

**Yearly Report of the Special Trustees
for the Accounting Year ended 31 December 2014**
[All amounts are given in lei (RON) unless otherwise stated]

YEARLY REPORT

OF SPECIAL TRUSTEES FOR THE ACCOUNTING YEAR 2014

UCM Resita SA (company in insolvency, en procedure collective), with the registered office located in Bucharest, Montreal Square 10, World Trade Center Building, Entrance F, 1st Floor, Office no. 1.50, Sector 1, and the administrative headquarters (working station) in Resita, Golului Street, no. 1 Caras-Severin County, registered in the Trade Register of Bucharest under no. J40/13628/2011, CUI 1056654 (hereinafter referred to as *the Company* or *UCMR*).

UCM Resita SA Field of Activity

The main field of activity of *the Company*, under the Classification of Activities in National Economy (CAEN), is manufacturing of equipment for production and use of mechanical power (except motors for aircrafts, vehicles and motorcycles) - Code 281.

The Company's main activity consists in the manufacture of engines and turbines (except motors for aircrafts, vehicles and motorcycles) - CAEN Code 2811.

Brief History

The Industrial Complex Resita Works was founded in July 3, 1771 by commissioning the first furnaces and forges, representing the oldest industrial facility in Romania and one of the oldest in Europe.

The beginning was assigned to the metallurgical sector, but gradually was formed and developed the machine-building sector reaching to become predominant in the last quarter of the nineteenth century.

Throughout history, several periods can be distinguished based on the ownership:

- **Austrian Fisk Period (1771-1854)** - during which the factories belonged to the Austrian Fisk, who exercise its leadership and control through Banat Mining Directorate.
- **St.E.G. Period (1855-1920)** - Resita Works were in the property of the International Consortium St.E.G. "K.u.K Oberprivilegierte Staatseisenbahn Gesellschaft", an Imperial and Royal privileged Company of the State Railways.
- **UDR Period (1920-1948)** - At the end of the first world war as the Romanian National Unitary State is established, based on the Royal Decree no. 2455 on June 8, 1920 all assets of St E.G. on Romanian territory are transferred to the newly established company "Uzinele de Fier si Domeniile Resita" ("Resita Iron Works and Estate").
- **Nationalization of "Uzinele de Fier si Domeniile Resita" ("Resita Iron Works and Estate")** - *The post-nationalization period* can be further divided in several stages:
 - **U.D.R.I.N. Stage (1948-1949)**, when the factories were known as "Resita Iron Works and Estate" - nationalized company.
 - **SOVROM Stage (1949-1954)**, in which there was actually disintegrated the company UDR, Resita Works becoming now part of the newly established joint ventures SOVROMMETAL and SOVROMUTILAJPETROLIE, later reunited into a single administrative entity named "Combinatul Metalurgic Resita" (The Metallurgical Plant Resita), (1954-1962).

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- **The Stage "Uzina Constructoare de Masini Resita" (The Machine Building Company)** (after April 1, 1962), when the company was subordinated to various ministries or industrial centers, after 1973 being known under the name of Machine Building Company Resita.
- **The Stage "Uzina Constructoare de Masini Resita S.A."** (after February 1991) - As a result of the legislative provisions, I.C.M. Resita was reorganized and transformed into a joint stock company. Given the implementation of the Privatization Law, 70% of the ownership was transferred to the State Property Fund, and 30% to the Private Property Fund, according to the Government Decision No. 334/1991, by which *the Company* becomes a public joint stock company.

The Company was privatized in December 2003, with the sale of the entire package of shares held by the Authority for Privatization and Shareholding Administration (APAPS) to the Consortium formed by the Swiss Company INET A.G. and the Association of Employees from the Machine Building Company Resita.

Since 2005, *the Company* was in the process of reorganization, aiming to organize its activities so as to focus the production on specific traditional activity (manufacturing and marketing of hydro power units). The program included measures for structural reorganization of *the Company*, technical and technological restructuring, environmental investments and financial restructuring, consisting of:

- Increased coverage with orders for production capacities;
- Increased revenue from exports, to reduce the structural risk of sales;
- Capitalization of company's basic activities, as they were referred to in the privatization contract;
- Adjustment of company's financial structure by restoring the supplier's credit;
- Increase of financial discipline for collecting and obtaining of bank financing;
- Development of an investment plan needed to maintain the competitiveness of the company's products and diversification of production.

