



UZTEL S.A.

OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

243 MIHAI BRAVU St., code 100410, PLOIESTI , PRAHOVA-ROMANIA

Phone: + 40(0)244 / 541399, 523455; 0372441111; Fax: 521181; E-mail: office@uztel.ro

FISCAL CODE RO1352846 , R.C. PLOIESTI NO. J29/48/1991; web site: www.uztel.ro

Report of the Board of Directors On Uztel S.A Company's business in 2017

1. Analysis of the Commercial Company Activity

1.1 a) Description of the Company's core business

The company's core business is Manufacture of machinery for mining, quarrying and construction – NACE classified code 2892.

UZTEL S.A. was founded in 1904 as the Societatea Romano- Americana (Romanian – American Company), which, in 1958, was nationalized and then in 1991 turned into commercial enterprise. The main activity consists in the production and trading of assemblies, parts and oilfield equipment, industrial valves, mud pumps and other spare parts for oil equipment, metal structures and castings and forgings.

The production covers processes of foundry and forge sectors, heat treatment, machining, assembly and testing. Quality control is certified in laboratories fitted with specialized equipment.

The company has a production integrated with local design skills, high technology applied in accordance with API specifications and EC standards. QOHSE compartment using modern laboratories and procedures provide compliance with international standards ISO -14001-2005 , ISO 9001-2015 and API specifications. UZTEL maintains and continually improves a quality management system "QMS" ISO 9001: 2015 and API Spec. Q1 , in accordance with international standards of reference, 14001, 18001 and integrated with environmental management systems and occupational health and safety certified, certified by DNV-Germanischer Lloyd, to ensure product quality while protecting the environment and creating a safe and healthy working environment at work.

1.1 b) Specify the date of incorporation of the Company

UZTEL S.A. Ploiesti was organized as a joint stock company under Law no. 15/1990 on the reorganization of state economic units as autonomous holdings and companies and the Government Decision no. 1213/20 November 1990, act published in Official Gazette no. 13a / January 21, 1991, operating under Law no. 31/1990 of the companies and its own statute.



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The company is registered in the Trade Register related to Prahova Court under no J29 / 48/1991 and holds unique registration number : RO 1352846

In 2004, the company was privatized under PSAL I program, by transferring shares held by the Romanian state to private shareholders, by sale of the Authority for State Assets Recovery shareholding in the Company, equivalent to 76.8745% of the share capital at that time, to the consortium formed by Association "UZTEL" and company ARRAY PRODUCTS CO. LLC - USA. As of May 22, 2008 the Company was admitted to trading on BSE category II with UZT symbol. Currently UZT shares are traded.

c) *Description of any merger or significant reorganization of the company, its subsidiaries or controlled companies during the financial year*

By sentence no.129 dated 03.03.2017 pronounced in File no. 4732/105/2010 by Dolj Court; Department of -II- of Civil, was ordered closure of the Uztel SA company's reorganization procedures, following the fulfillment of payment obligations assumed in the plan confirmed by sentence no. 1282 of 9 October 2012 and the Uztel SA Company's reintegration into the economic environment with continued activity.

1.1 d) *Description of acquisitions and/or sale of assets*

• **Fixed Assets- Tangibles**

Between 01 January and 31 December 2017, the total value of the increases recorded in the accounting records for the "Machinery and Equipment" class was 715.024 lei representing:

- double beam overhead crane 16 To / 6,3 To, worth 256.311 lei;
- Noxious exhaust system, worth 229.170 lei
- Main and secondary feather molds 2 1/16, 2 9/16, 3 1/8, 4 1/16 (eight mold sets), worth 94.243 lei;
- Modernization of CH 50KF hydraulic heads test stand, worth 53.707 lei;
- LED lighting installation - SDV sector, worth 36.766 lei;
- LED lighting installation - central store, worth 16.216 lei;
- Bore support for nitrate parts, worth 6.199 lei;
- Adjustment between the accounts 2131.01 - Technological Equipment and 2133.01 - Means of Transport amounting to RON 22.411 .



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Between 1 January and 31 December 2017, the total value of the increases recorded in the accounting records for the class "*Furniture, office equipment, fixed assets*" was 7.247 lei representing - DS-7616NI-I2 NVR Video Surveillance System.

Tangible fixed assets registered an increase of 155.999 lei between January 1 and December 31, 2017, representing:

- Main and secondary feather molds 2 1/16, 2 9/16, 3 1/8, 4 1/16 (eight mold sets), worth 94.243 lei;
- LED lighting installation - SDV sector, worth 36.766 lei
 - LED lighting installation - central store, worth 16.216 lei;
 - DS-7616NI-I2 NVR video surveillance system, worth 7.247 lei;
 - Works for installation of double beam overhead crane 16 To / 6,3 To, amounting to 1.527 lei.

Between 1 January and 31 December 2017, the "*Land*" class registered a decrease of 161.311 lei by selling the surface of 604 sqm of land within the city, according to the sale contracts with authentication no .: 1758 and 1759 / 04.05.2017 to individuals .

Between 1 January and 31 December 2017, the "*Buildings and Constructions*" class recorded a decrease of 11.300 lei, representing the cancelation from books of fixed assets (decanter of oil products) following the annual inventory of the patrimony.

Between 1 January and 31 December 2017, the "*Machinery and Equipment*" Class recorded a decrease of 142.111 lei, representing:

- Output of fixed assets by scrapping after annual inventory of the patrimony, worth 119.700 lei (transformer TFM 1500kVA in value of 9.500 lei, installation CIF 135KW in value of 27.200 lei, installation CIF in value 32.700 lei, free blasting installation CLEMCO worth 6.200 lei, two pieces of WIWA AIRLESS painting plant worth 13,100 lei / piece, wagon platform 20T worth 17,500 lei and GRUNDFOS pump worth 400 lei);
- adjusting an analytical account amounting to RON 22,410.

Between 1 January and 31 December 2017, *other tangible assets* - "*Furniture, office equipment, fixed assets*" recorded a decrease of 2.100 lei, representing the output from books by scrapping fixed assets (AGFA 110/120 copier in value 900 lei and AGFAx520 copier worth 1.200 lei) following the annual inventory of the patrimony.



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Tangible fixed assets registered in the period January 1 - December 31, 2017 decreases amounting to 699.859 lei, representing fixed assets put into operation:

- double beam overhead crane 16 To / 6,3 To, worth 256.311 lei;
- Noxious exhaust system, worth 229.170 lei
- Main and secondary feather molds 2 1/16, 2 9/16, 3 1/8, 4 1/16 (eight mold sets), worth 94.242 lei;
- Modernization of CH 50KF hydraulic heads test stand, worth 53.708 lei;
- LED lighting installation - SDV sector, worth 36.766 lei;
- LED lighting installation - central store, worth 16.216 lei;
- DS-7616NI-I2 NVR video surveillance system, worth 7.247 lei;
- Bore support for nitrate parts, worth 6.199 lei.

• Intangible fixed assets

Between 1st January and 31st December 2017, *development expenditures* increased by 5.245 lei, representing:

- expenses for fitting the stripping preventer with hydraulic control type SH 7 1/16x210/70bar with seal and key worth de 2.257 lei;
- expenses for casting , thermal treatment and performed the operation I for body 21 / 16X3 / 5M in value of 2.452 lei;
- expenses for casting, heat treatment and performed the operation I for body 41/16X5M worth 536 lei.

The Company acquired intangible assets amounting to 62.416 lei representing:

- The Company acquired intangible assets amounting to 62,416 lei representing:
- Technical support for the SIVCO integrated IT system for the year 2017, worth 52,130 lei;
- Antivirus license ESET ENDPOINT worth 6.521 lei;
- Software Update License & Support Oracle Database Standard Edition One Perpetual Processor worth 3,765 lei.



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Between 1 January and 31 December 2017, the *development expenses* recorded a decrease of 20.615 lei by removing by sale of the SH 7 1 / 16x210 / 70bar hydraulic drift preventer equipped with the gasket and key to the Expert Petroleum SRL Bucharest.

e) Description of the main results of the evaluation of the company's activity The fixed assets recorded the following evolutions in the financial year 01.01.2017 - 31.12.2017:

Compared to the year 2016, the total fixed assets decreased from 51.883.452 lei at 31.12.2016 to 47.069.235 lei at 31.12.2017, meaning a 9,28% decrease compared to the same period of 2016, as follows :

- The value of Intangible Assets decreased from 109.617 lei on 31.12.2016 to 73.781 lei on 31.12.2017, a percentage decrease of 32.69%, due to the recording in the bookkeeping of expenditures with depreciation of development expenses and other intangible assets, as well as outflows during the financial year 2017.
- The value of Tangible Fixed Assets decreased from 51.773.835 lei on 31.12.2016 to 46.995.454 lei on 31.12.2017, ie a 9,33% decrease due to the recording in the bookkeeping of the depreciation expenses and of scrapping fixed assets.

lei

Asset item	31.12.2017	31.12.2016	31.12.2015
Intangible assets	73.781	109.617	54.973
Tangible assets	46.995.454	51.773.835	58.309.744
Total assets	47.069.235	51.883.452	58.364.717

All existing spaces are owned by Uztel S.A.

In 2017 Uztel S.A saw an upward trend in terms of economic and commercial matters compared to previous year (2016) justified in the context of higher demand for oil equipment and machinery on domestic and international market.

Uztel S.A. knew in 2017 the following trend of sales on domestic and foreign markets:

- a. **Sales in RON** increased from 17.278.547 lei at 31.12.2016 to a 21.683.961 lei at 31.12.2017, that means a percentage increase of 25,50% compared to the same period of 2016;



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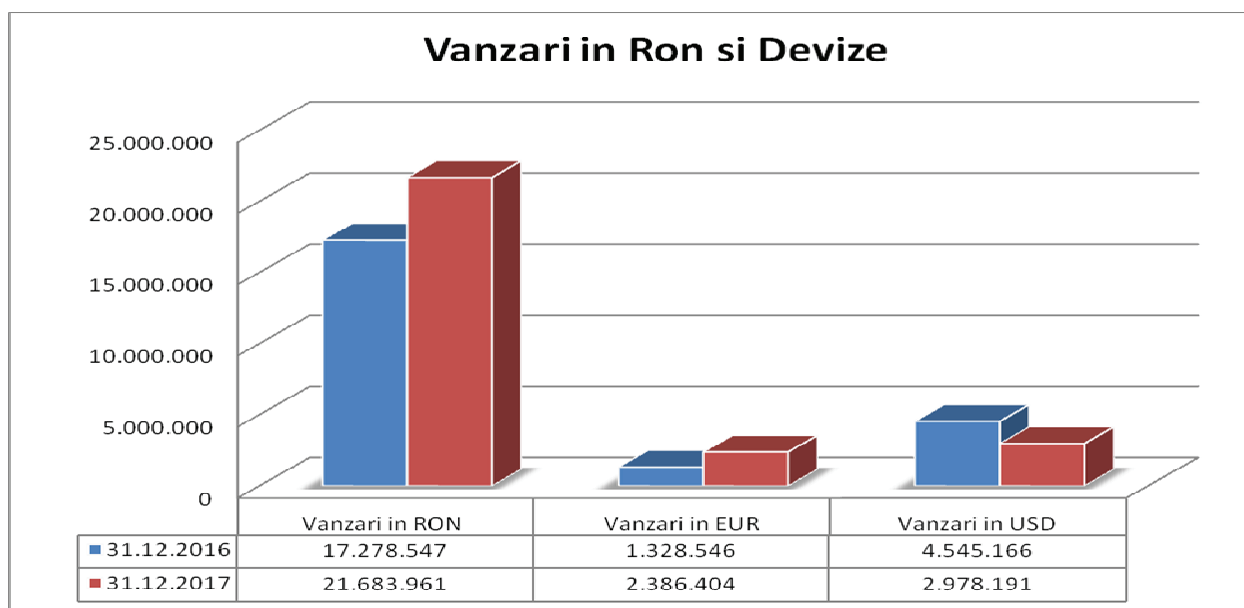
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- b. **Sales in EUR** increased from 1.328.546 EUR at 31.12.2016 to 2.386.404 EUR at 31.12.2017, that means a percentage increase of 79,63% compared to the same period of 2016;
- c. **Sales in US** declined from a 4.545.166 USD at 31.12.2016 to 2.978.191USD at 31.12.2017, taht means a percentage decrease of 34, 48% compared to the same period of 2016.

Explanations	31.12.2016	31.12.2017	31.12.2017/31.12.2016*100
Sales in RON	17.278.547	21.683.961	125,50
Sales in EUR	1.328.546	2.386.404	179,63
Sales in USD	4.545.166	2.978.191	65,52



1.1.1 *Elements of general assessment:*

- a) Net result (13.170.728) lei
- b) Turnover 44.370.143 lei
- c) Total value of to sales in foreign currencies (EURO and USD) changed to national currency or January- December 2017 worth 22.822.353,17 lei – account turnover 4111.1.03 (foreign clients) corresponding to turnover accounts, as follows l :

lei



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Ct. 701.1.03	Revenue from the sale of finished products	22.682.605,81
Ct. 704.2.03	Revenue from services rendered - external	104.338,86
Ct. 708.1.02	Income from different activities - export	35.408,50

d) Actual expenditure of 2017 to achieve production manufactured and sold is totaling 37.377.926,21 lei and to achieve production in progress are worth a total of 6.944.753,96 lei.

e) market share estimated to be owned by the company :

- domestic market 10-15%;
- international market 1-1,5%.

In 2017 the company developed its commercial activity in the domestic market, intra-community and foreign markets, as follows:

- domestic trade partners:

• **Clients** - Cameron-Romania SRL Campina, Drilling Equipment SRL Zalau, Vulcan SA Bucuresti, Automobile Dacia SA Mioveni, Tehnomet SA Buzau, Black Sea Oil and Gas SRL Bucuresti, Atlantic Prod Impex SRL Ploiesti, Multy Products Rom SRL Sighisoara s.a.

• **Suppliers** - Forja Rotec SRL Buzau, Forja Neptun SRL Baicoi, Upetrom - 1Mai Ploiesti, Nimet Targoviste, Pas Technology Campina, Electrica Furnizare SA Bucuresti, Arva Metals & Steels SRL Cornetu, Mechanic&Hydro Pneumatic Systems SRL Bucuresti, Huttenes Albertus Romania SRL Bucuresti, Engie Romania SA Bucuresti s.a.

- intra-community trading partners:

• **Clients** - ABB Process Industrie Franta, Robke Erdol Und Erdgastechnik Germania, Magyar Horizont Energia Kft Budapesta-Ungaria, Peseco Limited Aberdeenshire UK, Manefols Komerz LLP Belfast Irlanda, Liberty Drilling Equipment Olanda, Green Control SRL Italia, s.a.

• **Suppliers** - Riganti SPA Italia , GPS Oil Tools Oilfield Equipment & Services GMBH Vechta Germania, Forgital Italy S.P.A., CF Service SRL Italia, Keramtech Cehia, Trelleborg Sealing Solutions Bulgaria, Danco Industry LTD Bulgaria s.a.



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- extra-community trading partners:

• **Clients** - Omni Valve LLC USA, Desert Sand Oil & Gas LLC Oman, Ibemo Industrie Service Germania, Bahar Enegy Operating Company Limited Azerbaijan, PT Bangun Mitra Sinenergy – Jakarta, Indonezia, Fenton Holding Worldwide USA.

• **Suppliers** - Parker Hannifin Corporation PGI USA, Shabum International LTD Tel Aviv Israel, s.a.

f) at 31.12.2017, the company had liquidities (according to balance sheet) in total amount of 1.771.478,44 lei namely:

lei			
Explanations	31-December 2017	31-December 2016	Percent (%)
0	1	2	3 = 1/2*100
bank account 5121 (lei)	536.011,52	608.978,23	88,02
bank account 5124 (US) - c/val. lei	152.733,75	380.418,26	40,15
bank account 5124 (euro) - c/val. lei	1.062.699,71	246.736,94	430,70
Cash account 531 in lei	18.679,56	8.951,52	208,67
Cash account 531 in (usd) – c/val. lei	494,22	-	-
Cash account 531 in (eur) – c/val. lei	684,98	-	-
Other values – Restauran tickets 532 in (lei)	174,69	-	-
Total cash	1.771.478,44	1.245.084,95	142,28

Cash and cash equivalents recorded in 2017 an increase from 1.245.084,95 lei at 31.12.2016 to 1.771.478,44 lei at 31.12.2017 , taht means a percentage increase of 42,28 % compared to the same period of 2016 .

The company recorded at December 31 2017 a net financial gain due to changes of exchange rate (EUR and USD) for the period of January – December 2017 worth 20.233,71 lei, :

- account 665 (expenses from exchange rate differences) = 677.019,45 lei

- account 765 (income from exchange rate differences) = 697.253,16 lei

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a) At 31.12.2017 the Company owns assets totaling 85.202.953,39 lei, as bellow:

lei

ASSETS	Balance at 31.12.2017 as of Account balance
Lands	16.602.788,75
Constructions	32.003.702,35
Technological equipment, devices and measurement equipment, vehicles	36.430.684,72
Furniture and office equipment	165.777,57

The production to achieve extraction and construction equipment, industrial valves, spare parts for oil equipment and constructions is carried out in the Oilfield Equipment Department, and casting parts, heat treatments and forging in Section of Hot Sectors.

b) In the period January to December 2017 were recorded following evolutions of the main income of the company compared to total revenues (49.331.554 lei) and turnover (44.370.143 lei), namely:

year 2017	Value (lei)	Share in Total income %	Share in turnover %
Revenue from the sale of finished products - domestic	21.024.336,55	42,62	47,38
Revenue from the sale of finished products – external	22.682.605,81	45,98	51,12
Revenue from services rendered – laboratory services	68.000,00	0,14	0,15
Revenue from services rendered – internal transport	3.771,00	0,01	0,01
Revenue from services rendered – external transport	104.338,86	0,21	0,24
Revenue from rental of oilfield equipment	147.956,29	0,30	0,33
Income from sale of goods	255.623,87	0,52	0,58
Income from various activities - Internal	48.101,87	0,10	0,11
Income from various activities - Export	35.408,50	0,07	0,08
Turnover - Total	44.370.142,75	89,94	100,00

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The main 10 suppliers of the Company based on purchase volume for the year 2017:

Domestic suppliers	Total invoices (lei) Without VAT	Share %
Forja Rotec SRL Buzau	2.804.299,30	11,80
Electrica Furnizare SA Bucuresti	2.061.461,67	8,68
Sodexo Pass Romania SRL Bucuresti	1.260.802,28	5,31
Arva Metals & Steels SRL Cornetu	981.657,49	4,13
Huttenes Albertus Romania SRL Bucuresti	969.145,81	4,08
MSD COM SRL Buzau	930.915,58	3,92
Hany Industry SRL Ploiesti	723.902,18	3,05
Engie Romania SA Bucuresti	674.366,70	2,84
Metarex SRL Bucuresti	573.387,98	2,41
Bronic Security Bucuresti	517.966,00	2,18
TOTAL	11.497.904,99	48,40

External Suppliers	Total invoices (euro)	Share %
Riganti SPA Italia	104.140,00	20,19
Special Quality Alloys LTD England	100.476,65	19,48
Danco Industry LTD Bulgaria	87.394,79	16,95
GPS Oil Tools Gmbh Germania	87.118,75	16,89
Nov Completion & Production Solutions Vechta	41.582,37	8,06
Forgital Italy S.P.A.	14.400,00	2,79
Passion SRL Ploiesti	12.475,00	2,42
Peseco Limited Aberdeenshire United Kingdom	11.215,48	2,17
CF Service SRL Italia	9.539,18	1,85
Ibemo Industrie Service Germania	9.440,00	1,83
TOTAL	477.782,22	92,63



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External Suppliers	Total invoices (US)	share %
Parker Hannifin Corporation PGI USA	60.220,12	29,06
American Petroleum Institut Washington USA	45.530,81	21,97
Omni Valve LLC USA	36.126,48	17,44
Optimum LTD Liban	27.436,56	13,24
Shabum International LTD Tel Aviv Israel	26.385,59	12,73
Gebruder Wess SRL Bucuresti	6.600,00	3,19
Trelleborg Sealing Solutions Sofia	1.697,75	0,82
Hub Dacia SRL Bucuresti	1.345,00	0,65
Thomson Ruters (Scientific) LLC New York	661,50	0,32
Turkmennebit Ashgabat - Turkmenistan	575,00	0,28
TOTAL	206.578,81	99,70

1.1.4 Evaluation of sales

The main 10 clients per sales volume for 2017 are listed in the table bellow:

Domestic Clients	Total invoices (lei) Without VAT	Weight %
Cameron-Romania SRL Campina	4.476.443,23	20,88
Drilling Equipment SRL Zalau	2.166.618,01	10,1
Vulcan SA Bucuresti	1.866.014,29	8,71
Automobile Dacia Mioveni	1.643.679,17	7,67
Tehnomet SA Buzau	1.162.643,98	5,24
Bleck Sea Oil&Gas SRL Bucuresti	978.764,37	4,53
Atlantic Prod Impex SRL Ploiesti	956.217,56	4,46
Multy Products Rom SRL Sighisoara- Punct de lucru Albesti Prahova	760.131,94	3,55
Expert Petroleum Solutions SRL Bucuresti	600.111,81	2,8
Neptun SA Campina	476.950,50	2,23
TOTAL	15.087.574,86	70,17

External Clients	Total Invoices (Euro)	Weight %
ABB Process Industrie Aix-Les Bains Cedex France	1.005.114,50	40,37

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Robke Erdol UND Erdgastechnik GmbH Germania	327.844,00	13,17
Magyar Horizont Energia Kft Budapesta Ungaria	228.803,00	9,19
Peseco Limited Aberdeenshire U.K.	204.542,00	8,22
Manefols Komerz LLP Belfast Irlanda	179.680,00	7,22
Liberty Drillyng Equipment B.V. Olanda	168.178,00	6,76
Green Control SRL Italia	70.518,00	2,83
Nis j.s.c. Novi Sad Serbia	48.550,55	1,95
TDE Field Services ZRT Ungaria	43.387,00	1,74
Hartmann Valves GmbH Germania	42.135,00	1,69
TOTAL	2.318.752,05	93,14

External Clients	Total Invoices (USD)	Weight %
Omni Valve LLC USA	1.773.573,00	51,99
Desert Sand Oil&Gas LLC Muscat Oman	701.176,00	20,55
Bahar Energy Operating Company Limited	313.265,00	9,18
Ibemo Industrie Service Germania	311.395,00	9,13
PT Bangun Mitra Sinergi Jakarta Indonezia	257.283,20	7,54
Fenton Holding Worldwide Singapore	36.500,00	1,07
Array Holdings Inc USA	17.864,00	0,52
IAL Engineering Services LTD Trinidad	420	0,01
TOTAL	3.411.476,20	100

The effects of manufacturing activity, transactions and events conducted during 2017 in a company vary in stability, risk and predictability, and presentation elements economic - financial helps in understanding the performance achieved and in assessing future results.

