

**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

**SEPTEMBER 30, 2023**

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## Judicial Administrator Report on 30<sup>th</sup> September 2023

The reports on september 30 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 9 months the *Company* continued its activity according to the status of a company in judicial reorganization.

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-September 2023.

### A. Statement of assets, debts and equity

The situation of assets, debts and equity on 30.09.2023, compared to the beginning of 2023, is as follows::

		Lei	
No.	Balance sheet items	01.01.2023	30.09.2023
1	Fixed assets	55.621.103	55.159.251
2	Current assets	103.681.602	100.614.199
3	Prepayments	15.566	619.548
	<b>TOTAL ASSETS</b>	<b>159.318.271</b>	<b>156.392.998</b>
4	Debts	438.254.167	439.403.824
5	Income in advance	26.789.156	27.785.439
6	Provisions	82.817.115	82.648.341
7	Owner's equity	(388.542.167)	(393.444.606)
	<b>TOTAL LIABILITIES</b>	<b>159.318.271</b>	<b>156.392.998</b>

Compared to 01.01.2023, on 30.09.2023 the total assets registered a decrease of 1.84%, which is mainly due to the decrease of current assets by 2.96%.

The debts existing in the balance on 30.09.2023 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	30.09.2023	Diferențe
0	1	2	3	4=3-2
1	Fixed assets	55.621.103	55.159.251	(461.852)
2	Current assets	103.681.602	100.614.199	(3.067.403)

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3	Prepayments	15.566	619.548	603.982
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The current assets existent in the patrimony registered a decrease of 2.96%, having the following evolution compared to the beginning of 2023:

Lei

Nr. crt.	Designation of indicator	01.01.2023	30.09.2023	Diferențe
0	1	2	3	4=3-2
1	Stocks, of which:	83.431.490	80.342.998	(3.088.492)
1.a	- raw material and consumables	3.724.905	3.461.271	(263.634)
1 b	- fixed assets held for sale	69.115.526	68.971.413	(144.113)
1.c	- production in progress	6.918.121	5.717.347	(1.200.774)
1.d	- finished products and goods	3.656.482	2.180.399	(1.476.083)
1.e	- down payments	16.456	12.568	(3.888)
2	Other current assets of which:	20.250.112	20.271.201	21.089
2.a	- receivables	14.097.268	16.269.312	2.172.044
2.b	- cash and cash equivalents	6.152.844	4.001.889	(2.150.955)

In August 2023, U.C.M. Reșița and S.P.E.E.H. Hidroelectrica signed a contract of assignment in payment, whereby the Company's debt from the supply of electricity, assets executed by the Company based on the void contract 7253/2016, with Romelectro, for the objective Stejaru HPP, in the amount of 6,655,755 lei, were taken over. Moreover the excess sum of the debit amount will extinguish future debits from the supply of electricity.

The transaction had a significant impact on the Company's assets and it is the most important cause for the 17.36% decrease in the production in progress, 40.37% decrease in finished products and 15.41% increase in receivables.

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	30.09.2023	Diferențe
0	1	2	3	4=3-2
1	Owner's equity	(388.542.167)	(393.444.606)	(4.902.439)
2	Debts	438.254.167	439.403.824	1.149.657
3	Income in advance	26.789.156	27.785.439	996.283
4	Provisions for liabilities and charges	82.817.115	82.648.341	(168.774)

## B. Profit and loss account

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

Lei

No.	Indicator name	30.09.2022	30.09.2023
1	Turnover (2+3-4)	12.213.825	29.987.289

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2	Production sold	12.213.825	29.987.289
3	Revenues from sale of goods	-	-
4	Discounts granted	-	-
5	Changes in stocks: Credit balance	-	-
	Debtor balance	511.997	2.676.857
6	Capitalized production	-	333.921
<b>7</b>	<b>Exercise production (1+/-5+6)</b>	<b>11.701.828</b>	<b>27.644.353</b>
8	Other operating revenues	526.565.097	280.336
<b>9</b>	<b>Operating revenues, total (7+8)</b>	<b>538.266.925</b>	<b>27.924.689</b>
10	Financial revenues, total	1.436.306	1.274.980
<b>11</b>	<b>Total revenues (9+10)</b>	<b>539.703.231</b>	<b>29.199.669</b>

The turnover evolved favourably compared to the same period of the previous year, due both to the contract for payment, concluded between U.C.M. Reșița and S.P.E.E.H. Hidroelectrica for Stejaru HPP goods, but also to an increased volume of orders for repairs and rehabilitation of hydroelectric plants of the traditional partner S.S.H. Hidroserv SA. The most important projects carried out during this period are for the Turnu, Mărișelu, Cerbureni and Curtea de Argeș power plants.