According to the legislation in force at the time of privatization, *the Company* had the benefit of two Common Ordinances, respectively OC 6/502/03.06.2006 and OC 9083/29.03.2007, on granting payment facilities, by exemption and rescheduling the budgetary obligations owed and outstanding, totaling 199,875,331 lei.

At the end of 2009, due to failure to pay the current debts in due time, *the Company* loses the facilities granted by the two Common Ordinances at privatization and, thus the historical debts are reactivated.

The Company continues to record further significant losses and the lack of funding leads to blockage in company's activity.

Taking this into account, during the meeting of the Board of Directors that took place on 30.11.2011 was decided to open the general procedure of insolvency, with the purpose to reorganize the activity, the necessary documentation being filed at the Court of Law Bucharest. On 06.12.2011, the Court of Law Bucharest in the file No. 75017/3/2011 decided to accept the application for opening the insolvency proceedings, leaving *the Company* the right to manage the activity and to administrate the assets, property rights held under the supervision of the Official Receiver appointed by the syndic judge - Consortium consisting of the insolvency practitioners EURO INSOL SPRL and VF INSOLVENȚA SPRL.

Brief overview of the main products manufactured:

HYDRO POWER UNITS and HYDRO-MECHANICAL EQUIPMENT:

- HYDRAULIC TURBINES, custom designed, with outputs over 10 MW and under 10 MW, type Francis, Kaplan and Bulb having the parameters adequate for hydropower plants, including separate components;

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- HYDROELECTRIC GENERATORS, custom designed, with outputs up to 200 MVA having the parameters adequate for the hydraulic turbines, including separate components;
- SMALL HYDRO POWER UNITS, with outputs up to 1200 kW and MICRO HYDRO POWER UNITS with outputs up to 100 kW;
- GOVERNORS for hydraulic turbines;
- EXCITATION SYSTEMS for hydroelectric generators;
- AUXILIARY EQUIPMENT for turbines, generators, power plants;
- VALVES (custom designed) butterfly, spherical, open chamber needle valve and slide valve type;
- LARGE HYDRAULIC SERVOMOTORS, with diameters between 160 and 600 mm and strokes between 500 and 17500 mm.

SPARE PARTS for DIESEL ENGINES:

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

WELDED ASSEMBLIES and WELDED METAL STRUCTURES

The main markets for each product or service sold in 2014:

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

The weight of each sort of products or services reflected in the total sales of UCMR for the year 2014 is as follows:

No.	Group of products	Weight in total sales
1.	Hydro Power Units (new products and rehabilitation)	62.89 %
2.	Electric motors + repairs	4.59 %
3.	Spare parts for Diesel engines	0.05 %
4.	Miscellaneous	10.25 %
5.	Services	19.76 %
6.	Other revenues	2.46 %

The main objective of UCMR for the year 2015 is strengthening of its position in the domestic market and finding of new markets. In order to strengthen the relationship with traditional clients, *the Company* is seeking to increase the volume of contracts/orders in the field of hydro - hydro power units (repairs, modernization, rehabilitation and new equipment).

In order to achieve this objective, *the Company* runs a series of contracts, mainly on the domestic market, mostly with the branches Hidroelectrica and SSH Hidroserv: HPP Pașcani; HPP Bretea; HPP Răstolița; HPP Lerești; HPP Retezat; HPP Dragașani; HPP Orlea and HPP Cârnești, but also with other companies such as Romelectro Bucharest - HPP Bumbești and Dumitra.

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For the year 2015, UCMR aims to participate in execution of general overhauls and modernization works on the domestic market, for several projects of Hidroelectrica, among which are those from the hydro power plants: Gâlceag, Călimănești, Stâncă-Costești, Marișelu, Berești, Slatina, Lerești, Retezat, Stejaru, Orlea and Cârnesti.

