

Translation from Romanian into English

**UZTEL S.A.**  
**OILFIELD EQUIPMENT, MANUFACTURING AND REPAIRS**  
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**IN INSOLVENCY**

**Administrators Report regarding the  
activity developed in the year 2011**

**1. Analysis of the trading company activity**

1.1 a) The company has as main activity object, NACE code 2892 – Manufacturing of machinery for mining, quarrying and construction, respectively oil devices for the well, valves, drilling installations repairing, P.S.U.P., metallic constructions and cast and forged parts.

1.1 b) The company has been established as shares company with Romanian and foreign capital, at 15.02.1991, under the no. J29 / 48 / 1991.

1.1 c) Through the conclusion pronounced during the meeting from the council room, from 30.06.2011 – file no. 4732/105/2010 Prahova Court of Law, the union judge has confirmed the consortium consisting of EURO INSOL SPRL Bucuresti and EUROINSOL CONSULTING SPRL Ploiesti, consortium that would administrate the insolvency procedure of the company SC Uztel SA, considering, for this purpose, the attributions delimitation between the two administrators, mentioned in the collaboration protocol concluded at 24.06.2011.

1.1 d) The fixed assets have registered in the year 2011 a decreasing of 14,991,605 RON, according to the data presented in the following table:

-RON-

Assets elements	Initial balance 01.01.2011	Increases	Deductions	Final balance 31.12.2011
Intangible assets	279,950	142,697	115,233	307,414
Tangible assets	100,223,662	1,573,113	16,952,182	85,204,593
Total intangible assets	100,503,612	1,715,810	16,707,415	85,512,007



1.1 e) S.C. Uztel S.A. has recorded in the year 2011 a positive evolution from the economic and commercial point of view, under the social-political context conditions and under the auspices of the Law 85 / 2006, the sold production has recorded an increase of 59.40 % at 31.12.2011, compared to 31.12.2010, as follows:

-RON-			
Explanations	2010	2011	2010 / 2011 x 100
Sold production	45,653,499	76,852,705	59.40

**1.1.1 General evaluation elements:**

a) profit 5,443,317 RON;

b) turnover 76,985,891 RON;

c) export 18,838,587 RON – account 4111.1.03 – external clients, has the correspondence, as well, with the reevaluations account (exchange rate differences) and with various incomes account 708.1.03.

d) total costs 49,571,393 RON (The effective expenses of the year 2011 for the execution of the confectioned merchandise production).

e) the market percentage held by the company is presented as follows:

-Internally – approximately 17-18%;

-Externally – approximately 1%

All the existent areas are the property of Uztel. The sales activity is being developed,, mainly, with:

-internal beneficiaries: OMV PETROM SA DIVIZIA E&P BUCURESTI; PETROTOTAL TRADE SRL BUCURESTI; PETROFAC SOLUTIONS & FACILITIES SUPPORT SRL BUCURESTI; AUTOMOBILE DACIA SA MIOVENI; TEHNOTOP GROUP SRL TG CARBUNESTI.

-external beneficiaries: OMNI VALVE LLC USA; ABB PROCESS INDUSTRIE AIX-LES BAINS CEDEX FRANCE; DEEP DRILL EQUIPMENT HOLLAND; PT INTI FAJAR PRATAMA INDONESIA; ARRAY PRODUCTS COMPANY LLC USA.

f) at 31.12.2011, the company was holding cash availabilities according to the accounting balance, in amount of:

-bank account 5121 = 8,581,483.48 RON



-bank account 5124 (USD) = 760,889.22 RON

-bank account 5124 (EUR) = 854,361.93 RON

-petty cash account 531 = 25,329.92 RON

-USD deposit account 508 = 3,339,300 RON

The cash availabilities have registered in the year 2011 an increase from 358,901 RON, at 31.12.2010, to 13,563,021 RON, at 31.12.2011, increase due to the efficient management of the cash availabilities and to the active policy of the company for the recovery of the internal and external receivables.

