

s.c.U.C.M. Reșița s.a.

(societate în reorganizare judiciară, in judicial reorganisation, en redressement)

Separate Financial Statements

prepared in accordance with the

Order of the Minister of Finance no. 2844/2016

on

JUNE 30, 2023

Separate Financial Statements on June 30, 2023
(all amounts are given in lei (RON) unless otherwise stated)

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Judicial Administrator Report on 30 June 2023

The reports for the first semester of 2023 were prepared in accordance with the provisions of OMFP 2844/2016, for the approval of the accounting regulations compliant with the International Financial Reporting Standards, corroborated with the provisions of Law 85/2006, Law on Insolvency Procedure.

In the first semester of 2023, the Company continued its activity according to the status of a company under observation until 01.02.2022 and of a company in judicial reorganization, after this date.

The Judicial Administrator proceeded to prepare this report to present the economic and financial evolution of the *Company* during the analyzed period, as well as the stage of implementation of the recovery measures included in the confirmed reorganization plan.

This report will analyze the period January-June 2023.

A. Statement of assets, debts and equity

The situation of assets, debts and equity on 30.06.2023, compared to the beginning of 2023, is as follows::

No.	Balance sheet items	Lei	
		01.01.2023	30.06.2023
1	Fixed assets	55,621,103	55,916,217
2	Current assets	103,681,602	96,606,818
3	Prepayments	15,566	10,841
	TOTAL ASSETS	159,318,271	152,533,876
4	Debts	438,254,167	437,623,517
5	Income in advance	26,789,156	27,966,223
6	Provisions	82,817,115	82,732,814
7	Owner's equity	(388,542,167)	(395,788,678)
	TOTAL LIABILITIES	159,318,271	152,533,876

Compared to 01.01.2023, on 30.06.2023 the total assets registered a decrease of 4.26%, which is mainly due to the decrease of current assets by 6.82%.

The debts existing in the balance on 30.06.2023 refer only to the rest to be distributed through the Payment Program, to which are added the current debts that are paid according to the resulting documents.

The following changes were recorded in the company's assets compared to the values existing at the beginning of 2023:

Lei

Nr. crt.	Designation of indicator	01.01.2023	30.06.2023	Differences
0	1	2	3	4=3-2
1	Fixed assets	55,621,103	55,916,217	295,114
2	Current assets	103,681,602	96,606,818	(7,074,784)
3	Prepayments	15,566	10,841	(4,725)

The current assets existent in the patrimony registered a decrease of 6.82% having the following evolution compared to the beginning of 2023:

Lei

Nr. crt.	Designation of indicator	01.01.2023	30.06.2023	Differences
0	1	2	3	4=3-2
1	Stocks, of which:	83,431,490	82,789,169	(642,321)
1.a	- raw material and consumables	3,724,905	3,501,074	(223,831)
1.b	- fixed assets held for sale	69,115,526	68,971,413	(144,113)
1.c	- production in progress	6,918,121	6,657,376	(260,745)
1.d	- finished products and goods	3,656,482	3,656,482	-
1.e	- down payments	16,456	2,824	(13,632)
2	Other current assets of which:	20,250,112	13,817,649	(6,432,463)
2.a	- receivables	14,097,268	12,642,459	(1,454,809)
2.b	- cash and cash equivalents	6,152,844	1,175,190	(4,977,654)

The decrease in the reference period of raw materials and consumables stocks by 6% and of work in progress by 3.8% is largely due to the completion of the rehabilitation project of 5000 KW asynchronous electric motor for Liberty Galati S.A. and the 3680 KW cc electric motor repair project for Arcelormittal Tubular Products Roman SA for which the material supply and execution started in the previous year.

The sale in April 2023 of equipment belonging to the ABC Thermal Power Plant is the only transaction recorded in the category fixed assets held for sale.

There was also a decrease in receivables of 10.31%.

The payment of 3,812,858.44 lei due to the State Assets Administration Authority (AAAS) provided for in the Payment Schedule is reflected in the decrease in cash but also in the debts for the first half of 2023.