On the domestic market, *The Company* intends to development other works, different from hydro issues, such us: manufacture of welded construction in collaboration with RTS Welded Structures Resita.

UCMR main competitors in each major products and services

The main domestic and foreign competitors of *the Company*, i.e. products which are in competition with them, are:

Group of products	Competing company	
	Domestic	Foreign
Complex Hydro Power Units (including rehabilitation and components)	Voith Hydro Romania SRL	Andritz Hydro
	Alstom Power Romania SRL	Voith Hydro
	Hidroelectrica Serv	Alstom Power
	Gena Electric SRL Bucharest	Litostroj - Slovenia
		Companies in China

Significant subjection on a single customer or to a group of customers, whose loss would have a negative impact on the Company's revenues

The main customers of *the Company*, as a result of the turnover achieved in 2014, are listed below:

No.	Customer	Weight in total sales
1.	SSH HIDROSERV	54.46 %
2.	HIDROELECTRICA S.A.	15.14 %
3.	Others	30.40%

It should be noted that UCM Resita SA is captive on the domestic market depending, at least 80%, of a single customer, since also in the case of contracts developed with HIDROSERV, the final beneficiary is HIDROELECTRICA SA.

Number of employees, the degree of unionization

On 31.12.2014, UCMR had a number of 1,330 employees assigned to the following structure:

Category	Number	Percentage (%)
Workers	1,006	75.64%
Foremen	36	2.71%
Officials	288	21.65%
TOTAL	1,330	100.00%

The unionization of the workforce in December 2014 was of 82.609%.

The employer acknowledges the "Union Resita 1771" as representative union, in accordance with the Law 62/2011 (The Law of Social Dialogue) but also the "Independent Free Union", as legally constituted union.

The rights and obligations of employees are established by the Individual Labor Agreement, but also by the Internal Regulation as annex and part of the applicable Collective Labor Agreement, concluded between the representatives of the employer and the representatives of the employees. The signatory parties to this agreement undertake to cooperate in its implementation, based on the principle of good faith, in strict compliance with the law and informing each other and promptly on emerging issues.

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During 2014 there were no labor disputes, the unions even taking an active role in supporting the interests of *the Company*, under the harsh conditions of the insolvency period.

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

According to the Profit and Loss Account, in 2014 the operating revenues increased by approximately 5% over the previous year, the weight of revenues in total revenues being of 95.32% compared to 93.09% in 2013, respectively 97.70% in 2012.

No.	Revenues	Lei		
		2012	2013	2014
1	Operating revenues	145.286.984	30.880.591	33.193.926
2	Financial revenues	3.427.689	2.292.790	1.628.093
3	Extraordinary revenues	0	0	0
	Total revenues	148.714.673	33.173.381	34.822.019

No.	Revenues	Pondereaza (%)		
		2012	2013	2014
1	Operating revenues	97.70%	93.09%	95.32%
2	Financial revenues	2.30%	6.91%	4.68%
3	Extraordinary revenues	0.00%	0.00%	0.00%
	Total	100.00%	100.00%	100.00%

In terms of expenditure, although their value has increased over the previous year, the weight of operating expenses in total expenditures decreased by 2.16% compared to 2013, while the weight of financial expenses increased in the same proportion.

No.	Expenses	Lei		
		2012	2013	2014
1	Operating expenses	142.106.830	24.839.168	26.019.815
2	Financial expenses	3.449.128	6.319.801	7.527.205
3	Extraordinary expenses	0	0	0
	Total expenses	145,555,958	31,158,969	33,547,020

No.	Expenses	Weight in percentage (%)		
		2012	2013	2014
1	Operating expenses	97.63%	79.72%	77.56%
2	Financial expenses	2.37%	20.28%	22.44%
3	Extraordinary expenses	0.00%	0.00%	0.00%
	Total	100.00%	100.00%	100.00%

The main economical-financial indicators are shown in the table below, with the note that it was filled with "N/A" at those indicators of the accounting years 2013 and 2014 which include in calculation the negative amounts (values), respectively the losses for the current accounting year and/or previous ones.

