<b>-</b>	<b>105,837,436</b>

During the year 2022, based on the inventory, industrial and architectural models worth 232,287 lei were identified and recorded in the accounting, value established on the basis of the evaluation report drawn up by DARIAN DRS SA.

The 2022 outflows of tangible assets are partly due to their sale by public auction, in accordance with the regulations approved by the Creditors' Assembly, as follows:

- Carpentry Workshop composed of 1,220 sqm area with an accounting value of 94,860 lei (of which the revaluation reserve of 90,2978.20 lei) and the Workshop Building with an accounting value of 46,297.61 fully amortized; total sale price 122,850 lei (excluding VAT);
- Land located in Râmnicu Vâlcea with an area of 1,000 square meters, with an accounting value of 95,030 lei; sale price 433,257.12 lei (excluding VAT);
- Residential apartment located in Reșița, Golului street, no. 1, having 73.11 sqm and 4.64 sqm basement (mezzanine), with an accounting value of 72,291.94 lei fully amortized; sale price 138,195.43 lei. The apartment was sold together with the movable goods, equipment with an accounting value of 4,900.35 lei and furniture with an accounting value of 7,230.30 lei, fully depreciated; sale price 1,274.17 lei;
- Residential apartment located in Reșița, Libertății street, bl. 1, apartment 4, having 95.81 sqm, with an accounting value of 166,994.37 lei (of which the revaluation reserve of 92,426.51 lei) and depreciation cumulative amount of 45,107.60 lei; sale price 308,212.89 lei. The apartment was sold together with the movable goods: furniture with an accounting value of 9,126.98 lei fully amortized and inventory items of the nature of fixed assets; sale price 2,320.98;
- The thermal plant composed of 2 boilers of 10 Gcal/h and related installations located on the Călnicel platform, the book value of the buildings being 28,983.26 lei (of which the revaluation reserve of 1,509.18 lei) and the accumulated depreciation 18,298.07 lei, and of equipment of 268,578.59 lei (of which the revaluation reserve of 14,050.43 lei) with accumulated depreciation of 210,759.74 lei; total sale price 212,150.57 lei.

At the end of 2022, the Company reclassified a series of immovable assets as assets held for sale, based on the publication of their sale offers, which justifies most of the exits of immovable assets.

The auctions organized refer to:

- ✓ equipment belonging to the ABC Thermal Power Plant;
- ✓ Casa de Cultură, a building located in Resita, with an area of 12,843 sqm and the related land of 9,360 sqm;
- ✓ business transfer of the business lines related to the ABC platform and partially to the Călnicel platform, including land with an area of approximately 171,000 sqm, industrial halls and other constructions with an area of 98,731 sqm, over 1,000 pieces of equipment

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and other assets as well as stocks and receivables, as contained in the offer Annex 1 to the SPEEH Hidroelectrica S.A Offer no. 83376/21.07.2022.

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

-lei -

No.	Explanations	31.12.2021	Costs with depreciation	Cumulative depreciation of outputs	Revaluation on 31.12.2022	31.12.2022
0.	1	2	3	4	5	6=2+3-4-5
1.	Land improvement	-	-	-	-	-
2.	Buildings	38,397,173	4,282,833	17,074,240	-	25,605,767
3.	Equipment	60,742,387	93,743	33,272,654	-	27,563,475
4.	Furniture and others	1,300,495	5,750	970,946,	-	33,299
	<b>TOTAL (1+2+3+4)</b>	<b>100,440,055</b>	<b>4,382,326</b>	<b>51,317,840</b>	<b>-</b>	<b>53,504,541</b>

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

- lei -

No.	Explanations	01.01.2021	31.12.2022
0.	1	2	3
1.	Land and land improvement	45,040,470	25,496,694
2.	Buildings	70,771,417	24,690,892
3.	Equipment	1,723,891	997,246
4.	Furniture and others	9,783	233,122
5.	Fixed assets under construction	914,941	914,941
6.	Adjustments for depreciation of fixed assets under construction	(371,476)	(371,476)
	<b>TOTAL (1+2+3+4+5+6)</b>	<b>118,089,026</b>	<b>51,961,419</b>

The situation of immovable assets proposed for sale, before reclassification, is further on presented.

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**Table no. 7 Values of fixed assets at the date of reclassification.**

No.	Explanations	Val brută la 31.12.2022	Amortizare cumulată 31.12.2022	Valoare ramasă la 31.12.2022	Rezerva din reeval ramasă la 31.12.2022
<b>A</b>	<b>Thermal Power Plant ABC</b>	<b>600,596</b>	<b>456,484</b>	<b>144,112</b>	<b>107,238</b>
1	Special buildings	101,478	51,699	49,779	25,189
2	Equipment	499,118	404,785	94,333	82,049
<b>B</b>	<b>Casa de cultură</b>	<b>28,695,279</b>	<b>3,788,648</b>	<b>24,906,631</b>	<b>24,873,336</b>
3	Land	3,719,780	-	3,719,780	3,686,607
4	Buildings	24,975,499	3,788,648	21,186,851	21,186,729
<b>C</b>	<b>Business lines ABC/Câlnicel</b>	<b>124,304,121</b>	<b>54,749,339</b>	<b>69,554,782</b>	<b>32,476,582</b>
5	Land	15,634,106	-	15,634,106	14,902,056
6	Buildings	33,480,385	13,051,897	20,428,488	17,574,526
7	Equipment	33,132,960	32,652,209	480,751	-
8	Furniture and others	949,205	946,008	3,197	-
9	Intangible assets	41,107,465	8,099,225	33,008,240	-
	<b>TOTAL (A+B+C)</b>	<b>153,599,996</b>	<b>58,994,471</b>	<b>94,605,525</b>	<b>57,457,156</b>

At 31.12.2022 the Company owns, mainly:

Land, total area of 535,534 square meters;

Buildings, with a developed area of 275,704 square meters, and built from the ground surface of 190,822 square meters;

Technological equipment specific for machine building industry, numbering over 1.400 pieces.

The lifetimes used to calculate the depreciation of tangible assets are established according to Government Decision no. 2139/30.11.2004 (GD 2139/2004), for buildings being between 8–50 years, and for equipment between 8–24 years, the depreciation method used being the linear one.

**Revaluation of fixed assets**

The tangible fixed assets, such as buildings and special constructions, were reassessed on 31.12.2014 by s.c. Darian DRS S.A., an ANEVAR member company.

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.

The changes of the revaluation reserves during the financial year are presented below in Table no. 8.

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**Table no.8 - Statement of changes in revaluation reserves**

-lei -

No.	Explanations	31.12.2021	31.12.2022
0	1	2.	3.
1.	Revaluation reserves at the beginning of the accounting year	125,996,792	121,902,571
2.	Differences in revaluation reserves transferred into reserves as the assets are depreciated during the year and at deregistration of assets	(4,094,221)	(4,199,805)
3.	Revaluation differences recorded during the accounting year as a result of revaluation	-	(18,148,781)
<b>4.</b>	<b>Revaluation reserves at the end of the accounting year (4=1+2+3)</b>	<b>121,902,571</b>	<b>99,553,785</b>

Impairment of fixed assets reclassified as held for sale was treated as a revaluation decrease. Thus, the remaining revaluation reserve was reduced first, and the difference was recognized in expense accounts.

The reserves related to the assets belonging to the House of Culture/Casa de Cultură were decreased by 10,690,774 lei and those within the business lines related to the ABC platform and partially to the Călnicel platform by 7,458,006 lei.

In addition, the reductions in the revaluation reserve during the year refer to the revaluation differences in the amount of 4,009,366 lei which were transferred to account 1175 - "The reported result representing the surplus made from the revaluation reserves", according to the IFRS provisions, to the extent depreciation of assets, in accordance with the policy adopted by the Company, as well as the transfer of the revaluation reserve of 190,439 lei of the fixed assets sold.

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 keep 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).