In the same time, the company has applied an active policy for valorizing the foreign exchange in order to avoid the accumulation of losses from currency exchange differences, as follows:

-account 665 = 2,681,871 RON

-account 765 = 2,757,608 RON

Profit from the foreign currency exchange differences = 75,737 RON

#### 1.1.2 Evaluation of the company technical level

a) The company holds at 31.12.2011, in property, assets in a total amount of 80,305,389 RON, as follows:

Explanations	Balance at 31.12.2011 according to the Accounting Balance
Lands	17,871,154 RON
Constructions	33,104,759 RON
Technological equipments, measurement equipment and installations and transport means	29,241,249 RON
Furniture and office equipment	88,227 RON

The service and repairing activity is developed in the Oilfield Equipment Department and the parts casting, treatments and forging activity is developed in the Heating Department.

b) The weight of the main activities in the total incomes and turnover in the period 01.01.2011 – 31.12.2011 is as follows:



-RON-

EXPLANATIONS	VALUE	WEIGHT IN TOTAL INCOMES %	WEIGHT IN THE TURNOVER %
Incomes from internal sale of finite products	56,258,600.54	54.7447	73.0765
Incomes from export sale of finite products	18,838,586.90	18.3317	24.4702
Incomes from the treatments executed at Uztel	15,563.88	0.0151	0.0202
Incomes from laboratory services	260.00	0.0003	0.0003
Incomes from external transport	3,958.50	0.0039	0.0051
Incomes from various rents	362,859.62	0.3531	0.4713
Incomes from devices leasing	922,671.50	0.8978	1.1985
Incomes from merchandise sales	138,847.10	0.1351	0.1804
Incomes from various activities - Internal	324,032.76	0.3153	0.4209
Incomes from various activities - External	126,171.40	0.1228	0.1639

### 1.1.3 Evaluation of the technical-material supplying activity (indigenous sources and import sources)

-internal: TINMAR IND SA BUCURESTI; MSD COM SRL BUZAU; AXON SRL PLOIESTI; MIRAS INTERNATIONAL SRL; MECHANIC & HYDRO PNEUMATIC SYSTEMS SRL BUCURESTI; ROTEC SA BUZAU; HUTTENES ALBERTUS ROMANIA SRL BUCURESTI.

-external: SCHREIER METALL GMBH DUSSELDORF; SHABUM INTERNAATIONAL LTD TEL AVIV; VINIR ENGINEERING PVT LTD; SHIJIAZHANG JIMBO PETROLEUM; ETC.

### 1.1.4 Evaluation of the sales activity

The main 10 clients according to the transactions volume for the year 2011 are:

CLIENT	TOTAL INVOICES	WEIGHT %
OMV PETROM SA DIVIZIA E&P BUCURESTI	37,630,019.86	47.84
OMNI VALVE LLC USA	7,378,108.60	9.38
PETROTOTAL TRADE SRL BUCURESTI	3,758,076.94	4.78
ABB PROCESS INDUSTRIE AIX-LES BAINS CEDEX FRANCE	2,788,911.74	3.55
DEEP DRILL EQUIPMENT OLANDA	1,665,374.60	2.12
PT INTI FAJAR PRATAMA INDONESIA	1,462,265.33	1.86



ARRAY PRODUCTS COMPANY LLC	1,458,258.48	1.85
PETROFAC SOLUTIONS & FACILITIES SUPPORT SRL BUCURESTI	1,249,929.10	1.59
AUTOMOBILE DACIA SA MIOVENI	1,198,600.81	1.52
TEHNOTOP GROUP SRL TG CARBUNESTI	1,097,322.00	1.40

The effects of the production, the transactions and events developed during the year 2011 differ as stability, risk and predictability and the presentation of the performance elements is helping to the understanding of the realized performances and to the evaluation of the future results.

The accounting results of the year 2011 prove that S.C. UZTEL S.A. Ploiesti is a viable company, with economic and commercial development potential and its reinsertion in the economic and commercial circuit can be made through an economic and legal reorganization, observing the managerial performance principles and the administration efficiency principles.