Within the liabilities of *the Company*, the patrimonial changes compared to the beginning of 2023 are the following:

Lei

No.	Indicator name	01.01.2023	30.06.2023	Differences
0	1	2	3	4=3-2
1	Owner's equity	(388,542,167)	(395,788,678)	(7,246,511)
2	Debts	438,254,167	437,623,517	(630,650)
3	Income in advance	26,789,156	27,966,223	1,177,067
4	Provisions for liabilities and charges	82,817,115	82,732,814	(84,301)

B. Profit and loss account

The following indicators stand out from the profit and loss account:

		Lei	
No.	Indicator name	30.06.2022	30.06.2023
1	Turnover (2+3-4)	5,443,793	14,349,364
2	Production sold	5,443,793	14,349,364
3	Revenues from sale of goods	-	-
4	Discounts granted	-	-
5	Changes in stocks: Credit balance	-	-
	Debtor balance	588,061	260,745
6	Capitalized production	-	333,921
7	Exercise production (1+/-5+6)	4,855,732	14,422,540
8	Other operating revenues	526,565,076	27,029
9	Operating revenues, total (7+8)	531,420,808	14,449,569
10	Financial revenues, total	1,017,478	403,291
11	Total revenues (9+10)	532,438,286	14,852,860

Turnover developed favourably compared to the first half of the previous year. Hydro products and services account for 73.01% of turnover, followed by electric motor repairs with a share of 14.93%.

As a structure, the operating income, on 30.06.2023, is as follows:

Nr. crt.	Indicator name	30.06.2022	30.06.2023
1	Turnover	1.00%	99.31%
2	Changes in stocks	0.00%	-1.80%
3	Revenues from sale of fixed assets	0.00%	2.31%
4	Other operating revenues	99.00%	0.19%
	TOTAL	100.00%	100.00%

The Company's expenses are presented in the following table:

		Lei	
No.	Indicator name	30.06.2022	30.06.2023
1	Expenses on raw material and consumables	925,617	2,071,507
2	Other external expenses (energy and water)	2,670,594	2,778,907
3	Expenses with the personnel	12,043,529	11,724,076
4	Adjustments	65,505,060	1,057,948
5	Other operating expenses, of which :	3,571,399	4,121,682
5a	Expenses on disposal of fixed assets held for sale	-	144,113
6	Total operating expenses (rw. 1 la 5)	84,716,199	21,754,120
7	Total financial expenses	197,303	345,251
8	TOTAL EXPENSES	84,913,502	22,099,371

As a structure, operating expenses are as follows:

No.	Indicator name	30.06.2022	30.06.2023
1	Expenses on goods	1.17%	9.70%
2	Other external expenses (energy and water)	3.15%	12.77%
3	Expenses with the personnel	14.22%	53.89%
4	Adjustments	77.32%	4.86%
5	Other operating expenses	4.14%	18.77%
	TOTAL	100.00%	100.00%

The evolution of the results is presented in the following table:

Nr. crt.	Indicator name	30.06.2022	30.06.2023
			Lei
1	Operating revenues	531,420,808	14,449,569
2	operating expenses	84,716,199	21,754,120
3	Operating activities	446,704,609	(7,304,551)
4	Financial revenues	1,017,478	403,291
5	Financial expenses	197,303	345,251
6	Financial result	820,175	58,040
7	The profit tax	31,874,017	-
8	Net result for the financial year	415,650,767	(7,246,511)

The net result of the first semester of 2023 materialized in a loss of 7,246,511 lei.

C. Personnel situation

On 30.06.2023 UCM Reșița had a number of 456 employees.

Between 01 January and 30 June 2023, 38 individual employment contracts were terminated upon request.

These voluntary departures were based on the following causes:

- ✓ Net higher salary levels granted by state institutions and local authorities
- ✓ Acute uncertainty regarding job security generated on the one hand by the company's legal situation and on the other hand by the delay in the takeover by Hidroelectrica
- ✓ Advantageous retirement conditions granted during 2023

The number of applications for resigning is likely to increase in the coming period due to the opening of new companies in the area, which may attract staff from UCM Resita.

On 30.06.2023, from the total staff, 39 employees have the status of re-employed pensioners who accumulate the pension with the salary.