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**Tangible fixed assets pledged and restricted**

The Company holds at the date of these financial statements pledged and mortgaged assets in favor of A.A.A.S. (taken over from A.N.A.F) and in favor of Serraghis Loan Management Ltd. (taken over from B.C.R).

On 31.12.2022 the net book value of the tangible assets representing Serraghis Loan Management Ltd. guarantee is 23,556,417 lei (11,069,795 lei constructions and 12,486,622 lei lands) and those of A.A.A.S. guarantee is 8,933,464 lei (3,631,634 lei for constructions and 5,301,830 lei for lands).

Pledged and mortgaged goods, of the nature of fixed assets held for sale, are presented in note 5.1.

No new pledges or mortgages were introduced in 2022.

**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	31.12.2021	31.12.2022
0	1	2	3
1.	S.C. MULTI-FARM Ltd., Resita	17,000	17,000
	<b>TOTAL OF NET VALUE</b>	<b>17,000</b>	<b>17,000</b>

On 31.12.2022, *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.

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	31.12.2021	31.12.2022
Romanian Commodities Exchange	23,000	23,000
<b>TOTAL</b>	<b>23,000</b>	<b>23,000</b>

*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.

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**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 5,043,763 lei, with the value of adjustment in amount of 4,145,571 lei related to guaranties due and unpaid on 31.12.2022 are included in the trade receivables. (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	31.12.2021	31.12.2022
0	1	2.	3.
1.	Performance guarantees given to customers recoverable in a period longer than one year	10,616,728	10,805,505
2.	Debtors for the guarantees filed	4,528	5,276
3.	Adjustments for impairment of other receivables	(7,657,853)	(7,657,853)
	<b>TOTAL (1+2+3)</b>	<b>2,963,403</b>	<b>3,152,928</b>

Performance guarantees recoverable in a period longer than 1 year have increased. New guarantees were established for the following contracts: Arcelor Mital Tubular Products Roman electric motor repairs 25,450 lei, HPPTurnu turbine rotor blades, Hidroelectrica Rm. Vâlcea 148,850 lei and refurbishing wheels HPP PdF I, SSH Hidroserv 29,997 lei.

The adjustments for the loss of value of the guarantees remain at the same level compared to the previous year, the largest part being represented by the adjustments for the HPP Stejaru and HPP Slatina projects run by Romelectro SA, their value being 6,974,482 lei and 640,509 lei, respectively. The company registered to the credit table with the value of these claims.

**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.

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**Table No. 12 – Receivables and adjustments (their depreciations)**

- lei -

No.	Explanations	Balance at 31.12.2021	Balance at 31.12.2022	Liquidity term	
				Under 1 year	Over 1 year
1	Trade receivables	21,879,555	15,334,348	15,334,348	-
2	Value adjustments for depreciation of trade receivables	(17,259,470)	(13,016,940)	(13,016,940)	-
<b>3</b>	<b>Total net values for trade receivables (1 + 2)</b>	<b>4,620,085</b>	<b>2,317,408</b>	<b>2,317,408</b>	-
4	Receivables to be collected from related parties	61,574	61,574	61,574	-
5.	Value adjustments for depreciation of other receivables	-	-	-	-
<b>6</b>	<b>Total net values for other receivables (4+5)</b>	<b>61,574</b>	<b>61,574</b>	<b>61,574</b>	-
7	Other receivables, of which:	30,366,819	26,970,442	26,970,442	-
7.1	Deferred tax acc. to IFRS	13,721,204	10,724,131	10,724,131	-
8	Value adjustments for depreciation of other receivables	(15,238,273)	(15,235,700)	(15,235,700)	-
<b>9</b>	<b>TOTAL NET VALUES OF RECEIVABLES (7+8)</b>	<b>15,128,546</b>	<b>11,734,742</b>	<b>11,734,742</b>	-
<b>10</b>	<b>TOTAL NET VALUES OF RECEIVABLES (3+6+9)</b>	<b>19,810,205</b>	<b>14,113,724</b>	<b>14,113,724</b>	-

On 31.12.2022 the main customers stated on the in balance, from which *the Company* has to collect trade receivables are: ALRO SA (646,789.65 lei) S.S.H. Hidroserv Ramnicu Vâlcea Hydropower Services and Repairs Department (122,892 lei), S.S.H. Hidroserv Hateg Hydropower Services and Repairs Department (91,770 lei).

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The receivables recorded in the final table of the debtor SSH Hidroserv SA decreased in 2022, both as a result of the amounts collected by the Company and as a result of the assignment in

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favor of some creditors. At the same time, the previously created depreciation adjustments were resumed.

*The Company* applied the principle of prudence and adjusted through depreciation the entire amount of uncertain receivables of 11,496,655 lei.

Under "*Other receivables*" the highest values are represented by the receivables for deferred tax: 10,724,131 lei and by the debtors from loans granted by *the Company*, respectively Sports Club UCM Resita, in amount of 14,727,010 lei, amount for which *the Company* made adjustments for depreciation since 2011.

## 5. Stocks

### 5.1 Fixed assets held for sale

In accordance with the Sale Regulations approved by the Assembly of Creditors, the assets proposed for sale to which the adjudication was not successful in 2022, will continue to be promoted, released on the market and have organized auctions in 2023. These assets are:

- ✓ "Thermal plant" composed of 4 boilers of 10Gcal/h and the related installations located on the ABC platform - decommissioned;
- ✓ "Casa de Cultură" located in Resita, Caraș Severin county, consisting of land with an area of 9,360 sqm, the constructions that make up the building with an area of 12,843 sqm.

There were also proposed for sale, through business transfer, the business lines related to the ABC platform and partially to the Călnicel platform as included in the offer Annex 1 to the SPEEH Hidroelectrica S.A Offer no. 83376/21.07.2022, in accordance with the sale regulation approved by the Creditors' Assembly on 21.12.2022.

The related fixed assets were reclassified in the category of fixed assets held for sale at the lower of book value and fair value minus the costs generated by the sale.

For the equipment of the ABC Thermal Power Plant and the House of Culture, ½ of the starting price at the auction was taken into account, considering the low interest in these objectives and the auction regulations that provide for the successive decrease of the price by 10% in installments of auction sessions, up to the level of 50% of the initial value. Reaching this level will require a new analysis and approval of sales offers. From the mentioned price, the costs attributable to the sale (UNPIR and the judicial administrator's commissions) were subtracted in order to establish the value of the immovable assets held for sale.

For the business lines of the ABC platform and partially of the Călnicel platform, the price taken into account was that of the Hidroelectrica offer resulting from the direct negotiation, from which the costs attributable to the sale mentioned above were subtracted. Moreover, on 21.02.2023, considering that no overbid was submitted in the organized procedure, The Company for the Production of Electric Energy in Hydropower Plants Hidroelectrica SA was declared the winner. The offer includes tangible and intangible assets, stocks, receivables, and personnel. The human resources component is both a necessity and a condition for classifying the transaction as a business transfer according to the provisions of the Fiscal

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Code. This is not quantifiable, does not affect the price and was not taken into account when determining the fair value.

The impairment loss was allocated, as stipulated by the applicable IFRS 5, only on fixed assets. Moreover, the treatment provided by IAS 36 was applied to the recognition of the impairment loss. Thus, the impairment losses were first borne on account of the remaining revaluation reserve, and the difference was recognized in the expense accounts.

On the 3 objectives, the situation is as follows:

- ✓ "Thermal plant":
  - fixed assets held for sale 144,113 lei;
  - there are no losses from reclassification;
- ✓ "House of Culture":
  - fixed assets held for sale 14,215,856 lei;
  - losses incurred in full from revaluation reserves 10,690,775 lei;
- ✓ ABC platform and partially Călnicel platform business:
  - fixed assets held for sale 54,755,557 lei;
  - losses 7,458,777 lei, of which 7,458,006 lei incurred from revaluation reserves, 318,801 lei being allocated to expenses.