Analyzing the current situation of the sales markets for the year 2012, SC Uztel SA has in progress, as a consequence of the offers transmitted and negotiated in 2011 and the beginning of the year 2012, order as follows:

**-7,907,267 RON**, out of which: OMV Petrom – Bucuresti; Petrofac Solutions & Facilities Support-Bucuresti; Automobile Dacia – Pitesti; Neptun Campina; Confind Campina, ICMUG Export; etc.

**-1,547,215 EUR**, out of which: Deep Drill Equipment – Holland; Peseco Limited Aberdeenshire – Great Britain (Scotland); Robke Erdol Und Erdgastechnik- Germany; Site Group – Aman, Jordan; ABB Process Industrie AXI-LES Bains Cedex France; etc.

**-420,282 USD**, out of which: Array Group – USA; Omni Valve LLC-USA; W.G.P.C. – Venezuela; etc.

S.C. Uztel S.A. has under negotiation potential contracts with:

-Existent clients: OMV Petrom – Bucuresti; Petrofac Solutions & Facilities Support-Bucuresti; Deep Drill Equipment – Holland; Site Group – Aman, Jordan; Peseco Limited Aberdeenshire – Great Britain (Scotland); Robke Erdol Und Erdgastechnik- Germany; Premaberg Industrieanlagen – Austria; Array Group – USA; Omni Valve LLC-USA; ABB Process Industrie AXI-LES Bains Cedex France; etc.

New clients: Hadi Industries – Germany; Euserv – Germany; Wellhead Distributions – USA; Guney Ildizi Getrol – Turkey; Romgaz Medias through Atlantic Mod; etc.



The values of the potential orders would be as follows:

Ron	7,000,000
Eur	360,000
Usd	3,200,000

#### 1.1.4 Evaluation of the aspects connected to the employees

a) The company is recording at 31.12.2011 a number of 592 employees, out of which:

			Persons
Engineers	Sub-engineers	Economists	Other persons with higher education
51	10	16	5

Distributed by plants, the personnel is represented as follows:

			Persons
Oil Devices Department	Thermal Department	Other activities	Tesa personnel
251	138	93	110

b) The reports between the management and the employees, in the year 2011, have developed in good conditions, not being recorded any work conflicts or any conflicts of any other nature.

#### 1.1.6 Evaluation of the aspects connected to the basic activity impact upon the environment

The company activity is being developed based on approvals, environment authorizations, not being any litigation regarding the environment legislation breaking. There was permanently observed the continuous reduction of the emissions evacuated in the atmosphere by cleaning the pollutants capturing installations, the electric spring furnaces and by modernizing the water filtering system. There were made periodic analyses in order to verify and observe the drinking water indicators (physical-chemical and bacteriological analyses with DSP Prahova).



### 1.1.7 Evaluation of the research – development activity

a) The main objectives observed in the designing activity and similar activities, developed in the year 2011, have been:

- finalizing the range of workover warning systems UZWOR 7 1/16 x 210 bar;
- finalizing the command station CH2U-3000, type MD-2E;
- finalizing the Horizontal Eruption Warning system UXS02-20 3/4 - 3M, T-29C;
- designing the range of warning systems in the version double warning system 3 1/8inch x 3M;
- issuing the execution documentation for the column ends and eruption ends in various construction versions;

b) In order to assure the entry of the Uztel products on the external market, the technical departments obtained in the year 2011 re-certifications for all the API licenses.

c) The technological activity has aimed for the extension of the processing technologies on tools with numerical command, the diversification of the anticorrosive protection methods and launching the production in the integrated program SIVECO, by preparing the technical documentation and its introduction in the integrated program SIVECO for valves, pumping heads, the entire range of spare parts requested by OMV Petrom and well devices.

### 1.1.8 Activity evaluation regarding the risk management

The relation company – clients is developed based on contracts or orders.

In order to diminish the price risk, these contracts contain clauses regarding the submission of guarantees, price indexing conditions or its periodic renegotiation, delay penalties and damages interests for not observing the contractual conditions.

The company does not have any equity in any other entities.

Regarding the company cash flow risk, there can be mentioned the following menaces:



-the oil devices repairing activity can be affected by the financing from the oil sector, closely dependent of the micro and macro economic level policies;

-the production activity is submitted to the activity restriction risk of the internal or external clients.