The products and services in the hydro sector represent 84.36% of the turnover, followed by electric motor repairs with a share of 7.18%.

As a structure, the operating income, on 30.09.2023, is as follows:

<b>Nr. crt.</b>	<b>Indicator name</b>	<b>30.09.2022</b>	<b>30.09.2023</b>
1	Turnover	2,27%	107,39%
2	Changes in stocks	0,00%	-9,59%
3	Revenues from sale of fixed assets	0,00%	1,20%
4	Other operating revenues	97,73%	1,00%
	<b>TOTAL</b>	<b>100,00%</b>	<b>100,00%</b>

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

<b>No.</b>	<b>Indicator name</b>	<b>30.09.2022</b>	<b>30.09.2023</b>
1	Expenses on raw material and consumables	1.647.273	4.106.741
2	Other external expenses (energy and water)	3.528.396	3.640.733
3	Expenses with the personnel	18.008.401	17.700.773
4	Adjustments	65.518.382	1.604.294
5	Other operating expenses, of which :	5.242.133	6.541.822
5a	Expenses on disposal of fixed assets held for sale	-	144.113
<b>6</b>	<b>Total operating expenses (rw. 1 la 5)</b>	<b>93.944.585</b>	<b>33.594.363</b>
7	Total financial expenses	(409.341)	507.745
<b>8</b>	<b>TOTAL EXPENSES</b>	<b>93.535.244</b>	<b>34.102.108</b>

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The increase in throughput in the period under review is due to the higher production volume compared to the same period of last year. Significant increases are also recorded under "Other

operating expenses" due to the increase in taxes and fees as well as the increase in contract prices for recurrent services.

As a structure, operating expenses are as follows:

<b>No.</b>	<b>Indicator name</b>	<b>30.09.2022</b>	<b>30.09.2023</b>
1	Expenses on goods	1,75%	12,22%
2	Other external expenses (energy and water)	3,76%	10,84%
3	Expenses with the personnel	19,17%	52,69%
4	Adjustments	69,74%	4,78%
5	Other operating expenses	5,58%	19,47%
	<b>TOTAL</b>	<b>100,00%</b>	<b>100,00%</b>

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

<b>Nr. crt.</b>	<b>Indicator name</b>	<b>30.09.2022</b>	<b>30.09.2023</b>
1	Operating revenues	538.266.925	27.924.689
2	operating expenses	93.944.585	33.594.363
<b>3</b>	<b>Operating activities</b>	<b>444.322.340</b>	<b>(5.669.674)</b>
4	Financial revenues	1.436.306	1.274.980
5	Financial expenses	(409.341)	507.745
<b>6</b>	<b>Financial result</b>	<b>1.845.647</b>	<b>767.235</b>
7	The profit tax	31.874.017	-
<b>8</b>	<b>Net result for the financial year</b>	<b>414.293.970</b>	<b>(4.902.439)</b>

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Although the turnover is significantly higher than in the same period of the last year, it is insufficient to support the current activity. Thus, the net result on 30.09.2023 resulted in a loss of 4,902,439 lei.

### **C. Personnel situation**

On 30.09.2023 UCM Reșița had a number of 447 employees.

Between 1<sup>st</sup> January and 30<sup>th</sup> September, 2023, 58 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 to leave is likely to increase in the coming period due to the opening of new companies in the area, which may attract staff from UCM Reșița.

On 30.09.2023, 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 35 people will meet the conditions for retirement, and 12 employees who have suspended their pension, can always avail themselves of the right obtained and cancel the suspension.