Of the total fixed assets held for sale in the amount of 69,115,526 lei, a part is guaranteed in favor of AAAS and in favor of Serraghis Loan Management Ltd, their value being 14,433,463 lei and 18,406,939 lei, respectively

## 5.2 Stocks

The status and structure of current assets, such as stocks, is shown in the table no 13:

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

- lei -

No.	Explanations	31.12.2021	31.12.2022
1	Raw materials	4,529,873	4,462,449
2	Materials	752,172	750,421
3	Inventory items	607,648	547,789
4	Packages and materials from third parties, raw materials and materials in progress of purchasing	856,920	775,866
5	Semi-finished products	1,668,370	1,668,370
6	Production in progress	20,649,060	20,577,735
7	Finished products	8,780,775	7,839,073
<b>8</b>	<b>Total of gross value ( 1+2+3+4+5+6+7 )</b>	<b>37,844,818</b>	<b>36,621,703</b>
9	Adjustment of value for raw materials	(2,214,297)	(2,213,570)
10	Adjustment of value for materials	(378,665)	(382,514)
11	Adjustment of value for inventory objects	(200,282)	(199,782)

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12	Adjustment of value for packages	(15,878)	(15,755)
13	Adjustment of value for semi-finished products	(1,576,731)	(1,576,731)
14	Adjustment of value for production in progress	(7,408,040)	(13,751,252)
15	Adjustment of value for finished products	(3,681,135)	(4,182,591)
16	<b>Total value adjustments (9+10+11+12+13+14+15)</b>	<b>(15,475,028)</b>	<b>(22,322,195)</b>
17	<b>Total net value ( 8+16 )</b>	<b>22,369,790</b>	<b>14,299,508</b>

In 2022, stocks, with the exception of finished products, registered insignificant variations, mainly due to the fact that the supply-production-sale cycle was carefully monitored.

In the category of finished products, it should be mentioned the sale, within the reorganization procedure, of some spare parts for Diesel engines mostly produced in the period 2005-2011, their gross value being 941,658 lei and the related adjustments 895,735 lei.

HPP Stejaru continues to be the most important ongoing project, the execution of which will continue during the following years, the value of the production in progress on 31.12.2022 being 4,882,450 lei and of the finished products 3,330,297 lei. The equipment for HPP Stejaru was executed according to the execution schedule, but for reasons independent of the Company, the execution schedules were delayed.

The adjustments for the production in progress and the finished products related to the suspended HPP Căineni project were increased by 6,641,053 lei and respectively 1,397,191 lei. This increase was imposed due to the fact that the Hidroelectrica SA debt representing an advance for this project was not included in the Payment Schedule through the Reorganization Plan.

The biggest share in the total adjustments for the depreciation of the production in progress on 31.12.2022 is caused by the canceled and suspended projects, as in previous years:

- Seymareh : 178,844 lei
- Lavours : 4,893,657 lei
- Middle Kolab: 389,220 lei
- Pașcani : 583,374 lei
- Căineni : 7,126,566 lei

## 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	31.12.2021	31.12.2022
1.	Bank accounts in Lei	245,166	2,568,351
2.	Bank accounts in foreign currency	11,933	472,242
3.	Cash in hand	11,186	42,523
4.	Treasury advances	-	-
5.	Short-terms deposits	7,173,170	3,069,727

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6.	Other securities	-	-
<b>7.</b>	<b>Total cash in hand (1+2+3+4+5+6 )</b>	<b>7,441,455</b>	<b>6,152,843</b>
8.	Restricted cash (account securities)	200,703	198,058
<b>9.</b>	<b>Total deficit/surplus of account (7-8 )</b>	<b>7,240,752</b>	<b>5,954,785</b>

Of the 2 term bank deposits existing at the beginning of the year, one was not extended, the availability being used for the payment of current debts.

### 7. Debts

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

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

- lei -

No.	Explanations	31.12.2021	31.12.2022	Written in the final table of creditors	Currently	Liquidity time		
						Less than 1 year	1-5 years	Over 5 years
1.	Amounts owed to credit institutions	-	-	-	-	-	-	-
2.	Advances received in account of orders from customers	17,929,810	1,002,997	-	1,002,997	1,002,997	-	-
3.	Trade payables	24,398,742	8,736,298	4,331	8,731,967	8,731,967	-	-
4.	Bills payable	-	-	-	-	-	-	-
5.	Loans and interests owed to the main shareholder	126,292,405	-	-	-	-	-	-
6.	Other debts, including tax and social securities	757,583,833	428,514,872	234,509,136	194,005,736	194,005,736	-	-
	<b>TOTAL (1+2...+6)</b>	<b>926,204,790</b>	<b>438,254,167</b>	<b>234,513,467</b>	<b>203,740,700</b>	<b>203,740,700</b>	-	-

The company has implemented in accounting the Payment Program related to the Reorganization Plan, confirmed by Civil Sentence no. 351 of 01.02.2022. It does not stipulate distributions to the categories of unsecured and subordinated claims and distributions lower than the amounts admitted to the credit table for the category of unsecured budgetary claims. Thus, the debt accounts were adjusted with the amount of 521,343,240 lei, of which:

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- ✓ 303,631,964 lei budget receivables,
- ✓ 86,685,221 lei unsecured receivables,
- ✓ 131,026,055 lei in subordinated receivables.

During 2022, distributions were made to creditors according to the approved Payment Schedule, as presented: the tranche due within 30 days from the confirmation of the plan for the creditors in the wage receivables category and partially the tranche due in the first quarter to the category of budgetary creditors. Amounts owed to A.A.A.S. from this tranche were not paid due to the fact that the Company and the Judicial Administrator received several addresses for the establishment of seizure and court decisions regarding some creditors of A.A.A.S. In connection with these, objections and appeals were formulated.

***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 31.12.2022, from which advances have been received in the orders account, are Liberty Galați (294,591 lei) and Romelectro SA (266,115 lei), and externally Turbiwatt SAS Franta (30,558 eur).

Compared to the previous year, the debts regarding the advances received from customers on account of the orders decreased considerably as a result of the fact that the amount of 8,817,043 lei owed to Hidroelectrica SA - Hidrocentrale Sibiu Branch, representing the advance value for the HPP Căineni project, entered on the definitive table of creditors, was part of the category of unsecured claims, which do not benefit from distributions of amounts according to the Payment Plan - Annex no. 2 of the confirmed reorganization Plan.

From the point of view of the values of the contracts conducted in 2022, the main suppliers of raw materials and services are represented by: Divizia Pază și Protecție Consulting & Security SRL Schitu, SPEEH Hidroelectrica SA, Sodexo Pass Romania SRL București, EON Energie SA Târgu Mureș, Aquacaraș SA Reșița, Profiltrade SRL Brăila, E-Distribuție Banat SA Timișoara, Voestalpine Bohler Welding Romania SRL Buzău, Digitline Automatizări SA București, Linde Gaz Romania SRL Timișoara, Italinox Romania SRL Cluj Napoca from the category of internal suppliers, respectively HPW Metallwerk GMBH Austria, Avenarius Agro GMBH Austria from external suppliers.

***7.2. Amounts owed to credit institutions***

On 31.12.2022 *the Company* does not owe any amount to credit institutions.

Because of its insolvency at the date of these financial statements, *the Company* does not have access to financing from banks or non-banking financial institutions.