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	2013	2014
1 Liquidity indicators		
<i>Indicator for current liquidity - in number of times</i>	0.47	0.40
<i>Indicator for immediate liquidity (acid test) - in number of times</i>	0.46	0.39
2 Risk indicators		
<i>Indicator for indebtedness rate</i>	N/A	N/A
<i>Indicator for interest coverage - in number of times (if negative, it will not be calculated)</i>	1.66	1.29
3 Activity indicators		
<i>Turnover ratio of debts - customers - in number of days</i>	2,146	2,960
<i>Turnover ratio of credits - suppliers - in number of days</i>	180	227
<i>Turnover ratio of fixed assets - number of times</i>	0.37	0.16
<i>Turnover ratio of total assets - in number of times</i>	0.11	0.07
<i>Turnover ratio of stocks - in number of times</i>	0.35	0.62
4 Profitability indicators		
<i>Gross margin on sales (%)</i>	75%	85%

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

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

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

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

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

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

The *turnover ratio of fixed assets* shows management efficiency in the use of fixed assets, expressing the value of the turnover generated by their exploitation. A decreasing value shows that there is no better efficiency in the use of the fixed assets.

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

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

The *gross margin from sales* reflects *the Company's* efficiency expressed by the profit realized as percentage of the total revenues, respectively its advantageousness (profitability). A decreasing value of this percentage may reflect the fact that *the Company* is unable to control the production costs or to achieve the optimum sales price.

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Location of main production capacities:

The Company's activity on 31.12.2014 was divided into the following sectors of production:

- Department of Turbines and Marine Spare Parts
- Department of Heavy Mechanics
- Department of Electrical Machines I
- Department of Electrical Machines II
- Department of Welded Assemblies and Mechanical Machining
- Department of Heat Treatment

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

The situation of lands owned by the Company at 31.12.2014 is as follows:

No	Location	Certificate of ownership No.	Remaining area recorded in CF	Non-tabulated lands owned by UCMR with certificate of ownership	Legal status (CP /CF) Remarks
1	ABC Industrial Platform	MO3 no. 4424	306,300		Tabulated
2	Dept. of lubricants Mociur	MO3 no. 5059	4,591.62		Tabulated
3	Oxygen Factory Mociur	MO3 no. 5057	24,323		Tabulated
4	Casting Factory Mociur	MO3 no. 5337	174,798.65		Tabulated
5	Parking stock	MO3 no. 5058	11,564		Tabulated
6	Drinking water tank Mociur	MO3 no. 5336	1,415		Tabulated
7	Warehouse for models Dealu Mare	MO3 no. 4726	11,545		Tabulated
8	Industrial water pool land Dealu Mare	MO3 no. 4727	180		Tabulated
9	Reduction Gear Box Renk Factory	MO3 no. 4431	22,907		Tabulated
10	Industrial bays Cilnicel	MO3 no. 5507	86,010.44	158 sq.m.	Tabulated 86,010 sq.m. 158 sq.m. Non-tabulated
11	Warehouses, storage rooms Cilnicel	MO3 no. 5506	50,672.68		Tabulated
12	Deep connection station Cilnicel	MO3 no. 5493	2,860		Tabulated
13	Compressor station Cilnicel	MO3 no. 7639	0	4,680 sq.m.	Non-tabulated
14	House of Culture	CF no. 32854	9,360		Tabulated
15	Nursery	MO3 no. 3907	2,860		Tabulated
16	Hostel no. 1	MO3 no. 3301	623		Tabulated
17	Hostel no. 3	MO3 no. 3302	625		Tabulated
18	Hostel no. 5	MO3 no. 3298	608		Tabulated
19	Hostel no. 2	MO3 no. 3300	621		Tabulated

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20	Block of bachelor's rooms	MO3 no. 3297	441		Tabulated
21	Screw Factory Anina	MO3 no. 4429	10,781		Tabulated
22	Moniom	MO3 no. 4430	24,676		Tabulated
23	Land in Vilcea	Bill of sale and CF No. 15682	1,000		Tabulated
	Total		748,762.39	4,838 sq.m	