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

This situation is reflected in the reduced volume of the order book and also affects the staff, since the lack of orders has forced the company to suspend 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 on 30.09.2023 *The Company* had contracts pending in total value of 7.095.071 lei, with delivery in 2023.

Between July and September 2023, there were sent at the request of potential customers offers in the amount of 28.030.657 lei, out of which 7.276.950 lei materialized in contracts in the same period.

On 30.09.2023 the following offers were in the negotiation phase:

- ✓ S.S.H.Hidroserv Râmnicu Vâlcea Hydropower Services and Repairs Section - LN4 Services HA2 - Additional works - Turnu HPP
- ✓ S.S.H.Hidroserv Porțile de Fier Hydroenergetic Services and Repairs Section - Rehabilitation works of rotor and stator HG2 - Tismana Aval HPP
- ✓ S.S.H.Hidroserv Porțile de Fier Hydroenergetic Services and Repairs Section - Rehabilitation services of HG2 stator winding- Tismana Aval HPP
- ✓ S.S.H.Hidroserv Sebeș Hydropower Services and Repairs Section - Rehabilitation services of HP2 SP motor stator winding- Gâlceag HPP
- ✓ S.S.H.Hidroserv Porțile de Fier Hydropower Services and Repairs Section - Rehabilitation of devices for LN3 HA2 - PdF I HPP

Moreover, the necessary documents were being prepared in order to participate in the tender organized by SPEEH Hidroelectrica:

- ✓ SPEEH Hidroelectrica, Sebeș Branch for 07.11.2023, having as object "Execution of turbine rotor blades KVB 8.3-1- Viștea HPP.
- ✓ S.S.H.Hidroserv Porțile de Fier Hydropower Services and Repairs Section for 07.11.2023, having as object "Execution of spare parts and equipment for complex repair at HA1 - Assembly works of HA1 rotor hub" - PdF I HPP.

## **E. Environmental aspects**

The staff of UCM Reșița responded on time to all obligations imposed by the environmental and water management permits it holds for the two sites on which it operates, the industrial platform ABC and Călnicel:

- (a) data on the management of hazardous chemicals, oils and hazardous waste were centralised on a monthly basis;
- b) the analyses on the quality of industrial/pluvial wastewater taken from the existing collectors on the ABC platform, related to the third quarter of 2023, have been carried out, in accordance with the requirements of the water management permits No. 21/S.G.A. - CS, dated 29.03.2021, for the ABC Industrial Platform;
- c) in accordance with MMAP Order no. 1150/2020, supplemented and amended, the Caras-Severin Environmental Protection Agency has been requested the annual visa for the Environmental Permit no. 94/18.11.2021, revised on 29.11.2022, for the ABC Industrial Platform and the Environmental Permit no. 96/25.11.2019, revised on 29.11.2022, for the Călnicel Industrial Platform. As a result of the requests, UCM Reșița has received the Annual Permit Decisions no. 357/09.10.2023 for the ABC platform and no. 358/09.10.2023 for the Călnicel platform.
- d) internal environmental audits have been carried out in accordance with the requirements of the Environmental Management System certified by LRQA in the following compartments: Construction Service, Energy, Administration, Electricity Distribution Service and Information Technology Service
- e) on-line declarations of emissions from stationary sources were sent to the Environmental Fund Administration for the months of May, June and July;
- f) in the context of the sale of part of the assets held by UCM Reșița on the ABC and Călnicel Industrial Platforms to Hidroelectrica S.A., or a company in the Hidroelectrica Group it was requested by address no. 206 and 207/DG0060/07.09.2023 the viewpoint of the Caras-Severin Water Management System on the regulation of the water management activity, both for the buyer of the transferred assets and for UCM Reșița, for the assets remaining in its ownership.

In the reply received by address No 4599/11.10.2023, the SGA-CS states that, if the transfer of assets is carried out within the period up to which the two water management authorisations held by UCM Reșița are valid, both entities involved in the sale-purchase will have to obtain their own authorisations, in the sense that UCM Reșița will apply for a modification of the authorisation held and the buyer will apply for a new authorisation too.

## **F. Implementation of the Reorganization Plan**

In order to implement the provisions of the Reorganisation Plan approved by the creditors, the Trustee has continued to work on the recovery of the assets proposed for sale.