***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 16 below.



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**Table No. 16 – Statement of debts to shareholder, the state consolidated budget and other creditors**

No.	Explanations	31.12.2021	31.12.2022	Out of which on 31.12.2022	
				Written in the final table of creditors	current
0	1	2		4	5
1	Associates, current accounts - loan	102,707,107	-	-	-
2	Associates, current accounts - interest	23,585,298	-	-	-
3	Social security payable	52,817,406	55,396,276	-	55,396,276
4	VAT payable	20,143,618	21,934,896	-	21,934,896
5	VAT non-payable	12,039	12,039	-	12,039
6	Wages taxes	6,928,426	7,383,186	-	7,383,186
7	Obligations to unemployment fund	69,128	69,128	-	69,128
8	Obligations to special funds, other taxes, charges and remittances	44,620,881	77,156,737	1,073,322	76,083,415
9	Other creditors	631,649,631	265,430,003	233,435,814	31,994,189
10	Retained performance bond guarantees	288,756	208,680		208,680
11	Salaries and other personnel benefits	605,391	536,738	-	536,738
12	Other payables to employees	448,557	387,189	-	387,189
	<b>Total other debts (excluding bank credits)</b>	<b>883,876,238</b>	<b>428,514,872</b>	<b>234,509,136</b>	<b>194,005,736</b>

The total current debt includes also the deferred tax debt in the total amount of 23,532,236 lei. In the *Other creditors* category, is presented the reduction of the debt compared to the previous year by 300,512,253 lei to AAAS, of the debt to Energy Holding SRL by 59,480,839 lei, as well as of other debts that had been entered in the credit table in the categories of unsecured and subordinated claims, which did not benefit from distributions after the approval of the Reorganization Plan.

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In November of 2022 payment requests were made by AAAS and ANAF, for current debts between the date of opening the insolvency procedure and the date approval of the Reorganization Plan.

**Loans (financing) granted by the majority shareholder**

The loans granted by INET AG, amounting to 102,707,107 lei, as well as the interest related to these loans amounting to 23,585,298 lei were taken over by ICESA SA, based on a sale-purchase contract and which were entered on the definitive table of receivables in the category of subordinated receivables, were adjusted in accordance with the Payment Schedule - Annex no. 2 to the confirmed Reorganization Plan; this category of claims did not benefit from distributions of amounts.

**7.4 Debts related to leasing contracts**

On 31.12.2022 *the Company* no longer has signed leasing contracts.

**8. Provisions**

The situation regarding the provisions made and their evolution towards 31.12.2022 is showed in Table no. 17 below.

**Table no. 17 - Evolution of provisions in the accounting year 2022**

- lei -

No.	Explanations	31.12.2021	Increase	Reduction	31.12.2022
1	Provisions for litigation	1,484,685	59,736,735	-	61,221,420
2	Provisions for costs within the guaranty period	46,991	-	-	46,991
3	Provisions for costs required to dismantling of tangible assets	40,906,922	-	20,050,553	20,856,369
4	Provisions for risk s and expenses (suppliers)	98,700	251	13,981	84,970
5	Provisions for employee retirement benefits	640,494	607,365	640,494	607,365
	<b>TOTAL (1+2+3+4+5)</b>	<b>43,177,792</b>	<b>60,344,351</b>	<b>20,705,028</b>	<b>82,817,115</b>

The adjustment of the Company's debt to Energy Holding SRL of 59,480,839 lei as a result of the confirmation of the reorganization plan and the fact that UCM Resita is a civilly responsible

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party in file 8308/3/2021 pending at the Bucharest Court required the creation of a provision for this amount.

The provision established in 2014 by applying a 20% depreciation related to some unfavorable factors, external to the analyzed properties, to estimate a level of obtainable values, values that rather depend on the nature of the pressure to sell to which the seller is subjected, was partially resumed taking into account the fact that when reclassifying the assets held for sale, prices were taken into account in accordance with the offers or their reasonable estimates, depreciations being made where necessary.

Moreover, the provision for fixed assets sold during the year was resumed. Their value is 19,907,227 lei in the case of reclassifications and 143,326 lei in the case of sales.

As a result of the non-return of the 223 certificates in the EU EGES Register, the Company received from the Ministry of the Environment, Water and Forests, respectively the Administration of the Environment Fund, the imposition Decision no. 2 of 05.05.2022, regarding the penalties applied in the case of non-return of greenhouse gas emissions certificates, in the amount of 122,286 lei, an amount that constitutes an obligation to the environmental fund. The decision was contested, but it was considered prudent to establish a provision for this amount.

The provisions set up for employee benefits in 2022 were calculated in relation to people who on 31.12.2022 met the retirement conditions for age limit or early retirement.

Provisions were established/decreased in accordance with the events that generated them.

## **9. Structure of shareholding and equity**

The *Company* is in the same situation as at the end of 2021 if we talk about the shareholding structure, on 31.12.2022, (more precisely if we talk about the main shareholder).

In the Articles of Association of UCM Reșița SA, drawn up in accordance with the provisions of Law 31/1990, registered at the National Office of the Trade Register, the Company's main shareholder is INET AG, legal entity of Swiss nationality, and at the Central Depository is registered as main shareholder the Swiss society ICESA SA.

According to the consolidated Register of shareholders that hold at least 10% issued by the Central Depository, on 31.12.2022, share holdings are:

- ✓ ICESA SA - 106,403,900 shares, representing 96.7890% of the share capital
- ✓ Legal entities – 2,633,467 shares, representing 2.3955% of the share capital
- ✓ Individuals – 896,537 shares, representing 0.8155 % of the share capital

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

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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 31.12.2022 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. Starting from 09.02.2022, after the entry into the reorganization period, the Bucharest Stock Exchange ordered the reintroduction of UCM Resita shares to trading.

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

**Table no. 18 – Structure of equity and evolution of results for the accounting years 2021 and 2022, also of major adjustments on retained earnings**

No.	Explanations	31.12.2021	31.12.2022
0.	1.	2	3
1.	Registered capital	601,685,084	601,685,084
<b>A</b>	<b>Total (1)</b>	<b>601,685,084</b>	<b>601,685,084</b>
2.	Revaluation reserves	125,996,791	121,902,570
3.	* Transfer of surplus from revaluation reserves	(4,094,221)	(4,199,805)
4.	* Use of revaluation reserves	-	(18,148,780)
5.	* Registration of revaluation reserves	-	-
<b>B</b>	<b>Total (2+3+4+5)</b>	<b>121,902,570</b>	<b>99,553,985</b>
6.	Legal reserves	1,972,406	1,972,406
7.	Increases in legal reserves from the result of current accounting year	-	-
<b>C</b>	<b>Total (6+7)</b>	<b>1,972,406</b>	<b>1,972,406</b>
8.	Earnings representing surplus from revaluation reserves	264,275,843	268,370,064
9.	* Transfer of surplus from revaluation reserves	4,094,221	4,199,805
<b>D</b>	<b>Total (8+9)</b>	<b>268,370,064</b>	<b>272,569,869</b>
10.	Other reserves	16,088,620	16,088,620

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<b>E</b>	<b>Total (10)</b>	<b>16,088,620</b>	<b>16,088,620</b>
11.	<i>Loss carried forward</i>	<i>(1,747,186,961)</i>	<i>(1,768,572,645)</i>
12.	<i>* Transfer of accounting year result to retained earnings account</i>	<i>(21,385,684)</i>	<i>(40,079,515)</i>
13.	<i>* Registration of accounting errors from previous years to retained earnings account</i>	-	<i>(89,407)</i>
	<i>Restatement of IFRS, of which:</i>	-	-
14.	<i>* Adjustment of provisions for employees' retirement benefits</i>	-	-
15.	<i>* Reduction in deferred tax receivables recognized on the retained earnings account</i>	-	-
<b>F</b>	<b>Total (11+12+13+14+15)</b>	<b>(1,768,572,645)</b>	<b>(1,808,741,568)</b>
16.	<i>Profit sharing</i>	-	-
17.	<i>* Account closure - profit sharing</i>	-	-
18.	<i>* Increases in legal reserves from the result of current accounting year</i>	-	-
<b>G</b>	<b>Total (16+17+18)</b>	-	-
19.	<i>Profit / (Loss)</i>	<i>(21,385,684)</i>	<i>(40,079,515)</i>
20.	<i>* Transfer of accounting year result to retained earnings account</i>	<i>21,385,684</i>	<i>40,079,515</i>
21.	<i>* Account closure - profit sharing</i>	-	-
22.	<i>* Net result of current accounting year</i>	<i>(40,079,515)</i>	<i>428,329,437</i>
<b>H</b>	<b>Total (19+20+21+22)</b>	<b>(40,079,515)</b>	<b>428,329,437</b>
	<b>TOTAL (A+B+C+D+E+F+G+H)</b>	<b>(798,633,416)</b>	<b>(388,542,167)</b>

### 10. Revenues from current activity

The turnover for the year 2022 is 20,741,707 lei, out of which 11.59 % was made on the European Union market and 88,41 % in the country. Regarding the structure of turnover as of 31 December 2022, the revenue from the production sold represent almost 100% of this.