Accounting achievements of 2017 show that SC UZTEL S.A. Ploiesti is a viable society with economic and commercial development potential which succeeded to close the reorganization procedure under Law nm. 85/2006 and get back in the economic environment of business company.

SC UZTEL S.A. had ongoing on 31.12.2017 orders / contracts with internal and external trading partners in the total amount of 14.146.811 lei, from what:



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Internal Market - RON	2.316.480
External market - EURO	1.224.877
External market - USD	1.678.850

These orders / contracts are already underway in manufacturing and are in various stages of technological path and are intended for fabrication and delivery of the company's main products such as: industrial valves, systems and installation and equipment for oil wells blow-out prevention, oilfield equipment repair and manufacturing , services and spare parts, etc.

Concerning the contracts / purchase orders at end-2017, the company is carrying out a series of commercial steps and auctions on domestic and international market that will create the conditions to provide the necessary contracts and orders expected by Income and Expenditure Balance and Cash flows related to 2018, as follows:

Internal Market - RON	12.430.000
External market - EURO	4.682.000
External market - USD	6.851.000

1.1.5 Evaluation of legal issues concerning to the employees/staff of company

a) Company recorded at 31.12.2017 a number of 470 employees from what:

People

Engineer	Sub-engineers	economists	Other people with academic education
56	5	10	4

The factory staff is represented as follows:

People

Oilfield equipment	Hot sectors Depart.	Other activities	Total Techn-
192	144	51	83

b) The relationship between management and employees in 2017 were held in good conditions, labor conflicts are not registered and no otherwise.



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1.1.6 Evaluation of aspects of the issuer's core activity impact on the environment

Company runs its business based on the following regulatory acts:

- Environmental authorization no. PH-619 from 21.12.2009 rev. at 24.09.2015, valid until 21.12.2019 for the activity of production assemblies, parts and oilfield equipment and industrial service, recovery of solid recyclable waste, collection, purification and distribution of water, painting workshop.
- Authorization for water management no. 107 dated 16.06.2017 valid until the date of 15.06.2019;
- Certificate of registration in the register of authorized economic operator performing waste recovery operations no. 0325 issued by the Ministry of Economy - Department of Industrial Policy (renews annually) valid until 31.03.2018.

Environmental factors (water, wastewater, air-emission, air -immission, soil, waste) were monitored as required by law applicable to the activities of SC Uztel S.A. (monthly, quarterly, semi-annually). Comply frequency imposed by environmental permit and no exceeding to maximum limits imposed was found.

Environmental management program conducted in 2017 was achieved to 100%. Proposed actions aimed at waste management, emission and immission, drinking water and waste water

It was completed an important environmental investment:

- Commissioning of Filtering Station Puls Jet with screw and rotary valve ALWO-SFPJ 2,4/200*3.5/352 at Electric Furnace 1,5 tone in Faundry Workshop TO1 .

Dangerous chemical substances and preparations were purchased, stored, handled and used in compliance with current legislation, according to safety data sheets.

1.1.7 Evaluation of Research and Development

a) The main objectives in the design and assimilation of new products in 2017 were:

#	PRODUCT
1	Preventer pumping rods simple 3 1/8"-2M with threaded connections TBG 3
2	Hanger TH7 13 5/8"x4 1/2"VAM TOP (12.6 lb/ft) type ITT SP-HBM5B7122 connector
3	Tubing Hanger TH7 13 5/8"x4 1/2"VAM TOP (12.6 lb/ft)



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4	Wellhead dual completion assy. 13 5/8"-3000PSI x 11"-3000PSI Dual 2 7/8"EUE
5	Casing head ass. +Christmas tree 13 5/8"x13 3/8"SOWx9 5/8"x13 5/8"x7"SLHCx7 1/16"x2 7/8"TSH Bluex2 9/16"-3M/5M
6	Cutter actuation cylinder
7	Adjustable nozzle 2 1/16"x15M
8	RSL 3 1/8"-5M-RIGANTI
9	Testing device BOP flange 11"-3 1/2"IF
10	RSE-HT 3 1/8"-2M, F, FE, RIGANTI
11	Bit nozzle 2 9/16"-10M
12	RSE 3 1/8" x 3M, F, FE
13	Vertical preventer PV 7 1/16-5M
14	Ball preventer UZRSf 7 1/16-5M
15	Safety valve blade gate hydraulically operated, 3 1/16"-10M-RIGANTI
16	Hydraulic control CH-6U-MD-08-BA
17	Hydraulic control CH-6U-MD-12-BA
18	HOSES TRANSPORT CARRIER
19	Safety valve type TRSV 2 7/8
20	Brake block
21	Kit preventers transport device
22	Valve T 6"x6"-SCH10, pneumatic control
23	Valve H 6"x6"x6"-SCH 10, pneumatic control, distance between axis 240
24	Valve X 6"x6"-SCH 10, pneumatic control, distance between axis 240

All targets of engineering department were s fully completed.

b) In order to ensure the quality conditions required for sale of Uztel products on external market , technical departments obtained in 2017 certifications for licenses as follows:

b1) Audit of integrated quality (HSEQ) conducted by DNV-GL-Business Assurance during 04- 14. 05.2017, included:

- audit for monitoring the quality management system under ISO 9001:2015
- audit for monitoring the environmental management system under ISO 14001 :2015
- audit for monitoring the OHS management system under OHSAS 18001 :2007



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Further audit conducted by DNV-GL-Business Assurance were obtained the following certifications/certificates:

- Nr.175755-2015-AQ-ROU- RvA; ISO-9001-2015; valid until 20.05.2018
- Nr.175754-2015-AE-ROU- RvA; ISO-14001-2015; valid until 15.07.2020
- Nr.175753-2015-AHSO-ROU-RvA; OHSAS18001-2007; valid until 15.07.2020 .

b2) Audit for monitoring conducted by the company GR Eurocert SRL Ploiesti Romania, on 10.04.2017, for :

- Affixing CE mark on products manufactured according to European Directive PED 2014/68/EU
- Conformity of castings with European Directive PED 2014/68/EU
- Welding certification authorization under the European Directive PED 97/23/EC
- Quality Management System certification according to ISO 9001-2008

Following the audit conducted by GR Eurocert SRL Ploiesti Romania were obtained the following certifications/certificates:

- PEMH.0001 08/15 (valid until 21.08.2018) ;
- RU.CE.0016A-08/15 (valid until 12.08.2018) ;
- 146ROQS.0016A-08/15(valid until .21.08.2018) .

b3) Maintaining GOST certification for GOST licenses equivalent to API 6A; 6D; 10D; 16A; 16C and 16D and Recertification ROSTEHNAZOR according to new specification TR CU 10/2011-Russia

Following the audit conducted by TR CU 10/2011-Russia are maintained:

- RU No.0330700 valid until 22.11.2020
- RU No.0330701 valid until 23.11.2020
- RU No.0330702 valid until 24.11.2020

b4) Recertification audit for products licenses API6A;6D;10D;16A;16C;API7-1 ; API 7K and audit under quality standard requirements APIQ1-Ed.9 conducted by American Petroleum Institut Washington USA during 13- 17.06.2017.

Following the audit were granted certifications allowing UZTEL to manufacture equipments for oil and gas under specifications API6A;6D;10D;16A;16C;API7-1 ; API 7K valid until 02.10.2018 .



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b5) Audit by second party - audit at supplier conducted during 01-02.08.2017 , by the company FMC Technologies concerning assessment of quality management system under ISO 9001-2015 and Product Specification API -6A in order to be entered on the list of accepted suppliers. Were assessed manufacturing and inspection processes. In particular for products executed under API -6A.

c) Technological work aimed enlargement of products range by means of CNC machine tools, diverse methods of corrosion protection and production launch within SIVECO Applications Integrated Program as follows:

- Introducing and launching 100% of the SIVECO type production and tracking program, whose product structure was defined by the Design-Development Service and especially of products with high repeatability;;
- The use of high productivity technologies and modern cutting tools with direct impact on the technical rules of time and thus the cost price and quality of the product;
- The design of such devices and controllers that increases the accuracy of product execution and at the same time significantly reduces the percentage of scrap or rework parts and avoid possible claims;
- Permanent technical assistance in the manufacturing process to early detect of technological issues and promptly removing them;
- Preparing trained staff for CNC machine tools in order to replace staff that ceased employment with the company;
- Design of self-centering and quick-fastening devices that allow the piece to be fastened in as little time as possible and implicitly increase the efficiency of mechanical processing in order to lower the cost per product and increase the competitiveness on the external and internal market;
- Drawing with Energy, Investment Maintenance Service of programs to modernize the basic equipment, allowing increased machining capabilities of the company, purchase of equipment or deep drilling operations.



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1.1.8 Evaluation of the Company's activity on risk management

Interest rate risk

Operating cash flows of the Company are affected by changes in interest rates. The Company does not use financial instruments to protect against interest rate fluctuations.

	Accounting year ended <u>31 December 2017</u> (lei)	Accounting year ended <u>31 December 2016</u> (lei)
Interest paid	240.349	112.593

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank deposits in lei short term.

	Accounting year ended <u>31 December 2017</u> (lei)	Accounting year ended <u>31 December 2016</u> (lei)
Cash and availability on demand	1.771.478	1.245.085
Total Cash and cash equivalents	1.771.478	1.245.085

Currency risk

The Company is subject to fluctuation in exchange rates due to transactions in foreign currency.

	Accounting year ended <u>31 December 2017</u> (lei)	Accounting year ended <u>31 December 2016</u> (lei)
Result of exchange rate differences	20.234	278.002



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Market risk

The current global liquidity crisis that began in mid-2015 resulted in, among other things, a low level of capital market funding, lower liquidity levels in the banking sector and occasionally higher interbank lending rates and volatility very high stock exchanges.

The uncertainties in the global financial markets have led to significant and influential market in Romania. They had a double influence on society: a decrease in assets held and volumes of activity. Currently, the full impact of the current financial crisis is impossible to predict and totally preventable.

Management is unable to reliably estimate the effects on the financial position of the Company to further loss of liquidity in financial markets and the increased volatility in the exchange rate of the national currency and market indices.

Economic, commercial and financial effects of " oil prices crisis " begun in 2016 were effected in the company's business on the first months of 2017 by lowering production (low demand), lower revenues, increased stocks of finished products (available to customers for renting). Most oil companies and drilling operators in domestic and international market and have changed the investment policy (acquisition of equipment and oil) by dividing it due to financial and economic reasons into two components:

- acquisition of new oil equipment and installation with reduced investment budgets;

- oil equipment and installation rental with larger investments budgets

The company does not own any interest in any entities. .

1.1.9 Perspectives on the business activity of the company

a) The impact of the financial bottleneck on the company's liquidity is mitigated by reducing the volume of uncertain customers. The indicators of general liquidity and rapid liquidity had the following comparative developments:

Economic -financial indicators	31.12.2017	31.12.2016	31.12.2015
Cash ratio = Current assets/Current Liabilities	1,77	2,99	2,92
Quick ratio = Current assets - Inventories / Current Liabilities	0,56	0,88	1,09



a) According to the note of presentation and justification of the Investment Program for 2017, note prepared by Energy Investment Maintenance Department and approved by the company's executive and administrative management is expected an allocation of approximately 1.500.000 lei for the rehabilitation and modernization of existing assets and acquisition of new equipment, CNC machines tools and equipment necessary for the manufacturing process.

2. Tangible Assets of Company

2.1 Specifying the location and characteristics of the main production facilities owned by the Company

The company owns a land area of 185.307,34 mp, from what:

- 113.033,49 mp – buildings;
- 72.273,85 mp – factory roads, utilities network and free area.

The core activity takes place in the industrial zone on an area of 161.634 mp.

2.2 Description and analysis of the company's properties wear

Fixed assets (constructions) registered in the company's financial accounts are mostly constituted and acquired before 1989, which have an advanced degree of physical and moral wear and tear

Some assets have been repaired or upgraded.

The situation of buildings is precarious, we consider an average of 70% wear and to avoid damaging will be repaired and rehabilitated depending upon financial resources of the company.

Most of the equipment and machine tools are not in the best technical and technological condition. We appreciate that they already have a 60-65% average wear, most requiring overhaul.

Overhead traveling cranes and hoist, which mostly had expired lifespan were expertise and recertified by ISCIR, process to be continued in 2018. To increase the casting capacity in Steel Casting 1 it was bought a new overhead crane Q= 16 Tf/ 6.3 Tf.



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A noxious exhaust system has been installed in the Hot Sectors Division - Steel Casting 1 to improve air quality in the steel casting area and to reduce the pollution of the environment.

Machine tools encounter wear of the slides, gearbox, and main axes so that maintenance becomes increasingly difficult to optimum.

It is intended in function of financial resources acquisition of a 5 axis Machining Center, CNC Lathe.

There has been a change in the classical and industrial lighting to LED to save energy in the following halls: Central storehouse; SDV

2.3. Specify potential ownership problems upon the tangible assets of the Company.

The company has title to the land under certificate series MO3 number 3371 / 01.05.1996 and not in ownership disputes.

3. Market of Securities issued by the Company

3.1 *Shares issued by Uztel Standard category are listed on the Bucharest Stock Exchange .*

3.2 The share capital of UZTEL S.A. registered at 31 December 2017 a value of 13,413,648 lei, being divided into 5.365.459 shares, with a nominal value of 2,50 lei. According to the evidences existing at the Central Depository S.A. according to address no. 9234 of March 15, 2018 and on the Bucharest Stock Exchange, the situation of the shareholders of the shares on 31.12.2017 is the following:

Shareholder	Nmb. of shares held	Share in capital, %
UZTEL Association	4.498.300	83,8381
Legal persons	448.526	8,3595
Natural persons	418.633	7,8024
TOTAL	5.365.459	100,0000

In 2017 the Company made quarterly payments amounting 2.145,36 lei, representing net dividends due to shareholders for the years 2003, 2005, 2006, 2007 and 2008, as bellow:



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	lei
a) Payments 1 st quarter	1.089,12
b) Payments 2nd quarter	260,76
c) Payments 3rd quarter	130,70
d) Payments 4th quarter	664,78

At 31.12.2017 Uztel SA recorded in account 457 (due dividends) sum of 1.622.553, 09 lei representing dividends due to shareholders for years 2003 - 2008.

The company has not determined and not paid dividends for the years 2011 - 2017.

3.3 *Description of any activities of the Company to purchase its own shares:* - -
Company did not bought its own shares in 2017.

3.4 *If the company has subsidiaries, specifying the number and nominal value of the shares issued by the parent company owned subsidiaries:*

- The Company has no subsidiaries.

3.5 *If the company has issued bonds and / or other debt securities, presentation of way in which the company pays its obligations to the holders of such securities:*

-In 2017 the company has not issued bonds or other debt securities.

4. Company's management

4.1 *List of the Company's administrators and the following information for each administrator.*

By Order no.129 dated 03.03.2017 pronounced on File no. 4732/105/2010 by Dolj Court; Department of -II- of Civil, was ordered closure of the Uztel SA company's reorganization procedures, following the fulfillment of payment obligations assumed in the plan confirmed by sentence no. 1282 9 October 2012 and the Uztel SA Company's reintegration into the economic circuit with continued activity.

In 2017 the company was administered by the Board of Directors:

In accordance with the legal provisions in force, namely the Law 31/1990, UZTEL SA proceeded to the election of a Board of Directors with a four-year term of office, consisting of five members with full powers:

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PERIOD 01.01.2017 - 31.12.2017		
SURNAME, GIVEN NAME	POSITION	PERIOD OF OFFICE
Popescu Ileana	CEO .	14.03.2017-30.06.2017
Maer Alina Mariana	Member of Board of Directors Membru	14.03.2017-30.06.2017
Hagiu Neculai	Member of Board of Directors	14.03.2017-30.06.2017
Legal entity COMIS SRL by conventional representative Badea Florian	Member of Board of Directors	14.03.2017-30.06.2017
Gheorghiu Mihail Gabriel	Member of Board of Directors	24.04.2017-30.06.2017

On 01.06.2017, by the Decision of the Board of Directors of Uztel SA, Ing. Purcarea Constantin was appointed as General Manager of the company.

For the period 14.03.2017 - 31.12.2017 the total remunerations of the Board of Directors of the Company represented 1,69% of the salary fund.

4.2 Presentation of the senior executives of the Company

a) the list of senior executives appointed by the Board of Directors for 2017 includes:

THE EXECUTIVE MANAGEMENT OF THE COMPANY - during the period 01.01.2017 - 31.12.2017 recorded fluctuations in the exercise of the managerial duties, thus:

PERIOD 01.01.2017 - 31.12.2017			
SURNAME, GIVEN NAME	POSITION	PERIOD	DECISION / DATE OF DECISION
Zidaru Ion	General Director	01.01.2017-31.05.2017	Decision 44 / 23.04.2013
Purcarea Constantin	General Director	01.06.2017-31.12.2017	Decision 68 / 16.05.2017

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Gruescu Serban Gheorghe	Technical Director	01.01.2017- 20.10.2017	Decision 194 / 28.11.2012
Anghel George Marinelo	Technical Director	20.10.2017- 31.12.2017	Decision 170 / 16.10.2017
Gheorghiu Mihail Gabriel	Commercial Director	01.01.2017- 31.12.2017	CIM 238 / 31.01.2013
Popescu Ileana	Economic Director	01.01.2017- 31.12.2017	Decision 592 / 30.11.2010
Savin Dan Viorel	Manager Quality Management System	12.04.2017- 15.12.2017	CIM 848 / 11.04.2017

For the period 01.01.2017 - 31.12.2017 total remuneration of the executive management of the Company accounted for a share of 8, 43 % of wages fund.

b) Any agreement, understanding or family connection between the person and another and another person who caused that person is appointed member of the executive management:

The Company did not found any such situations in financial year 2017.

c) Participation of executive management in company's share capital is as follows este urmatoarea:

SURNAME, GIVEN NAME-POSITION	Number of shared owned
Zidaru Ion - Director General	-
Purcarea Constantin – Director General	-
Gruescu Serban Gheorghe – Director tehnic	-
Anghel George Marinelo – Director tehnic	-
Gheorghiu Mihail Gabriel – Director Comercial	-
Popescu Ileana – Director Economic	122
Savin Dan Viorel - Manager Sisteme de Management al Calitatii	-

4.3 The administrative and executive management of the company was not involved in the last five years in litigation related to the activity performed.



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4.4 Corporative gouvernance

Uztel will implement the recommendations contained in the Corporate Governance Code of the Bucharest Stock Exchange, which defines the principles and governance structures, aiming mainly shareholders rights and ensuring fair treatment. In this regard, the Board will draw up its own Rules of Organization and Operation, which is consistent with CGC principles, thus ensuring transparency and sustainable development of the company. Rules of organization and functioning will set while corresponding functions Board, powers and its responsibilities, so as to ensure the observance of interests of all shareholders of the company, and not least, equal access to them, but also the potential investors to relevant information about the company. In accordance with the recommendations provided in the GCC, in the company will establish strict rules for the internal handling and disclosure to third parties of documents with confidential and privileged information, paying particular importance to data and / or information that may influence the price of market securities issued by Uztel SA.

5.Finance -accounting statement

a) Elements of Financial Statement

a.1. The situation of assets items in 2017 compared to the years 2016 and 2015 is as follows:

	lei		
Assets	31.12.2017	31.12.2016	31.12.2015
Intangible assets	73.781	109.617	54.973
Tangible assets of which :	46.995.454	51.773.835	58.309.744
Land and buildings	34.280.920	37.709.342	42.563.845
Plant and machinery	10.101.313	10.900.435	12.930.406
Other installations and furniture	71.204	78.181	90.678
Tangible assets in progress	2.418.897	2.962.757	2.601.695
Advance for acquisition of intangible assets	123.120	123.120	123.120
Total assets	47.069.235	51.883.452	58.364.717
Current assets of which:	49.294.264	53.774.626	67.274.973
Stocks	33.811.683	37.903.801	42.145.939
Receivables	13.707.148	14.621.400	17.766.065
Cash	1.771.478	1.245.085	7.359.311
Prepayments	3.955	4.340	3.658
Total assets	96.363.499	105.658.078	125.639.690



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Compared to 2016 it was a decrease of 8,80 % of total assets held by the company, and compared to 2015 a decrease by 23,30 % .

In nominal values, total assets decreased in 2017 compared to 2016 from de la 105.658.078 lei at 31.12.2016 to 96.363.499 lei at 31.12.2017 , due to:

- decrease of fixed assets by 9,28%, and in nominal values from 51.883.452 lei at 31.12.2016 to 47.069.235 lei at 31.12.2017;
- the decrease of the current assets by 8,33% and in nominal values from 53.774.626 lei at 31.12.2016 to 49.294.264 lei at 31.12.2017.

In nominal terms, total assets diminished in 2017 compared to 2015 from 125.639.690 lei at 31.12.2015 to 96.363.499 lei at 31.12.2017, on the account of:

- the decrease of fixed assets by 19,35% and in nominal values from 58.364.717 lei at 31.12.2015 to 47.069.235 lei at 31.12.2017;
- the decrease of the current assets by 26,73%, and in nominal values from 67.274.973 lei at 31.12.2015 to 49.294.264 lei at 31.12.2017.

Customers

On 31 December 2017 the situation of the uncertain clients was analyzed and by the substantiation notes no. 4311 / 15.11.2017 and no.88 / 06.03.2018 were canceled the depreciation adjustments established for doubtful receivables and resumed on income, as follows:

- for the client Tehnoinvest SRL Iasi was canceled the adjustment for the impairment of the receivable and the amount of 10.777,34 lei was recorded on tax deductible expenses, while the amount of 617,18 lei for non- deductible tax;
- for the customer Rinelcob SRL Baicoi was canceled the adjustment for the impairment of the receivable and the amount of 132.892,12 lei was recorded on tax deductible expenses.

