# INDIVIDUAL FINANCIAL STATEMENTS

# SC UZTEL S.A. PLOIESTI

## AT 31.12. 2018

**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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**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

# Statement of individual financial position

**For the year ended on 31 December 2018**

| In LEI | Note | 31-December 2018 | 31-December 2017 |
|---|---|---|---|
| **Long-term Assets** | | | |
| Tangible assets | 10 | 43.695.215 | 46.995.454 |
| Intangible assets | 10 | 27.175 | 73.781 |
| **Total long-term assets** | | **43.722.390** | **47.069.235** |
| **Current assets** | | | |
| Stocks | 11 | 36.287.530 | 33.811.683 |
| Trade receivables and other receivables | 4 | 13.985.665 | 13.693.246 |
| Recoverable Taxes | 4 | - | 17.857 |
| Cash and cash equivalents | 4 | 1.330.657 | 1.771.478 |
| **Total current assets** | | **51.603.852** | **49.294.264** |
| **Total Assets** | | **95.326.242** | **96.363.499** |
| | | | |
| **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 | 38.756.972 | 40.780.480 |
| Result for the year | 6 | 783.882 | (13.170.728) |
| Result reported (earnings) | 8 | 7.112.169 | 3.686.242 |
| **Total Capital** | | **62.736.649** | **61.334.230** |
| **Long term loans** | | | |
| trade payables | | 2.031.984 | 2.302.409 |
| Loans | 4 | 2.341.408 | 4.214.534 |
| Other liabilities | 4 | - | 396.263 |
| Provisions | 9 | 248.054 | 253.413 |
| **Total long term liabilities** | 4 | **4.621.446** | **7.166.619** |
| | | | |
| **Current liabilities** | | | |
| Trade payables | 4 | 17.497.212 | 17.819.320 |
| Loans | 4 | 2.522.940 | 3.284.264 |
| Other liabilities | 4 | 5.257.918 | 4.009.368 |
| Income in advance | 4 | 2.690.077 | 2.749.697 |
| **Total current liabilities** | | **27.968.147** | **27.862.649** |
| **Total liabilities** | | **32.589.593** | **35.029.268** |
| **Total equity and liabilities** | | **95.326.242** | **96.363.499** |

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# Individual Statement of consolidated income

**for the year ended 31 December 2018**

| **In LEI** | **Note** | **31-December 2018** | **31-December 2017** |
|---|---|---|---|
| Income | 12 | 59.215.309 | 44.370.143 |
| Other income | 12 | 1.531.842 | 428.951 |
| Other gains / (losses) -net | 12 | 5.359 | (968.190) |
| Income cost of inventories of finished goods and production in progress | 12 | 16.936.267 | 3.828.029 |
| Expenses with raw materials and consumables | 12 | (41.130.415) | (28.044.533) |
| Asset depreciation and amortization expense | 12 | (3.504.520) | (4.743.779) |
| Employee benefits expense | 12 | (23.252.317) | (17.211.920) |
| Expenditure on insurance contributions and social security | 12 | (705.205) | (3.859.370) |
| Expenses with external supply | 12 | (6.622.463) | (5.209.735) |
| Other expenses | 12 | (1.344.517) | (1.547.381) |
| **Operation profit** | 12 | **1.129.340** | **(12.957.785)** |
| Financial income | 12 | 966.819 | 704.431 |
| Financial expenses | 12 | 1.312.277 | 917.374 |
| **Financial costs - net** | | **(345.458)** | **(212.943)** |
| **Profit / (loss) before tax** | 6 | **783.882** | **(13.170.728)** |
| **Profit / (loss) for the year - net** | 6 | **783.882** | **(13.170.728)** |
| **Total consolidated income for the year** | | **783.882** | **(13.170.728)** |
| **Earnings per Share** | 6 | **0,15** | **(2,45)** |
| **Number of shares** | 6 | **5.365.459** | **5.365.459** |

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# Individual Statement of changes in equity

## For the year ended on 31 December 2018

| In LEI | Note | Equity | Adjustment of equity | Legal reserve | Reserves from revaluation | Other reserves | Result reported | Total 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 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** |

| In LEI | Equity | Adjustment of equity | Legal reserve | Reserves from revaluation | Other reserves | Result reported | Total equity | Equity |
|---|---|---|---|---|---|---|---|---|
| Balance at 01 January **2018** | | **13.413.648** | **3.453.860** | **1.916.641** | **38.232.706** | **631.133** | **3.686.242** | **61.334.230** |
| Reclassification From Revaluation at reported Result | **8** | **-** | **-** | **-** | **-** | **-** | **2.062.703** | **2.062.703** |
| Transfer of period result to the legal reserve | | **-** | **-** | **39.195** | **-** | **-** | **(39.195)** | **-** |
| Reclassification amount reported result | | **-** | **-** | **-** | **-** | **-** | **618.537** | **618.537** |
| Net profit of Period | **6** | **-** | **-** | **-** | **-** | **-** | **783.882** | **783.882** |
| Transfer between equity account | **5** | **-** | **-** | **-** | **(2.062.703)** | **-** | **-** | **(2.062.703)** |
| **Balance at 31 December 2018** | | **13.413.648** | **3.453.860** | **1.955.836** | **36.170.003** | **631.133** | **7.112.169** | **62.376.649** |