Tables no.19 and 20 below show the structure of revenues/sales on types and geographic areas.

**Table no. 19 – Structure of revenues from current activities**

- lei -

No.	Explanations	2021	2022
1.	Revenues from sold production	16,219,995	20,741,707
2.	Revenues from sale of goods	-	-
3.	<b>TOTAL TURNOVER ( 3=1+2 )</b>	<b>16,219,995</b>	<b>20,741,707</b>

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**Table no. 20 – Revenues from current activities on geographic areas**

- lei –

No	Explanations	2021	2022
1.	Romania	14,611,925	18,337,714
2.	European Union	1,608,070	2,403,993
3.	<b>TOTAL (1 = 1+2+3)</b>	<b>16,219,995</b>	<b>20,741,707</b>

**11. Expenses**

The cost of sales for the years ended on December 31, 2021 and 2022 is as follows:

Explanations	2021	2022
Raw material and materials	3,317,999	1,957,942
Goods	-	-
Facilities	5,319,436	4,315,912
Expenses with the personnel	20,162,292	18,413,642
External services	644,393	537,791
Value adjustments on fixed assets	3,000,431	3,008,204
Value adjustments on current assets	(449,396)	-
Adjustments on provisions	(568,550)	-
Other expenses	13,790	127,656
Changes in stocks of finished goods and production in progress	(31,360)	1,013,091
<b>Total cost of sales</b>	<b>31,409,035</b>	<b>29,373,338</b>

The general administrative expenses for the years ended December 31, 2021 and 2022 are as follows:

Explanations	2021	2022
Raw material and materials	374,263	116,837
Facilities	217,643	189,302
Expenses with the personnel	5,164,514	5,165,993
External services	3,000,937	3,444,971

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Value adjustments on fixed assets	1,475,327	1,491,928
Adjustments on provisions	(188,859,166)	
Other expenses	198,445,645	7,517,892
<b>Total general administrative expenses</b>	<b>19,819,163</b>	<b>17,926,923</b>

## 12. Current and deferred profit tax

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

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

On 31.12.2022, the *Company* registered a gross profit of 460,007,455 lei. The tax on the current profit is 30,943,059 lei and that on the deferred profit is 734,959 lei. The net profit in the amount of 428,329,437 lei will cover the reported losses, in accordance with the legislation in force.

The 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.

Based on 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.

### Table no. 21 Deferred tax

- lei -

<b>Explanations</b>	<b>31.12.2021</b>	<b>31.12.2022</b>
Deferred tax receivables	13,721,204	10,724,131
Deferred tax liabilities	25,794,350	23,532,236

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**Table no. 22 Calculation of deferred tax - 2022**

No.	Category / Explanations	Carrying amount	Tax base	Temporary deductible differences	Temporary taxable differences	Receivables	Debts
1	Provisions for litigation	59,736,735	59,603,125	133,610		21,378	
2	Cancellation of provisions for immovable decommissioning	(20,050,553)		(20,050,553)		(3,208,088)	
3	Provisions for employee benefits 2022	607,365		607,365		97,178	
4	Cancellation of provisions for employee benefits 2021	(640,494)		(640,494)		(102,479)	
5	Other provisions for risks	251		251		40	
6	Cancellation of other provisions for risks	(13,981)		(13,981)		(2,237)	
7	Cancellation of adjustments of other immobilized receivables - guarantees of good execution	9,299,553		9,299,553		1,487,928	
8	Cancellation of adjustments for non-current receivables - performance guarantees	(10,988,325)		(10,988,325)		(1,758,132)	
9	Adjustments for depreciation of stocks	8,099,501		8,099,501		1,295,920	
10	Cancellation of adjustments for depreciation of stocks	(1,252,335)		(1,252,335)		(200,373)	
11	Adjustments for depreciation of receivables	7,795,817		7,795,817		1,247,330	
12	Cancellation of adjustments for	(12,040,920)		(12,040,920)		(1,926,547)	



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	depreciation of receivables						
13	Accounting amortization and tax amortization differences	4,500,131	489,564		4,010,567		641,691
14	Reduced reserves for reclassification for sale	(18,148,781)			(18,148,781)		(2,903,805)
15	Differences when reclassifying fixed assets - stocks	318,801		318,801		51,008	
	<b>TOTAL</b>	<b>27,222,766</b>	<b>60,092,689</b>	<b>(18,731,709)</b>	<b>(14,138,214)</b>	<b>(2,997,073)</b>	<b>(2,262,114)</b>

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

On 31.12.2022, *the Company* had the structure of the personnel as shown in Table no. 23 below.

**Table no. 23 – Structure of employees**

No.	Category	Number of employees		%
		31.12.2021	31.12.2022	
1.	Production personnel	432	339	69.75
2.	Administrative personnel	159	147	30.25
	<b>TOTAL</b>	<b>591</b>	<b>486</b>	<b>100</b>

The executive management of the Company during 2022 was composed of:

- Mr. Cosmin URSONIU – General Director
- Mrs. Liliana Nicoleta IONETE - Human Resources and Economic Director
- Mr. Cristian MURGU - Director of Production

On 31.12.2022, *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 2022 are shown in Table no. 24 below.

**Table no. 24 – Expenses with the wages in the accounting year 2022**

-lei -

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No.	Explanations	01.01- 31.12.2022
1.	Expenses with the wages of personnel	21,827,315
2.	Expenses in kind and with vouchers for meals	1,168,875
3.	Contribution of the company to social security	491,645
4.	Other expenses on insurance and social protection	91,800
	<b>TOTAL</b>	<b>23,579,635</b>

#### 14. Affiliated parties

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

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

The company has a subsidiary, s.c. MULTI-FARM s.r.l., Resita and an associated entity Bursa Română de Mărfuri, Bucharest.

The situation of transactions with affiliated parties is presented in Tables no. 25, 26, 27 below.

#### Table no. 25 – Sales / purchases of goods / services to and from affiliated parties

- lei -

No.	Explanations	2021	2022
	<i>Sales of goods and services</i>		
1.	Affiliated entities		
2.	Subsidiary companies	12,391	12,433
3.	Major shareholder	-	-
4.	Others	-	-
5.	<b>Total sales (1+2+3+4)</b>	<b>12,391</b>	<b>12,433</b>
	<i>Purchases of goods/services</i>		
6.	Subsidiary companies	-	-
7.	Affiliated entities	-	-

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8.	Major shareholder	-	-
9.	<b>Total purchases (6+7+8)</b>	-	-

The volume of sales and purchases to and from affiliated parties, excluding related VAT.

**Table no. 26 – Receivables (debit balances) to affiliated parties**

- lei -

No.	Explanations	31.12.2021	31.12.2022
1.	Subsidiary companies – trade receivables	57,415	72,211
2.	Affiliated entities	-	-
3.	Major shareholder	1,870,670	-
4.	Others	-	-
5.	Advances granted to affiliated entities	-	-
	<b>Total trade receivables (1+2+3+4+5)</b>	<b>1,928,085</b>	<b>72,211</b>

**Table no. 27 – Obligations (credit balances) to affiliated parties**

- lei -

No.	Explanations	31.12.2021	31.12.2022
1.	Major shareholder	1,292,481	-
2.	Advances received from the major shareholder	-	-
3.	Advances received from affiliated entities	-	-
	<b>Total obligations (1+2+3+4+5)</b>	<b>1,292,481</b>	-

The main shareholder of the Company is ICESA SA, a legal entity of Swiss nationality, successor in rights of the creditor INET AG. The obligations towards it, entered in the definitive table of claims, are no longer in existence according to the provisions of the Payment Plan (Annex 2) within the confirmed reorganization Plan.