Also, by the Paper nmb. 89 / 06.03.2018 was approved the establishment of adjustments for impairment receivables on 31.12.2017. The total value of the adjustments is of 959.859,35 lei, of which the value of 287.957,79 lei represents the deductible tax expense and the value of 671.901,56 lei represents the non-deductible tax expense, thus:

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- lei -

Company	" Adjustment of Receivables Depreciation "	Adjustment value of which:	Tax deductible expense	Tax Non- deductible expense
Metal Proiect SRL Buzau	2017	13.593,75	4.078,12	9.515,63
Arpega Trading SRL Blejoi	2017	367.000,00	110.100,00	256.900,00
Altex SRL Tulcea	2017	560.245,08	168.073,52	392.171,56
Condmag SA Brasov	2017	564,20	169,26	394,94
Armax Gaz Medias	2017	16.750,11	5.025,03	11.725,08
GloBO Metal SRL Medias	2017	1.329,96	398,99	930,97
Macromet SRL Targoviste	2017	168,00	50,40	117,60
Norwest SRL Ploiesti	2017	208,25	62,47	145,78
Total "Adjustments for Devaluation of Receivables - Customers" as of 31.12.2017		959.859,35	287.957,79	671.901.56

Following the Report no 91/07.03.2017 was approved the transfer of receivables from account 4111.1.01 (Clients) in account 4118.1.02 (Customer disputes) amounting 957.797,19 lei as at risk of not cashing.

Analyzing, prescribing and provisioning receivables and provisions adjustments are performed periodically throughout the fiscal year to maintain a true and fair view of the amount of current and future receivables of the company.

Inventories of raw materials, semi-finished and finished products

On 31.12.2017 the Company did not provide adjustments for Stocks of raw materials, materials, semi-finished products and finished products

a.2 The situation of liabilities in 2017 as compared to 2016 and 2015 is as follows:

lei

Liabilities	31.12.2017	31.12.2016	31.12.2015
Share capital	13.413.648	13.413.648	13.413.648
Adjustments of share capital	3.453.860	3.453.860	3.453.860
Reserves	40.780.481	67.707.446	69.335.973



UZTEL S.A.

OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

243 MIHAI BRAVU St., code 100410, PLOIESTI , PRAHOVA-ROMANIA

Phone: + 40(0)244 / 541399, 523455; 0372441111; Fax: 521181; E-mail: office@uztel.ro

FISCAL CODE RO1352846 , R.C. PLOIESTI NO. J29/48/1991; web site: www.uztel.ro

Retained earnings	3.686.242	(10.069.996)	7.952.819
Debt over a year	6.913.206	12.943.959	8.212.877
Provisions	253.413	246.213	250.638
Debts under one year	27.862.649	17.962.947	23.019.874
Total Liabilities	96.363.499	105.658.078	125.639.690

Compared to 2016, there was a decrease of 8,80% of the total liabilities held by the company, in nominal values from 105.658.078 lei at 31.12.2016 to 96.363.499 lei at 31.12.2017;

Compared to 2015, there was a 23,30% decrease in the Company's total liabilities in nominal values from 127.639.690 lei at 31.12.2015 to 96.363.499 lei at 31.12.2017.

The decrease in the percentage and value of the total liabilities held by the Company is due to the diminution of the revaluation reserves with the value of 26.926.965,40 lei by covering the accounting loss from previous years, capitalization of the revaluation surplus and reserves highlighted in the fiscal register, as follows:

- the amount of 20.908.041,70 RON representing the accounting loss according to OGM Decision no. 1 of 24.04.2017;
- the amount of 141.687,63 lei representing surplus capitalization of the revaluation of the surface of 604 square meters of land sold in 2017;
- the amount of 10.722,71 lei representing the revaluation surplus capitalization for fixed assets in the category of buildings, which were removed from the register by scrapping as a result of inventory of the company's patrimony in 2017;
- the value of 119.998,66 lei representing the revaluation surplus capitalization for fixed assets in the category of technical equipments, technical installations and machines, which were removed from the inventory due to the inventory of the company's patrimony in 2017;
- the value of 1.092,45 lei representing the surplus revaluation– capitalization for fixed assets in the category of office furniture, which were removed from the accounts by scrapping as a result of the inventory of the company's patrimony in 2017;



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- the value of 2.300.235,79 lei representing revaluation reserves highlighted in the tax register at Trim-I-2017;
- the amount of 1.192.421,48 lei representing revaluation reserves highlighted in the tax register at Trim-II-2017;
- the value of 1.184.068,97 lei representing revaluation reserves highlighted in the tax register at Trim-III-2017;
- the amount of 1.068.696,01 lei representing revaluation reserves highlighted in the fiscal register at Trim-IV-2017;

b) Global Outcome Statement

The overall result structure in 2017 compared to 2016 and 2015 is as follows:

	lei		
Keys	31.12.2017	31.12.2016	31.12.2015
Net turnover	44.370.143	41.510.000	45.806.332
Operational income	48.627.123	48.219.620	62.009.982
Operational expense	61.584.908	67.156.019	64.018.331
Operating Activities Result	(12.957.785)	(18.936.399)	(2.008.349)
Financial income	704.431	1.324.412	1.754.570
Financial expenses	917.374	1.534.965	1.471.340
Net Financial Result	(212.943)	(210.553)	283.230
Total income	49.331.554	49.544.032	63.764.552
Total expenses	62.502.282	68.690.984	65.489.671
Result before tax	(13.170.728)	(19.146.952)	(1.725.119)
Income tax	-	-	312.177
Income from deferred income tax	(13.170.728)	(19.146.951)	(2.037.296)

Turnover as at 31.12.2017 compared to 31.12.2016 was an increase of 6,89%, in nominal values from 41.510.000 lei at 31.12.2016 to 44.370.143 lei at 31.12.2017, and compared to 31.12.2016. 2015 recorded a decrease of 3,14%, in nominal values from 45.806.332 lei at 31.12.2015 to 44.370.143 lei at 31.12.2017.

Turnover expresses the volume of revenue earned by the company on the basis of the business operations carried out in the reference year 2017. The turnover includes: sales of manufactured goods, works and services, rents and other income.



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Operational revenues recorded an increase of 0,85% in 2017 compared to 2016, ie in nominal values from 48.219.620 lei at 31.12.2016 to 48.627.123 lei at 31.12.2017, on the account of:

- increase of the production sold from 41.496.082 lei at 31.12.2016 to 44.114.519 lei at 31.12.2017, a percentage increase of 6,31%;
- the decrease of revenues related to the cost of the stock of products from 5.577.215 lei at 31.12.2016 to 3.828.029 lei at 31.12.2017, a percentage decrease of 31,36%;
- the decrease of the revenues from the production of intangible and— tangible assets from 309.972 lei at 31.12.2016 to 59.755 lei at 31.12.2017, a percentage decrease of 80,72%;
- the decrease of other operating revenues from 822.433 lei at 31.12.2016 to 369.196 lei at 31.12.2017, a percentage decrease of 55,11%;

Compared to 31.12.2015, the operating revenues registered a decrease of 21,58%, ie in nominal values from 62.009.982 lei at 31.12.2015 to 48.627.123 lei at 31.12.2017, on the account of:

- decrease of the production sold from 45.739.475 lei at 31.12.2015 to 44.114.519 lei at 31.12.2017, a percentage decrease of 3,55%;
- the decrease of the incomes related to the cost of the stock of products from 15.164.297 lei at 31.12.2015 to 3.828.029 lei at 31.12.2017, a percentage decrease of 74,76%;
- the decrease of the revenues from the production of intangible and tangible assets from 278.865 lei to 31.12.2015 lei to 59.755 lei at 31.12.2017, a percentage decrease of 78,57%;
- the decrease of other operating revenues from 760.488 lei at 31.12.2015 to 369.196 lei at 31.12.2017, a percentage decrease of 51,45%.

Operating expenses - registered a decrease by 8,30% on 31.12.2017 as compared to 31.12.2016, in nominal values from 67.156.019 lei at 31.12.2016 to 61.584.908 lei at 31.12.2017, on the account of:



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- the decrease of expenditures on raw materials, consumables, goods– and utilities from 30.070.705 lei at 31.12.2016 to 28.044.533 lei at 31.12.2017, a percentage decrease of 6,74%;
- the decrease of other expenses representing external services, taxes and taxes from 7.224.052 lei at 31.12.2016 to 6.099.262 lei at 31.12.2017, a 15,57% decrease;
- the increase of personnel expenses from 18.075.656 lei at 31.12.201 to 21.071.290 lei at 31.12.2017, a percentage increase of 16,57%.

Compared to 31.12.2015, operating expenses decreased by 3,80%, in nominal values from 64.018.331 lei at 31.12.2015 to 61.584.908 lei at 31.12.2017, on the account of:

- the decrease of expenditures on raw materials, consumables, goods and utilities from 30.430.434 lei at 31.12.2015 to 28.044.533 lei at 31.12.2017, ie a percentage decrease of 7,84%;
- the decrease of other expenses representing external benefits, taxes and taxes from 6.404.463 lei at 31.12.2015 to 6.099.262 lei at 31.12.2017, a percentage decrease of 4,77%;
- the increase of the personnel expenses from 19.738.549 lei at 31.12.2015 to 21.071.290 lei at 31.12.2017, a percentage increase of 6,75%.

The decrease of the operational expenses was mainly influenced by the decrease in the volume of acquisitions of raw materials, materials and utilities necessary for the realization of the contracted production.

The result of the operating activities recorded as at 31.12.2017 a decrease of the loss in nominal values from (18.936.399) lei at 31.12.2016 to (12.957.785) lei at 31.12.2017 and compared to 31.12 .2015 recorded an increase in the loss in nominal value from (2.008.349) lei at 31.12.2015 to (12.957.785) lei at 31.12.2017

The financial revenues decreased by 46,81% at 31.12.2017 compared to 31.12.2016, ie in nominal values from 1.324.412 lei at 31.12.2016 to 704.431 lei at 31.12.2017. Compared to December 31, 2015, the financial revenues decreased by



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59,85%, ie in nominal values from 1.754.570 lei at 31.12.2015 to 704.431 lei at 31.12.2017.

Financial expenses decreased by 40,23% at 31.12.2017 as compared to 31.12.2016, in nominal values from 1.534.965 lei at 31.12.2016 to 917.374 lei at 31.12.2017. Compared to December 31, 2015, financial expenses decreased by 37,65%, in nominal values from 1.471.340 lei at 31.12.2015 to 917.374 lei at 31.12.2017. The increase / decrease of the financial expenses was based on the exchange rate differences, the appreciation / depreciation of the national currency against the euro and dollar currency and the amount of the trade receivables in the invoices and receipts.

The net financial result recorded as at 31.12.2015 a gross profit of + 283.230 lei, as at 31.12.2016 the company recorded a gross loss of (210.553) lei and on 31.12.2017 the company recorded a gross loss (212.943) lei.

Total revenues recorded a decrease of 0,43% at 31.12.2017 as compared to 31.12.2016, ie in nominal values from 49.544.032 lei at 31.12.2016 to 49.331.554 lei at 31.12.2017. Compared to December 31, 2015, total revenues decreased by 22,63% in nominal values from 63.764.552 lei at 31.12.2015 to 49.331.554 lei as at 31.12.2017.

Total expenditures decreased by 9,01% as at 31.12.2017 as compared to 31.12.2016, in nominal values from 68.690.984 lei at 31.12.2016 to 62.502.282 lei at 31.12.2017. Compared to 31.12.2015, total expenditures decreased by 4,56% in nominal values from 65.489.671 lei at 31.12.2015 to 62.502.282 lei at 31.12.2017.

The pre-tax result as at 31.12.2017 compared to 31.12.2016 reduced the loss in nominal values from (19.146.952) lei at 31.12.2016 to (13.170.728) lei at 31.12.2017, and compared to December 31, 2015 recorded a loss increase, in nominal values from (1.725.119) lei at 31.12.2015 to (13.170.728) lei at 31.12.2017.

The overall result of the period recorded as at 31.12.2017 compared to 31.12.2016 a decrease of the loss in nominal values from (19.146.952) lei at 31.12.2016 to (13.170.728) lei at 31.12.2017, and compared to December 31, 2015 recorded an increase in the loss, in nominal values from (2.037.296) lei at 31.12.2015 to (13.170.728) lei at 31.12.2017.



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Economic - financial indicators	31.12.2017	31.12.2016	31.12.2015
Current liquidity – Current Assets / Current Liabilities	1,77	2,99	2,92
Indebtness – Borrowed capital / Equity * 100	12,23%	11,48%	5,06%
Rotation speed debts – clients – Receivables / Turnover * 365 days	112 zile	129 zile	141 zile
Rotation speed of fixed assets – Turnover / Fixed Assets	0,94	0,80	0,78

Current liquidity - provide the guarantee to cover current liabilities from current assets, accepted value is about 2.

Indebtedness - Expresses credit risk management effectiveness. The lower the value resulting from the calculation of indebtedness ratio, the smaller risk associated and less sensitive with changing interest rates.

Rotation speed debts – clients - Express effectiveness of the company in collecting its receivables, namely the number of days until the debtors pay their debt to society. The average number of days in which the company claims back in 2017 was 112 days .

Rotation speed of fixed assets - Express effectiveness of business assets by examining the turnover generated by a certain amount of assets. The value obtained was 0,94 expresses assets management effectiveness by achieving a turnover of 44.370.143 lei generated by an amount of fixed assets worth 47.069.235 lei.

c) Cash-flow :

Cash-flow situation at December 2017 compared to 31 December 2016 and 31 December 2015 is as follows:

	<u>31-December</u> <u>2017</u> lei	<u>31-December</u> <u>2016</u> lei	<u>31-December</u> <u>2015</u> lei
Net profit for the year	(13.170.728)	(19.146.952)	(2.037.296)
Income tax expenses	-	-	312.177
Long term asset depreciation /impairment	4.743.779	6.057.829	7.043.308
Expenses with disposed assets	294.100	-	-



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Income from disposed assets	(98.578)	-	-
Provisions for customers	(816.190)	(730.576)	(4.124.629)
Income / (expenses) related to value adjustments on current assets	1.104.659	6.779.810	-
Provisions for inventory	-	-	(2.669.738)
Interest expense	(240.349)	(112.593)	(176.486)
Interest income	6.316	71.198	258.873
Gain / loss from exchange rate	20.234	278.002	198.820
Movements in working capital	5.013.971	12.343.670	842.324
Increase / (decrease) in trade receivables	2.461.019	3.144.665	4.866.322
Increase /(decrease) in other current assets	385	(682)	(342)
Increase / (decrease) in inventories	4.092.118	4.242.138	4.164.653
Increase / (decrease) in debts payables	6.289.074	918.711	858.206
Increase / (decrease) other	(2.412.926)	(1.248.979)	(10.576.377)
Cash used in operating activities	10.429.670	7.055.853	(687.538)
Income tax paid	-	(17.857)	(194.348)
Interest paid	(240.349)	(112.593)	(176.486)
Cash generated from operating activities	2.032.564	122.120	(2.253.343)
Net cash from investment activities	(99.181)	(1.425.341)	(2.304.511)
Cash payment for acquisition of land and assets	(99.181)	(1.425.341)	(2.304.511)
Net cash from financing activities	(1.406.990)	(4.811.005)	(2.757.350)
Cash repayments of borrowings	(1.404.845)	(4.772.776)	(2.755.871)
Dividends paid	(2.145)	(38.229)	(1.479)
Increase / decrease in net cash and cash equivalents	526.393	(6.114.226)	(7.315.203)
Cash and cash equivalents at the begining of period	1.245.085	7.359.311	14.674.514
Cash and cash equivalents at the end of period	1.771.478	1.245.085	7.359.311
Net increase/decrease in cash and cash equivalents	526.393	(6.114.226)	(7.315.203)



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In 2017 cash and cash equivalents increased by 2016 with 6.640.619 lei as a result of:

- Increase in cash generated from operating activity by RON 1.910.444, from + 122.120 lei to 31.12.2016 to + 2.032.564lei at 31.12.2017;
- The decrease of the net cash from the investment activity by 1.326.160 lei, from (1.425.341) lei at 31.12.2016 to (99.181) lei at 31.12.2017;
- The decrease of net cash from financing activity by RON 3.404.015, from (4.811.005) lei at 31.12.2016 to (1.406.990) lei at 31.12.2017.

Compared to 2015, the cash and cash equivalents increased in 2017 by 7.841.596 lei due to:

- Increase in cash generated from operating activity by RON 4.285.907, from (2.253.343) lei at 31.12.2015 to + 2.032.564lei at 31.12.2017;
- The decrease of the net cash from the financing activity by 1.350.360 lei, from (2.757.350) lei to 31.12.2015 to (1.406.990) lei at 31.12.2017;
- The decrease of the net cash from the investment activity by 2.205.330 lei, from (2.304.511) lei at 31.12.2015 to (99.181) lei at 31.12.2017.

Board of Directors,
CEO, Ec. Popescu Ileana

General Directorthrou
Eng. Zidaru Ion

Chief of Gen. Acct. Serv.,
Ec. Ilie Marian Eduard



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INDIVIDUAL FINANCIAL STATEMENTS

S.C. UZTEL S.A. PLOIESTI

AT 31.12. 2017

PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ORDER NO. 881/2012

AND OF ORDER NO. 2844 / 2016 OF MINISTRY OF PUBLIC FINANCE



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Statement of individual financial position

For the year ended on 31 December 2017

in LEI	Nota	<u>31-December</u> <u>2017</u>	<u>31-December</u> <u>2016</u>
Long-term Assets			
Tangible assets	10	46.995.454	51.773.835
Intangible assets	10	73.781	109.617
Total long-term assets		<u>47.069.235</u>	<u>51.883.452</u>
Current assets			
Stocks	11	33.811.683	37.903.801
Trade receivables and other receivables	4	13.693.246	14.607.883
Recoverable Taxes	4	17.857	17.857
Cash and cash equivalents	4	1.771.478	1.245.085
Total current assets		<u>49.294.264</u>	<u>53.774.626</u>
Total Assets		<u>96.363.499</u>	<u>105.658.078</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	5	13.413.648	13.413.648
Adjustments of capital	5	3.453.860	3.453.860
Reservations	5	40.780.480	67.707.446
Result for the year	6	(13.170.728)	(19.146.952)
Result reported (earnings)	8	3.686.242	(10.069.996)
Total Capital		<u>61.334.230</u>	<u>74.504.958</u>
Long term loans			
trade payables		2.302.409	5.271.246
Loans	4	4.214.534	6.087.660
Other liabilities	4	396.263	1.585.053
Provisions	9	253.413	246.213
Total long term liabilities	4	<u>7.166.619</u>	<u>13.190.172</u>
Current liabilities			
Trade payables	4	17.819.320	11.311.105
Loans	4	3.284.264	2.467.306
Other liabilities	4	4.009.368	3.647.565
Income in advance	4	2.749.697	536.971
Total current liabilities		<u>27.862.649</u>	<u>17.962.947</u>
Total liabilities		<u>35.029.268</u>	<u>31.153.119</u>
Total equity and liabilities		<u>96.363.499</u>	<u>105.658.078</u>



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Individual Statement of consolidated income

for the year ended 31 December 2017

in LEI	Note	<u>31-December</u> <u>2017</u>	<u>31-December</u> <u>2016</u>
Income	12	44.370.143	41.510.000
Other income	12	428.951	1.132.405
Other gains / (losses) -net	12	(968.190)	(711.594)
Income cost of inventories of finished goods and production in progress	12	3.828.029	5.577.215
Expenses with raw materials and consumables	12	(28.044.533)	(30.070.705)
Asset depreciation and amortization expense	12	(4.743.779)	(6.057.829)
Employee benefits expense	12	(17.211.920)	(14.751.961)
Expenditure on insurance contributions and social security	12	(3.859.370)	(3.323.695)
Expenses with external supply	12	(5.209.735)	(6.591.198)
Other expenses	12	(1.547.381)	(5.649.037)
Operation profit	12	<u>(12.957.785)</u>	<u>(18.936.399)</u>
Financial income	12	704.431	1.324.412
Financial expenses	12	917.374	1.534.965
Financial costs - net		<u>(212.943)</u>	<u>(210.553)</u>
Profit / (loss) before tax	6	<u>(13.170.728)</u>	<u>(19.146.952)</u>
Profit / (loss) for the year - net	6	<u>(13.170.728)</u>	<u>(19.146.952)</u>
Total consolidated income for the year		<u>(13.170.728)</u>	<u>(19.146.952)</u>
Earnings per Share	6	<u>(2,45)</u>	<u>(3,57)</u>
Number of shares	6	<u>5.365.459</u>	<u>5.365.459</u>



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Individual Statement of changes in equity

For the year ended on 31 December 2017

In LEI	Note	Equity	Adjustment of equity	Legal reserve	Reserves from revaluation	Other reserves	Result reported	Total equity
Balance at 01 January 2016		13.413.648	3.453.860	1.916.641	66.788.199	631.133	7.952.819	94.156.300
Reclassification From Revaluation At reported Result	8	-	-	-	-	-	1.124.137	1.124.137
Net Profit of period	6	-	-	-	-	-	(19.146.952)	(19.146.952)
Transfer between Equity accounts Transfer between	5	-	-	-	(1.628.527)	-	-	(1.628.527)
Balance at 31 December 2016		13.413.648	3.453.860	1.916.641	65.159.672	631.133	(10.069.996)	74.504.958

ion LEI	Equity	Adjustment of equity	Legal reserve	Reserves from revaluation	Other reserves	Result reported	Total equity	Equity
Balance at 01 January 2017		13.413.648	3.453.860	1.916.641	65.159.672	631.133	(10.069.996)	74.504.958
Reclassification From Revaluation at reported Result	8	-	-	-	-	-	26.926.966	26.926.966
Net profit of the period	6	-	-	-	-	-	(13.170.728)	(13.170.728)
Transfer between equity accounts	5	-	-	-	(26.926.966)	-	-	(26.926.966)
Balance at 31 December 2017		13.413.648	3.453.860	1.916.641	38.232.706	631.133	3.686.242	61.334.230



UZTEL S.A.