By the end of 2023, a number of 40 people will meet the conditions for retirement, and 11 employees who have suspended their pension, can always avail themselves of the right obtained and cancel the suspension.

Due to the insolvency proceedings, access to certain markets, including foreign markets, where UCM Resita has performed in the past has been practically impossible because: (i) the client is not certain that UCM Resita will continue to operate for the time required to complete the contract and (ii) UCM Resita cannot provide the guarantees requested, as no bank issues letters of guarantee to companies under insolvency proceedings.

This situation is reflected in the reduced volume of the order book and also affects the staff, since, due to the lack of orders, the Company has had to resort, including this quarter, to the suspension of individual employment contracts in accordance with the provisions of Article 52(1)(c) and Article 53 of the Labour Code in the sections, departments and workplaces where there is no workload.

D. The situation of offers and commercial sales contracts

Regarding the situation of commercial contracts at 30.06.2023 *The Company* had contracts pending in total value of 14,269,611 lei with delivery in 2023.

Between April and June 2023, there were sent at the request of potential customers offers in the amount of 36,782,039 lei, of which 15,167,437 lei materialized in contracts during the same period.

On 30.06.2023 the following offers were in the negotiation phase:

- ✓ S.S.H.Hidroserv Porțile de Fier Hydropower Services and Repairs Section - Execution of spare parts and equipment for complex repair at HA1 - Assembly works of HA1 rotor hub - PdF I HPP
- ✓ S.S.H.Hidroserv Porțile de Fier Hydropower Services and Repairs Section - Expertise, documentation elaboration and technical assistance to PIF HA1 - PdF I HPP
- ✓ S.S.H.Hidroserv Râmnicu Vâlcea Hydropower Services and Repairs Section - LN4 Services HA2 - Additional works - Turnu HPP
- ✓ S.S.H.Hidroserv Portile de Fier Hydroenergetic Services and Repairs Section - Rehabilitation works of rotor and stator HG2 - Tismana Aval HPP
- ✓ S.S.H.Hidroserv Portile de Fier Hydropower Services and Repairs Section Iron Gates - Rehabilitation of devices for LN3 HA2 - PdF I HPP
- ✓ S.S.H.Hidroserv Sebes Hydroenergetic Services and Repairs Section - Execution of the control fan of the piloted sealing VS 2 HA2 – Săsciori HPP

Moreover, the necessary documents were being prepared in order to participate in the tender organized by SPEEH Hidroelectrica, Sebes Branch for 24.07.2023, having as object "Execution of turbine rotor blades KVB 8.3-1- Vistea HPP.

E. Environmental aspects

The Company's staff responded on time to all obligations imposed by the environmental and water management permits it holds for the two sites on which it operates:

- at the request of the Caras-Severin Environmental Protection Agency, the reporting on local emission inventories for the year 2022 was prepared and entered into the Integrated Environmental System, meeting the deadline;
- internal environmental audits were carried out in accordance with the requirements of the Environmental Management System certified by LRQA, in the production sections: Electric Machines I, Electric Machines II, Maintenance; and in the services: Logistics and Purchasing, Metrology Laboratory, Non-destructive Control Laboratory, Physical-Chemical Laboratory, C.T.C., Chief Technologist, Hydro Technologist, Chief Welder, services DT 0080, DT 0090, DT 0100;
- the monthly on-line declarations were sent to the Environmental Fund Administration;
- the list of chemical analyses to be carried out by the contracted external environmental laboratory was completed, with the measurement of the concentration of volatile organic compounds in the emissions into the atmosphere resulting from the activity on the two industrial platforms;
- analyses of the quality of industrial/pluvial wastewater were carried out for the second quarter, in accordance with the requirements of the water management permits No 21/S.G.A. - CS, dated 29.03.2021, for PI ABC No 60/S.G.A./14.12.2022, for PI Călnicel;
- in accordance with the Environmental Authorisation no. 94 of 18.11.2021, revised on 29.11.2022, for PI ABC and the Environmental Authorisation no. 96/25.11.2019, revised on 29.11.2022, for PI Călnicel, the situation of hazardous waste shipments for the second quarter of 2023 was sent to APM CS;
- regarding the obligations established by the National Agency for Environmental Protection (ANPM) upon UCM Resita's exit from the EGES scheme, in April 2023, the management fees for the year 2022 were paid for the two deposit accounts for operators that UCM Resita SA holds in the European Union GES Register.
- UCM Resita contested the obligations to return 249 greenhouse gas emission allowances for 2022 activity from the ABC and Călnicel work stations to the accounts in the Union Registry, communicated by ANPM addresses no. 1/2133/LAP/12.05.2023 and no. 1/2136/LAP/12.05.2023;
- UCM Resita contested Tax Decision No 2/11.05.2023 concerning the application of the penalty provided for in the event of failure to return 249 greenhouse gas emission certificates for the previous year's activity, registered with the Environmental Fund Administration under No 32720/15.05.2023, issued by the Directorate-General for Tax Administration/Directorate for Records and Collection.