On 31.12.2022 there were not registered loans granted to affiliated parties.

**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)**

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The *Company* has no commitments regarding capital operations at 31.12.2022.

**b) Commercial Commitments received**

The *Company* has no credentials guaranteed contracts on 31.12.2022.

**c) Guarantees granted to third parties**

As of 31.12.2022, the *Company* does not have guarantees to third parties in the form of bank guarantee letters.

**15.2 Contingent liabilities and litigation**

**a) Actions at the law court**

**STATUS OF LITIGATIONS PENDING AT THE LAW COURTS ON 31.12.2022**

**Table no. 28 - 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
1	SC GIA Security	Creditor	1388/115/2012	Law Court Caras- Severin	Bankruptcy proceedings-	Time limit: 16.03.2023	7,885.60 lei
2	SC Hydro- Engineering	Creditor	5911/115/2013	Law Court Caras- Severin	Bankruptcy proceedings - request for enrolment in the table of creditors	Time limit: 17.02.2022	126,633.68 lei
3	SC Libarom Agri	Creditor	29140/3/2012	Law Court Bucharest	Bankruptcy proceedings -	Time limit: 08.03.2023	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/

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							al
4	SC ISPH București	Creditor	38503/3/2014	Law Court Bucharest	Insolvency proceedings – reorganization-	Time limit: 07.04.2023	32,460.00 lei
5	SC IMB Miloș	Creditor	1088/115/2015	Law Court Caras-Severin	Insolvency proceedings - reorganization	Time limit: 23.02.2023	18,200.46 lei
6	SC Hidroserv SA	Creditor	36365/3/2016	Law Court Bucharest	Insolvency proceedings – reorganization-	Time limit: 05.04.2023	21,725,537.41 lei
7	Culture House unions	Creditor	3843/115/2013	Law Court Caras-Severin	Bankruptcy proceedings –	Time limit: 22.06.2023	111,656.24 lei
8	SC SITTNER TRANS	Creditor	408/115/2020	Law Court Caras-Severin	Fund /Merits of the case - simplified insolvency procedure	Time limit: 29.06.2023	25785.83 lei
9	VF Insolventa SPRL, SC AC Management SRL, SC Aquaris Crivaia SRL si SC Kmobil SRL	Defendant	1471/3/2013	Bucharest Law Court	Fund – request for pending the case	Time limit: 13.06.2023	Action for annulment of the sales contract no. 388/13.02.2009
10	Lagrom SRL	Creditor	5675/30/2021	Timiș Law Court	Fund - insolvency procedure	Time limit: 11.05.2023	440,21 lei
11	Romelectro SA	Creditor	909/3/2022	Bucharest Law Court	Fund - insolvency procedure	Time limit: 27.06.2023	7,614.990.56 lei
12	SSH Hidroserv SA	Creditor	30582/3/2022	Bucharest Law Court	Fund	Time limit: 08.03.2023	Action for annulment, nullity of the acts and operations of the debtor
13	Transenergo Microhidro SRL	Creditor	22123/3/20177	Bucharest Law Court	Insolvency proceedings - reorganization	Decision 635/15.02.2023 – closure of insolvency procedure	47,016.00 lei

**Table no. 29 Civil/Criminal litigation**

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No.	PARTIES	U.C.M.R. S.A IN POSITION OF	NO. of FILE	LAW COURT	PROCESS STAGE	DELIVERED SENTENCE	AMOUNT / OTHER DATA
1	SC Energy Holding SA - civilly responsible party, Alexandrescu Costin Răducu, Țicu Elena Lavinia - defendants, ANAF, ANRE, etc. - civil parties	Civilly responsible party	8308/3/2021	Bucharest Tribunal	Merits of the case	Time limit:	Embezzlement - 59,480,839 lei
2	AAAS – contestator, SC Agrana Romania, sa.	Third-party garnishee Challenge on enforcement, suspension of enforcement	8399/299/ 2022	District Court 1 Bucharest	Merits of the case	Time limit: 23.03.2023	4,374.49 lei receivable+ 1,405.07 lei execution expenses
3	AAAS – contestator, SC Rafo intimat sa.	Third party garnishee Appeal against enforcement and suspension of enforcement	13881/299/ 2022	District Court 1 Bucharest	Merits of the case	Time limit: 24.07.2023	26,411. 72 lei
4	Administration of the Environment Fund	Plaintiff	24511/3/2022	Law Court Bucharest	Merits of the case	Time limit:	122,286 lei
5	ANAF, DGRFP Bucharest, Fiscal Administration for Medium Taxpayers	Contestator	8471/3/2019*	District Court 1 Bucharest	Merits of the case	Time limit: 14.02.2023	41,236,215 lei 1,633,249 lei 1,795,896 lei

We mention that 46 files pending before the courts for resolution, in which the *Company* has the capacity of debtor/defendant or creditor, are suspended pursuant to insolvency laws, Law no. 85/2006, respectively Law no. 85/2014, and will be set for hearing.

Moreover 2 cases suspended under art. 244, para. 1, point 2 Civil Procedure Code as a result of the Ordinance of classification in file 68/P/2021 issued on 13.12.2022 by the Prosecutor's Office attached to the Caraș-Severin Court, will be set for hearing.

***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.

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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***

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

- for the ABC platform: Environmental permit no. 94 of 18.11.2021, revised in 29.11.2022, valid for the entire period in which UCM Resita obtains the annual visa, according to the provisions of Law 219/2019 and the Water Management Authorization no. 21 / S.G.A. - CS, from 29.03.2021, valid until 29.03.2024.
- for the Călnicel platform: Environmental permit no. 96 / 25.11.2019, revised in 29.11.2022, valid for the entire period in which UCM Resita obtains the annual visa, according to the provisions of Law 219/2019, and the Water Management Authorization no. 60 /S.G.A./14.12.2022, regarding the Călnicel industrial platform, authorization valid until 14.12.2025.

Environmental permits are issued by the Caraș-Severin Environmental Protection Agency, and those for water management are issued by the Caraș-Severin Water Management System.

According to Government Decision no. 780/2006 on the Emission Trading Scheme of Carbon Dioxide Scheme as of January 1, 2007, the economic agents owning installations in which a gas-emitting activity is carried out (EGES) must be authorized by the National Environmental Protection Agency. Through these authorizations, operators are required to monitor the emissions from their own activity quantitatively. SC UCM Resita S.A. is included in the list of economic operators that have installations that consume natural gas in operation and generate carbon dioxide emissions through heat production and heat treatment of parts. These facilities are located in two workplaces, on the ABC industrial platform and on the Călnicel industrial platform. In order to regulate greenhouse gas emission-generating activities, the Company is in possession of:

- Authorization no. 123/21.04.2021, regarding the greenhouse gas emissions for the period 2013-2030, for ABC platform - issuer National Agency for Environmental Protection;
- Authorization no. 124/21.04.2021, regarding the greenhouse gas emissions for the period 2013-2030, for the Călnicel platform - issuer National Agency for Environmental Protection.

In the above context, the EGES UCM Reșița SA installation – ABC platform work point and Călnicel platform work point is part of the installations that fall under the scope of the scheme for the sale of greenhouse gas emission certificates in the period 2021-2030, from the national

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level, regarding the activity of *the Combustion of fuels in installations with a total nominal thermal power of over 20 MW (with the exception of installations for the incineration of hazardous or municipal waste)*.

Since 2007, for the control and reduction of emissions, the National Environmental Protection Agency/Ministry of Environment and Climate Change has allocated greenhouse gas emission allowances free of charge to the economic operators that generate them. For the 2013-2020 period, there was an initial allocation of a certain number of allowances, for which the basis of calculation was the activity carried out by the Company in the period 2008 - 2012 (proportional to the gas consumption needed for the production of thermal energy and for the thermal treatment of the processed parts)

Currently, the operators of the installations that hold authorizations regarding the greenhouse gas emissions for the period 2021-2030, comply with the legal obligations transmitted by the EU and taken over at national level for this interval.