-the rental or other incomes activity is affected by debts delays or re-distributions, fact that might lead to a deterioration of the financial position by slowing down the receivables recovery rhythm.

Considering all the above mentioned, there were adopted the following measures:

- a) selection of the potential clients, by verifying their good status;
- b) negotiation of some shorter payment terms;
- c) for the doubtful clients, that are not paying in time, there is continued the legal procedure for recovering the due receivables and enforcement of the goods in their patrimony;
- d) for the current clients, there will be observed the recovery, with priority, of the due amounts, with a longer term than 60 days.

#### 1.1.9 The perspective elements regarding the company activity

a) the influence of the financial blocking upon the company liquidities will be attenuated by reducing the volume of the doubtful clients, the General Liquidity and Rapid Liquidity indicators, had:

Explanations	Year 2010	Year 2011
Current Liquidity = Mobile Assets / Current Debts	1.17	9.24
Immediate Liquidity = Mobile Assets – Stocks / Current Debts	0.42	5.42

b) According to the presentation and fundament of the Investments Program for the year 2012, the note issued by the Investments Energetic Maintenance Department and approved by the administrative and executive management of the company is estimated the allotting of an amount of approximately 1,500,000 RON for the refurbishment and modernizing of the existent assets, as well as the purchasing of new devices and installations necessary for the manufacturing process.





## **2. The tangible assets of the company**

### **2.1 The placement and characteristics of the main production capacities in the company property**

The company hold under property a land with the surface of 199,360.35 sqm, out of which:

- 114,117.98 sqm – constructions
- 37,984.02 sqm – free surface
- 43,729.35 sqm – factory roads
- 166,893.00 sqm – industrial area where is developed the main activity object

### **2.2 Description and analysis of the wear degree of the company properties**

The company assets are established and purchased before 1989, representing an advanced degree of physical and moral wear. Part of the assets have been repaired or modernized.

### **2.3 Specification of the potential problems connected to the property upon the tangible assets of the company**

The company holds the property right upon the land, according to the certificate series MO3, number 3371 / 05.01.1996 and it is not involved in any litigation connected to the property right.

## **3. The market of the real assets issued by the company**

3.1 The shares issued by Uztel are listed at the Stock Market Bucharest.

3.2 At 31.12.2011, the company had issued a number of 5,365,459 shares according to the Mobile Values recording Certificate no. 69131/21.07.2010, issued by CNVM, having the following consistency:

Explanations	Number of shares	Weight from the social capital
1. UZTEL Association	4,498,300	83.84 %
2. Array Products Co LLC	270,014	5.03 %



3. Other shareholders	597,145	11.13 %
Total	5,365,459	100 %

The net dividends due to the shareholders for the years 2007 and 2008, not paid until 31.12.2011, are in the amount of 1,774,587.52 RON, amount that is written in the final table of the receivables.

The company did not purchased own shares in the year 2011.

### **3.3 Description of any purchasing activities of the company regarding its own shares**

The company has not purchased its own shares in the year 2011.

### **3.4 In case the company has any branches, specification of the number and nominal values of the shares issued by the parent company and held by the branches**

The company has no branches

### **3.5 In case the company has issued bonds or other receivables titles, the presentation of the way in which the company is paying its obligations towards the holders of such real assets**

In the year 2011, the company did not issue any bonds or receivables titles.

## **4. Company management**

### **4.1 Presentation of the list and of some information regarding the administrators**

In the year 2011, the company was administrated as follows:

-Starting from 06.09.2010, the date when was opened the insolvency procedure at the request of the company Uztel, according to the file 4732 / 105 / 2010 and the meeting conclusion from 06.09.2010 at Prahova Court of Law, has been nominated JUDICIAL ADMINISTRATOR the company EUROINSOL CONSULTING SPRL, represented by the associated Coordinator Lawyer Maer Alina Mariana. Through the meeting conclusion from 05.11.2010, at the request formulated by EUROINSOL CONSULTING SPRL, Judicial Administrator of the debtor Uztel, the Union Judge disposes the annulment of the administration right of the debtor SC Uztel SA.