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

Claims:

No.	File No. In Court	Applicant	Court of jurisdiction	Hearings	Remarks
1.	3436/290/2010	Mihăilescu Gheorghe Mihăilescu Carmen	Courthouse of Resita	-	Termination on 09.04.2012 - Suspends judgment under Art. 36 of Law no. 85/2006
2.	7328/115/2012	Simuț Melania Aurora	Court of Law Caras-Severin	24.04.2013	Claim under Law no. 10/2001

Marketable securities issued by the Company

The shares of *the Company* are listed on the Bucharest Stock Exchange. Listing of company shares on BSE started on 07.25.1998, until then *the Company's* shares being traded on RASDAQ market.

Once the insolvency was declared, the *Company's* shares were suspended from trading. At the end of 2014 *the Company* had a total of approximately 10,324 shareholders, natural and legal persons.

The synthetic, consolidated structure of shareholders owing financial instruments at least 10% of the registered capital of *the Company* at the end of 2014 is as follows:

No.	Name of shareholder	Number of shares	Percentage in the share capital %
1.	INET AG	106,403,900	96.7890
2.	ASSOCIATION OF EMPLOYEES FROM RESITA MACHINE BUILDING COMPANY	662,638	0,6028
3.	List of shareholders – legal persons	1,970,829	1.7927
4.	List of shareholders – natural persons	896,537	0,8155
	TOTAL	109,933,904	100.0000

Rights arising from shares

The shares of *the Company* are registered shares, being issued in dematerialized form, and are administered by the Central Depository Bucharest.

The shares are equal in value and give equal rights to the holders.

Each share entitles the holder to dividends, the right to vote and to be elected to the company's bodies, the right to vote at the General Meeting of Shareholders, the preference right to subscribe the registered shares

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issued in order to increase the capital, the right to information, the right to participate in the distribution of company's net assets in case of liquidation and other rights, under the provisions of the Memorandum of Association and the legislation in force.

General Meeting of Shareholders

The General Meeting is the governing body of *the Company* which has full discretion to order or ratify acts relating to *the Company* and to make decisions about its commercial, financial and legal activity.

The General Meetings of Shareholders may be ordinary and extraordinary.

Management of *the Company*

In compliance with the Decision of Bucharest Court of Law dated 06.12.2011, following the application regarding the opening of insolvency proceedings, *the Company* has retained the right to manage the assets under the supervision of the Official Receiver appointed by the syndic judge.

According to Article 18 of Law 85/2006 on insolvency proceedings, after opening of proceedings, the General Meeting of Shareholders shall appoint a special trustee to represent the interests of the company and shareholders and to attend the proceedings.

At the Extraordinary General Meeting of Shareholders dated 12.11.2012 was approved the new structure for special management of the Company consisting of two representatives that jointly act, represent and engage the Company, having the right of joint signature.

Thereby, Mr. Cosmin URSONIU and Mrs. Nicoleta Liliana IONETE have been designated as Special Trustees of *the Company*.

Executive management of UCM Resita S.A.

The executive management of the Company during 2014 had the following structure:

- Mr. Cosmin URSONIU – General Director
- Mrs. Liliana Nicoleta IONETE - Human Resources and Economic Director
- Mr. Daniel BANDRABUR - Contract Management and Commercial Director
- Mr. Stefan VERDET - Production Director

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

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

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

Internal Audit

The objectives of the internal audit are:

- To provide objective and counseling systems for company's activities, with the purpose to improve their efficiency;
- To support achievement of company's goals through a systematic and methodical approach which evaluates and improves the effectiveness of the management system, based on management of risk, control and processes of management.

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The activity of internal audit is exercised over all activities developed in *the Company*, in accordance with the Annual Plan of Internal Audit approved, or with the Audit Missions ordered by the Special Trustee beside the audit plan.

The internal audit provides greater efficiency through more appropriate use of human and material resources, as well as better coordination between different departments of *the Company*.