For each calendar year elapsed, at the beginning of next year, according to the requirements of H.G. 780/2006, the *Company* has the obligation to return to the EGES Registry a number of certificates proportional to the activity carried out, respectively to the consumption of natural gas consumed. The difference between the adjusted number of certificates received and the number of certificates returned to ANPM/MMSC are those units that UCM Resita can trade at the market price.

The abandonment of the centralized heating system since 2012, namely the abandonment of the operation of the thermal power stations located on the ABC and Călnicel industrial platform, as well as the decrease of the productive activity level, led to the decrease of the gas consumption and implicitly to the lower quantities of gas emissions greenhouse effect. These reasons prompted the *Company* to receive a reduced number of greenhouse gas certificates compared to the initial allocation. Thus, the initial allocation was followed by adjusted allocations, proportionate to the work done each year so far, from 2013 to 2020, respectively from the first two years of the 2021-2030 period.

As a result of the difference between the EGES certificates received after the initial/adjusted allocations and those returned for fulfilling the compliance obligation, a number of certificates resulted annually that UCM Reșița had the opportunity to capitalize. In this context, in 2021, the surplus of certificates of 1427 units from the period 2013-2020 was capitalized by trading, at the market price.

During 2022, in order to fulfill the compliance obligation corresponding to the activity carried out in 2021, UCM Resita had to return to the EU EGES Register, a total of 1041 EGES certificates. From this total, 615 certificates represented the amount of CO<sub>2</sub> emissions generated on the ABC platform, and the difference was made up by the CO<sub>2</sub> emissions generated from the activity of the Călnicel platform. During the compliance operation in April 2022, the Company returned a total of 818 certificates to the EU EGES Registry, the action resulting in a backlog of 223 certificates, in the account related to the Călnicel work point.

As a result of the non-return of the 223 certificates in the EU EGES Register, the Company received from the Ministry of the Environment, Water and Forests, respectively the



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Administration of the Environment Fund, the imposition Decision no. 2 of 05.05.2022, regarding the penalties applied in the case of non-return of greenhouse gas emissions certificates, in the amount of 122,286 lei, an amount that is considered as obligations to the environmental fund.

UCM Reșița contested the above-mentioned decision, requesting its annulment as illegal, considering the total nominal thermal power of the functional EGES installation, operated on each of the two industrial platforms. The value of the nominal thermal power on each of the ABC and Călnicel industrial platforms is less than 20 MW (the level from which the combustion plant at these work points must be included/maintained in the greenhouse gas emission certificates trading scheme). The fact that the activity of the platform thermal power plants has been stopped from functioning since the beginning of 2012, they being no longer supplied with gas, led to the considerable reduction of the total nominal thermal power on each of the two sites. The nominal thermal power for the EGES installation at the ABC work point is 13.37 MW and that for the Călnicel platform is 8.87 MW. This situation was communicated both to the local environmental authority - Caraș-Severin Environmental Protection Agency and to the national one - ANPM.

Noting that the thermal power plants of the industrial platforms are non-functional and are not supplied with gas, within the two revised environmental authorizations, the Caraș-Severin Environmental Protection Agency admitted that the activity of *Combustion of fuels in installations with total nominal thermal power (with the exception of installations for the incineration of hazardous or municipal waste)* from the greenhouse gas emissions installation (EGES) of the *Company* from the two work points, is below 20 MW.

The fact that the EGES installation of UCM Reșița from the two work points no longer reaches the minimum threshold of 20 MW, indicated in Annex I to Directive 2003/87/EC, makes it possible for UCM Reșița to exit this scheme, as a result of the termination of validity Authorizations regarding greenhouse gas emissions no. 123/21.04.2021 and no. 124/21.04.2021, issued by the National Agency for Environmental Protection.

*Notes:*

EGES – Emissions of Gases with Greenhouse Effect

CO<sub>2</sub> – Carbon dioxide

ANPM - National Agency for Environmental Protection

The EU EGES Register - a standardized electronic database containing common data elements used to track the issuance, holding, transfer and cancellation of greenhouse gas emission certificates.

## **16. Management of risk**

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

### **(i) Currency risk**

*The Company* operates in Romania, in an economic environment with strong fluctuations of the national currency against other currencies; The company has transactions in a currency other than the functional currency (RON).

Transactions made in foreign currency are converted into lei at the exchange rate valid on the date of the transaction.

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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.

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

Credit risk involves the *Company* incurring a financial loss as a result of a breach of contractual obligations by a customer or a counterparty to a financial instrument, and this risk arises primarily from trade receivables. The *Company* monitors the exposure to credit risk by analyzing the seniority of the receivables it registers and acts to recover the past due or expired ones.

Exposure to credit risk is influenced by the individual characteristics of each client and the country in which he operates. Most of UCM Resita's clients operate in Romania.

*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) Liquidity risk**

The *Company* may encounter difficulties in fulfilling its obligations associated with debts that are settled in cash or by transferring another financial asset.

The *Company's* approach to liquidity risk is to provide, to the extent possible, sufficient liquidity at all times to meet its debts when they become due, both under normal and stressful conditions, without bear unacceptable losses or jeopardize the *Company's* reputation.

To counteract this risk factor, the *Company* applied restrictive measures to deliver the products to uncertain customers, even requesting advance payment.

The management of the *Company* is also concerned with the careful selection of new customers according to their creditworthiness and financial discipline.

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

The Romanian economy is still in transition, the economic and health crisis generated by the COVID pandemic - 19 significantly affecting it, even if there is some certainty about the future evolution of Romania's policy and economic development, as a member of the Union European.

Market risk is the risk that changes in market prices, such as exchange rates, interest rates, and declining market demand will affect the *Company's* revenue.

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

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

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The instability of the market for raw materials and materials is a risk that has been mitigated by market research, renegotiation of contract terms and even change of suppliers, if it was not possible to change the terms.

The risk of price volatility from electricity, methane gas, metals, diesel, was prevented, as far as possible, by finding new suppliers or renegotiating contracts with traditional suppliers.

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 *The Company's* management cannot predict all events that could affect the industrial sector in Romania, respectively their impact on *the financial statements*.

The management considers that this risk (market, economic) is not so high as to cancel all other premises and conditions, taken into account when concluding that the preparation of these financial statements was done in compliance with the principle of business continuity, as it is defined by the applicable legislation.

## **17. Continuity of activity**

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

As a result of the confirmation of the Reorganization Plan by the syndic judge based on the decision 351/01.02.2022, SC UCM Reșița SA continued its activity in 2022 according to the status of a company under reorganization, under the leadership of the Judicial Administrator Consorțiul EURO INSOL SPRL and VF Insolvency SPRL.

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

### **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.

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Considering the Investment Strategy for refurbishment and modernization, for the period 2021-2025 published on the website of SPEEH Hidroelectrica SA, corroborated with the know-how and production capabilities held by UCM Resita SA, subject to winning tenders, the Company would have covered the portfolio of contracts in the next period.

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. 31 below);
- Strategic projects on the Romanian energy system or of other significant partners.