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Individual Statement of Cash Flows

For the year ended 31 December 2017

	<u>31-December</u> <u>2017</u> lei	<u>31-December</u> <u>2016</u> lei	<u>31-December</u> <u>2015</u> lei
Net profit for the year	(13.170.728)	(19.146.952)	(2.037.296)
Income tax expenses	-	-	312.177
Amortization / depreciation of long term assets	4.743.779	6.057.829	7.043.308
Expenses with given assets	294.100	-	-
Income from given assets	(98.578)	-	-
Provisions for clients	(816.190)	(730.576)	(4.124.629)
Income / (expenses) related to value adjustments on current assets	1.104.659	6.779.810	-
Provisions for stocks	-	-	(2.669.738)
Interest expenses	(240.349)	(112.593)	(176.486)
Interest income	6.316	71.198	258.873
Gain / loss from exchange rate differences	20.234	278.002	198.820
Movements in working capital	5.013.971	12.343.670	842.324
Increase / (decrease) in trade receivables and other	2.461.019	3.144.665	4.866.322
Increase / (decrease) in other current assets	385	(682)	(342)
Increase / (decrease) in inventories	4.092.118	4.242.138	4.164.653
Increase/decrease trade liabilities	6.289.074	918.711	858.206
Increase / (decrease) another liabilities	(2.412.926)	(1.248.979)	(10.576.377)
Cash used in operating activities	10.429.670	7.055.853	(687.538)
Income tax paid	-	(17.857)	(194.348)
Interest paid	(240.349)	(112.593)	(176.486)
Cash generated from operating activities	2.032.564	122.120	(2.253.343)
Net cash from investing activities	(99.181)	(1.425.341)	(2.304.511)
Cash payment for acquisition of assets	(99.181)	(1.425.341)	(2.304.511)
Net cash from financing activities	(1.406.990)	(4.811.005)	(2.757.350)
Cash repayments of borrowings	(1.404.845)	(4.772.776)	(2.755.871)
Dividends paid	(2.145)	(38.229)	(1.479)
Increase / decrease in net cash and cash equivalents	526.393	(6.114.226)	(7.315.203)
Cash and cash equivalents at beginning of period	1.245.085	7.359.311	14.674.514
Cash and cash equivalents at end of period	1.771.478	1.245.085	7.359.311
Increase / decrease in net cash and cash equivalents	526.393	(6.114.226)	(7.315.203)

The financial statements were approved by CEO and were authorized to be issued on 26.04.2018.



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NOTES TO INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED on DECEMBER 2017

1. REPORTING ENTITY UZTEL S.A. (The "Company")

IAS 1.138 (a)-(b) UZTEL S.A. Ploiesti (the "Company") is a company based in Romania.

IAS 1.51 the financial statements have been prepared under IFRS for the year on 31.12.2017.

The company was organized as a joint stock company under *Law no. 15/1990 on the reorganization of state economic units as autonomous holdings and companies and the Government Decision no. 1213/20 November 1990*, act published in Official Gazette no. 13bis / January 21, 1991, operating under Law no. 31/1990 of the companies and its own statute.

The company is registered in the Trade Register related to Prahova Tribunal under no. J29 / 48/1991 and holds unique registration code - RO1352846.

The Company's core activity is the "Manufacture of machinery for mining, quarrying and construction" NACE classified code 2892.

As of May 22, 2008 the Company was admitted to trading on BSE category II with UZT symbol. Currently shares of UZT are traded.

In 2004, the company was privatized in PSAL I, by transferring shares held by the Romanian state to private shareholders , namely the Authority for State Assets Recovery balance the shareholding in the Company, equivalent to 76.8745% of the share capital at that time, to the consortium formed by association "UZTEL" and company ARRAY PRODUCTS CO.LLC – SUA .

Description of the Company's business.

SC "UZTEL" S.A. Ploiesti was founded in 1904 having an experience of over 113 years in the main activity: designing, manufacturing, repairing, selling on domestic and international market parts, assemblies and oil equipment and manufacture forgings and moulded parts, spare parts for oil equipment, industrial machines, machine tools repair and others.

Since establishment "Company Romano - Americana" was meant to drilling, processing and distribution of petroleum products in Romania. The company was nationalized in 1948 and has expanded its business by embedding business of oilfield equipment repairs.

In 1950 it was renamed "Uzina Teleajen" and became a unit independent of the refinery sector. In 1958 the company was taken over by the Ministry of Oil and Chemistry and in 1963 became a part of the General Directorate for Construction and Repair Oil Equipment. After 1966 the company was under the Ministry of Petroleum.

The company was founded and registered in the Trade Registry Prahova on 02.15.1991, at no. J29 / 48/1991, with unique registration code RO 1352846 under the name S.C. UZTEL S.A. as a joint stock company, Romanian legal person with unlimited runtime in accordance with Law No.31 / 1990 - Companies Law. Until 1990 it was called "Oil and Repair Equipment Company Teleajen" and then, based on Law No.15 / 1990, Law No.31 / 1990 H. G.no. 1213/1990 was reorganized as a company, registered with the name S.C. UZTEL S.A.

In 2004 the company was privatized as a result of the contract of sale of shares No.77 / 2004 signed between A.V.A.S. Bucharest as Seller and the Consortium Association UZTEL Ploiesti and Array Products CO LLC as Buyer.



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UZTEL Company S.A. Ploiesti's main objective is increasing the market share on production efficiency by improving responsiveness to customer requests, the range of products and services offered the creation of joint companies for joint venture and opening commercial offices in areas of interest in the industry in operating.

Decisions with immediate effect will generate visible and valuable results on short term, such as:

- conduct permanent auditing processes and logistics to minimize time and cost of production;
- implementation of program of "Change Management" that will help in the creation and implementation of new visions, strategies and initiatives to support medium and long duration of action;
- comparative evaluation (integration, outsourcing) costs not affect– the core business, as well as those that affect a small proportion;
- optimization of decision-making information.

Decisions on permanent optimization and cost control generate visible effects and evaluated in regular activity of the company, among which we can mention:

- operational costs are subject to a continuous optimization process production expenses are planned and regularly checked
- staff resizing according to functional categories and depending on workload;
- reducing costs that are not directly related to sales (guard services, telephony, transport, etc.);
- fully optimized operating cost structure, adapted to the new market– conditions that will sustain profitable growth in the future.

Permanent decisions on boosting sales generated and generate visible effects and evaluated the company's activity, among which we can mention:

- redefining the range of products, focusing on products– and keeping only the most popular products with fast motion (for slow moving products are not considered stocks);
- implementation of training programs for the sales department employees-tender;
- full range of integrated products and services for its customers and to initiate a program of service for international clients through partners;
- forming a team to promote interdepartmental (focused on improving brand perception sensitive and significant);
- rethinking marketing strategy of the company and social responsibility.

Permanent decisions on the optimization of all company processes have had and will have visible and evaluable effects through the values of key company indicators by reducing and streamlining costs and will allow for managerial decisions based on updated real time financial and accounting information.

The core of the current strategy consists in positioning the client in the center of company interests and maximizing potential profitability of existing customers, and the potential ones and increase turnover and thus the sales volume of the company.

UZTEL Company S.A. is a viable and mobile economic system, optimally dimensioned, a company that has the capacity to continue the productive activity.

The Company is and remains an important contributor to the state budget and creator of added value by contributing to national gross domestic product.

The company has integrated production with local design skills, uses high technologies in accordance with API specifications or CE standards. Quality and OHSE Department using modern laboratories and procedures ensure compliance with international standards ISO 9001 and API specifications. UZTEL maintain and continuously improves quality management



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system and "SMC" ISO 9001: 2008 and API Spec. Q1 harmonized with the OHSE Management System under 14001, 18001, integrated with systems of environmental management and occupational health and safety certified by DNV, Germanischer Lloyd, to ensure product quality amid protecting the environment and creating a safe and healthy environment at workplace.

2. BASIS OF PREPARATION OF INDIVIDUAL FINANCIAL STATEMENTS IAS 1.12

a. Statement of compliance with IFRS

IAS 1.7 states that International Financial Reporting Standards include: International Financial Reporting Standards, International Accounting Standards, IFRIC and SIC interpretations. These provisions imply that an entity will include in its financial statements an explicit and unreserved statement of compliance with IFRSs whether to apply all the provisions of International Financial Reporting Standards, International Accounting Standards, SIC and IFRIC interpretations.

IAS 1.16 The Company has prepared the full set of financial statements prepared in accordance with the Order of Ministry of Public Finance n0. 881/2012 and the Order of Ministry of Public Finance no. 2844/2016 on the application of International Financial Reporting Standards ("IFRS") by companies whose securities are admitted to trading on a regulated market.

These financial statements have been prepared considering the ongoing business principle. Amounts are expressed in lei in all parts of the financial statements.

The financial statements have been prepared by management using the standards and interpretations issued on 31 December 2016, based on manual of accounting policies in force at that time. As part of the transition to IFRS, the Company prepared the financial statements and required to provide comparative information for the year ended 31 December 2016.

For the annual financial statements under IFRS, the Company proceeded to the inventory of assets, liabilities and equity and their evaluation according to the provisions contained in IFRS. The accompanying financial statements are based on the Company's statutory accounting records adjusted and reclassified in order of fair presentation in accordance with IFRS. Significant adjustments to the statutory financial statements refer to:

- grouping a number of accounts in positions of comprehensive statement of financial position;
- preparing the notes to the financial statements and other disclosure requirements under IFRS.

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

UZTEL SA is not part of a group of entities under the control of a parent company and does not apply IAS 27 - Consolidated and Separated Financial Statements since the company was not in a consolidation perimeter and does not uses IFRS 10- Consolidate Financial Statements.

The Board of Directors of the company take responsibility for preparation of financial statements on 31.12.2017 and confirm that they are in accordance with applicable accounting regulations and the company is ongoing.

b. Basis of valuation

IFRS provide financial statements prepared on a historical cost basis be adjusted, taking into account the effect of inflation, if it was significant (IAS1.106) to include the revaluation of tangible and adjusted according to International Accounting Standard IAS 29- Financial Reporting in hyperinflationary economies,



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until 31 December 2003. From 1 January 2004, the Romanian economy is no longer considered hyperinflationary.

The Company does not apply hyperinflationary environment accounting as of this date.

The Company does not apply IFRSs issued and not-entered into force on 31.12.2016, can not estimate the impact of not applying these provisions on individual financial statements but intends to apply these provisions with their enforcement.

c. Continued activity

These financial statements have been prepared under ongoing business principle assumption.

By sentence no.129 dated 03.03.2017 pronounced on File no. 4732/105/2010 by Dolj Court; Department of - II- Civil, was ordered closure of the Uztel SA company's reorganization procedures, following the fulfillment of payment obligations assumed in the plan confirmed by Sentence no. 1282 dated October 9, 2012 and the Uztel SA Company's reintegration into the economic circuit with continued activity

Company management has analyzed the prediction of future operational activity, highlighting, at least for 2017, a volume of inputs from other contracts secured both by existing contract and reasonable certainty of contracting of new works.

UZTEL S.A. is one of the leading manufacturers of oilfield equipment, and providing repair services in this area, an area that has a positive perspective, especially in present day in Romania, when large companies in Europe and beyond will begin operation of new deposits of oil and natural gas.

Based on analyzes conducted and measures of reorganization plan, the Company's directors confirm that it will be able to continue operations in the foreseeable future and, therefore, the application of the ongoing business assumption is justified and appropriate for the preparation of financial statements based on this principle.

d. Functional and presentation currency

Under IAS 1.51 financial statements are presented in Romanian Lei (RON), which is the functional and presentation currency. Except where otherwise stated, the financial information presented in RON has been rounded to the nearest unit.

e. Use of estimates and judgments

Preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates are made based on the most reliable information available at the date of the financial statements but actual results may differ from these estimates. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed periodically. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods affected as of IAS 1125. In accordance with IAS 36, both tangible and intangible assets are reviewed at the balance sheet date to identify whether there are indicators of impairment.

The most significant estimates and decisions that have an impact on the amounts recognized in the financial statements are estimates of the economic life of tangible assets (e.g. equipment), determine the recoverable



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amount of tangible assets involving a lease, the estimate of provisions for doubtful debts, for depreciation of old stocks and stocks without movement, provisions for risks and charges.

3. ACCOUNTING POLICIES

The accounting policies detailed below have been consistently applied by the Company in accordance with IAS 8 and IAS 1134-135.

The company discloses information that enables users of its financial statements to evaluate the objectives, policies and processes for managing capital Society.

In order to comply with IAS1.134 Society presents:

- Qualitative information about its objectives, policies and processes for managing capital including a description of what it manages as capital, and how it is meeting its objectives for managing capital;
 - A summary quantitative data;
 - Any changes from the previous period on qualitative and quantitative information.
- The Company relies on information provided internally to key management personnel IAS 1135. In the process of applying the Company's accounting policies, management has not made significant assumptions apart from those involving estimates of reserves for receivables, inventories and litigation that have significant effect on the amounts in the financial statements.

The accounting policies have been applied consistently to all periods presented in the financial statements prepared in accordance with IFRS.

In the process of applying the Company's accounting policies, management has made estimates for provisions, impairment of receivables and inventories which have no effect on the estimated values of the individual financial statements.

Distinction assets / fixed and current / long-term debt

Society presents current assets, assets and current and long-term liabilities as distinct classifications in statement of financial position, except when a presentation based on liquidity provides information that is reliable and more relevant in order of liquidity.

a. Transactions in foreign currencies

According to IAS 1.51 (d), (e) transactions in foreign currencies are expressed in RON by applying the exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies at year end are in USD at the exchange rate at that date. Gains and losses from exchange rate differences, realized or unrealized, are recorded in the income statement in the year in question, in accordance with IAS 21.

Official exchange rates used to convert foreign currency balances at December 312017 are as follows :

<u>Currency</u>	<u>31 December 2017</u>
1 Euro	4,6597 lei
1 USD	3,8915 lei



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b. Financial instruments

Non-derivative financial receivables

Financial assets include primarily cash and cash equivalents, customers and other similar accounts, investments. Recognition and measurement of these items are disclosed in the respective accounting policies. Financial instruments are classified as receivables from loans, liabilities or equity in accordance with the content of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income as incurred. Payments to holders of financial instruments classified as equity are charged directly to equity.

The Company initially recognizes receivables and deposits on the date on which they were initiated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date when the Company becomes party to the contractual terms of the instrument.

The Company recognizes a financial asset when it expires contractual rights on cash flows generated by the assets or when transferred rights to collect the contractual cash flows of the financial asset in a transaction in which the risks and rewards of ownership of the financial asset are transferred significantly. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are compensated and in the statement of financial position are presented net value only when the Company has a legal right to offset the amounts and intends either to settle on a net basis, or to realize the asset and settle the obligation at the same time.

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss, held to maturity financial assets, receivables and financial assets available for sale.

Trade receivables

Customer accounts and similar accounts include invoices and unpaid at the reporting date at face value and estimated claims related to sales, services, which are recognized initially at fair value plus directly attributable transaction costs. Subsequently, customer accounts and similar accounts are stated at amortized cost less impairment losses. Amortized cost approximates the nominal value. Ultimate losses may vary from the current estimates. Due to the inherent lack of information about the financial position of customers, an estimate of probable losses is uncertain. However, the company management made the best estimate of losses and believes that this estimate is reasonable in the circumstances.

Losses of value are analyzed on the date of the financial statements to determine whether they are correctly estimated. Depreciation adjustment can be repeated if there has been a change in existing conditions when determining the recoverable amount. Reversing impairment adjustments can be made so that only the net value of the asset does not exceed its net book value history.

Cash and cash equivalents

Cash and cash equivalents includes petty cash, current accounts and other cash equivalents. Cash and cash equivalents in foreign currencies are revalued at the exchange rate at the end of the period. Bank overdrafts that are payable on demand and form an integral part of the Company's cash management funds and credit lines are included as a component of the available funds in order to present a cash flow statement. Bank overdrafts are shown as borrowings in current liabilities section.

Short-term investments



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The Company does not have short term investment at 31.12.2017.

c. Non-derivative financial debt

The Company initially recognizes debt instruments issued and subordinated liabilities on the date it is initiated. All other liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, when the company becomes party to the contractual terms of the instrument.

The Company derecognizes a financial liability when its contractual obligations are settled, cancelled or expires.

Financial assets and liabilities are compensated and the net amount of financial position is presented only when the Company has a legal right to offset the amounts and intends either to settle on a net basis, or to realize the asset and settle the obligation at the same time.

The Company has the following non-derivative financial liabilities: financial liabilities, loans, overdraft, trade payables and other liabilities.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

d. Trade payables

Payables to suppliers and other payables are recognized initially at fair value plus directly attributable transaction costs. Subsequently, they are recognized at amortized cost less impairment losses using the effective interest method. Amortized cost approximates the nominal value. Payables and other liabilities at amortized cost include the invoices issued by the suppliers of goods, works and services rendered.

e. Interest Bearing Borrowings

Borrowings are recognized initially at fair value, net of transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost, any difference between cost and redemption value being recognized in the statement of comprehensive income during the loan based on an effective interest rate.

Net financing costs include interest on borrowings calculated using the effective interest rate method, less capitalized costs capitalized in assets, interest receivable on funds invested, dividend income, favourable and unfavourable foreign exchange differences, risk fees and commissions. Interest income is recognized in profit or loss in the year they occur, using the effective interest rate method. Dividend income is recognized in profit or loss on the date the Company's right to receive dividends is recognized.

f. Equity (Share Capital)

Ordinary shares

Ordinary shares are classified as part of equity. Incremental costs directly attributable to issue ordinary shares and share options are recognized as a deduction from equity net of tax effects. Dividends on equity holdings (capital) established in accordance with General assembly of Shareholders (AGA) Decisions are recognized as a liability in the period in which their distribution is approved.

g. Tangible assets

Under IAS 16 property, plant and equipment are initially recorded at acquisition cost. Intangible assets visible through financial statements were included in the revalued amount less accumulated depreciation and adjustments for depreciation or impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Tangible assets include land, buildings, construction, machinery and equipment and other tangible assets and tangible assets in progress.



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Starting May 1, 2009, statutory reserves from the revaluation of fixed assets, including land, performed after 1 January 2004, which are deducted from taxable income through tax depreciation or expenditure on assets balance and / or scrapped, are subject to tax while tax depreciation deduction , when writing off books of these assets, as appropriate.

Statutory reserves from revaluation of fixed assets, including land, made up to 31 December 2003 plus the portion of the revaluation performed after January 1, 2004 for the period up to April 30, 2009 will not be taxed at the time of transfer to reserves representing surplus revaluation reserve, but when changing their destination.

The statutory reserves are made taxable in the future, when changing of reserves destination in any form, in case of liquidation, merger of the Company, including its use to cover accounting losses, except for transfer, after 1 May 2009, the reserves for assessment after 1 January 2004.

When parts of a tangible asset have different useful lives, they are considered separate asset. Tangible assets are retired or balances are removed from the statement of financial position together with the corresponding accumulated depreciation. Gains or losses after retirement or disposal are equal to the net proceeds from the disposal (less disposal costs) minus the net book value of the asset. They are recognized as income or expense in profit or loss.

When an asset is classified as investment property, the property is revalued at fair value. Gains arising from revaluation are recognized in the income statement only to the extent there is a loss of impairment of the property and any remaining winnings recognized as other elements of overall income and presented in the revaluation reserve in equity. Any loss is recognized immediately in profit or loss. Subsequent costs are capitalized only when it is probable that such expenditure will generate future economic benefits of the Company. Maintenance and repairs are expenses in the period

The fair value of tangible assets has been determined on the basis of continuity.

The company was founded in 1904 and became the joint stock company under Law no. 15/1990 on the reorganization of the state economic entities as autonomous and commercial societies and on the basis of GD no. 1213/20 November 1990. Throughout this period, the company had an uninterrupted production activity. The UZTEL company operates in a compact perimeter of about 20 ha in the peripheral industrial area of Ploiesti and the industrial buildings and halls it uses within this perimeter are in a connection closely related to the manufacturing process, from buildings - industrial halls intended for the hot sectors (iron, iron and non-ferrous casting, forge building, modular building) to industrial buildings mechanical machining (ex - building for mechanical machining, building for oilfield equipment), buildings for mounting, assembly and test (ex, building for assembly of valves and equipment, dyeing - packing building, warehouse for parts for installation).

The company owns at 31.12.2016 technological equipment, measuring, control and regulation equipment, transport means, furniture and office equipment with a net book value of 10,978,616.31 lei, with a life span between 2-22 years, used for industrial purposes, put into operation since 1970. *"Frequency of revaluation depends on changes in fair values of revalued corporal assets. If the fair value of the revalued asset significantly differs from the book value, a new revaluation is required. Some items of corporate assets incur significant and fluctuating changes in fair value, requiring year revaluations. In case of corporate immobilizations whose fair values do not suffer significant changes, it is not necessary to make*



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such frequent re-evaluations. Instead, it may be necessary to revalued the specific item only once every three or five years. "

The Company has chosen through the accounting policies for the class of tangible assets - buildings to apply IAS 16.34 on the revaluation of tangible assets once every 5 years.

The company owns, mainly, old buildings, put into operation during the period 1921 - 1999, in which performs production activity (e.g. building of material storehouse - putting into operation in 1921, building for prototypes – put into operation in 1922, machining building - commissioning in 1925, modelling building - put in function in 1933, office building - put in operation in 1935) with life span between 24 – 60 years.

These fixed assets are specific to the manufacturing process, and do not have an active valuation and trading market in the absence of comparison terms.

In accordance with IAS 16.31 and IAS 16.34, the Company has applied professional judgment and accounting guidance for tangible fixed assets used (buildings, technological equipment, measurement facilities, control and regulation equipment, means of transport, furniture and office equipment) given that their nature and destination do not have an active market, representing technological equipment, machine tools purchased on the basis of projects specific to the activity of the company.

– Buildings and constructions

lei

	Net Book Value	Fair value	Differences
Year 2011	37.848.508,91	33.181.183,00	- 4.667.325,91
year 2013	29.005.259,62	31.448.397,00	+ 2.443.137,38
Year 2017	17.678.131,03	-	-

The net book value of buildings and constructions diminished on the basis of depreciation in 2011-2013 with 8,843,249.29 lei and between 2013 and 2016 with 8,060,017.60 lei, while the fair value of 2013 diminished compared to the fair value of 2011 by ROL 1,732,786.00.

- Technological equipment, technical installations, cars, furniture and office equipment

lei

	Net Book Value	Fair value	Differences
Year 2007	14.960.673,69	19.580.900,00	+ 4.620.226,31
year 2017	10.172.516,70	-	-

Total net book value of technological equipment, machinery, machinery, furniture and office equipment diminished due to depreciation in 2007 - 2017 with 4.788.156,99 lei.

h. Depreciation

Tangible assets are generally amortized using the straight-line method over the estimated useful lives of the month following commissioning and monthly costs include company. The useful life (in years) used (fiscal) for tangible assets are as follows:



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OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

243 MIHAI BRAVU St., code 100410, PLOIESTI , PRAHOVA-ROMANIA

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	<u>Lifetime (years)</u>
Buildings, constructions and special installations	25 - 60
Machinery and equipment	03 - 28
Measuring and Control	05 - 10
Machines	04 - 10
Other fixed assets	03 - 20

Depreciation of an asset ceases at the earlier of the date the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is derecognized. Assets in progress and land are not depreciated. Investments in progress are not depreciated until commissioning. Assets' residual values and useful lives are reviewed and adjusted if necessary at each statement of financial position date. If expectations differ from previous estimates, the change must be accounted for as a change in an accounting estimate in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. The book value of an asset is written down immediately to its recoverable amount if the carrying amount exceeds the estimated recoverable amount.

i. Assets acquired under leasing

IFRS 1 does not contain an exception to the retrospective application of IAS 17. Entities will need to consider leases at the date of transition to IFRS and classify them according to IAS 17. Certain operating leases may be reclassified into the category of finance leases. In this case, the entity recognizes that the date of passing to IFRS the asset leased with related depreciation, liability duty assessed under IAS 17 and impute to earnings any difference.