In this regard, cadastral operations continued for the delimitation of the Perimeter which is the object of the transfer of the core business and, in parallel, contractual clauses were negotiated, notifications and information letters being sent to the state authorities, issuers of



authorizations, certifications, licenses held by UCM Reșița, in order to transfer to Hidroelectrica a functional business.

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

- a. „Casa de cultură” /"House of Culture" located in Reșița, Caraș 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 Reșița (old CF/LR 1738), with cadastral No. 656 and topographical No. 22/1, 23/1, 24/1, 25, 26, 27, 28;"

On 12 and 19 July, the last 2 auctions of the set of 5 auctions were held at 60% of the market value of the Casa de cultură /House of Culture assets, according to the Sale Regulation approved by the Creditors' Meeting. As no one turned up for these auctions, the Judicial Administrator organised in August a new session of 5 weekly auctions at 50% of the market value of the Casa de cultură/House of Culture asset, but this time no bidders turned up either. In this situation, based on the Sale Regulation approved at the Creditors' Meeting of 30.09.2022, which provided for a gradual decrease of 10% of the market value up to a maximum of 50%, the Trustee will draw up a new Sale Regulation for the "House of Culture" asset and submit it to the Creditors' Meeting for approval.

Within the process of implementing the Reorganisation Plan concerning the valorisation of non-core business assets, on 31.07.2023, the Trustee submitted to the Creditors' Meeting the approval of the valorisation of the shares held by UCM Reșița in SC Multi Farm SRL.

According to the Minutes no. 374/31.07.2023, the Creditors' Meeting approved the sale of 1700 shares, representing 70.8333% of the share capital, held by UCM Reșița SA in Multi Farm SRL, by public auction with a rising price, based on the market value established by the evaluation report drawn up in the proceedings.

On 06.09.2023, according to the auction Minutes no. 931, S.I.E.P.C.O.F.A.R. SA was declared the winner of the auction, becoming the majority stockholder in Multi Farm SRL, instead of UCM Reșița.

## **G. Other significant events for the activity of UCM Reșița**

In the first 3 quarters of 2023, U.C.M. Reșița S.A. fulfilled its obligations to pay taxes and social contributions to the state budget with withholding tax.

The Creditors' Committee, meeting on 03.08.2023, approved the conclusion of a payment contract for a total amount of 6,655,755.39 lei, for the purpose:

- (i) Settlement of current claims arising from the performance of the contract for the supply of electricity to domestic customers, concluded between UCM Reșița, as beneficiary and SPEEH Hidroelectrica SA, as supplier
- (ii) Signing with SPEEH Hidroelectrica SA of a new electricity supply contract for a period of 1 (one) year, with the possibility of extension
- (iii) Recovery of expenses incurred by UCM Reșița SA, as supplier of equipment for ROMELECTRO SA, within the Stejaru HPP project, which had been blocked for over 3 years.

In order to implement the Reorganisation Plan, the Company continued in the VII quarter of the plan 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, during this quarter, the clauses of the Framework Contract for the sale-purchase of the business were negotiated, the operations for updating the land register extracts were completed and more than 80% of the necessary demarcation of the perimeter to be taken over by Hidroelectrica was carried out.

## **H. Subsequent Events**

By the date of this Report, the dismemberment of all land registers has been completed. As a result of this operation, the Perimeter subject to transfer to Hidroelectrica is delimited both physically and legally, in accordance with the subject of the Framework Contract for the sale and purchase of the business.

In accordance with the Resolution of the Creditors' Meeting of 21.12.2022, the Trustee has presented to the creditors the Framework Contract for the sale and purchase of the business to be concluded between UCM Resita SA and SPEEH Hidroelectrica SA, for formulating any comments.

The Creditors' Meeting held on 25.10.2023, with 99.9370% of the total claims outstanding at the date of the meeting, took note of the Framework Sale and Purchase Agreement concerning the transfer of the business lines related to the ABC platform and partially to the Călnicel platform, without any comments.

Prior to signing, the Framework Contract for the sale and purchase of the business will be subject to Hidroelectrica's corporate approvals.