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# Individual Statement of Cash Flows

**For the year ended 31 December 2018**

| | 31-December 2018 lei | 31-December 2017 lei | 31-December 2016 lei | 31-December 2015 lei |
|---|---|---|---|---|
| **Net profit for the year** | **783.882** | **(13.170.728)** | **(19.146.952)** | **(2.037.296)** |
| Income tax expenses | - | - | - | 312.177 |
| Amortization / depreciation of long term assets | 3.504.520 | 4.743.779 | 6.057.829 | 7.043.308 |
| Expenses with given assets | 104.601 | 294.100 | - | - |
| Income from given assets | (70.493) | (98.578) | - | - |
| Adjustments for impairment of customers receivables | - | (816.190) | (730.576) | (4.124.629) |
| Income / (Expenses) related to value adjustments for current assets | - | 1.104.659 | 6.779.810 | - |
| Adjustments for depreciation of inventories | - | - | - | (2.669.738) |
| Interest Expenses | (371.361) | (240.349) | (112.593) | (176.486) |
| Interest income | 4.435 | 6.316 | 71.198 | 258.873 |
| Gain / (loss) of course differences | 20.470 | 20.234 | 278.002 | 198.820 |
| **Movements in working capital** | **3.192.172** | **5.013.971** | **12.343.670** | **842.324** |
| Increase / (decrease) in trade | (276.205) | 2.461.019 | 3.144.665 | 4.866.322 |
| Increase / (decrease) in other current | 1.642 | 385 | (682) | (342) |
| Increase / (decrease) in inventories | (2.475.847) | 4.092.118 | 4.242.138 | 4.164.653 |
| Increase/decrease trade liabilities | (652.153) | 6.289.074 | 918.711 | 858.206 |
| Increase / (decrease) another liabilities | 1.554.184 | (2.412.926) | (1.248.979) | (10.576.377) |
| **Cash used in operating activities** | **(1.848.379)** | **10.429.670** | **7.055.853** | **(687.538)** |
| Income tax paid | - | - | (17.857) | (194.348) |
| Interest paid | (371.361) | (240.349) | (112.593) | (176.486) |
| **Cash generated from operating activities** | **1.756.314** | **2.032.564** | **122.120** | **(2.253.343)** |
| **Net cash from investing activities** | **(276.235)** | **(99.181)** | **(1.425.341)** | **(2.304.511)** |
| Cash payment for acquisition of assets | (276.235) | (99.181) | (1.425.341) | (2.304.511) |
| **Net cash from financing** activities | **(1.920.900)** | **(1.406.990)** | **(4.811.005)** | **(2.757.350)** |
| Cash repayments of borrowings | (1.873.126) | (1.404.845) | (4.772.776) | (2.755.871) |
| Dividends paid | (47.774) | (2.145) | (38.229) | (1.479) |

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| | | | | |
|---|---|---|---|---|
| **Increase / decrease in net cash and cash equivalents** | **(440.821)** | **526.393** | **(6.114.226)** | **(7.315.203)** |
| **Cash and cash equivalents at beginning of period** | **1.771.478** | **1.245.085** | **7.359.311** | **14.674.514** |
| **Cash and cash equivalents at end of period** | **1.330.657** | **1.771.478** | **1.245.085** | **7.359.311** |
| **Cash and cash equivalents at end of period** | **(440.821)** | **526.393** | **(6.114.226)** | **(7.315.203)** |

The financial statements were approved by CEO and were authorized to be issued on 24.04.2019 .

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# NOTES TO INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED on 31 DECEMBER 2018

## 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 31.12.2018.
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 115 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.

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 centre 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 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-14001-2015 , ISO 9001-2015, OHSAS18001:2007 and API Spec. UZTEL maintains and improves the Management System under "SMC" ISO 9001: 2015 and OHSAS18001, harmonized with the OHSE Management System under 14001, 18001integrated 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 INDIVIDUALFINANCIAL STATEMENTS IAS 1.112

### *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 December2018, 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 2017.

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 31.12.2018 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, 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 31.12.2018, can not estimate the impact of not applying these provisions on individual financial statements but intends to apply these provisions with their enforcement.