Under IAS 17 leases in which the Company assumes all the risks and rewards of ownership are classified as finance leases. Tangible assets acquired through finance leases are stated at least between the market value and the present value of future payments, less accumulated amortization and impairments of value. Lease payments are recorded in accordance with accounting policy. Fixed assets acquired in finance leases are depreciated over their lifetime.

At 31.12.2017 the company does not own assets bought in leasing.

j. Intangibles

Intangible assets with determined useful life are amortized over the economic life and assessed for depreciation whenever there are indications that intangible assets may be impaired. The amortization period for an intangible asset with a useful life determined is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period, and treated as changes in accounting estimates. Amortization expense of intangible assets with useful lives determined is recognized in profit or loss category operational expenses. Under IAS 38, intangible assets are presented in the statement of financial position at their revalued amount. Depreciation is recognized in profit or loss on a straight line method basis during the estimated useful lives of the intangible asset. Expenditure related to the acquisition of software licenses is capitalized based on the costs of procurement and commissioning of programs. Costs associated with developing or maintaining computer software programs are recognized as expenses when



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registering.

Intangible assets according to generally accepted regulations cannot be acquired through exchange of assets, which are treated as special deliveries.

The Company applies the straight-line depreciation method for intangible assets

– Development costs	5 years
– Software licenses	3 years
– Antivirus licenses	1 year

The Company applies the straight-line depreciation method for intangible assets.

k. Stocks

According to IAS 2, Inventories consist of raw materials and supplies, goods, spare parts, semi-finished products and packaging, and other materials. These are recorded at their entry as inventory at the acquisition price and acquisition are expensed or capitalized, as appropriate, when consumed. The cost of inventories is determined based on the FIFO method. Inventory accounting method is **ongoing inventory method**, quantity and value management being watched (store sheet and Integrated Informatics Storage Program SIVECO Applications - SVAP 2011). The value of production in progress and finished products includes direct cost of materials, labor and indirect costs of production that we have built. Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, if any, and expenses of sale.

Inventory items are treated as inventory, passing on costs is performed entirely in putting them into use, tracking them extra accounting.

Heritage assessment at the end of the financial year is influencing stocks, with differences (+ / -) resulting from the annual inventory.

l. Dividends

Under IAS 10, the Company may pay dividends only by statutory profit-sharing, considering the financial statements prepared in accordance with Romanian accounting principles. Dividends are recognized as a liability in the period in which their distribution is approved.

m. Employees benefits

Under IAS 9, the rights of employees in the short term include salaries and social security contributions. Short-term employee rights are recognized as expenses with services by them in the current activity they perform. The Company makes payments to the Romanian State Social Security benefits to its employees. All employees of the Company are included in the Romanian State pension plan. The payments are recognized in profit or loss together with payroll expenses. The Company has no other legal or implicit obligations to pay future benefits to its employees. On termination of employment, the company has no obligation to repay the contributions made by former employees.

n. Provisions

A provision is recognized when, and only when the following conditions are met: the Company has a present obligation (legal or implicit) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation when a reliable estimate can be made regarding the amount of the obligation. Where the effect of the temporary value of money is material, the amount of a provision is the present value of the expenditures is expected to be required to settle the obligation. Provisions are measured at the present value of cash flows using a discount rate that reflects current market situation and the risks specific to the liability. Provisions are reviewed at each reporting date



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and adjusted annual financial statements to reflect the current best estimate of the Company's management in this regard. Where to settle an obligation is no longer probable that an outflow of resources, provision is canceled by resuming revenue.

No provisions are recognized for costs that are incurred for the activity in the future.

o. Income

Under IAS 18, revenue is recognized when the significant risks and rewards have been transferred to the buyer, obtaining economic benefits is probable and the associated costs can be estimated correctly. Revenue is recognized at the fair value of the amount received (net amounts of revenue), VAT, returns and discounts. Sales of services are recognized in the period, to which it relates, by their nature (operational, financial).

Financial income comprises interest income from dividends. Interest income is recognized as it accrues in profit or loss using the effective interest method. Dividend income is recognized in profit or loss is determined at the time the Company is entitled to receive the amount paid.

Financial expenses comprise interest expense related to loans and impairment losses on financial assets. Interest on borrowed capital and commissions related to these loans are capitalized in production costs and those that are not directly attributable to the acquisition, construction or production are recognized in profit or loss using the effective interest method.

Losses and gains from exchange rate differences are recorded at net value under IAS 21.

p. Leasing

In accordance with IAS 17 leases in which the Company assumes substantially the risks and rewards of ownership are classified as finance leases. On initial recognition, the asset that is the subject of the lease is valued at the lower of fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

r. Income tax

Income tax is recorded in the income statement except where it relates to items of equity, in which case income tax is recorded in the equity section. Current tax is the expected tax payment that relates to taxable profit of the year, using tax rates set by law at the reporting date, adjusted for corrections of previous years.

Deferred income tax is calculated based on temporary differences. These assets and liabilities are determined as the difference between the carrying amount (VC) and the amount attributed for tax purposes (tax base BF).

Dividend tax is recorded at the same time when debts are recognized on dividend on dividend payment. Income tax rate used to calculate the current and deferred income tax at 31 December 2017 was 16% .

The Company has recognized the deferred tax asset and will recover to the extent that future taxable profit will become probable to allow the deferred tax asset to be recovered.

Amendments to IAS 12 - Income Taxes clarify the accounting for deferred tax on receivables at fair value.

The application of these amendments did not affect the annual financial statements of the company.

s. Rezultatul pe actiune



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Earnings **per** **share**
In accordance with IAS 33, earnings per share are calculated by dividing profit or loss attributable to owners of the weighted average number of shares subscribed. The weighted-average shares outstanding during the year represents the number of shares at the beginning of the period, adjusted number of shares issued multiplied by the number of months in which the shares were outstanding during exercise. Dilution is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or alternatives are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions. Result of diluted earnings per share is consistent with that of basic earnings per share namely, to assess the interest of each ordinary share in the performance of an entity.

t. The implications of the new International Financial Reporting Standards (IFRS)

Standards and interpretations issued by the IASB but not yet adopted by the EU

Currently, the EU adopted IFRS does not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to existing standards and interpretations, which have not been approved for use:

- *IFRS 14 Deferred Accounts related to the activities ruled* -the standard entering in force for one year period starting with January 1st 2016. The European Commission decided not to adopt this interim standard but to wait for the final issue.
- *IFRS 16 Leasing* applicable for one year period starting with January 1st 2019.
- *Amendments to IFRS 2: Pay per share* - The classification assessments of transactions– related to share-based payment (with effect from or after 1 January 2018).
- *Amendments to IFRS 2 Share based payments* : The classification assessments of transactions– related to share-based payment (for one year period with effect from 1 January 2018). pending.
- *Amendments to IFRS 4: Insurance contracts* Applying IFRS 9 Financial Instruments with one year periods with effect from or after 1 January 2018 when IFRS-9 Financial Instruments begin to be applied.
- *Amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associated entities and association in participation* - Sale or contribution with assets of an investor and its associates or joint ventures and later amendments (with the entry in force was postponed for undetermined period, until end of research project on method of equivalence).
- *Amendments to IAS 15 Revenue from contract with clients*- Clarifications to IFRS 15 Revenue from contract with clients (for one year period with or after January 1st 2018). IFRS 15 should identify the contract with client, all the individual performance duties within the contract, to determine the price of contract, to establish the price of performance obligations, to recognise the revenues where the performance duties are carried out.



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- *Amendments to IAS 40 Real Estate Investments* - transfer of real estate investments for one year periods with effect from or after 1 January 2018, adopted by IASB at December 8th 2016.
- *Amendments to many standards Improvement of IFRS (cycle 2014- 2016)* resulting from the project of IFRS improvement (IFRS 1, IFRS 12 and IAS 28) aimed mainly to remove inconsistencies and to clarification of certain wording (amendments to IFRS 12 are applicable for one year periods with effect from or after 1 January 2017 and amendments to IFRS 1 and IAS 28 for one year periods with effect from or after 1 January 2018).
- *IFRIC 22 Foreign currency transactions and Contributions* (applicable for one year periods with effect from or after 1 January 2018).

New international standards not applied by the Company

- The Company does not apply some new provisions IFRS or IFRS issued and we entered in force on financial statements.– The Company can not estimate the impact of this provision on the financial statements and intends to apply these provisions with the entry into force.
- For standards issued but not yet in force, the company will not be in a position to apply prospectively none of them.

These are:

- IFRS 9 *Financial Instruments* incorporating the requirements for classification and evaluation, depreciation, general accounting coverage and recognition of the financial instruments, released in July 2014, with effect on or after 1 January 2018. In the European Union (EU) this standard is pending.
- IFRS 15 applies to the first annual financial statements IFRS of an entity for the period commencing on or after January 1, 2018, was published in May 2014 and adopted by the European Union in September 2016, with effect in the EU since January 1, 2018
- IFRS 16 Leases applies to the first IFRS annual financial statements of an entity for the period commencing on or after January 1, 2019, was published in 13 January 2016. At EU level, this standard the case is pending.

Reconciliation between IFRS and the accounting policies of previous years 31.12.2012, Uztel SA has made reconciliation between IFRS and local accounting policies applicable to previous years.

Financial statements for 2012 represent the first financial statements that the company was prepared in accordance with IFRS adopted by the EU, as provided OMPF 1286/2012.

For the year ended 31.12.2010 and 31.12.2011, the company separate financial statements according to OMPF 3055/2009.

The Company prepared financial statements in accordance with IFRS as adopted by the EU applicable for financial years ending 31.12.2012 and comparative data on the conclusion of 2011, respectively 31.12.2011. For preparing these financial statements was drawn opening situation of financial position at January 1, 2011, transition date.



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There were not performed reconciler comprehensive income under IFRS 1 the overall outcome determined by OMPF 3055/2009, as there were no differences identified between the overall result determined in accordance with local accounting principles applied for accounting periods preceding and comprehensive income determined in accordance with IFRS.

u. Determining the fair value

Certain of the Company's accounting policies and presentation of information requirements, ask for the determination of fair value for both assets and financial and non-financial liabilities. Fair values were determined in order to evaluate and / or presenting information on the basis of the methods described below. When applicable, further information about the assumptions used in determining fair values are presented in the notes specific to that asset or liability.

1 Trade receivables and other resources

The fair value of trade receivables and other resources is estimated as the present value of future cash flows, discounted using a financing rate specific to market at the financial reporting date. This value is determined for information.

2 Interest bearing loans

The fair value of these items is estimated as the present value of future cash flows, representing the principal and interest, discounted using a financing rate specific to market at the financial reporting date. This value is determined for information.

3 ITangible assets

The fair value of these items has been established following the revaluation carried out by a independent evaluator, member ANEVAR using the comparison method capitalization method for land and buildings.

The determination of the fair value of fixed assets in the "Constructions" class was performed on 31.12.2013 by an authorized ANEVAR evaluator, using the net replacement cost method, the method being chosen because of the lack of valid real transaction data in the last 12 months for industrial sites in that area. This is the statistical value of the prices per square meter built area on the market at national level, adjusted after corrections and related depreciations

The establishment of the fair value of the "Technological equipment, measuring, control, adjustment, transport, furniture and office equipment" was performed by an authorized ANEVAR evaluator on 31.12.2007, using the net replacement cost method. There is insufficient information on sales of similar assets on the market, but there is market information on costs and cumulative depreciation. Thus, the recorded value is the highest value between its use value and its fair value minus the selling costs.

IFRS 13 establishes a fair value hierarchy whereby inputs used in fair value measurement techniques are classified into three levels:

Fair values were determined for the purposes of evaluating and disclosing information based on the methods described. Where appropriate, additional information on assumptions used in determining fair value is disclosed in the notes to the asset or liability.

The Company considers that the level at which the valuation of tangible fixed assets is classified at fair value in the hierarchy of fair value is level 2, taking into account the following aspects:

- the condition, location and assets of the asset;
- estimating the physical, functional and external depreciation of the asset and adjusting the gross cost of replacement in order to obtain the net replacement cost.



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Comparative Statements

For each item in the balance sheet, profit and loss account and, where appropriate, the statement of changes in equity and cash flows for comparability is presented corresponding element corresponding value for the previous financial year.

Correction of accounting errors IAS 8

If the company becomes aware of errors made in accordance with accounting principles generally accepted previous reconciliations should be made to highlight the correction of those errors in accounting policies. The recording of transactions relating to the correction of accounting errors, the provisions of IAS 8.

Accounting policies have been consistently applied by the Company in accordance with IAS 1.134-135.

Under IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*," accounting policies are the principles, rules, conventions, bases, and specific practices applied by that company in the preparation and presentation of financial statements. It stipulates that the voluntary change of an accounting policy is made only if such a change is imposed by a Standard or an Interpretation and results in financial statements that provide more reliable and relevant information about the effects of transactions or other events or position conditions financial.

The Company did not apply IAS 8.28 on Changes in Accounting Policies in 2017.

Events after the balance sheet

Based on the information that we have until now, the shareholding structure was not changed until the date of these financial statements and did not intervene no other significant events subsequent to the closing of the financial year.

4. RISK MANAGEMENT

The nature of the activities carried out, the Company is exposed to various risks that include credit risk, interest rate risk, liquidity risk, currency risk, market risk. The management aims to reduce the effects of potential effects of these risk factors on the financial performance of the Company by maintaining an adequate level of capital and outcomes.

For a good risk management and the desire to establish new ways of managing its level proceed continuously updating and improving procedures and rules specific to each department, to the extent that at a time, it is considered that based on existing rules at the time , Company is exposed through the activities performed by that department.

Authorized persons of the Company permanently monitors the effectiveness of policies and procedures for risk assessment, the extent to which the Company and relevant persons complying with the procedures, methods and mechanisms for risk management, and the effectiveness and adequacy of measures taken to address any deficiencies. Risk indicators are checked constantly to ensure their framing limits. Also check the daily management of the company the production and marketing of the company.

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Company is subject to credit risk due to its trade receivables and other types of claims..

	Accounting year ended at <u>31 December 2017</u> (lei)	Accounting year ended at <u>31 December 2016</u> (lei)
Trade receivables and other claims	13.693.246	14.607.883

For other types of operations, when the amounts are significant, the creditworthiness references are normally obtained for all new customers, the due date of the receivables is carefully monitored and the amounts not collected at the negotiated terms are subject to the warnings and notifications sent to the internal and external customers of society.

Thus, the following balance sheet items exposed to credit risk were identified and included in the following exposure classes:

- Receivables from local governments: budget receivables;
- Receivables from institutions and financial institutions: bank accounts, guarantee funds;
- Receivables from companies: advance to companies;
- Other items: tangible assets.

The risk exposed value of an asset is represented by its balance sheet value and is identified on the basis of the documents provided by the Accounting Department

▪ **Trade receivables and other receivables**

On 31 December 2017, the company's trade receivables situation is as follows :

Receivables at 31.12.2017			lei
RECEIVABLE	Balance at 31.12.2017	maturity	
		less 1 year	over 1 year
0	1 = 2 + 3	2	3
Total, of which:	13.693.246	11.358.767	2.334.479
Domestic Client	3.034.429	3.034.429	-
External Client	3.516.870	3.516.870	-
Doubtful client, litigation	3.881.245	-	3.881.245
Other receivables (Performance Assurance OMV Petrom	39.338	39.338	-
VAT to be recovered	815.493	815.493	-
Salary advance	10.250	10.250	-
Suppliers borrowers	383.500	383.500	-
Debtors	2.620.465	2.620.465	-

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Other receivables (VAT not due, accrued expenses and settlement systems in operation during clarification)	938.421	938.421	-
Adjustments for depreciation of clients- receivables	(1.546.766)	-	(1.546.766)

Receivables on current income tax	17.857	17.857	-
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Amount worth 938.421 lei recorded in "other receivables" account refers to amounts from account 4428 (VAT under settlement) = 926.908 lei ; account 471 (prepayment) = 3.954,86 lei .

In accordance with IFRS 7: B5 (f), Uztel SA establishes and reviews annually at each close of the financial year (including for year 2017) adjustments for impairment of receivables-clients on the basis of the commercial and legal information it holds and the steps which it undertakes through the legal service for the recovery of overdue claims.

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of clients;
- The debtor-client is likely to go into bankruptcy or another form of financial reorganization;
- Unfavorable changes in the situation of clients' portfolio payments;
- Economic conditions at national and international level correlated with non-payment.

The general provision for impairment of customer receivables is calculated annually according to the length of the receivables existing in the balance by applying the following criteria regarding the adjustment percentages:

Account	% adjustment
4118 (uncertain clients)	40

Claims are recorded at nominal value and are highlighted for each individual or legal entity. Foreign currency claims were measured using the exchange rate ruling at the year-end, and the exchange differences were recognized as income or expense for the period.

Seniority analysis of trade receivables and other outstanding receivables at the end of the period that are not impaired IFRS 7.37 (a)

lei

Trade receivables and other receivables	Balance at 31.12.2017	Of which outstanding		
		31-90 zile	91-120 zile	> 120 zile
1. Internal clients	3.034.429,45	616.132,97	67.855,37	376.571,68
2. External customers	3.516.870,05	-	-	-
3. Uncertain internal clients	3.881.244,71	-	-	3.881.765,98
4. Impairment adjustments	(1.546.765,98)	-	-	-
5. Debtor suppliers	383.499,90	-	-	383.499,90
Net receivables	9.269.278,13	616.132,97	67.855,37	4.641.837,56

In accordance with IFRS 7.37 (b), the Company presents an individual analysis of trade receivables found to be impaired at the end of the reporting period (31 December 2017), including the factors that determined their depreciation as follows:

- Clients who have entered into bankruptcy proceedings or in the process of reorganization under Law no.-85/2014, and which have major financial difficulties linked to the non-payment of claims, namely



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- **ALTEX SRL TULCEA** debit written at the debtor 's creditor' s mass of 439.960,00 lei;
- **ARMAX GAZ MEDIAS** debit written at the debtor 's creditor' s mass of 16.750,11 lei;
- **ARPEGA TRADING SRL BLEJOI** for the outstanding debit amounting to 444.504,74 lei, the legal procedure for recovery was started.
- **BAT SERVICE SA BUZAU** debit written at the debtor 's creditor' s mass of 5.138,37 lei;
- **CONDMAG SA BRASOV** debit written at the debtor 's creditor' s mass of 564,20 lei;
- **FEPA SA BARLAD** debit written at the debtor 's creditor' s mass of 41.108,56 lei;
- **FORAJ SA BUZAU** debit written at the debtor 's creditor' s mass of 539.128,14 lei;
- **GRUP ROMET SA BUZAU** debit written at the debtor 's creditor' s mass of 909.87 lei;
- **HIDRAULIC SA MOINESTI** debit written at the debtor 's creditor' s mass of 17.603,42 lei;
- **FORAJ SONDE PLOIESTI** debit written at the debtor 's creditor' s mass of 87.965,13 lei;
- **MARIAN TRANS CONSTRUCT SRL CHIOJDU** debit written at the debtor 's creditor' s mass of 446,40 lei;
- **METAL PROIECT PROSPER** debit written at the debtor 's creditor' s mass of 20.871 lei;
- **STITRANS SA BLEJOI** debit written at the debtor 's creditor' s mass of 442,98 lei;
- **UBEMAR SA PLOIESTI** debit in execution by a court executor in value of 25.112,69 lei;
- **VIPREC COM SRL BAIA MARE** debit written at the debtor 's creditor' s mass of 20.360,80 lei;
- **VULCAN SA BUCURESTI** debit amounting to 43.088,69 lei enrolled in the Preliminary Debt Table.

Company's top 10 clients based on volume of transactions for 2017 are shown in the table below:

Domestic Clients	Total Invoices (lei)	
	without VAT	share %
Cameron-Romania SRL Campina	4.476.443,23	20,88
Drilling Equipment SRL Zalau	2.166.618,01	10,1
Vulcan SA Bucuresti	1.866.014,29	8,71
Automobile Dacia Mioveni	1.643.679,17	7,67
Tehnomet SA Buzau	1.162.643,98	5,24
Bleck Sea Oil&Gas SRL Bucuresti	978.764,37	4,53
Atlantic Prod Impex SRL Ploiesti	956.217,56	4,46
Multy Products Rom SRL Sighisoara- Punct de lucru Albesti Prahova	760.131,94	3,55
Expert Petroleum Solutions SRL Bucuresti	600.111,81	2,8
Neptun SA Campina	476.950,50	2,23
TOTAL	15.087.574,86	70,17

External Clients	Total Invoices (Euro)	share %
ABB Process Industrie Aix-Les Bains Cedex France	1.005.114,50	40,37
Robke Erdol UND Erdgastechnik GmbH Germania	327.844,00	13,17
Magyar Horizont Energia Kft Budapesta Ungaria	228.803,00	9,19
Peseco Limited Aberdeenshire U.K.	204.542,00	8,22
Manefols Komerz LLP Belfast Irlanda	179.680,00	7,22
Liberty Drilling Equipment B.V. Olanda	168.178,00	6,76
Green Control SRL Italia	70.518,00	2,83



UZTEL S.A.

OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

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Nis j.s.c. Novi Sad Serbia	48.550,55	1,95
TDE Field Services ZRT Ungaria	43.387,00	1,74
Hartmann Valves GmbH Germania	42.135,00	1,69
TOTAL	2.318.752,05	93,14

External Clients	Total Invoices (USD)	share %
Omni Valve LLC USA	1.773.573,00	51,99
Desert Sand Oil&Gas LLC Muscat Oman	701.176,00	20,55
Bahar Energy Operating Company Limited Azerbaijan	313.265,00	9,18
Ibemo Industrie Service Germania	311.395,00	9,13
PT Bangun Mitra Sinergi Jakarta Indonesia	257.283,20	7,54
Fenton Holding Worldwide Singapore	36.500,00	1,07
Array Holdings Inc USA	17.864,00	0,52
IAL Engineering Services LTD Trinidad	420	0,01
TOTAL	3.411.476,20	100

	Accounting year ended at 31 December 2017 (lei)	Accounting year ended at 31 December 2016 (lei)
Debts	32.026.158	30.369.935
Provisions for risk and expenses	253.413	246.213
Income recorded in advance	2.749.697	536.971
Total debts	35.029.268	31.153.119

▪ Commercial debts and other debts

At 31 December 2017, the debts of the company are as follows:

Debts at 31.12.2017				lei
DEBTS	Balance at 31.12.2017	Maturity term		
		Less 1 year	1-5 years	over 5 years
0	1 = 2 + 3 + 4	2	3	4
Total, of which:	35.029.268	27.862.649	7.166.619	-
Amounts owed to credit institutions	7.498.798	3.284.264	4.214.534	-
Advances collected for orders	2.749.697	2.749.697	-	-
Trade payables - suppliers	20.121.729	17.819.320	2.302.409	-
Income tax	-	-	-	-
Other creditors including tax and social security	4.405.631	4.009.368	396.263	-
Provisions and deferred income	253.413	-	253.413	-



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The amount of 4.405.631 lei recorded in the account "Other debts, including tax and social security liabilities" refers to:

- amounts from the account 462 (various creditors - rescheduling agreements) = 1.835.114 lei ;
- account 457 (dividends) = 1.622.553,09 lei , of which – rescheduling agreements 1.007.874,37 lei;
- current budget debts = 481,484 lei;
- Current salary debts = 458,957 lei;
- non-chargeable VAT = 7.523

Trade receivables and other receivables	Balance at 31.12.2017	Of which overdue		
		31-90 zile	91-120 zile	> 120 zile
1. Interna; suppliers	16.084.408,83	1.931.161,87	244.685,93	1.769.269,40
2. External suppliers	2.463.208,20	406.940,72	10.480,63	566.207,69
3. Customers creditors	2.749.697,47	-	-	-
Net debts	21.297.314,50	2.338.102,59	255.166,56	2.335.477,09

Company's top 10 suppliers based on volume of transactions for 2017 are shown in the table below:

Internal suppliers	Total Invoices (lei)	
	without VAT	share %
Forja Rotec SRL Buzau	2.804.299,30	11,80
Electrica Furnizare SA Bucuresti	2.061.461,67	8,68
Sodexo Pass Romania SRL Bucuresti	1.260.802,28	5,31
Arva Metals & Steels SRL Cornetu	981.657,49	4,13
Huttenes Albertus Romania SRL Bucuresti	969.145,81	4,08
MSD COM SRL Buzau	930.915,58	3,92
Hany Industry SRL Ploiesti	723.902,18	3,05
Engie Romania SA Bucuresti	674.366,70	2,84
Metarex SRL Bucuresti	573.387,98	2,41
Bronic Security Bucuresti	517.966,00	2,18
TOTAL	11.497.904,99	48,40

External Suppliers	Total Invoices (Euro)	
		share %
Riganti SPA Italia	104.140,00	20,19
Special Quality Alloys LTD England	100.476,65	19,48
Danco Industry LTD Bulgaria	87.394,79	16,95
GPS Oil Tools GmbH Germania	87.118,75	16,89
Nov Completion & Production Solutions Vechta	41.582,37	8,06
Forgital Italy S.P.A.	14.400,00	2,79
Passion SRL Ploiesti	12.475,00	2,42
Peseco Limited Aberdeenshire United Kingdom	11.215,48	2,17
CF Service SRL Italia	9.539,18	1,85
Ibemo Industrie Service Germania	9.440,00	1,83



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TOTAL	477.782,22	92,63
External Suppliers	Total Invoices (USD)	share %
Parker Hannifin Corporation PGI USA	60.220,12	29,06
American Petroleum Institut Washington USA	45.530,81	21,97
Omni Valve LLC USA	36.126,48	17,44
Optimum LTD Liban	27.436,56	13,24
Shabum International LTD Tel Aviv Israel	26.385,59	12,73
Gebruder Wess SRL Bucuresti	6.600,00	3,19
Trelleborg Sealing Solutions Sofia	1.697,75	0,82
Hub Dacia SRL Bucuresti	1.345,00	0,65
Thomson Ruters (Scientific) LLC New York	661,50	0,32
Turkmennebit Ashgabat - Turkmenistan	575,00	0,28
TOTAL	206.578,81	99,70

Bank loans are secured by:

- real estate mortgages totaling 29.434.935 lei (insurance policy nmb. 2487024 valid from 25.05.2017 until 24.05.2018). The last valuation report was conducted for banking purposes in August 2017 by Neoconsult Valuation SRL Bucharest, an authorized valuer, an accredited member of ANEVAR, the value of the valued property market being 24.728.166 lei;
- Pledge on rquipment totaling 5.852.629 lei (insurance policy nmb. 2470241 valid from 01.03.2017 until 28.02.2018);
- Pledge Stocks of raw materials, inventory items and finished products totaling RON 24.651.575 (insurance policy No. 2493798 valid from 23.11.2017 until 22.11.2018)

Interest rate risk

Operating cash flows of the Company are affected by changes in interest rates. The Company does not use financial instruments to protect against interest rate fluctuations.

	Accounting year ended <u>31 December 2017</u>	Accounting year ended <u>31 December 2016</u>
	(lei)	(lei)
Interest paid	240.349	112.593

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank deposits in lei short term.

Accounting year ended <u>31 December 2017</u>	Accounting year ended <u>31 December 2016</u>
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	(lei)	(lei)
Cash and availability on demand	1.771.478	1.245.085
Total Cash and cash equivalents	1.771.478	1.245.085

Currency risk

Company is subject to exchange rate fluctuations due to foreign currency transactions.

	Accounting year ended	Accounting year ended
	<u>31 December 2017</u>	<u>31 December 2016</u>
	(lei)	(lei)
Result of foreign exchange differences	20.234	278.002

Market risk

The current global liquidity crisis that began in mid-2015 resulted in, among other things, a low level of capital market funding, lower liquidity levels in the banking sector and occasionally higher interbank lending rates and volatility very high stock exchanges.

The uncertainties in the global financial markets have led to significant and influential market in Romania. They had a double influence on society: a decrease in assets held and volumes of activity. Currently, the full impact of the current financial crisis is impossible to predict and totally preventable.

Management is unable to reliably estimate the effects on the financial position of the Company to further loss of liquidity in financial markets and the increased volatility in the exchange rate of the national currency and market indices.

Economic, commercial and financial effects of " oil prices crisis " begun in 2016 were reflected in the company's business on the first months of 2017 by lowering production (low demand), lower revenues, increased stocks of finished products (available to customers for renting). Most oil companies and drilling operators in domestic and international market and have changed the investment policy (acquisition of equipment and oil) by dividing it due to financial and economic reasons into two components:

- acquisition of new oil equipment and installation with reduced investment budgets;
- oil equipment and installation rental with larger investments budgets

5. EQUITY

Share capital



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The share capital of SC UZTEL S.A. is 31 December 2016, amounting to 13.413.648 lei, divided into 5.365.459 shares with a nominal value of 2.50 lei.

According to existing records in SC Central Depository S.A. as of letter nmb. 9234 from 15.03.2018 and at BSE , situation of shareholders on 31.12.2017 is as follows:

Shareholder	Nmb. of shares held	Weight in share capital, %
UZTEL Association	4.498.300	83,8381
Legal persons	448.526	8,3595
Natural persons	418.633	7,8024
TOTAL	5.365.459	100,0000

All shares are common, were subscribed and paid in full on 31 December 2017.

All shares have equal voting rights and a nominal value of 2,50 lei.

Legal reserves

Legal reserves are established under statutory financial statements and may not be distributed. The company transfers to the legal reserve at least 5% of annual profit until the aggregate balance sheet reaches 20% of the share capital. When this level is reached, the company may make additional allocations of net profits only.

At December 31, 2016 Company constitutes legal reserves totaling 1.916.641 lei.

	Accounting year ended <u>31 December 2017</u> (lei)	Accounting year ended <u>31 December 2016</u> (lei)
Legal reserves	1.916.641	1.916.641

The Company did not constitute the legal reserve on 31.12.2017 because it recorded a loss.

Other reserves

	Accounting year ended <u>31 December 2017</u> (lei)	Accounting year ended <u>31 December 2016</u> (lei)
Other reserves	631.133	631.133



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According to IAS 1.79 (b), the Company recorded in the individual situation the changes in equity for the "Other reserves" chapter, the amount of 631,133 lei representing the fiscal profit tax facility according to the legal provisions in force at the date of its constitution (31.05.2004) - Law 416 / June 26, 2002.

Revaluation reserve

The revaluation reserve is the amount of 38.232.706,22 lei at 31 December 2017 and includes revaluation reserves obtained after revaluation carried out by independent evaluators on:

- construction – revaluation on December 31, 2007 May 31, 2011 and December 31, 2013;
- technological equipment, technical installations, machinery, furniture and office equipment – on 31.12.2007.

	Accounting year ended <u>31 December 2017</u> (lei)	Accounting year ended <u>31 December 2016</u> (lei)
Revaluation reserves	38.232.706	65.159.672

The revaluation reserve was diminished in 2017 with a value of 26.926.965,40 lei by covering the accounting loss from previous years, the capitalization of the surplus from the revaluation and the reserves highlighted in the fiscal register, as follows

- amount of 20.908.041,70 lei covering the accounting loss as of decision of AGOA Nmb 1 of 24.04.2017;
- Value of 141.687,63 lei representing capitalization of revaluation surplus from land surface of din 604 mp teren sold in 2017;
- Value of 10.722,71 lei representing capitalization revaluation surplus for fixed assets in categories construction exit from books in 2017;
- Value of 119.998,66 lei representing capitalization revaluation surplus for fixed assets in categories equipment, installations and machines cancelled from books following the inventory record in 2017;
- Value of- 1,092.45 lei representing the revaluation surplus capitalization for fixed assets in the category of office furniture, which is out of evidence by scrapping as a result of inventory of the company's patrimony in 2017;
- Value of 2,300,235.79 lei representing revaluation reserves highlighted in the tax register at Quarter-I-2017;
- Value of 1,192,421.48 lei representing revaluation reserves highlighted in the fiscal register at Quarter-II-2017;
- Value of 1,184,068.97 lei representing revaluation reserves highlighted in the tax register on Quarter-III-2017;



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- the amount of 1,068,696.01 lei representing revaluation reserves highlighted in the fiscal register at Quarter -IV-2017.

6. RESULT FOR THE YEAR

Result for the year

At the end of fiscal year 2017 the Company recorded the following results:

- **Gross Operationnal Result** increased from (18.936.399,00) lei to 31.12.2016 at (12.957.785,00) lei at 31.12.2017 , that means a significant increase against the same period of 2016;
- **The gross result of the financial activity** decreased from (210.553) lei at 31.12.2016 to (212.943) lei at 31.12.2017, meaning a significant decrease compared to the same period of 2016;
- **Gross profit for the financial year** increased from (19.146.952) lei on 31.12.2016 to (13.170.728) MDL at 31.12.2017, meaning a significant increase compared to the same period of 2016;
- **The net result of the financial year** increased from (19.146.952) lei at 31.12.2016 to (13.170.728) lei at 31.12.2017, meaning a significant increase compared to the same period of 2016.

Although the global crisis that affected the oil sector had negative repercussions on the company's production Uztel S.A. (Turnover in 2017 higher than 2016 with 6,89 %) , , the company management has made efforts and managed the situation in such a way that reduced operating expenses (operational) in accordance with the volume of production conducted.

	Accounting year ended	Accounting year ended
	<u>31 December 2017</u>	<u>31 December 2016</u>
	(lei)	(lei)
Net income (lei)	(13.170.728)	(19.146.952)
Ordinary shares	5.365.459	5.365.459
Earnings per share (lei)	(2,45)	(3,57)

Dividends

In 2017 the Company made quarterly payments amounting 2.145,36 lei , , representing net dividends due to shareholders for the years 2003 , 2005 , 2006 , 2007 and 2008 , as follows l :

	lei
e) Payments 1 st quarter	1.089,12
f) Payments 2nd quarter	260,76
g) Payments 3rd quarter	130,70
h) Payments 4th quarter	664,78



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On 31.12.2017 Uztel SA recorded in account 457 (Dividends to pay) the amount of 1.622.553,09 lei representing dividends due to shareholders for 2003 , 2005 , 2006 , 2007 and 2008.

The Company did not set up and paid dividends for the period 2011-2017.

7. PROFIT TAX

	Accounting year ended <u>31 December 2017</u> (lei)	Accounting year ended <u>31 December 2016</u> (lei)
Gross book value	(13.170.728)	(19.146.952)
Items assimilated to revenue	-	3.417.908
Legal reserve established	-	-
Non-taxable income	(161.733)	(6.068.216)
Non-deductible expenses	10.937.897	5.711.397
Profit / (Fiscal Loss)	(2.394.564)	(16.085.862)
Tax on profit result	-	-
Sponsorship	-	(21.375)
Corporation tax payable	-	-
Net profit / (loss)	(13.170.728)	(19.146.952)

The taxation system in Romania is in a phase of consolidation and harmonization with EU legislation. However, there are still different interpretations of tax law.

In some cases, the tax authorities may have different approaches to certain issues, proceeding to the calculation of additional taxes, interest and late payment penalties under the tax regulations in force.

In Romania, tax periods remain open for tax for 7 years. The Company's management believes that tax liabilities included in these financial statements are appropriate.

We propose that the net loss net for the amount of 13.170.728,39 lei be recorded in the accounting books of Uztel SA Ploiesti as bellow :

1171.01 = 121 13.170.728,39

Result reported – loss

The result carried forward from previous years is an accounting loss amounting of (RON 3,480,181.87), representing a loss related to 2016, a loss which will increase by the amount of (13,170,728.39) lei according to the above mentioned accounting note.

In conclusion, after the approval of the carrying out of these accounting operations, the net loss of the company will be in the amount of (16,650,910.26) lei, to be recovered according to Art. 19 par. (4) of the Accounting Law no. 82/1991 with subsequent modifications and completions:



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- "The retained carrying amount is accounted for in the profit and loss for the period, the reserves, capital and share capital, according to the decision of the general meeting of the shareholders".

The fiscal loss registered at the end of 2016, determined by the profit tax statement, net of -16,085,862 lei, will be increased with the fiscal loss registered on 31.12.2017 in net value of -2,394,564 lei. The total fiscal loss recorded on 31.12.2017 by Uztel SA Ploiesti will be -18,480,426.35 lei.

8. RETAINED EARNINGGS

Retained earnings are the cumulative result of the Company. At December 31 2017 the Company has recorded retained earnings in the amount of 3.686.242 lei .

	Accounting year ended <u>31 December 2017</u>	Accounting year ended <u>31 December 2016</u>
	(lei)	(lei)
Result reported	3.686.242	(10.069.996)
Result reported when applying IFRS	5.365.459	5.365.459
Earnings per share (lei)	0.68	(1,78)

9. PROVISIONS

Statement of provisions made by the company is as follows:

	Accounting year ended <u>31 December 2017</u>	Accounting year ended <u>31 December 2016</u>
	(lei)	(lei)
Provisions for litigation	241.113	246.213
Provisions for guarantees granted to clients	12.301	-

The Company recorded in the financial year 2017 "Provisions for guarantees granted to clients" amounting to 12,301 lei, based on the contract no. 99003203 / 21.05.2017 concluded with OMV PETROM Bucharest..



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10. FIXED ASSETS

– Tangible assets

	lands	Buildings and constructions	Machines and equipments	Other tangible assets	Tangible assets in progress	Advances for intangible assets	Total
Cost	Lei	Lei	Lei	Lei	Lei	Lei	Lei
Balance at 01 January 2017	16.764.100	32.015.002	35.857.772	160.630	2.962.757	123.120	87.883.381
Increases	-	-	715.024	7.247	155.999	-	878.270
Outputs	161.311	11.300	142.111	2.100	699.859	-	1.016.681
Balance at 31 December 2017	16.602.789	32.003.702	36.430.685	165.777	2.418.897	123.120	87.744.970
Accumulated depreciation							
Balance at 01 January 2017	-	11.069.760	24.957.337	82.449	-	-	36.109.546
Depreciation of year	-	3.263.727	1.378.025	13.024	-	-	4.654.776
Depreciation of outputs	-	7.916	5.990	900	-	-	14.806
Balance at 1 December 2017	-	14.325.571	26.329.372	94.573	-	-	40.749.516
Adjustment							
Balance at 01 January 2017	-	-	-	-	-	-	-
Increase	-	-	-	-	-	-	-
Decraese	-	-	-	-	-	-	-
Balance at 31 December 2017	-	-	-	-	-	-	-
Net book value							
Balance at 01 January 2017	16.764.100	20.945.242	10.900.435	78.181	2.962.757	123.120	51.773.835
Balance at 31 December 2017	16.602.789	17.678.131	10.101.313	71.204	2.418.897	123.120	46.995.454

Between 01 January and 31 December 2017, the total value of the increases recorded in the accounting records for the "*Machinery and Equipment*" class was 715.024 lei representing:

- double beam overhead crane 16 To / 6,3 To, worth 256.311 lei;



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- Noxious exhaust system, worth 229.170 lei
- Main and secondary feather molds 2 1/16, 2 9/16, 3 1/8, 4 1/16 (eight mold sets), worth 94.243 lei;
- Modernization of CH 50KF hydraulic heads test stand , worth 53.707 lei;
- LED lighting installation - SDV sector, worth 36.766 lei;
- LED lighting installation - central store, worth 16.216 lei;
- Bore support for nitrate parts, worth 6.199 lei;
- Adjustment between the accounts 2131.01 - Technological Equipment and 2133.01 - Means of Transport amounting to RON 22.411.

Between 1 January and 31 December 2017, the total value of the increases recorded in the accounting records for the class "*Furniture, office equipment, fixed assets*" was 7.247 lei representing

- DS-7616NI-I2 NVR Video Surveillance System.

Tangible fixed assets registered an increase of 155.999 lei between January 1 and December 31, 2017, representing:

- Main and secondary feather molds 2 1/16, 2 9/16, 3 1/8, 4 1/16 (eight mold sets), worth 94.243 lei;
- LED lighting installation - SDV sector, worth 36.766 lei
- LED lighting installation - central store, worth 16.216 lei;
- DS-7616NI-I2 NVR video surveillance system, worth 7.247 lei;
- Works for installation of double beam overhead crane 16 To / 6,3 To, amounting to 1.527 lei.

Between 1 January and 31 December 2017, the "Land" class registered a decrease of 161.311 lei by selling the surface of 604 sqm of land within the city, according to the sale contracts with authentication no. : 1758 and 1759 / 04.05.2017 to individuals .

Between 1 January and 31 December 2017, the Buildings and Construction class recorded a decrease of 11.300 lei, representing the exit from the evidence by scrapping of fixed assets (decanter of oil products) following the annual inventory of the patrimony.

Between 1 January and 31 December 2017, the "*Machinery and Equipment*" Class recorded a decrease of 142.111 lei, representing:

- Output of fixed assets by scrapping after annual inventory of the patrimony, worth 119.700 lei (transformer TFM 1500kVA in value of 9.500 lei, installation CIF 135KW in value of 27.200 lei, installation CIF in value 32.700 lei, free blasting installation CLEMCO worth 6.200 lei, two pieces of WIWA AIRLESS painting plant worth 13.100 lei / piece, wagon platform 20T worth 17.500 lei and GRUNDFOS pump worth 400 lei);
- adjusting an analytical account amounting to RON 22,410.

Between 1 January and 31 December 2017, *other tangible assets* - "*Furniture, office equipment, fixed assets*" recorded a decrease of 2.100 lei, representing the output from books by scrapping fixed assets (AGFA 110/120 copier in value 900 lei and AGFAx520 copier worth 1,200 lei) following the annual inventory of the patrimony.

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Tangible fixed assets registered in the period January 1 - December 31, 2017 decreases amounting to 699,859 lei, representing fixed assets put into operation:

- double beam overhead crane 16 To / 6,3 To, worth 256.311 lei;
- Noxious exhaust system, worth 229.170 lei;
- Main and secondary feather molds 2 1/16, 2 9/16, 3 1/8, 4 1/16 (eight mold sets), worth 94.242 lei;
- Modernization of CH 50KF hydraulic heads test stand , worth 53.708 lei;
- LED lighting installation - SDV sector, worth 36.766 lei;
- LED lighting installation - central store, worth 16.216 lei;
- DS-7616NI-I2 NVR video surveillance system, worth 7.247 lei;
- Bore support for nitrate parts, worth 6.199 lei.

- **Intangible assets**

	Development expenses	Other intangible assets	Intangible assets in progress	Total
Cost	Lei	Lei	Lei	Lei
Balance at 01 January 2017	192.705	499.147	-	691.852
Inputs	5.245	62.416	-	67.661
outputs	20.615	-	-	20.615
Balance at 31 December 2017	177.335	561.563	-	738.898
Acumulated depreciatiohn				
Balance at 01 January 2017	109.475	472.760	-	582.235
Depreciation of year	11.574	77.427	-	89.001
Outputs depreciation	6.119	-	-	6.119
Balance at 31 December 2017	114.930	550.187	-	665.117
Cost				
Balance at 01 January 2017	83.230	26.387	-	109.617
Inputs	62.405	11.376	-	73.781

Between 1st January and 31st December 2017, *development expenditures* increased by 5.245 lei, representing:

- expenses for fitting the hydraulic drift preventer equipped with type SH 7 1/16x210/70bar with gasket and key worth de 2.257 lei;
- expenses for casting , thermal treatment and performed the operation I for body 21 / 16X3 / 5M in value of 2.452 lei;
- expenses for casting , thermal treatment and performed the operation I for body 41/16X5M worth 536 lei.



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The Company acquired intangible assets amounting to 62,416 lei representing:

- Suport tehnic pentru sistemul informatic integrat SIVECO pentru anul 2017, in valoare de 52.130 lei;
- Licenta antivirus ESET ENDPOINT in valoare de 6.521 lei;
- Software Update License&Support Oracle Database Standard Edition One Procesor Perpetual in valoare de 3.765 lei.

Between 1 January and 31 December 2017, the *development expenses* recorded a decrease of 20,615 lei by removing by sale of the SH 7 1 / 16x210 / 70bar hydraulic drift preventer equipped with the gasket and key to the Expert Petroleum SRL Bucharest.