**Judicial Administrator:**

**EURO INSOL SPRL and VF Insolvență SPRL Consortium**

HR and Economic Director:

Nicoleta Liliana IONETE

**STATEMENT OF JUDICIAL ADMINISTRATOR**  
OF  
UCM REȘIȚA SA COMPANY

The Judicial Administrator of *the Company* hereby declare that they assume their responsibility for the Interim Financial Statements on September 30, 2023.

The Judicial Administrator of *the Company* confirm, regarding the interim Financial Statements on September 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 30.09.2023

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Reference Statement of financial position IAS 1.10(a), 113	Note	Balance sheet items	Solduri 01.01.2023	Solduri 30.09.2023
<i>IAS 1.54(a)</i>		Tangible fixed assets	51.961.419	51.002.449
<i>IAS 1.54(c)</i>		Intangible fixed assets	466.756	452.919
		Financial assets	3.192.928	3.703.883
		<b>Total of fixed asse</b>	<b>55.621.103</b>	<b>55.159.251</b>
<i>IAS 1.54(h)</i>		Trade receivables and receivables from affiliated entities	2.378.982	5.225.951
<i>IAS 1.54(g)</i>		Stocks	14.299.508	11.359.017
		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	331.798
<i>IAS 1.54(i)</i>		Cash and cash equivalents	6.152.844	4.001.889
		Prepayments	15.566	619.548
		<b>Total of current assets</b>	<b>103.697.168</b>	<b>101.233.747</b>
		<b>TOTAL ASSETS</b>	<b>159.318.271</b>	<b>156.392.998</b>
<i>IAS 1.54(k)</i>		Supplies and other trade payables	9.739.295	8.202.219
<i>IAS 1.54(k)</i>		Taxes and other debts	404.982.636	407.669.369
<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	82.648.341
<i>IAS 1.55, 20.24</i>		Revenues în advance	26.789.156	27.785.439
		<b>Total debts</b>	<b>547.860.438</b>	<b>549.837.604</b>
		<b>Total acssets minus Total debts</b>	<b>(388.542.167)</b>	<b>(393.444.606)</b>
		Registered capital	601.685.084	601.685.084
		Revaluation reserves	99.553.985	97.614.298
		Legal reserves	1.972.406	1.972.406
		Other reserves	16.088.620	16.088.620
		Carried over result	(1.536.171.699)	(1.105.902.575)
		Current result	428.329.437	(4.902.439)
		Profit sharing, establishing of legal reserves	-	-
		<b>Total equity</b>	<b>(388.542.167)</b>	<b>(393.444.606)</b>
		<b>TOTAL LIABILITIES</b>	<b>159.318.271</b>	<b>156.392.998</b>

**Judicial Administrator:**

EURO INSOL SPRL and VF Insolvență SPRL Consortium

HR and Economic Director  
Nicoleta Liliana IONETE

## Statement of comprehensive income on 30.09.2023

- Lei -

Reference STATEMENT OF OVERALL RESULT IAS 1.10(B), 81(A)	Explanations	30.09.2022	30.09.2023
<i>IAS 1. 82(a) IAS 1.99,103</i>	Operating revenues	12.213.825	29.987.289
<i>IAS 1.99, 103</i>	Cost of sales	22.382.035	25.409.435
	<b>Gross operating profit (loss)</b>	<b>(10.168.210)</b>	<b>4.577.854</b>
<i>IAS 1.99, 103</i>	Other operating revenues	526.565.097	614.257
<i>IAS 1.99, 103</i>	Distribution costs	-	882
	Administrative expenses	9.848.782	10.973.631
<i>IAS 1.99, 103</i>	Other operating revenues	62.225.765	(112.728)
<i>IAS 1. 82(a) IAS 1.99,103</i>	Financial revenues	1.436.306	1.274.980
<i>IAS 1.82(b)</i>	Financial expenses	(409.341)	507.745
<i>IAS 1.85</i>	<b>Result before tax</b>	<b>446.167.987</b>	<b>(4.902.439)</b>
<i>IAS 1.82(d), IAS 12.77</i>	Income tax expenses	31.874.017	-
	<b>Net Profit (loss)</b>	<b>414.293.970</b>	<b>(4.902.439)</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 Insolvență SPRL Consortium