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### *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 fulfilment 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.

SC 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 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 1.134-135.

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 1.135.

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 31 December 2018 are as follows:

| Currency | 31 December 2018 |
|---|---|
| 1 Euro | 4,6639 lei |
| 1 dollar SUA | 4,0736 lei |

***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**

Money assets include petty cash, current accounts, and other cash equivalents. Foreign currency assets are revalued at the end-of-period exchange rate. Financing through internal and external factoring without regression is an integral part of the administration of the Company's cash funds and is included as a component of cash availability for the purpose of presenting the cash flow statement

**Short-term investments**

The Company does not own short term investment at 31.12.2018.

***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.

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

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 31.12.2018 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 such frequent re-evaluations. Instead, it may be necessary to revalue 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.

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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 2018 | 15.409.052,79 | - | - |

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 2018 with 13.596.207 lei, while the fair value of 2013 diminished compared to the fair value of 2011 by 1.732.786,00 lei.

– **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 2018 | 9.142.744.15 | - | - |

Total net book value of technological equipment, machinery, machinery, furniture and office equipment diminished due to depreciation in 2007 – 2018 cu 5.817.929,54 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:

| | service life ( years ) |
|---|---|
| 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.

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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 31.12.2018 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 registering.
Intangible assets according to generally accepted regulations cannot be acquired through exchange of assets, which are treated as special deliveries.

The Company uses the following life spans for intangible assets:

| | |
|---|---|
| – Development costs | 5 years |
| – Software licenses | 3years |
| – Antivirus licenses | 1 years |

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, labour and indirect costs of production that we have built.

Inventories are measured at the lowest 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 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 cancelled 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.

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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 2018 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. 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 and adopted by the EU but not yet in force and society do not apply early***

Currently, IFRS as adopted by the European Union does not differ significantly from the IASB regulations, except for the following new standards, amendments to existing standards and new interpretations that have not been approved for use in the date of publication of the financial statements (the entry into force dates mentioned below are for IFRS issued by the IASB):

- *IFRS 14 Deferred accounts for regulated activities* - the Standard becomes operative for annual periods beginning on or after 1 January 2016. The European Commission has decided not to issue the approval process for this interim standard and to wait for the final standard,
- *IFRS 16 Leases - adopted by the EU on 31 October 2017* (applicable for annual periods beginning on or after 1 January 2019),
- *IFRS 17 Insurance Contracts* - Applicable for annual periods beginning on or after 1 January 2021 ,
- *Amendments to IFRS 3 Business Combinations - Definition of an enterprise* - applicable to business combinations whose acquisition date is from or after the first annual reporting period beginning on or after January 1, 2020, and asset purchases that occur with or after that period,
- *Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*-Sale or Asset Contribution between an Investor and Associates or its Joint Ventures and Subsequent Amendments (the Effective Date has been postponed to indefinite period until the research project on the equivalence method is completed) ,
- *Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of materiality* - applicable for annual periods beginning on or after January 1, 2020,–
  *Amendments to IAS 19 Employee Benefits* - Change, reduction or settlement of the plan - applicable for annual periods beginning on or after 1 January 2019,
- *Amendments to IAS 28 Investments in Associates and Joint Ventures* - Long-term interests in associates and joint ventures - applicable for annual periods beginning on or after 1 January 2019,
- *Amendments to IFRS 9 Financial Instruments - Advance Payment Charges by Negative Compensation - adopted by the EU on 22 March 2018* - applicable for annual periods beginning on or after 1 January 2019,
- *Amendments to various standards due to IFRS Improvements (Cycle 2015-2017) resulting from the annual IFRS Improvement Project (IFRS 3, IFRS 11, IAS 12 and IAS 23*) with the primary purpose of eliminating inconsistencies and clarifying certain formulations - applicable for annual periods beginning on or after 1 January 2019,
- *Amendments to the Conceptual Framework of IFRS* - applicable for annual periods beginning on or after January 1, 2020,
- *IFRIC 23 Uncertainty about Income Tax Treatment* - adopted by the EU on 23 October 2018 (applicable for annual periods beginning on or after 1 January 2019).

The Company anticipates that the adoption of these new standards and amendments to existing standards will not have a material impact on the company's individual financial statements during the initial period of application.