Financial – accounting status for the years 2012, 2013, 2014

In the balance sheets for the accounting years 2012, 2013 and 2014 the significant balance sheet items are as follows:

- Lei -

No.	Balance items	2012	2013	2014
1	Lands and buildings	131.258.607	103.010.824	181.408.122
2	Technical facilities and machinery	5.883.735	4.443.218	3.536.458
3	Stocks	45.333.150	8.918.257	7.918.960
4	Receivables	264.495.603	256.477.767	254.756.954
5	Cash and bank accounts	1.291.320	1.204.424	1.122.049
6	Current assets	313.723.322	278.931.896	268.076.083
7	Current liabilities	456.351.727	587.730.681	664.699.908

The total value of investments made by *the Company* in 2014 was of 428.445 lei, having the following structure:

- Lei -

Category	Value of investments in 2014
Buildings	7.365
Technological equipment and transportation facilities	410.942
Furniture, office equipment, etc.	10.138
TOTAL	428.445

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

No.	Designation of indicator	Differences (Lei)		
		2012/2011	2013/2012	2014/2013
1	Stocks, of which:	(2.245.441)	(36.414.893)	(999.297)
1.a	- raw material, materials	(2.327.147)	(4.793.589)	(1.799.777)
1.b	- production in progress	423.278	(32.220.950)	857.779
1.c	- finished products and goods	(341.573)	599.646	(57.299)
2	Other current assets, of which:	5.591.731	1.649.072	(9.862.284)
2.a	- receivables	5.166.011	(8.017.836)	(1.720.813)
2.b	- short-term financial investments	2.549.443	9.753.804	(8.059.096)
2.c	- cash on hand	(2.123.723)	(86.896)	(82.375)

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

Also, will be continued the steps to recover old receivables and to collect current receivables from customers

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

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No.	Designation of indicator	Differences (Lei)		
		2012/2011	2013/2012	2014/2013
1	Owner's equity	(4.888.124)	(100.309.501)	34.093.171
2	Debts	5.550.214	131.378.954	76.969.227
3	Income in advance	(17.755.814)	(1.100.104)	(4.930)
4	Provisions for liabilities and charges	(4.215.999)	(92.638.847)	(46.109.313)

The Company was privatized in December 2003, the company INET AG – Switzerland buying 51% of the pack of shares held by APAPS. On 31.12.2014, it held 96.7890% of total shares, respectively the same number and the same weight of their total as last year.

On 31.12.2014 the value of the registered capital was of 10.993.390,40 lei, representing 109.933.904 shares.

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

Analysis of operating results

The revenues include both income from the main activity and gains from any other sources.

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

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

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

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

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

No.	Explanations	2013	2014
1	Revenues from sold production	44.682.757	28.545.457
2	Revenues from sale of goods	334.264	3.290.817
3	Discounts granted	704.964	310.887
4	TOTAL TURNOVER (4=1+2-3)	44.312.057	31.525.387

The turnover realized in 2014 is of 31.525.387 lei, of which 9,30% on foreign market (UE and non UE area) and 90,70% on domestic market.

No.	Explanations	2013	2014
1	Romania	42.482.715	28.594.877
2	European Union	1.256.815	2.606.875
3	Other countries in Europe	572.527	260.036
4	Africa	-	-
5	Asia	-	63.599
6	America	-	-
7	TOTAL (7=1+2+3+4+5+6)	44.312.057	31.525.387

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From the profit and loss account for the years 2012, 2013 and 2014 following revenues can be distinguished:

No.	Revenues	Lei		
		2012	2013	2014
1	Turnover (2+3-4)	152.028.478	44.312.057	31.525.387
2	Revenues from sold production	153.140.958	44.682.757	28.545.457
3	Revenues from sale of goods	1.914.497	334.264	3.290.817
4	Discounts granted	3.026.977	704.964	310.887
5	Chances in stocks:			
	Credit balance			750.530
	Debit balance	9.076.279	14.690.817	0
6	Capitalized production	218.426	142.423	474.201
7	Production of accounting year (1+/-5+6)	143.170.625	29.763.663	32.750.118
8	Other operating revenues	2.116.359	1.116.928	443.808
9	Operating revenues, total (7+8)	145.286.984	30.880.591	33.193.926
10	Financial revenues, total	3.427.689	2.292.790	1.628.093
11	Extraordinary revenues	0	0	0
12	Total revenues (9+10+11)	148.714.673	33.173.381	34.822.019