11. STOCKS

By comparison, the stocks are presented as follows:

In LEI	<u>31-December</u>	<u>31-December</u>
	<u>2017</u>	<u>2016</u>
Raw material	1.876.772	1.662.408
Additional material	829.196	777.531
Fuels	60.335	20.208
Packaging materials	2.729	2.725
Spare parts	3.777.611	4.533.464
Other consumables	207.008	223.587
Other consumables- protocol	23	133
Inventory items	379.477	345.736
Products in progress	6.944.754	6.614.360
Semi- manufactured	1.350.955	1.368.908
Finished product	8.944.209	8.517.014
Difference of price of semi-finished products	-	672.183
Difference of price of finished products	9.010.016	12.892.109
Packing	9.260	8.064
Residual products	-	68.366
Total	33.392.345	37.706.796
Advances to purchases assets such as stocks	419.338	197.005
Total General Inventory	33.811.683	37.903.801



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12. INCOME FROM THE MAIN COMPANY'S BUSINESS

Turnover in 2017 totalling 44.370.142,75 lei was made by the following segments of activity:

	lei
- turnover for production activity is in the amount of	43.706.942,36
– turnover for the services activity is in the amount of	407.576,52
– turnover for trade activity is in the amount of	255.623,87

Turnover in 2016 totaling 41.510.00,12 lei was made by the following segments of activity:

	lei
- turnover for production activity is in the amount of	41.224.332,45
– turnover for the services activity is in the amount of	206.060,91
– turnover for trade activity is in the amount of	79.606,76

OPERATING INCOME

	<u>31-December</u> <u>2017</u>	<u>31-December</u> <u>2016</u>
Total operating expenses, of which:	48.627.123	48.219.620
Turnover	44.370.143	41.510.000
Income related to cost of inventories of products and production in progress	3.828.029	5.577.215
Revenues from production of tangible and intangible assets	59.755	309.972
Other operation income	369.196	822.433

OPERATION EXPENSES

	<u>31-December</u> <u>2017</u>	<u>31-December</u> <u>2016</u>
Total operating expenses, of which:	61.584.908	67.156.019
Raw material and consumables costs	24.388.266	26.439.270
Other material expenses	740.035	746.631
Other external expenses	2.760.022	2.868.167
The expenditures on goods	156.210	33.792
Trade discounts received	-	17.155
Staff costs	21.071.290	18.075.656
Value adjustment concerning tangible, intangible assets, real estate investment, and biological assets evaluated at cost	4.743.779	6.057.829
Value adjustments on assets	960.990	716.019
Other operating expenses	6.757.116	12.240.235
Expenses with tangible and intangible revaluation	7.200	(4.425)



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FINANCIAL INCOME

	<u>31-December</u> <u>2017</u>	<u>31-December</u> <u>2016</u>
Total financial income, of which:	704.431	1.324.412
Income from exchange rate differences	697.253	1.251.658
Interest income	6.316	71.198
Other financial income	862	1.556

FINANCIAL EXPENSES

	<u>31-December</u> <u>2017</u>	<u>31-December</u> <u>2016</u>
Total financial expenses , of which:	917.374	1.534.965
Interest charges	240.349	112.593
Other financial expenses	677.025	1.422.372

CASH GENERATED FROM OPERATING ACTIVITIES

	<u>31-December</u> <u>2017</u> lei	<u>31-December</u> <u>2016</u> lei	<u>31-December</u> <u>2015</u> lei
Net profit for the year	(13.170.728)	(19.146.952)	(2.037.296)
Income tax expense	-	-	312.177
Amortization / depreciation of long term assets	4.743.779	6.057.829	7.043.308
Expenses with disposed assets	294.100	-	-
Revenue with disposed assets	(98.578)	-	-
Provisions for clients	(816.190)	(730.576)	(4.124.629)
Income/expense related to value adjustment of current assets	1.104.659	6.779.810	-
Provisions for stocks	-	-	(2.669.738)
Interest expenses	(240.349)	(112.593)	(176.486)
Interest income	6.316	71.198	258.873
Gain / loss from exchange rate differences	20.234	278.002	198.820
Movements in working capital	5.013.971	12.343.670	842.324
Increase / (decrease) in trade receivables and other	2.461.019	3.144.665	4.866.322
Increase / (decrease) in other current assets	385	(682)	(342)
Increase / (decrease) in inventories	4.092.118	4.242.138	4.164.653
Increase / (decrease) in trade payables	6.289.074	918.711	858.206
Increase / (decrease) in other liabilities	(2.412.926)	(1.248.979)	(10.576.377)
Cash used in operating activities	10.429.670	7.055.853	(687.538)
Income tax paid	-	(17.857)	(194.348)
Interest paid	(240.349)	(112.593)	(176.486)
Cash generated from operating activities	2.032.564	122.120	(2.253.343)



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13. INFORMATION ON SEGMENTS

IFRS 8 establishes principles for information reporting on operational segment, referring to information on the economic activity of the entity where from generating income and expenses. Reportable operating segment is determined by the activity of production of products that generate revenue and expenditure such as reported income, including sales to external customers or sales or transfers between segments of the same entity, to represent 10% or more of the combined income of all internal and external operating segments.

If total revenue from customers for all segments combined is less than 75% of total revenues entity, additional reportable segments should be identified until reaching the 75% level.

The company is registered in Romania and operates all its activities in headquarters in Ploiesti, str. Mihai Bravu. 243 and does not have subsidiaries, branches or outlets.

Its activity is analyzed in terms of the main object of activity, namely: manufacturing and selling on

domestic and external markets, assemblies, oilfield parts and equipment, industrial valves, mud pumps and other spare parts for oilfield equipment.

The company management has established operating segments based on the volume of revenue from the sale of finished products in domestic and foreign markets and the benefits of services. Segments identified are:

- revenue from the sale of finished products - domestic market;
- revenue from the sale of finished goods - external market;
- income from stocks of finished products and production in progress;
- income from services rendered;
- income from royalties, management and rental locations;
- revenues from commodities

Segment information for the year ended 31 December 2016 are bellow:

Report on operating segment at 31 December 2017	Amount (lei)	Share Of total income %
Revenue from the sale of finished products - internal	21.024.336,55	42,62
Revenue from the sale of finished products - external	22.682.605,81	45,98
Income stocks of finished goods and production in progress	3.828.029,54	7,76
Revenue from services rendered	259.620,23	0,53
Income from royalties, management and rental locations	147.956,29	0,30
Revenue from sale of goods	255.623,87	0,52
Total	48.198.172,29	97,71



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Information on segments for year ended at December 31 December 2016 are:

Report on operating segment at 31 December 2016	Value (lei)	Share of Total income %
Revenue from the sale of finished products - domestic	17.058.263,31	34,43
Revenue from the sale of finished products - abroad	24.166.069,14	48,78
Income stocks of finished goods and production in progress	5.577.215,00	11,26
Revenue from services rendered	169.814,00	0,34
Income from royalties, management and rental locations	36.246,91	0,07
Revenue from sale of goods	79.606,76	0,16
Total	47.087.215,12	95,04

The investment property valuation at initial recognition was carried at cost, in accordance with IAS 40 "Investment property". The cost of a real estate investment consists of the purchase price plus any directly attributable costs. At the date of adoption of the IFRS, the company chose to use the waiver of the expected cost, ie to evaluate the investment property at the cost assumed, given that the revaluation was comparable to the fair value (Amendment to IFRS 1 adopted by the EU on 12 December 2012).

After recognition, the company chose the fair value model for the presentation of real estate investments in the financial statements. In the accounting, no depreciation is recorded, but the loss (by account 612.01) or the gain (through account 706.01) from the valuation at the fair value of the real estate investments is registered.

Rental income in the amount of 147.956.29 lei registered by the company in 2017 through account 706.01 is represented by:

- Rental of products manufactured by the company - VH 13 5 / 8X5M vertical preventer with 10M flange worth 24.382,63 lei to Foraj Sonde SA Mures, according to order 3560 / 12.12.2016;
- Rental of products manufactured by the company - Horizontal double preventer 11x10000 PSI and vertical preventer 11Sx5000 PSI - to OMV PETROM SA - E & P Bucharest DIVISION in the amount of 99.971,66 lei, according to contract no. 99003203 / 16.12.2015;
- Rental of products manufactured by the company - coupon pipe 3 1 / 16x10K-6m length - to Dosco Petroservice Romania SRL Bucharest in value of 15.002,77 lei, according to order no. DP-PO 1395 / 22.12.2016;



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- Rental of products manufactured by the company - set of threaded fittings 6 5/8 FH LH - to Cameron Romania SRL Campina amounting to 4.364,45 lei, according to orders no. 4511412972, 4511430762 and 4511588733/2017;
- Rental of products manufactured by the company - CH 125 TO - to Weatherford Atlas Gip SA Ploiesti in the amount of 4.234,78 lei, according to order no. 14085732/2017.

14. TRANSACTIONS WITH AFFILIATED PARTIES

IAS 24 "Transactions with related parties" regulates commercial operations with entities that hold cash funds in their capacity as Associate Members of the Association Uztel Ploiesti (majority shareholder of UZTEL - Ploiesti a total of 4.498.300 shares, representing 83,84 % of share capital of the company).

During fiscal year 2017 have performed the following transactions with related parties

a) Sales of finished products and services:

In financial year 01.01.2017 – 31.12.2017 the Company did carry out transactions in the nature of sales of

finished goods and services with affiliated parties.

b) Aquisition of goods and services :

<u>Entity</u>	<u>Acquisitions 2017</u> <u>lei</u>	<u>Acquisitions 2016</u> <u>lei</u>
Aprodem SA Ploiesti	61.950,49	28.371,16
Axon SRL Ploiesti	553.387,67	483.514,15
Comis SRL Valeni de Munte	126.951,77	154.476,00
Electro Service Onel & Co SNC Ploiesti	30.048,69	-
Passion SRL Ploiesti	57.556,39	72.173,11
Platus Com SRL Campina	156.109,96	110.121,15
Romconvert SA Ploiesti	51.877,99	121.704,00
Titancore SRL Ploiesti	253.983,44	254.726,64
Rikora Flm SRL Focsani (Vaspet SRL Focsani)	152.485,51	58.620,80

<u>Entity</u>	<u>Acquisition 2017</u> <u>usd</u>	<u>Acquisition 2016</u> <u>usd</u>
Shabum International LTD Tel Aviv	26.385,62	22.370,18

c) Compensations for key management staff:

Key management personnel include executives, senior management of the production units (department heads) and key management personnel of the company's functional services (technical, design, human resources, quality assurance, commercial, economic, administrative, production, IT).

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	<u>2017</u>	<u>2016</u>
Gross salary paid	2.350.203 lei	1.547.053 lei

15. OTHER INFORMATION*(1) Fees paid to auditors*

In 2017 the Company's expenses on fees paid to auditors were worth 279.864,24 lei , including :

Statutory Auditor	lei
- Ecoteh Expert SRL Bucuresti Romania	29.676,95
Auditors of quality management systems certification and product (license)	lei
- DNV-GL Business Assurance SRL Bucuresti Romania	43.149,09
- GR Eurocert SRL Ploiesti Romania	6.095,52
- Hansa Flex Romania SRL Ilfov	9.609,92
	usd
- American Petroleum Institut Washington USA	45.530,81
- Thomson Ruters (Scientific) LLC New York USA	581,00
<i>(2) Expenses with salaries</i>	

	Accounting year ended <u>31 December 2017</u>	Accounting year ended <u>31 December 2016</u>
	(lei)	(lei)
Expenses with wages for personnel	17.211.920	14.751.961

The Company did not grant advances or loans to directors or managers.

(3) Average number of employees at 31 December :

	Accounting year ended <u>31 December 2017</u>	Accounting year ended <u>31 December 2016</u>
Average number of employees	471	525

(4) Garantiile Financiare acordate / primite de societate.



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Financial guarantees established

Uztel SA Ploiesti established a good performance guarantees at the request of OMV PETROM BUCURESTI client in lei and NAFTAGAS-OILFIELD SERVICES in foreign currency based on the contracts concluded between the parties broken down as follows:

The amount of EUR 7,043.37 constituted by the issuance of bank guarantee letters with collateral with limited expiry dates, namely:

1. Performance bond	2.188,32 eur	maturity	12.10.2018
1. Performance bond	4.855,05 eur	maturity	09.10.2018

These guarantees are recorded in treasury accounts and have been established at the request of the company's clients in the negotiation of contracts of sale of oilfield assemblies, parts and equipment, industrial valves, mud pumps and other spare parts for oil equipment, metal structures and castings and foundrys .

The amount of 39,338.20 lei representing good execution receivables was made available to the client and is registered in the account "*other non-current receivables*".

Financial guarantees received

In the financial year 2017, the company has no performance guarantee from suppliers.

(1) Insurance policies held by the company

The company holds insurance policy OMNIASIG, G Series no. 2487024 or a period of 12 months, namely from 25.05.2017 to 24.05.2018 (renewed annually) representing fire insurance and other risks (risk packages) for a declared value of 29.434.935 lei of a number of 26 buildings and industrial production halls owned by the company.

The company owns OMNIASIG F Series F no. 2493798 for a period of 12 months, namely from 23.11.2017 to 22.11.2018 (renewed annually) representing fire insurance and other risks (risk packages) for stocks (raw materials, inventory items, finished products) with a declared value of 24.651.575 lei.

The company owns OMNIASIG F Series F no. 2470241 for a period of 12 months, namely from 01.03.2017 to 28.02.2018 representing bank security for technological equipment with a total value of 5.852.629 lei.

All the insurance policies the company has concluded have generated financial costs (cash outflows) and have ensured shareholders, company managers, commercial and banking partners stable and trustworthy in the current and future business and financial activities of the company.

(1) Assessment on the impact of the activity of the society on the environment

The company's activity is conducted according to the following regulatory acts:

- Environmental authorization no.– PH-619 from 21.12.2009 valid until 12/21/2019 for the activity of production assemblies, parts and equipment and servicing industrial oil, recovery of recyclable industrial waste, capture, water treatment and distribution, painting workshop.
- Water Management Authorization no. 107 of 16.06.2017 valid until 15.06.2019;



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- Certificate of enrollment in the register of authorized economic operators that carry out waste recovery operations no.- 0325 issued by the Ministry of Economy - Department for Industrial Policy valid until 31.03.2018 .

Environmental factors (drinking water, wastewater, air-emission-imission air, soil, waste) were monitored as required by applicable legal activities within Uztel S.A. (Monthly, quarterly, semi-annually). It has been observed frequency imposed by the environment authority and no exceeding the maximum levels imposed was found.

Program of action for 2017 was achieved 100%. Proposed actions aimed at waste management, emissions and immissions, water and wastewater.

Was put in operation made a significant investment for environmental protection :

- Filtering Station Puls Jet with screw and rotary valve ALWO-SFPJ 2.4 / 200 * 3.5 / 352 to electric arc furnaces of 1.5 tons of foundry workshop TO1

Dangerous chemical substances and preparations were purchased, stored, handled and used in compliance with current legislation, according to safety data sheets.

(1) Aspects of legal disputes of company

Company, as the lender has taken all legal steps necessary to recover trade receivables outstanding

from legal entities and individuals having in progress during financial year 2017 a number of commercial cases through the courts, cases in various stages of judgment and execution and is part civil (no material implications) in files on groups of workers (labor disputes) with former employees.

Debt recovery	15 dosare
Enforcement	16 dosare
Insolvency proceedings	17 dosare
Labor Disputes (labor groups, special conditions, claims, dismissal appeal)	182 dosare

The Company regularly monitors trade receivables outstanding and apply best estimates in recording and accounting for them

16. COMPANY MANAGEMENT

TAX LEGAL FRAMEWORK

The legislative and fiscal frame of Romania and its implementation in practice changes frequently and is subject to different interpretations from various control bodies. Tax declarations are subject to revision and correction by tax authorities generally for a period of five years after their completion. Management believes that properly registered tax liabilities in the accompanying financial statements. However, there is a risk that the tax authorities adopt different positions in connection with the interpretation of these issues. Their impact could not be determined at this time.



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Economic environment

The adjustment values in risk-held on international financial markets beginning with 2016 affected their performance, including financial and banking market in Romania, leading to increased uncertainty about future economic developments.

The current crisis of liquidity and credit succeeded in low and difficult access to capital market funds, low levels of liquidity in the Romanian banking sector and higher interbank lending rates. Significant losses experienced in the global financial market could affect the Company's ability to obtain new loans and refinance its existing conditions similar to those applied to earlier transactions.

Trading partners of the company, may also be affected by the liquidity crisis situations that might affect the ability to meet their current liabilities. The deterioration of operating conditions may affect creditors and managing cash flow forecasts and assessment of the impairment of financial assets and financial assets. To the extent that information is available, management has reflected revised estimates of future cash flows in its impairment

Current concerns that the deteriorating financial conditions contribute in a later stage to a further decrease of confidence led to efforts coordinated by governments and central banks in the adoption of special measures aimed at countering growing aversion to risk and restore normal operation of the market. The Company's management can not estimate events that could have an effect on the banking sector in Romania, and then what effect it might have on the company's activity.

Labor Framework

Although part of the European Union on 1 January 2007, Romania's economy still shows characteristics of an emerging market such as high current account deficit, a relatively undeveloped financial market and foreign exchange fluctuations.

Currently, international financial markets are feeling the global financial crisis triggered in 2008, these effects were felt on the Romanian market as lowering prices and liquidity of capital markets, and by increasing interest rates on financing medium term due to the global liquidity crisis. Significant losses experienced in the global financial market could affect the Company's ability to obtain new loans in conditions similar to those applied to earlier transactions.

The Company's management believes that the application of the ongoing business assumption in preparing the financial statements of financial position description is correct, given the dominant position on the market and oil and natural gas in the national economic system.

17. THROUGHOUT THE INSOLVENCY - REORGANIZATION PROCEEDINGS

By Order no.129 dated 03.03.2017 pronounced on File no. 4732/105/2010 by Dolj Court; Department of -II- of Civil, was ordered closure of the Uztel SA company's reorganization procedures, following the fulfillment of payment obligations assumed in the plan confirmed by sentence no. 1282 9 October 2012 and the Uztel SA Company's reintegration into the economic circuit with continued activity.



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BOARD OF DIRECTORS

In accordance with the legal provisions in force, namely amended and updated Law 31/1990, UZTEL SA proceeded to the election of a Board of Directors with a four-year term of office, consisting of five members with full powers:

PERIOD 01.01.2017 - 31.12.2017		
NUME PRENUME	FUNCTIA	PERIOADA
Popescu Ileana	Presedinte C.A.	14.03.2017-30.06.2017
Maer Alina Mariana	Membru C.A.	14.03.2017-30.06.2017
Hagiu Neculai	Membru C.A.	14.03.2017-30.06.2017
Persoana Juridica COMIS SRL prin reprezentant conventional Badea Florian	Membru C.A.	14.03.2017-30.06.2017
Gheorghiu Mihail Gabriel	Membru C.A.	24.04.2017-30.06.2017

On 01.06.2017, by the decision of the Board of Directors of Uztel SA Mr. Ing. Purcarea Constantin was appointed as General Manager of the company.

For the period 14.03.2017 - 31.12.2017 the total remunerations of the Board of Directors of the Company represented 1,69% of the salary fund.

THE EXECUTIVE MANAGEMENT OF THE COMPANY - during the period 01.01.2017 - 31.12.2017 recorded fluctuations in the exercise of the managerial duties, thus:

PERIOD 01.01.2017 - 31.12.2017			
SURNAME, GIVEN NAME	POSITION	PERIOD	DECISION / DATE OD DECISION
Zidaru Ion	General Director	01.01.2017-31.05.2017	Decision 44 / 23.04.2013
Purcarea Constantin	General Director	01.06.2017-31.12.2017	Decision 68 / 16.05.2017
Gruescu Serban Gheorghe	Tehcnical Director	01.01.2017-20.10.2017	Decision 194 / 28.11.2012
Anghel George Marinelo	Tehcnical Director	20.10.2017-31.12.2017	Decision 170 / 16.10.2017
Gheorghiu Mihail Gabriel	Commercial Director	01.01.2017-31.12.2017	CIM 238 / 31.01.2013
Popescu Ileana	Economic Director	01.01.2017-31.12.2017	Decision 592 / 30.11.2010
Savin Dan Viorel	Manager Quality Management System	12.04.2017-15.12.2017	CIM 848 / 11.04.2017



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For the period 01.01.2017 - 31.12.2017 total remuneration of the executive management of the Company accounted for a share of 8,43 % of wages fund.

General Director
Ing. Zidaru Ion

Economic Director ,
Ec. Popescu Ileana

Head of Gen,Acct. Serv.
Ec. Ilie Marian Eduard



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NOTE OF SUBSTANTIATION
of the proposal to cover accounting losses
on 31.12.2017

In the financial year ended December 31, 2017 was recorded a net book value loss of 13.170.728,39 lei.

It is proposed to the General Meeting of Shareholders that the net book loss in the amount of (13,170,728.39) lei be recorded in the accounting records of Uztel SA Ploiesti as follows:

1171.01	=	121	(13.170.728,39) lei
Result retained -loss		Profit or loss	

The result carried forward from previous years is an accounting loss amounting to (RON 3.480.181,87), representing a loss related to 2016, a loss which will increase by the amount of (13.170.728,39) lei according to the above mentioned accounting note.

In conclusion, after the approval of the carrying out of these accounting operations, the net loss of the company will be in the amount of (16.650.910,26) lei, to be recovered according to Art. 19 par. (4) of the Accounting Law no. 82/1991 with subsequent modifications and completions:

- „*The retained carrying amount is accounted from the profit of ended year and that carried from the reserves, capital and share capital, according to the decision of the general meeting of the shareholders* ”.

General Director
Ing. Zidaru Ion

Economic Director
Ec. Popescu Ileana

Head of Gen. Acct.Dept.
Ec. Ilie Marian Eduard



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STATEMENT

In accordance with Articles 29 and 30 of the Accounting Law no.82 / 1991 republished

They have been prepared the annual financial statements at 12.31.2017 of:

Entity: UZTEL

County: 29-Prahova

Address: town of Ploiesti, Str.Mihai BRAVU, NO. 243, tel.0372441111

Trade register number: J29 / 48/1991

Ownership: 34 Joint stock companies

Core business (NACE code and class name): 2892 - Manufacture of machinery for mining, quarrying and construction.

Unique Registration Code: RO 1352846

The undersigned Eng. Zidaru Ion under Article 10 (1) of the Accounting Law no. 82/1991, with the capacity of CEO, assumes responsibility for preparing annual financial statements to 12.31.2017 and acknowledges the following:

a) The accounting policies used in preparing the annual financial statements are in accordance with applicable accounting regulations.

b) The financial statements present fairly the financial position, financial performance and other information related to the work.

c) The entity is running its business in conditions of continuity.