The reasons for initiating the two appeals relate to the fact that, since 2012, the total rated thermal input of the combustion plants at each of the two UCM Resita work points has been below the minimum level of 20 MW, the threshold from which combustion plants must be included/maintained in the greenhouse gas emission allowance trading scheme.

Furthermore, by address No 1/1043/LAP/16.03.2023, UCM Resita communicates the following: the installations of the operator S.C. UCM Resita S.A. will no longer be subject to the greenhouse gas emission allowance trading scheme, since the activity 'Combustion of fuels in installations with a total rated thermal input of more than 20 MW (except installations for the incineration of hazardous or municipal waste)', regulated by Government Decision No 780/2006 establishing the greenhouse gas emission allowance trading scheme, as subsequently amended and supplemented, is no longer carried out at the installation site.

As of the date of this letter, greenhouse gas emission permits No 123/21.04.2021 issued for the UCM Resita - ABC Platform work point installation and No 124/21.04.2021 issued for the UCM Resita - Călnicel Platform work point installation have ceased to be valid.

F. Implementation of the Reorganisation Plan

In order to implement the provisions of the Reorganisation Plan, the Judicial Administrator has continued to take steps to recover assets that are not part of the core business.

According to the Auction Minutes, generated by the unpir.ro platform, on 10.05.2023, the sale of the asset "Built-up arera, registered in the CF/LR no.34325, with an area of 11,545 sq.m." was awarded in favour of the Municipality of Reșița, according to the approval of the Creditors' Meeting of 20.04.2023.

In accordance with the Sale Regulations approved by the Creditors' Meeting, the judicial Administrator continued to promote, market and organise auctions for the asset:

- ✓ „Casa de cultură” /"House of Culture" located in Reșița, Caras Severin County, consisting of land with an area of 9,360 sqm, the buildings that make up the House of Culture and movable property identified in Annex 1, real estate registered in the Land Register No. 32854 Resita (old CF/LR 1738), with cadastral No. 656 and topographical No. 22/1, 23/1, 24/1, 25, 26, 27, 28;"

Based on the approval of the Creditors' Meeting of 20.04.2023, in May, the insolvency/judicial administrator organised a series of 5 weekly auctions on the unpir.ro platform for the sale of the asset " Built-up arera, registered in CF/LR 35477, topographical number: 202/a/1/a/1, with an area of 24,676 sqm". No bidders submitted bids at these auctions, and the relevant auction reports were filed in the case file.

On 27.06.2023 the amount of 3,812,858.44 lei due to AAAS according to the Payment Schedule annexed to the Reorganisation Plan was distributed. Payment of this amount was made to BEJA Ezer and Crâsmaru in accordance with the request for attachment sent to UCM Reșița, as third party distrainee.

In order to solve the problem of electricity supply, the receiver and the supplier S.P.E.E.H. Hidroelectrica S.A. held negotiations and concluded negotiation minutes no. 71768/30.06.2023, the purpose of which is to conclude a payment contract for the purpose of

(i) settling current electricity supply claims and (ii) concluding a new electricity supply contract with S.P.E.E.H. Hidroelectrica S.A.

G. Other significant events for the activity of UCM Reșița

In the first half of 2023, UCM Resita S.A. fulfilled its obligations to remit to the state budget taxes and social contributions with withholding tax for the period November 2022 - March 2023.