**Table no. 30 - Statement of contracts in progress over the years 2022, 2023 and 2024**

Type of contract	Currency	Value of contracts in progress (unit of currency)	Exchange rate on 31.12.2022 (lei / unit of currency)	Value with delivery in 2023 (lei)	Value with delivery in 2024 (lei)	Value with delivery in 2025 (lei)
EXTERNAL	EUR	117,379	4,9474	580,720	-	-
<b>TOTAL EXTERNAL CONTRACTS</b>				<b>580,720</b>	-	-
INTERNAL	EUR	5,353,636	4,9474	26,486,581	-	-
	GBP	117,585	5,5878	657,041	-	-
	RON	6,293,777		6,133,228	160,549	-
<b>TOTAL INTERNAL CONTRACTS</b>				<b>33,276,850</b>	<b>160,549</b>	
<b>GRAND TOTAL</b>				<b>33,857,570</b>	<b>160,549</b>	

The main contracts in progress at 31.12.2022 are:

- contract no. 33/2016 customer Romelectro Bucuresti, HPP Stejaru (final beneficiary Hidroelectrica), ongoing value 59,000 EURO (HG/GD 5 and 6);
- contract no. 33/2016 customer Romelectro Bucuresti, HPP Stejaru ongoing value 3,299,750 EURO (HG 1, 2,3,4);
- contract no. 62/2016 customer Romelectro Bucuresti, HPP Stejaru (final beneficiary Hidroelectrica), ongoing value 75,039 EURO (spherical valve 2500 no.5);
- contract nr. 62/2016 client Romelectro București Stejaru HPP (final beneficiary Hidroelectrica), ongoing value 7,162 EURO (spherical valve 2500 nr.5);
- contract no. 62/2016 customer customer Romelectro Bucuresti, HPP Stejaru (final beneficiary Hidroelectrica), ongoing value 888,454 EURO (spherical valve 4800 no.5);
- contract no. 62/2016 customer Romelectro Bucuresti, HPP Stejaru (final beneficiary Hidroelectrica), ongoing value 1,094,600 EURO (butterfly valve 4200 no. 1,2,3,4);
- contract 153/2021 client Hidroserv SA Services and Repairs Department PdF I, value in progress 299,970 RON (reconditioning of tread wheels)

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- contract no. 95/2022 customer SPEEH HIDROELECTRICA SA Ramnicu Valcea, HPP Turnu, ongoing value 2,977,000 RON (Kaplan Turbine rotor blades execution);
- contract no. 103/2022 customer Arcelor Mittal Tubular Products Roman SA, value in progress 575,400 RON (Repair of rotor and collector DC electric motor DE 3680 KW);
- contract no. 195; 196; 197/2022 customer Societatea Naționala Nuclearelectrica SA – Cernavodă, ongoing value 166,554 RON (Valve spare parts);
- contract no. 182/2019; 32; 35/2020 customer Voith Hydro GMBH & CO KG Austria Chaira project, ongoing value EUR 82,506;
- contract 25/2020; 15; 75/2021 customer TURBIWATT SAS France, ongoing value EUR 34,873.

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, as follows:

- Modernization of turbine rotor HA2; HA2 turbine shaft refurbishment, HPP Cerbureni, in the amount of 1,385,514 RON, contract that will take place during 2023;
- Execution of LN3 HA1 turbine rotor repair works, HPP Curtea de Argeș in the amount of 1,278,126 RON, contract that will take place during 2023;
- Refurbishment of HA1 turbine rotor, development of HPP Costișa, in the amount of 2,096,850 RON, contract that will take place in 2023;
- 2-pole rotor winding refurbishment works, HPP Mărișelu, in the amount of 170,700 RON, contract that will take place in 2023;
- Execution of spare parts and equipment for complex repair HA1, HPP PdF I, in the amount of 4,410,651 RON, contract that will take place in 2023;
- HA1 rotor hub assembly works, HPP PdF I layout, in the amount of 3,487,700 RON, contract that will take place in 2023.

Based on the request for an update received in 2023 from Hidroelectrica, the Company expects to make the aggregates related to the HPP Pașcani project (discontinued in 2012) at a value of approximately 4.5 million EUR.

**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.

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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;
  - ✓ 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;

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

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

Since the confirmed Reorganization Plan provides, not only the capitalization of assets, but also the transfer of the core business to another entity, the Judicial Administrator continued in 2022 the steps to achieve this reorganization measure provided by the Plan.

Thus, by adopting during July 2022, the binding offer no. 83376, the management of the Company had several working meetings with the representatives of SPEEH Hidroelectrica SA to establish as precisely as possible the Perimeter of the transaction, as well as to discuss the requirements and suspensive conditions presented in the offer.

During the meeting of the Creditors' Assembly of 07.11.2022, the creditors, with the legal majority, voted to approve the block sale proposal, through direct negotiation with the identified buyer SPEEH Hidroelectrica SA, of the functional asset belonging to UCM Reșița SA, consisting of a business transfer of the business lines related to the ABC platform and partially to the Călnicel platform, as identified in Annex 1 to the SPEEH Hidroelectrica S.A Offer no. 83376/21.07.2022, specified by Address no. 111430/28.09.2022, under the terms of art. 117 and art. 118 of Law no. 85/2006, with overbidding starting from the price resulting from the negotiation, without additional costs for the creditors and the debtor, with an overbidding step of 1,000,000 lei, to be reconvened the meeting of creditors in order to present the sales regulation, respectively the conditions and payment terms, the term by which overbids can be submitted, the overbid announcement, advertising terms and conditions.

On 21.12.2022, the Creditors' Meeting approved:

- ✓ the direct sale price resulting from the negotiation, without additional costs for the creditors or the debtor, with an overbid step of 1,000,000 lei, as concluded with the identified buyer SPEEH Hidroelectrica SA, through the Minutes of price negotiation no. 136571/17.11.2022
- ✓ The sale regulation (conditions of sale, payment terms, the term by which overbids can be submitted, the overbid announcement, the terms and conditions of advertising) relating to the block sale, through direct negotiation with the identified buyer SPEEH Hidroelectrica SA, of the functional asset belonging to UCM Reșița SA, consisting in the business transfer of the business lines related to the ABC platform and partially to the Călnicel platform, the specification and the framework sale-purchase contract will be presented to the creditors, in order to formulate any possible observations.

Having fulfilled all the preceding conditions, approved by the Sales Regulation, the overbidding notice was published on 20.01.2023, in the Financial newspaper, the deadline for submission of overbids being 20.02.2023.

Until the set deadline, no overbid was submitted, so the The Company for the Production of Electric Energy in Hydropower Plants Hidroelectrica SA was declared the winner of the overbidding procedure.

According to the provisions of the Reorganization Plan approved by the creditors and confirmed by the syndic judge by Civil Decision 351/01.02.2022, after the completion of the transfer, the production activity of UCM Reșița SA will be carried out in two sections, located on the 2 platforms, named generically, within this Plan, newUCMR:

- ✓ the blue hall, known as MFL or Plastomet, after the names of some tenants who carried out activities in it, located on the ABC platform

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- ✓ the Electrical Machines 2 (SME 2) section located on the Călnicel platform.

The activities that will be carried out in the SME 2 section are:

- the production of generators of any power and type, in the international hydro field, without being a direct competitor to the core business
- the production and repair of synchronous or asynchronous electric motors such as those for driving irrigation pumps, motors for driving steel installations such as rolling mills, motors for driving installations in the extractive and mining industry, in the oil industry or in the cement industry.

Due to the existence of the test stand, the finished products from the range of generators or motors can be delivered together with the specific electrical tests carried out on this stand.

- The production of spare parts for the products listed above, including for work related to turbines or pumps.

In the blue hall, a production activity of benchmarks of welded assemblies of any nature will be developed:

- bridges, pedestrian walkways;
- metal structures used in construction;
- welded assemblies related to the production assumed in the SME2 Section.

## **18. Subsequent Events**

Having fulfilled all the preliminary conditions, approved by the Sales Regulation, of the business lines related to the ABC platform and partially to the Călnicel platform, the overbidding notice was published on 20.01.2023, in the Financial newspaper, the deadline for submitting overbids being 20.02.2023.

Until the set deadline, no overbid was submitted, thus the The Company for the Production of Electric Energy in Hydropower Plants Hidroelectrica SA was declared the winner of the overbidding procedure.

Until the completion of the contract and the effective transfer of the business lines related to the ABC platform and partially to the Călnicel platform, the Company operates under normal conditions.

**Judicial Administrator:**

EURO INSOL SPRL and VF Insolventă SPRL  
Consortium

**General Manager:**

Cosmin URSONIU

**Economic Manager:**

Nicoleta-Liliana IONETE