CEO,
Ing. Zidaru Ion



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Statement of the company UZTEL S.A. on compliance with the Corporate Governance Code for 2017

Provisions of Corporate Governance Code	Conformity	Partial or total non-conformity	Reason of non-conformity
A.1 All companies must have an internal regulation of Board of Directors that includes the terms of reference and responsibilities of the Board and the key management functions of the company, and which applies inter alia the general principles in Section A.		X	Procedure in progress, deadline in sem. II 2018
A.2 Provisions for managing conflict of interest should be included in the Board Regulation. In any case, Board members must notify the Board of any conflicts of interest that have arisen or may arise and refrain from participating in the discussions (including through non-attendance, unless the failure would impede the formation of the quorum) and to the vote for a decision on the issue giving rise to the conflict of interest.		X	Procedure in progress, deadline in sem. II 2018
A.3 The Board of Directors must be composed of at least five members.	X		
A.4 Most members of the Board of Directors should not have an executive function. At least one member of the Board of Directors must be independent in the case of Standard Category companies. Each independent member of the Board of Directors must file a statement at the time of his nomination for election or re-election, as well as when any change of status occurs, indicating the elements on the basis of which he is considered to be independent in terms of his character and judgment and the following criteria.	X		



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A.4.1 He/she is not the General Director / Chief Executive Officer of the company or a company controlled by it and has not held such a position for the past five (5) years	X		
A.4.2. He/she is not an employee of the company or a company controlled by it and has not held such a position for the past five (5) years;	X		
A.4.3. He/she does not receive and did not received any additional remuneration or other benefits from the company or a company controlled by it, other than those that are in the position of non-executive director;	X		
A.4.4. He/she is not or was not an employee or has not or did not have during the previous year a contractual relationship with a significant shareholder of the company, a shareholder controlling over 10% of the voting rights, or with a company controlled by it;	X		
A.4.5. He/she does not have and did not have a business or professional report with the company or a company controlled by it, either directly or as a client, partner, shareholder, member of the Board / Administrator, general manager / executive director or employee of a company if, by virtue of its substantive nature, this relationship may affect its objectivity;	X		
A.4.6. He/she is not and has not been for the past three years the external or internal auditor or partner or associate employee of the current external financial auditor or the internal auditor of the company or a company controlled by it;	X		
A.4.7. He/she is not the general manager / executive director of another company where another general manager / executive director of the company is non-executive;	X		



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A.4.8. He/she has not been a non-executive manager of the company for more than twelve years;	X		
A.4.9. He/she has no family ties with a person in the situations mentioned under A.4.1. and A.4.4.	X		
A.5 Other relatively permanent professional engagements and obligations of a member of the Board, including executive and non-executive positions in the Board of Non-Profit Societies and Companies, must be disclosed to potential shareholders and investors prior to nomination and during their term of office	X		
A.6 Any member of the Board must report the Board any relationship with a shareholder owning directly or indirectly shares representing more than 5% of all voting rights. This obligation refers to any kind of relationship that may affect the member's position on matters decided by the board.	X		
A.7 The Society shall designate a Board Secretary responsible for supporting the work of the Board.	X		
A.8 The Corporate Governance Statement will inform whether an evaluation of the Board has taken place under the direction of the President or the nomination committee and, if so, summarize the key measures and the resulting changes. The company must have a policy / guidance on the Board's assessment of the scope, criteria and frequency of the evaluation process.		X	Procedure in progress, deadline in sem. II 2018
A.9 The Corporate Governance Statement should contain information on the number of meetings of the Board and committees over the past year, the administrators' participation, and		X	Procedure in progress, deadline in sem. II 2018



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a report by the Board and committees on their activities.			
A10 The corporate governance statement should contain information about the exact number of independent members of the Board of Directors.	X		
B. 1 The Board should set up an audit committee in which at least one member should be an independent non-executive administrator. Most members, including the President, must have proven that they have adequate qualifications relevant to the functions and responsibilities of the Committee. At least one member of the audit committee must have proven and appropriate audit or accounting experience.		X	Procedure in progress, deadline in sem. II 2018
B.2 The Audit Committee Chairman must be an independent non-executive member.		X	Procedure in progress, deadline in sem. II 2018
B.3 In its responsibilities, the audit committee must conduct an annual review of the internal control system.		X	Procedure in progress, deadline in sem. II 2018
B.4 The assessment should take into account the effectiveness and scope of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Board by the audit committee, the promptness and effectiveness with which executive management addresses the identified weaknesses or weaknesses Following internal control and submission of relevant reports to the Board's attention.		X	Procedure in progress, deadline in sem. II 2018
B.5 The Audit Committee shall assess the conflicts of interest in relation to the		X	Procedure in progress,



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transactions of the company and its subsidiaries with affiliated parties.			deadline in sem. II 2018
B.6 The audit committee should assess the effectiveness of the internal control system and risk management system.		X	Procedure in progress, deadline in sem. II 2018
B.7 The Audit Committee should monitor the application of generally accepted legal standards and internal audit standards. The audit committee must receive and evaluate audit team reports.		X	Procedure in progress, deadline in sem. II 2018
B.8 Whenever the Code mentions reports or analyzes initiated by the Audit Committee, they should be followed by periodic reports (at least annually) or ad hoc reports to be submitted to the Board.		X	Procedure in progress, deadline in sem. II 2018
B.9 No shareholder may be granted preferential treatment over other shareholders in respect of transactions and agreements and concluded by the Company with its affiliated shareholders.	X		
B.10 The Board must adopt a policy to ensure that any company transaction with any of the Companies with which it has close relationships with a value equal to or greater than 5% of the company's net assets (according to the latest financial report) is approved by the Board following a mandatory opinion of the Board's audit committee and fairly disclosed to shareholders and potential investors, to the extent that these transactions fall within the category of events subject to reporting requirements.		X	Procedure in progress, deadline in sem. II 2018
B.11 Internal audits should be performed by a structurally separate division (internal audit department) within the company or by hiring	X		



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an independent third party.			
B.12 In order to ensure the main functions of the internal audit department, it must report functionally to the Board via the audit committee. For administrative purposes and within management's responsibilities to monitor and mitigate risks, it must report directly to the General Director.		X	Procedure in progress, deadline in sem. II 2018
C.1 The company must publish the remuneration policy on its website and include a statement on the implementation of the remuneration policy in the annual report during the annual period under review.	X		
D.1 The company must organize an Investor Relations Service - indicating to the general public the person or persons responsible or the organizational unit. In addition to information required by law, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all relevant information of interest to investors, including:	X		
D1.1. The main corporate regulations: the constitutive act, the procedures regarding the general meetings of the shareholders;		X	
D.1.2 Professional CVs of members of the company's governing bodies, other professional engagements of Members of the Board, including executive and non-executive positions on board of directors in companies or non-profit institutions.		X	
D.1.3. Current reports and periodic reports (quarterly, half-yearly and yearly) at least those under D.8 - including current reports including detailed information on non-compliance with	X		



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the Code;			
D1.4. Information on general shareholders meetings: agenda and informative materials; The procedure for electing the members of the Board; The arguments supporting the nomination of candidates for the Board, together with their professional CVs; Shareholders' questions about the items on the agenda and the responses of the company, including the adopted decisions;	X		
D1.5. Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events that lead to the acquisition or limitation of the rights of a shareholder, including the deadlines and principles applied to such operations. Such information will be published within a timeframe that will allow investors to make investment decisions;	X		
D1.6. . The name and contact details of a person who will be able to provide relevant information upon request;		X	
D1.7. Presentations of the company (eg, investor presentations, quarterly results, etc.), financial statements (quarterly, half-year, annual), audit reports and annual reports.	X		
D.2 The Company will have a policy on the annual distribution of dividends or other benefits to shareholders proposed by the Director General and adopted by the Board in the form of a set of guidelines that the company intends to follow on the distribution of net profit. The principles of the annual distribution policy to shareholders will be published on the company's website.	X		
D.3 The company will adopt a policy on	X		



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forecasts, whether they are made public or not. The forecasts refer to quantified conclusions of studies aimed at determining the global impact of a number of factors for the upcoming period (the so-called hypotheses): by its nature, this projection has a high level of uncertainty; the actual results may differ materially from projections originally presented. The forecast policy will determine the frequency, timing and content of the forecasts. If published, the forecasts can only be included in the annual, half-yearly or quarterly reports. The forecasting policy will be published on the company's website.			
D.4 The rules of general shareholders' meetings should not limit the participation of shareholders in general meetings and the exercise of their rights. Changes to the rules will take effect at the earliest, starting with the next shareholders' meeting.	X		
D.5 External auditors will be present at the shareholders' general meeting when their rapporteurs are present at these meetings.	X		
D.6 The Board will present to the Annual General Meeting of the Shareholders a brief assessment of the internal control and management systems of significant risks, as well as opinions on matters subject to the decision of the general meeting.	X		
D.7 Any specialist, consultant, expert or financial analyst may attend the shareholders' meeting on the basis of a prior invitation from the Board. Accredited journalists may, also to participate in the general meeting of the shareholders, unless the President of the Board	X		



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decides otherwise.			
D. 8 Quarterly and half-yearly financial reports will include information in both Romanian and English on key factors that influence changes in sales, operating profit, net profit and other relevant financial ratios, both quarterly To another, and from one year to another.	X		
D.9 A company will hold at least two meetings / teleconferences with analysts and investors each year. The information presented on these occasions will be published in the investor relations section of the company's website at the date of the meetings / teleconferences.		X	
D.10 If a company supports different forms of artistic and cultural expression, sporting activities, educational or scientific activities and believes that their impact on the innate character and the competitiveness of society is part of its mission and development strategy, it will publish the policy with of its activity in this field.	X		

Chairman of Board of Directors of UZTEL SA. Ploiesti

Popescu Ileana



ECOTEH EXPERT SRL BUCHAREST

Accounting and legal expertise, internal and external
audit, tax consultancy, accounting
CFAR authorization No. 120/2001

Address: Bucharest, 3 sector, Postal Code
030712, 2 Lt. Ganovici Dumitru, 1st floor
ORCNo. J40/8893/2000 CUI-RO 13409385
Phone-+4-021-326 81 72 Mobilephone - +4-
0724 252 149 E-mail:
ecoteh_audit@yahoo.com Account-
RO71BREL010207123RO11001 LIBRA BANK -
Bucharest Branch www.ecoteh-expert.ro

FINANCIAL AUDIT REPORT

Confidential

**This report is addressed to the shareholders of SC
UZTEL SA**

In attention to the shareholders of
SC UZTEL SA

The Report of Independent Auditor

Report on the individual financial statements

The Opinion

1. SC ECOTEH EXPER SRL has audited the annexed financial statements of SC UZTEL SA (hereinafter as «The Company»), which has the registered office in Ploiesti, 243 Mlhai Bravu Street, Prahova County, identified by the unique registration code R01352846. The statements include: Financial position statement at 31. December 2017, Global Result Statements, Equity Changes Statements, Cash Flows Statements and Financial Statements Notes, which include a summary of the significant accounting policies and other explanatory information.
2. The financial statements refer to:

o The individual equity	96.363.499 RON
o Net individual result - loss	13.170.728 RON
3. As per our opinion, the annexed financial statements fairly represent the financial position and performance at 31. December 2017, under all significant aspects. The Company's annexed financial statements were prepared according to OMPF No. 2844/2016 on approving the accounting Regulations according to the International Financial Reporting Standards (hereinafter as «IFRS») under all significant aspects, which allowed the auditor to have a clean opinion.

Opinion Grounds

3. The audit was performed in accordance with the International Audit Standards (hereinafter as «IAS»), Regulation (EU) No. 537/2014 of the European Parliament and of the Council (hereinafter as «The Regulation») and Law No. 162/2017 (hereinafter as «The Law»). Based on the mentioned standards and regulations, our responsibilities are detailed in Section *the Auditor's Responsibilities* of our report. We are independent from the Company, according to the Ethics Code of the Accounting Professionals, issued by the International Ethics Standards Board for Accountants (IESBA), according to the relevant Romanian ethics

Statutory Audit Report SC UZTEL SA - financial statements of 31. December 2017

requirements, including the Regulation and the Law, and we have fulfilled the ethics requirements accordingly. We believe that the audit evidences that we obtained are sufficient and adequate in order to provide the grounds for our opinion.

Significant uncertainty on business activity continuation

5. We draw attention on Note No. 2 - *Basis for preparing the individual financial statements (c)*.

According to Sentence No. 129 from 03.03.2017 given in File no. 4732/105/2010 by Dolj Court, Civil Division 2, the restructuring procedure for SC UZTEL SA was finalized and closed, following the fulfilment of the payment obligations as per the plan confirmed in Sentence No 1282 from 09.10.2012 and also per the inclusion of the Company in the economic circuit for business continuation.

The objective of the Executive Board for this financial reporting is maintaining a justified and adequate financial balance which would justify the business activity continuation principle.

Without any changes of the opinion, the financial auditor noted a impairment loss in the financial indicators.

6. The Company had a loss of 13.170.728 RON at 31.12.2017, which determined 5.365.459 shares, resulting in 2,45 RON per share. We note that the loss is reduced than the one from last year with 5.976,224 RON, thus the loss per share is antidiuitive to last year, according to IAS 33.

- The Company's equity recorded a significant loss compared to last financial exercise, of 9.294.579 RON (2017: 96.363.499 RON, compared to 2016: 105.658.078 RON).
- The Company's debts of the 2017 financial exercise are rising compared to the 2016 financial exercise, with 3.876.149 RON. The supplier debts are significant, of 20.121.729 RON, and the ones to the financial institutions are of 7.498.697 RON. The finalization and closure of the Restructuring Plan and insolvency procedure during 2017 entailed a mortgage on the Company's buildings, of 19.331.105,42 RON and on the equipment, of 8.657.574,69. The debt level at 31. December 2017 increased to 12.23%, compared to the last financial exercise, of 11.48%.
- The Company is exposed to a credit risk due to its debt (mainly commercial), of 13.693.246 RON. We noted that the commercial debts *reduced* with 914,637 RON compared to previous year. Nevertheless, the value of 3.516.870 RON is still to be collected from the external clients. Regarding the uncertain clients, the Board has difficulties in collecting 3.881.245 RON, due to financial restructuring or bankruptcy of the clients.

Our opinion has no reservations in this respect.

Key auditing aspects

7. The key auditing aspects are those which, based on our professional judgement and rationale, were the most important in performing the current auditing exercise. These aspects were approached in the audit of the individual financial statements as a whole and we do not provide a separate opinion in this respect.

Key auditing aspects

Risk management and internal controls system

The Management Board of the Company must establish an Audit Committee, in which at least one member must be an independent non-executive administrator. The majority of the members, including the president, must have proven relevant and adequate qualification for the functions and the responsibilities of the Committee. At least one member must have audit experience or proven and adequate accounting experience.

Income recognition

Accounting treatment, identification, assessment, recognition, according to IAS 18. In Note No. 3 (o) on the accounting policies -the income is a key performance indicator for the Company, have a direct influence on the majority of the specific objectives and expectations.

Audit approach

Our procedures included:

- Assessment of the control and internal audit function;
- Testing the control and internal audit plan, considering the control reports for the management, also verifying the implementation of the given recommendations;
- Reporting to the Audit Committee, in case it was established.

Our procedures included;

- Verification of the income accounting policies against the accounting standards and applicable legislation;
- Verification whether the income was correctly classified and processed in the appropriate period.

Evaluation of the stocks under production

In Note No. 11, the stocks under production at 31. December 2017 were evaluated for 6.944.754 RON. The evaluation refers to those stocks under production for sale during carrying out a normal business activity, as per IAS 2. The stocks under production are a key aspect in the audit due to unpredictability, which accumulates direct and indirect costs, balancing the impact when delivering within the contractual deadlines.

Depreciation of fixed assets

The Company's net fixed assets of 46.995.454 RON are presented in Note No. 10 and represent a key auditing aspect - IAS 16. The main features in recognizing these assets relate to calculation of the accounting value and depreciation expenses. These are valuable information for the users of the financial statements for the Company's investment in tangible fixed assets.

Deferred tax

It is a key auditing aspect as per the current Report issued by the Company in this respect. In Note No. 3 Accounting policies (r), the Company recognizes the deferred tax asset, according to IAS 12. The deferred tax is not distinguished in the global result, as it will be claimed while becoming eligible, in order for the net profit to include this asset. The deferred tax asset is not significant, but it was the subject of a Company's report.

Our procedures included:

- Evaluation tests using samples of the costs of the stocks under production, so that the costs accounting value would be analysed on cost elements and existent production. IAS 2.36; ---
- Tests on the production timespan, until reaching the finished product stage;
- Tests on reconciliation of contracts, orders and stocks under production.

Our procedures included:

- Tests to evaluate depreciation of fixed assets;
- Tests on performing the inventory of tangible fixed assets, correctness of accounting the decommissioning of fixed assets proposed by the inventory commissions;
- Tests on the accounting policies for evaluation applied on cost model or revaluation model, and tracking the chosen model for an entire fixed assets category, according to IAS 16.29.

Our procedures included:

- Evaluation of the clarification criteria of the deferred tax asset;
- Tests for the recognition of debt and tax deferred asset (IAS 12.15)-the deferred tax asset was recognized by the Company according to IAS 12.39b, as there would be the possibility that the temporary difference would not be accounted in the predictable future.

Evaluation of the business continuity

The Company, which just finalized insolvency procedures, brings a strategic value of this aspect in Note No. 2 (a) to the IFRS Conformity Declaration, as it takes responsibility for confirming undertaking continuous business activities. The business activity trend of the Company was increasing in 2017, compared to 2016, the net assets and the equity are positive, thus the Management considers that there are no uncertainties that may put into question the Company's capacity to continue its activity, being able to manage the assets and fulfil its obligations while undertaking future activities.

Our procedures included:

- The auditor must test the Management's points of view regarding the continuity and solvency. The Management's responsibility is continuous, while the auditor's opinion is based on a situation at a specific moment.
- The acceptance of continuity basis for leverage involves solvency, meaning whether the Company would be able to fulfil the provided responsibilities at the moment of issuing the balance sheet.

Additional information - Report of the Administrators

8. The Administrators are responsible for preparing and presenting additional information. This additional information relate to the Report of the Administrators, but not to the financial statements or the Audit report regarding them.

Our opinion regarding the financial statements does not cover this additional information, thus we do not provide any ensuring conclusion regarding it, except for the case when the report explicitly mentions the additional information.

With respect to the audit performed on the financial statements at 31. December 2017, our responsibility relates to reading the additional information and while reading it, to determine whether the additional information is significantly inconsistent with the financial statements, or with the understanding we obtained during the audit, also whether the additional information can be significantly distorted.

With respect to the Report of the Administrators, we read it and we note that it was issued, in all significant aspects, according to the requirements mentioned in Chapter 3 of the OMPF No. 2844/2016 on approving the accounting Regulations according to the International Financial Reporting Standards.

Based on the undertaken activities during the financial statements audit exclusively, our opinion concludes as follows:

- a. The information presented in the Report of the Administrators is in line with the financial statements of 31. December 2017, in all significant aspects;
- b. The Report of the Administrators has been issued, in all its significant aspects, in accordance with OMPF No. 2844/2016, Chapter 3, points 15-19.

The Responsibilities of the Management and of the persons managing the governance of the financial statements

9. The Management is responsible for the preparation and fair presentation of the financial statements, in accordance with OMPF No, 2844/2016. In addition, the Company's management is responsible for designing, implementing and maintaining a relevant internal control, considered necessary for ensuring that the preparation of the financial statements is free of material misstatements due to fraud or error.
10. While preparing the individual financial statements, the Company's Management is responsible for evaluating whether the Company is capable of business continuation. If the case, the Management will present aspects regarding the business activity continuation, except for the case when the Management either intends to liquidate the Company or to terminate operations, or has no other realistic solution.
11. The responsible persons on governance are responsible for monitoring the Company's financial reporting process.

The Auditor's responsibilities in auditing the individual financial statements

12. Our objectives relate to obtaining a reasonable insurance that the individual financial statements, as whole, are lacking significant distortions, caused either by fraud or error, also to issue the Auditor's report which includes our opinion. A reasonable insurance represents a high level of insurance, but does not guarantee that the audit, undertaken according to ISA, will always detect a significant distortion, if it exists.
13. As part of an audit undertaken according to ISA, we use professional judgement and we maintain a professional scepticism,

In addition:

- We identify and assess signification distortion risks on the individual financial statements, caused either by fraud or error, we plan and we perform audit procedures as risk responses and we obtain sufficient and adequate audit evidences as to provide a basis for our opinion. The risk of not detecting a significant distortion caused by fraud is higher than the one for a significant distortion caused by error, due to the fact that fraud may relate to misleading, secrets, forgery, false statements and overriding internal control.
- We understand the relevant internal control for the audit, in order to plan auditing procedures in line with the circumstances, without the purpose of providing an opinion on the efficiency if the Company's internal control.

- We assess the appropriateness of the used accounting policies and the reasonability of the accounting estimates and of the Management information reporting.
 - We conclude on the business continuity accounting appropriateness used by the Management and we determine, based on the obtained audit evidence, whether there is a significant uncertainty regarding the events or conditions which could raise questions on the Company's capacity to continue its business activity. In case we conclude that there is a significant uncertainty, we will draw attention on the related presentations for the financial statements within the auditor's report or, in case the presentations are inconsistent, we will change our opinion. Our conclusions are based on audit evidences which were obtained until the auditor's report date. Nevertheless, the Company may not undertake its business based on activity continuation principle due to future events or conditions.
 - We assess the presentation, the structure and the content of the individual financial statements, including the presentation of financial information, and also the fairness of how the financial statements reflect transactions and key events.
14. We inform the persons who are responsible with the governance on the scope and duration of the audit, also on the main findings, including any significant deficiencies of the internal control.
15. Additionally, we provide the persons who are responsible with the governance our statement that we met the ethical requirements on independence and we communicated all relationships or other aspects that could have affected our independence, and, if the case, related measures taken.
16. We prioritise all communicated aspects in order to determine the most important ones from auditing the individual financial statements, which become the key auditing aspects. We describe these aspects within the audit report, except for the case when the laws or regulations forbid making them public (extremely rare circumstances, when the public interest benefits may be overcome by the negative impact of the public communication).

Report on other legal and regulatory provisions

17. We were nominated by the General Assembly of the Shareholders on 15. December 2016 to audit the financial statements of SC UZTEL SA; for the financial exercise ended on 31. December 2017. The full duration of our audit engagement is 2 years, covering the financial exercises from 31.12.2016 to 31.12.2017.

We confirm that we have not provided any non-audit services which are forbidden as per Art. 5 para (1) of the Regulation.

For and on behalf of S.C. ECOTEH EXPERT S.R.L. – CFAR licence No. 120/2001

Olguta Codescu

Financial Auditor, CFAR licence No. 947/2001

Chartered Accountant

Fiscal Consultant

23.03.2018

Bucharest, Romania