The lack of liquidity faced by the Company did not allow the payment on due date of taxes and social contributions with withholding tax for April and May, due on 25.05.2023 and 25.06.2023.

The Creditors' Committee convened on 03.05.2023 did not approve the appointment of a service provider to implement the reporting obligations of the standard tax control file SAF - T by means of Information Return D406.

In view of the consequences of non-compliance with this obligation, the Judicial Administrator reconvened the Creditors' Committee with the same agenda for 20.06.2023, when a specialized firm was appointed, with which the Company had entered into a contract on 04.07.2023.

On 17.05.2023, the Company was informed that the bankruptcy petition filed by E.ON Romania SA for current receivables in the amount of 775,552.47 lei had been filed in the case file. At the deadline of 27.06.2023 the discussion of this request was postponed until the deadline of 21.11.2023.

In order to implement the Reorganization Plan, the Company continued the necessary steps to transfer the core-business to SPEEH Hidroelectrica S.A., the entity declared winner of the overbidding stage of the direct sale procedure of the business lines related to the ABC platform and partially to the Călnicel platform.

Thus, in the second quarter of 2023, all the topographical and cadastral operations carried out by the specialized firm appointed by the Creditors' Committee were completed, so that on 20.06.2023 all the cadastral documentation necessary for updating and dismembering the land register extracts in order to delimit the perimeter to be taken over by Hidroelectrica was submitted to OCPI.

H. Events after the reference period

Given that the asset "Built-up area, registered in CF/LR 35477, topographical number: 202/a/1/a/1, with an area of 24,676 sq.m." was not awarded at the public auction session established by the resolution of the Creditors' Meeting held on 20.04.2023, the insolvency/judicial Administrator proposed to amend the sales regulations for public auctions, convening the Creditors' Meeting for 12.07.2023. According to the Minutes no. 777/12.07.2023, the Creditors' Meeting, by a vote of the AAAS, did not approve the new sale regulation for this asset.

On 12 and 19 July, the last 2 auctions of the set of 5 auctions held at 60% of the market value of Casa de cultură/Cultural House asset took place, according to the Sale Regulation approved by the Creditors' Meeting. As no one turned up to these auctions, the receiver will organise a new session of 5 auctions at 50% of the market value of the Casa de cultură/House of Culture asset.

As of the date of this report, most of the applications for updating the land register extracts have been completed and applications have been submitted to the OCPI concerning the dismemberments required by the delimitation of the perimeter to be taken over by Hidroelectrica.

On 24.07.2023, the *Company* submitted the documents for the tender organized by SPEEH Hidroelectrica Sucursala Sebes, for "Execution of 4 Kaplan turbine rotor blades Vistea HPP", the budget for the work being 3,267,260 lei.

The Creditors' Committee convened for 31.07.2023 approved the sale of 1,700 shares, representing 70.83333% of the share capital, held by U.C.M. Reșița S.A. in Multi Farm S.R.L.

Judicial Administrator:
EURO INSOL SPRL and VF Insolvență SPRL Consortium

HR and Economic Director:
Nicoleta Liliana IONETE

STATEMENT OF JUDICIAL ADMINISTRATOR
OF
UCM RESITA SA COMPANY

The Special Trustees of *the Company* hereby declare that they assume their responsibility for the Interim Financial Statements on June 30, 2023.

The Special Trustees of *the Company* confirm, regarding the interim Financial Statements on June 30, 2023, the followings:

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

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

Judicial Administrator:
EURO INSOL SPRL and VF Insolvență SPRL Consortium

Statement of financial position on 30.06.2023

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Reference Statement of financial position IAS 1.10(a), 113	Note	Balance sheet items	Balance on 01.01.2023	Balance on 30.06.2023
<i>IAS 1.54(a)</i>		Tangible fixed assets	51,961,419	51,823,905
<i>IAS 1.54(c)</i>		Intangible fixed assets	466,756	461,762
		Financial assets	3,192,928	3,630,550
		Total of fixed assets	55,621,103	55,916,217
<i>IAS 1.54(h)</i>		Trade receivables and receivables from affiliated entities	2,378,982	1,682,061
<i>IAS 1.54(g)</i>		Stocks	14,299,508	13,814,932
		Fixed assets held for sale	69,115,526	68,971,413
<i>IAS 1.54(o), 56</i>		Deferred tax assets	10,724,131	10,724,131
<i>IAS 1.54(h)</i>		Other receivables	1,010,611	239,091
<i>IAS 1.54(i)</i>		Cash and cash equivalents	6,152,844	1,175,190
		Prepayments	15,566	10,841
		Total of current assets	103,697,168	96,617,659
		TOTAL ASSETS	159,318,271	152,533,876
<i>IAS 1.54(k)</i>		Supplies and other trade payables	9,739,295	8,856,981
<i>IAS 1.54(k)</i>		Taxes and other debts	404,982,636	405,234,300
<i>IAS 1.54(o), 56</i>		Deferred tax debts	23,532,236	23,532,236
<i>IAS 1.54(l)</i>		Provisions	82,817,115	82,732,814
<i>IAS 1.55, 20.24</i>		Revenues in advance	26,789,156	27,966,223
		Total debts	547,860,438	548,322,554
		Total assets minus Total debts	(388,542,167)	(395,788,678)
		Registered capital	601,685,084	601,685,084
		Revaluation reserves	99,553,985	98,357,884
		Legal reserves	1,972,406	1,972,406
		Other reserves	16,088,620	16,088,620
		Carried over result	(1,536,171,699)	(1,106,646,161)
		Current result	428,329,437	(7,246,511)
		Profit sharing, establishing of legal reserves	-	-
		Total equity	(388,542,167)	(395,788,678)
		TOTAL LIABILITIES	159,318,271	152,533,876

Judicial Administrator:

EURO INSOL SPRL and VF Insolvență SPRL Consortium

HR and Economic Director
Nicoleta Liliana IONETE

Statement of comprehensive income on 30.06.2023

- Lei -

Reference STATEMENT OF OVERALL RESULT IAS 1.10(B), 81(A)	Explanations	30.06.2022	30.06.2023
<i>IAS 1. 82(a) IAS 1.99,103</i>	Income from sales	5,443,793	14,349,364
<i>IAS 1.99, 103</i>	Cost of sales	15,156,131	14,995,427
	Gross operating profit (loss)	(9,712,338)	(646,063)
<i>IAS 1.99, 103</i>	Other operating income	526,565,076	360,950
<i>IAS 1.99, 103</i>	Distribution costs	-	882
<i>IAS 1.99, 103</i>	Administrative expenses	6,840,471	7,046,811
<i>IAS 1.99, 103</i>	Other operating expenses	63,307,658	(28,255)
<i>IAS 1. 82(a) IAS 1.99,103</i>	Financial revenues	1,017,478	403,291
<i>IAS 1.82(b)</i>	Financial expenses	197,303	345,251
<i>IAS 1.85</i>	Result before tax	447,524,784	(7,246,511)
<i>IAS 1.82(d), IAS 12.77</i>	Income tax expenses	31,874,017	-
	Net Profit (loss)	415,650,767	(7,246,511)
	<i>Establishing of legal reserves under Law31/1990</i>	-	-
<i>IFRS 5.33(a), 1.82(e)</i>	Profit attributable to:	-	-
<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 Insolvență SPRL Consortium

HR and Economic Director
Nicoleta Liliana IONETE

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED ON JUNE 30, 2023

-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
Balance on 01 January 2023	601,685,084	99,553,985	1,972,406	272,569,869	16,088,620	(1,808,741,568)	428,329,437	(388,542,167)
<i>Changes in equity - June 30, 2023</i>								
Transfer of surplus from revaluation reserves		(1,196,101)		1,196,101				-
Transfer of the result of the accounting year 2022 to the carried over result						428,329,437	(428,329,437)	-
Account closing -profit share								-
Registration of accounting errors from previous years to the carried over result								-
Net result of the current accounting year							(7,246,511)	(7,246,511)
Balance on 30 June 2023 IFRS	601,685,084	98,357,884	1,972,406	273,765,970	16,088,620	(1,380,412,131)	(7,246,511)	(395,788,678)

The legal reserves of *the Company*, constituted in accordance with the provisions of the Commercial Companies Act, as at 30 June 2023 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 30.06.2023, *the Company* has not yet reached the maximum level of legal litigation.