The percentage of key indicators related to revenues in total revenues is shown below:

No.	Revenues	Percentage (%)		
		2012	2013	2014
1	Turnover	104.64%	143.49%	94.97%
2	Changes in stocks	-6.25%	-47.57%	2.26%
3	Capitalized production	0.15%	0.46%	1.43%
4	Other operating revenues	1.46%	3.62%	1.34%
	Total	100.00%	100.00%	100.00%

Depending on their nature, the revenues are as follows:

No.	Revenues	Lei		
		2012	2013	2014
1	Operating revenues	145.286.984	30.880.591	33.193.926
2	Financial revenues	3.427.689	2.292.790	1.628.093
3	Extraordinary revenues	0	0	0
	Total revenues	148.714.673	33.173.381	34.822.019

The expenses include those expenses that arise in the course of the ordinary activities of the company, also the losses (such as those resulting from disasters).

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

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

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

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

Depending on their nature, the expenses are as follows:

No.	Expenses	Lei		
		2012	2013	2014
1.	Operating expenses, total	142.106.830	24.839.168	26.019.815
2.	Financial expenses, total	3.449.128	6.319.801	7.527.205
3.	Extraordinary expenses	0	0	0
	Total expenses	145.555.958	31.158.969	33.547.020

The operating expenses have the following structure:

No.	Expenses	Lei		
		2012	2013	2014
1	Physical expenses	38.250.642	12.429.889	8.081.749
2	Other external expenses (energy and water)	10.978.592	6.364.937	4.437.426
3	Expenses on goods	1.925.113	220.102	3.197.896
4	Trade discounts received	16.782	42.586	4.176
5	Expenses with the personnel	52.329.527	38.728.740	29.326.102
6	Adjustments	17.841.564	(39.169.211)	(25.117.992)
7	Other operating expenses	20.798.174	6.307.296	6.098.810
	Total operating expenses	142.106.830	24.839.168	26.019.815

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

No.	Expenses	Percentage (%)		
		2012	2013	2014
1	Physical expenses	26.92%	50.04%	31.06%
2	Other external expenses (energy and water)	7.73%	25.62%	17.05%
3	Expenses on goods	1.35%	0.89%	12.29%
4	Trade discounts received	0.01%	0.17%	0.02%
5	Expenses with the personnel	36.82%	155.92%	112.71%
6	Adjustments	12.56%	-157.69%	-96.53%
7	Other operating expenses	14.64%	25.39%	23.44%
	Total	100.00%	100.00%	100.00%

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Factors of financial risk

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

(i) Foreign exchange risk

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

The exchange rate LEU/EUR was 4.4821 on 31.12.2014 compared to 4.4874 on 31.12.2013.

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

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

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

(ii) Credit risk (rates, interests)

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

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

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

(iii) Economic environment and market risk

The Romanian economy is still in transition, the recession and global crisis affecting her significantly, even if there is some safety about the future development of policy and economic development through accession of Romania to the European Union.

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

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

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

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

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

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

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

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

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

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

Conclusions

In 2014 SC UCM Resita SA continued its activity according to the status of company in insolvency proceedings with the intention of reorganization but retained the right to manage, by the special trustees, under the supervision of the official receiver.

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

At the end of the financial year 2014, the Company recorded a net profit of 609.032 lei, intended to cover losses from previous years, this being the third consecutive year, from the opening of insolvency proceedings, ended on profit (3.000.779 lei in 2012; 2.091.558 lei in 2013).

For 2015, *the Company* established the Budget of Revenue and Expenses through which aims continuity in developing the work specific to their field of activity and to obtain economic-financial results to revive *the Company*.

Even in the current economic situation, *the Company* has a strategic position, a tradition and a particular technical potential that can be considered as basic premises in carrying out the production activities and services in future periods.

Special Trustees:

Cosmin URSONIU

Nicoleta Liliana IONETE