-Through the conclusion pronounced in the meeting from the council room from 30.06.2011 – file no. 4732 / 105 / 2010 Prahova Court of Law, the union judge has confirmed the consortium consisting of EURO INSOL SPRL Bucuresti and EUROINSOL CONSULTING SPRL Ploiesti, consortium that was going to administrate the insolvency procedure of the company SC Uztel SA, observing, in this regard, the attributions delimitation between the two administrators, recorded in the collaboration protocol concluded at 24.06.2011.



#### 4.2 a) Presentation of the list with the executive management members

The executive management named by the judicial administrators for the year 2011 is presenting as follows:

PERIOD 01.01.2011 – 31.12.2011			
NAME AND SURNAME	POSITION	PERIOD	DECISION / DECISION ISSUING DATE
Tudorache Alexandru	Scientific Development Manager	01.12.2010-11.07.2011	590 / 30.11.2010
Popa Gabriel	Technical Manager	01.12.2010-30.11.2011	591 / 30.11.2010
	General Manager	01.12.2011-31.12.2011	193 / 28.11.2011
Popescu Ileana	Economic Manager	01.12.2010-31.12.2011	592 / 30.11.2010
Gruescu Serban	Technical Manager	01.12.2011-31.12.2011	194 / 28.11.2011

For the period 01.01.2011 – 31.12.2011, the total remunerations of the company executive management have represented a percentage of 2.06% of the salaries fund.

b) Participation of the executive management to the social capital is as follows:

Name, surname - Position	No. of held shares
Tudorache Alexandru	35
Popa Gabriel	0
Popescu Ileana	122
Gruescu Serban	0

4.3 The administrative and executive management of the company has not been involved in the last five years in litigations connected to the developed activity.

## **5. The accounting financial situation**

### **A) Balance sheet elements**

#### **A.1. Situation of the assets elements in the year 2011, compared to the year 2010**



Assets elements	-RON-	
	31.12.2010	31.12.2011
Intangible assets	66,380	146,393
Tangible assets, out of which:	83,892,099	74,636,383
Lands and constructions	56,831,755	50,106,722
Technical installations and machineries	22,087,468	19,587,379
Other installations and furniture	52,636	43,078
Tangible assets in progress	4,920,240	489,204
<b>Total fixed assets</b>	<b>83,958,479</b>	<b>74,636,383</b>
Mobile assets, out of which:	80,940,072	78,601,549
Stocks	51,078,090	37,121,790
Receivables	28,879,234	39,060,037
Cash availabilities	358,901	1,801,242
Advance expenses	623,847	618,480
<b>Total assets</b>	<b>164,898,551</b>	<b>153,237,932</b>

Compared to the year 2010, there was noticed a diminishing of 7.07% of the total assets held by the company, in nominal values from 164,898,551 RON at 31.12.2010, to 153,237,932 RON at 31.12.2011. In the year 2011 were recorded value adjustments of the stocks and receivables. The company has not established integral adjustments for the total amount of the doubtful clients at 31.12.2011.

#### A.2 Situation of the liabilities elements in the year 2011, compared to the year 2010

Liabilities elements	-RON-	
	31.12.2010	31.12.2011
Social capital	13,413,648	13,413,648
Reserves from re-evaluation	70,604,709	65,618,481



Reserves	2,588,403	2,182,235
Debts under one year	68,945,501	9,355,513
Debts over one year	6,774,733	59,602,617
Provisions	265,428	262,238
Reported result	19,906,962	179,211
Net profit (loss)	-17,600,833	5,443,317
Legal reserve from profit	0	280,489
<b>Total liabilities</b>	<b>164,898,551</b>	<b>156,337,749</b>

## B. The profit and loss account

The structure of the profit and loss account at 31.12.2011, compared to the year 2010, is as follows:

Indicators	31.12.2010	31.12.2011
Net turnover	46,853,071	76,985,891
Incomes from operations	70,725,981	99,773,060
Expenses from operations	87,228,050	93,318,110
Profit (loss) from operations	-16,502,069	6,454,950
Financial incomes	2,454,645	2,992,267
Financial expenses	3,536,910	3,837,432
Financial profit (loss)	-1,082,265	-845,165
<b>TOTAL INCOMES</b>	<b>73,180,626</b>	<b>102,765,327</b>
<b>TOTAL EXPENSES</b>	<b>90,764,960</b>	<b>97,155,542</b>
Total gross profit (loss)	-17,584,334	5,609,785
Profit tax	16,500	166,468
Net profit / Net loss	-17,600,833	5,443,317



**The turnover** has recorded an increase of 64.31% at 31.12.2011, compared to 31.12.2010, in nominal values from 46,853,071 RON, at 31.12.2010, to 76,985,891 RON, at 31.12.2011.

**The total incomes from operations** – have recorded an increase of 41.07% at 31.12.2011, compared to 31.12.2010, in nominal values from 70,725,982 RON, at 31.12.2010, to 99,773,060 RON, at 31.12.2011, due to the orders volume and to the concluded contracts, as well as to the fluidity of the productive activity.

**The total expenses from operations** – have recorded an increase of 6.52% at 31.12.2011, compared to 31.12.2010, in nominal values from 87,228,050 RON, at 31.12.2010, to 93,318,110 RON, at 31.12.2011, due to the sustained production rhythm. The total expenses from operations have recorded and increase in a much diminished percentage towards the total operations incomes increase rhythm, due to the application of a consistent costs reduction policies and reorganization by advantageousness and efficiency principles.

**The total incomes** – have recorded at 31.12.2011 a percentage increase of 28.78% towards the same period of the previous year (31.12.2010), from 73,180,626 RON, at 31.12.2010, to 102,765,327 RON, at 31.12.2011, the total expenses have recorded an increase of 6.58%, much more diminished compared to the increase of the total incomes from the same period of the previous year, from 90,764,960 RON, at 31.12.2010, to 97,155,542 RON, at 31.12.2011.

**The net accounting result (profit) of the financial year at 31.12.2011** recorded in the accounting registries of SC Uztel SA is of +5,443,317 RON, justified by the efficient administration and management of the assets and liabilities, whose evolution during the year 2011 had a positive tendency starting from a net loss in amount of -17,600,833 RON, at 31.12.2010 and recording a net profit in amount of +5,443,317 RON, at 31.12.2011.

Economic-financial indicators	31.12.2010	31.12.2011
Current liquidity – Current assets / Current liabilities	1.17	9.24
Indebtness degree – Borrowed capital / Own capital * 100	4.5%	18.36%
Liabilities – client rotation speed – Receivables / Turnover * 365 days	225 days	177 days



Rotation speed of the fixed assets – Turnover / Fixed assets	0.56	1.03
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The current liquidity has increased due to the sales increasing, as well as due to the increase of the receivables cashing in rhythm.

The liabilities-clients rotation speed has decreased with 50 days compared to the year 2010.

The rotation speed of the fixed assets has increased in the year 2011, compared to the year 2010, reaching a complete rotation.

JUDICIAL ADMINISTRATOR  
EURO INSOL SPRL

Through Practitioner Coordinator  
Av. Borza Remus Adrian

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JUDICIAL ADMINISTRATOR  
EUROINSOL CONSULTING SPRL

Through Associate Coordinator  
Av. Maer Alina Mariana

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Round seal of S.C. UZTEL S.A.



The undersigned, Nechita Veronica Felicia, interpreter and sworn translator for English-Spanish, according to the authorization no. 4427, from 19.03.2001, issued by the Ministry of Justice in Romania, hereby certify the accuracy of the translation made by me from Romanian into English, that the text presented to me has been translated integrally, without omissions, and that, through the translation, there has not been modified the content and sense of the document.

The document whose translation is requested integrally has, in its integrity, a number of 15 pages, bears the title / denomination of Administrators Report regarding the activity developed in the year 2011 and it has been presented to me integrally / in excerpt.

The translation of the present document has a number of 15 pages.

**INTERPRETER AND SWORN TRANSLATOR,**