Judicial Administrator:

EURO INSOL SPRL and VF Insolvență SPRL Consortium

HR and Economic Director

Nicoleta Liliana IONETE

STATEMENT OF CASH FLOWS ON 30.06.2023

-Lei-

Name of the element	No. line	Financial exercise ended on:	
		30 June 2022	30 June 2023
OPERATING ACTIVITIES			
Net profit+Result carried over from correction of accounting errors	1	415,650,767	(7,246,511)
Adjustments for:			
Adjusting the value of tangible and intangible assets	2	2,197,402	1,224,524
Adjusting the value of financial assets	3	(733,554)	(30,327)
Expenses (revenues) with adjustments for depreciation of current assets	4	3,562,942	(88,067)
Adjustments to the provisions for risks and expenses	5	59,604,480	(84,301)
Expenses with the donating granted	6	-	-
Revenues from interests and other financial income	7	(10,544)	(65,247)
Expenses with interests and other financial income	8	-	-
Cash flow before changes in working capital (line 1 to 8)	9	480,271,493	(6,289,929)
Decrease /(Increase) – customers and other assimilated accounts	10	7,512,289	1,153,939
Decrease /(Increase) in stocks	11	685,183	628,689
Decrease /(Increase)- supplies and other assimilated accounts	12	(365,323,833)	(523,882)
Cash flow from operating activities (row. 9 to 12)	13	123,145,132	(5,031,183)
Revenue from interests	14	10,544	65,246
(Net increase) / Net decrease in restraint	15	(7,927)	32,566
Cash flow from operating activities (row.13 to 15)	16	123,147,749	(4,933,371)
INVESTING ACTIVITIES			
Cash payment for long-term purchasing of land and other assets	17	-	(11,716)
Proceeds from sales of real estate	18	-	-
Revenues from dividends	19	-	-
Net cash used in investing activities (row. 17 to 19)	20	-	(11,716)
FINANCING ACTIVITIES			
Discounts of borrowed amounts	21	(126,292,405)	-
Net cash used in financing activities (line. 21)	22	(126,292,405)	-
Net increase/(Decrease) în cash and cash equivalents (line 17+20+23)	23	(3,144,656)	(4,945,087)
Cash and cash equivalents at the beginning of the year	24	7,240,752	5,954,786
Cash and cash equivalents at the end of the period (row. 23+24)	25	4,096,096	1,009,699

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Economic - Financial Indicators on 30.06.2023

Indicator	Calculation method	Value
1. Current liquidity	$1=2/3$	0.22
2. Current assets (lei)	2	96,606,818
3. Current liabilities (lei)	3	437,623,517
4. Level of indebtedness	$4=5/6$	#N/A
5. Borrowed capital (lei)	5	0
6. Capital employed (lei)	6	(395,788,678)
7. Turnover ratio of customer debits (days)	$7 = 8/9 \times (365/4 \times 2)$	25
8. Average balance of trade receivables (lei)	8	1,959,308
9. Turnover (lei)	9	14,349,364
10. Turnover ratio of fixed assets (days)	$10 = 11/12 \times (365/4 \times 2)$	711
11. Fixed assets (lei)	11	55,916,217
12. Turnover (lei)	12	14,349,364

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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 June 30, 2023.

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 30.06.2023, the registered office of UCMR was in Bucharest, Charles de Gaulle Square 15, Charles de Gaulle Plaza Building, 3rd Floor, Peleş 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 ALMET INTERNATIONAL LTD SRL.

External clients are active both in the hydropower field and in other areas, and are from Austria, and Germany.

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

EURO INSOL SPRL and VF Insolvență SPRL Consortium as the Judicial Trustee/Administrator of the Company, undertake the liability for drawing up the Interim Separate Financial Statements on 30.06.2023 and confirm that they are in compliance with

the applicable Accounting Regulations and *the Company* shall conduct its work under the condition of continuity.

2.2 Basis of evaluation

The Company drawn up the Interim Separate Financial Statements for the year ended on June 30, 2023 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 not audited.

The Company does not apply IFRS issued and not adopted on 30.06.2023, 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.