HR and Economic Director  
Nicoleta Liliana IONETE

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED ON SEPTEMBER 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
<b>Balance on 01 January 2023</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>
<i>Changes in equity - september 30, 2023</i>								
Transfer of surplus from revaluation reserves		(1.939.687)		1.939.687				-
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							(4.902.439)	(4.902.439)
<b>Balance on 30 September 2023 IFRS</b>	<b>601.685.084</b>	<b>97.614.298</b>	<b>1.972.406</b>	<b>274.509.556</b>	<b>16.088.620</b>	<b>(1.380.412.131)</b>	<b>(4.902.439)</b>	<b>(393.444.606)</b>

The legal reserves of *the Company*, constituted in accordance with the provisions of the Commercial Companies Act, as at 30 September 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 30.09. 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 30.09.2023

-Lei-

Name of the element	No. line	Financial exercise ended on:	
		30 septembrie 2022	30septembrie 2023
<b>OPERATING ACTIVITIES</b>			
Net profit+Result carried over from correction of accounting errors	1	414.293.970	(4.902.439)
<b>Adjustments for:</b>			
Adjusting the value of tangible and intangible assets	2	3.292.618	1.970.350
Adjusting the value of financial assets	3	(1.446.977)	(591.435)
Expenses (revenues) with adjustments for depreciation of current assets	4	2.458.475	(88.067)
Adjustments to the provisions for risks and expenses	5	59.597.232	(84.301)
Expenses with the donating granted	6		
Revenues from interests and other financial income	7	(32.133)	(75.470)
Expenses with interests and other financial income	8		
<b>Cash flow before changes in working capital (line 1 to 8)</b>	<b>9</b>	<b>478.163.185</b>	<b>(3.771.362)</b>
Decrease /(Increase) – customers and other assimilated accounts	10	7.075.003	(3.400.757)
Decrease /(Increase) in stocks	11	714.289	3.084.604
Decrease /(Increase)- supplies and other assimilated accounts	12	(362.584.028)	1.075.641
<b>Cash flow from operating activities (row. 9 to 12)</b>	<b>13</b>	<b>123.368.449</b>	<b>(3.011.874)</b>
Revenue from interests	14	32.133	75.469
(Net increase) / Net decrease in restraint	15	(67.909)	29.823
<b>Cash flow from operating activities (row.13 to 15)</b>	<b>16</b>	<b>123.332.673</b>	<b>(2.906.582)</b>
<b>INVESTING ACTIVITIES</b>			
Cash payment for long-term purchasing of land and other assets	17	-	(11.716)
Proceeds from sales of real estate	18	-	219.058
Proceeds from the sale of shares	19	-	578.108
<b>Net cash used in investing activities (row. 17 to 19)</b>	<b>20</b>	<b>-</b>	<b>785.450</b>
<b>FINANCING ACTIVITIES</b>			
Discounts of borrowed amounts	21	(126.292.405)	-
<b>Net cash used in financing activities (line. 21)</b>	<b>22</b>	<b>(126.292.405)</b>	<b>-</b>
Net increase/(Decrease) în cash and cash equivalents (line 17+20+23)	23	(2.959.732)	(2.121.132)
Cash and cash equivalents at the beginning of the year	24	7.240.752	5.954.786
<b>Cash and cash equivalents at the end of the period (row. 23+24)</b>	<b>25</b>	<b>4.281.020</b>	<b>3.833.654</b>

**Judicial Administrator:**

EURO INSOL SPRL and VF Insolvență SPRL Consortium

HR and Economic Director  
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### Economic - Financial Indicators on 30.09.2023

Indicator	Calculation method	Value
<b>1. Current liquidity</b>	1=2/3	0,23
2. Current assets (lei)	2	100.614.199
3. Current liabilities (lei)	3	439.403.824
<b>4. Level of indebtedness</b>	4=5/6	#N/A
5. Borrowed capital (lei)	5	0
6. Capital employed (lei)	6	(393.444.606)
<b>7. Turnover ratio of customer debits (days)</b>	$7 = 8/9 \times (365/4 \times 2)$	34
8. Average balance of trade receivables (lei)	8	3.726.381
9. Turnover (lei)	9	29.987.289
<b>10. Turnover ratio of fixed assets (days)</b>	$10 = 11/12 \times (365/4 \times 2)$	504
11. Fixed assets (lei)	11	55.159.251
12. Turnover (lei)	12	29.987.289

**Judicial Administrator:**

EURO INSOL SPRL and VF Insolvență SPRL Consortium

HR and Economic Director

Nicoleta Liliana IONETE



## 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 September 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 30.09.2023, the registered office of UCMR was in Bucharest, Charles de Gaulle Square 15, Charles de Gaulle Plaza Building, 3<sup>rd</sup> 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 Reșița, 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 and S.S.H HIDROSERV S.A, 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 30.09.2023 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 September 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 30.09.2023, 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 30.09.2023, *the Company* holds no subsidiary.

## ***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 September 30, 2022 and 2023 are as follows:

Currency	30 september 2022	30 September 2023
RON/EUR	4,9490	4,9746
RON/USD	5,0469	4,6864
RON/GBP	5,6367	5,7433
RON/CHF	5,1652	5,1446

#### ***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 Reșița, respectively up to 2 average gross salaries per *Company* for a seniority between 10-25 years in UCM Reșița, respectively 1 average gross salaries per company for a seniority between 5-10 years in UCM Reșița). 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.

**ș) 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.

***t) Provisions***

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

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

***u) Contingent debts or assets***

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

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

***v) Subsequent events***

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

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

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

***w) Affiliated parties***

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

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

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

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

- An entity is a joint venture of a third entity and the other is an associate of the third entity;
- 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 9 months of 2023, U.C.M. Reșița S.A. fulfilled its obligations to pay taxes and social contributions to the state budget with withholding tax.

In order to implement the provisions of the Reorganisation Plan approved by the creditors, the Trustee has continued to work on the recovery of the assets proposed for sale.

It was 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, within the 3<sup>rd</sup> quarter of this year, the clauses of the Framework Contract for the sale-purchase of the business were negotiated, the operations for updating the land register extracts were completed and more than 80% of the necessary demarcation of the perimeter to be taken over by Hidroelectrica was carried out. Moreover notifications and information letters were being sent to the state authorities, issuers of authorizations, certifications, licenses held by UCM Reșița, in order to transfer to Hidroelectrica a functional business.

Within the process of implementing the Reorganisation Plan concerning the valorisation of non-core business assets, on 31.07.2023, the Trustee submitted to the Creditors' Meeting the approval of the valorisation of the shares held by UCM Reșița in SC Multi Farm SRL. According to the Minutes no. 374/31.07.2023, the Creditors' Meeting approved the sale of 1700 shares, representing 70.8333% of the share capital, held by UCM Reșița SA in Multi Farm SRL, by public auction with a rising price, based on the market value established by the evaluation report drawn up in the proceedings.

On 06.09.2023, according to the auction Minutes no. 931, S.I.E.P.C.O.F.A.R. SA was declared the winner of the auction, becoming the majority stockholder in Multi Farm SRL, instead of UCM Reșița.

### **4. Further Events**

By the date of this Report, the dismemberment of all land registers has been completed. As a result of this operation, the Perimeter subject to transfer to Hidroelectrica is delimited both physically and legally, in accordance with the subject of the Framework Contract for the sale and purchase of the business.

In accordance with the Resolution of the Creditors' Meeting of 21.12.2022, the Trustee has presented to the creditors the Framework Contract for the sale and purchase of the business to be concluded between UCM Resita SA and SPEEH Hidroelectrica SA, for formulating any comments.

The Creditors' Meeting held on 25.10.2023, with 99.9370% of the total claims outstanding at the date of the meeting, took note of the Framework Sale and Purchase Agreement concerning the transfer of the business lines related to the ABC platform and partially to the Călnicel platform, without any comments.

Prior to signing, the Framework Contract for the sale and purchase of the business will be subject to Hidroelectrica's corporate approvals.

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

HR and Economic Director  
Nicoleta Liliana IONETE