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

On June 30, 2023, *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 30.06.2023, would not significantly differ from *the Company's* individual financial statements on 30.06.2023.

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.

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.

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.

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.

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 fiscal 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.

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, the date when the *Company* commits to purchase an asset. Regular purchases and sales are those that require delivery of assets within the period generally accepted by the regulations or conventions valid on that market. *The Company* has no financial assets at fair value registered in the profit and loss account or financial assets available for sale.

i) Financial debts

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

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

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

j) Debts related to leasing contracts

Financial leasing contracts

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

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 June 30, 2022 and 2023 are as follows:

Currency	<u>30 June 2022</u>	<u>30 June 2023</u>
RON/EUR	4.9454	4.9634
RON/USD	4.7424	4.5750
RON/GBP	5.7525	5.7822
RON/CHF	4.9466	5.0769

l) Stocks

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

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

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

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

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

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

m) Receivables

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

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

n) Cash and cash equivalents

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

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

o) Debts

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

q) Loans

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

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

p) Government grants

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

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 7 (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.

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.

ț) Provisions

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

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

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

u) Contingent debts or assets

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

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

v) Subsequent events

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

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

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

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.

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.

For the correction of the errors related to the current financial year, wrong accounting entries are corrected, 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. Significant transactions or events

In the first half of 2023, UCM Reșița S.A. fulfilled its obligations to remit to the state budget taxes and social contributions with withholding tax for the period November 2022 - March 2023.

The lack of liquidity faced by the *Company* did not allow the payment on due date of taxes and social contributions with withholding tax for April and May, due on 25.05.2023 and 25.06.2023.

On 17.05.2023, the *Company* was informed that the bankruptcy petition filed by E.ON Romania SA for current receivables in the amount of 775,552.47 lei had been filed in the case file. At the deadline of 27.06.2023 the discussion of this request was postponed until the deadline of 21.11.2023.

In order to implement the Reorganization Plan, the *Company* continued the necessary steps to transfer the core-business to SPEEH Hidroelectrica S.A., the entity declared winner of the overbidding stage of the direct sale procedure of the business lines related to the ABC platform and partially to the Călnicel platform.

Thus, in the second quarter of 2023, all the topographical and cadastral operations carried out by the specialized firm appointed by the Creditors' Committee were completed, so that on 20.06.2023 all the cadastral documentation necessary for updating and dismembering the land register extracts in order to delimit the perimeter to be taken over by Hidroelectrica was submitted to OCPI.

4. Further events

Given that the asset "Built-up area, registered in CF/LR 35477, topographical number: 202/a/1/a/1, with an area of 24,676 sq.m." was not awarded at the public auction session established by the resolution of the Creditors' Meeting held on 20.04.2023, the insolvency/judicial Administrator proposed to amend the sales regulations for public auctions, convening the Creditors' Meeting for 12.07.2023. According to the Minutes no.

777/12.07.2023, the Creditors' Meeting, by a vote of the AAAS, did not approve the new sale regulation for this asset.

On 12 and 19 July, the last 2 auctions of the set of 5 auctions held at 60% of the market value of Casa de cultură/Cultural House asset took place, according to the Sale Regulation approved by the Creditors' Meeting. As no one turned up to these auctions, the receiver will organise a new session of 5 auctions at 50% of the market value of the Casa de cultură/House of Culture asset.

As of the date of this report, most of the applications for updating the land register extracts have been completed and applications have been submitted to the OCPI concerning the dismemberments required by the delimitation of the perimeter to be taken over by Hidroelectrica.

On 24.07.2023, the *Company* submitted the documents for the tender organized by SPEEH Hidroelectrica Sucursala Sebeș, for "Execution of 4 Kaplan turbine rotor blades Viștea HPP", the budget for the work being 3,267,260 lei.

The Creditors' Committee convened for 31.07.2023 approved the sale of 1,700 shares, representing 70.83333% of the share capital, held by U.C.M. Reșița S.A. in Multi Farm S.R.L.

Judicial Administrator:
EURO INSOL SPRL and VF Insolvență SPRL Consortium

HR and Economic Director
Nicoleta Liliana IONETE