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*Initial application of the new amendments to the existing standards in force for the current reporting period*

In force for the current reporting period were the following amendments to existing standards and new interpretations issued by the International Accounting Standards Board (IAS) and adopted by the EU:

- IFRS 9 Financial Instruments - adopted by the EU on 22 November 2016 - applicable for annual periods beginning on or after 1 January 2018,
- IFRS 15 Revenue from Contracts with Customers and Amendments to IFRS 15 - adopted by the EU on 22 September 2016 - applicable for annual periods beginning on or after 1 January 2018,
- Amendments to IFRS 2 Share-based Payment - Classification and measurement of share-based payment transactions - adopted by the EU on 27 February 2018 - applicable for annual periods beginning on or after 1 January 2018,
- Amendments to IFRS 4 Insurance Contracts - Application of IFRS 9 Financial Instruments in Accordance with IFRS 4 Insurance Contracts - Adopted by the EU on 3 November 2017 - applicable for annual periods beginning on or after 1 January 2018 or first time IFRS 9 Financial instruments,
- Amendments to IFRS 15Resources in contracts with customers - IFRS 15 clarifications - adopted by the EU on 31 October 2017 - applicable for annual periods beginning on or after 1 January 2018,
- Amendments to IAS 40 Investment Property - Real Estate Transfers - Adopted by the EU on March 14, 2018 - applicable for annual periods beginning on or after January 1, 2018,
- Amendments to IFRS 1 and IAS 28 due to IFRS Improvements (Cycle 2014-2016) resulting from the annual IFRS Improvement Project (IFRS 1, IFRS 12 and IAS 28) with the primary objective of eliminating inconsistencies.

*Reconciliation between IFRS and accounting policies related to previous financial years*

On 31 December 2012, Uztel SA reconciled IFRS with local accounting policies applicable to previous financial years.

The financial statements for the year 2012 represent the first financial statements that the Company has prepared according to IFRS, adopted by the EU, as required by OMFP 1286/2012.

For the year ended December 31, 2010 and December 31, 2011, the Company prepared individual financial statements according to OMFP 3055/2009.

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

There was no reconciliation of the overall result under IFRS 1 with the global result determined by OMFP 3055/2009 as no differences were identified between the overall result determined according to the local accounting principles applied for the previous accounting periods and the overall result determined under 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**.**

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*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 Intangible assets*

The fair value of these items has been established following the revaluation carried out by an 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, and 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.

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.

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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 2018.

**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 any 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 comp.

***Credit Risk***

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

| | **Accounting year ended at 31 December 2018 (lei)** | **Accounting year ended at 31 December 2017 (lei)** |
|---|---|---|
| Trade receivables and other claims | 13.985.665 | 13.693.246 |

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 2018, the company's trade receivables situation is as follows:

| **Receivables at 31.12.2018** | | | **lei** |
|---|---|---|---|
| RECEIVABLES | Balance at 31.12.2018 | maturity | |
| | | Less 1 year | Over 1 year |
| 0 | 1 = 2 + 3 | 2 | 3 |
| | | | |
| **Total, of which:** | **13.985.665** | **11.676.492** | **2.309.173** |
| Domestic Client | **2.730.440** | 2.730.440 | - |
| External Client | **3.095.597** | 3.095.597 | - |
| Doubtful client, litigation | **3.855.940** | - | 3.855.939 |
| Other receivables (Performance Assurance OMV Petrom Bucharest) | **29.391** | 29.391 | - |
| VAT to be recovered | **1.928.709** | 1.928.709 | - |
| Salary advance | **7.610** | 7.610 | - |
| Suppliers borrowers | **379.175** | 379.175 | - |
| Debtors | **2.241.712** | 2.241.712 | - |
| Other receivables (VAT not due, accrued expenses and settlement systems in operation during clarification) | **1.263.856** | 1.263.856 | - |
| Adjustments for depreciation of clients- receivables | **(1.546.766)** | - | (1.546.766) |

The amount in the amount of 1.263.856 lei registered in the account "other debts" refers to the amounts from account 4428 (non-chargeable VAT) = 864.208 lei; account 4382 (other receivables - medical leave) = 389.778 lei; account. 471 (prepaid expenses) = 2.313 lei and account 4412 (deferred tax) = 7.557 lei.

In accordance with IFRS 7: B5 (f), Uztel SA establishes and reviews annually at each close of the financial year (including for year 2018) 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;

– Unfavourable 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 |

Receivables 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 receivabbles and other receivables | Balance at | Of which outstanding | | |
|---|---|---|---|---|
| | 31.12.2018 | 31-90 days | 91-120 days | > 120 days |
| 1. Internal clients | 2.730.440,00 | 680.907,12 | 45.882,69 | 779.542,13 |
| 2. External customers | 3.095.597,00 | 337.395,66 | 129.591,23 | 370.762,70 |
| 3. Uncertain internal clients | 3.855.939,37 | - | - | 3.855.939,37 |
| 4. Impairment adjustments | (1.546.765,98) | - | - | (1.546.765,98) |
| 5. Debtor suppliers | 379.175,00 | - | - | 379.175,00 |
| Net receivables | 8.514.385,39 | 1.018.302,78 | 175.473,92 | 3.838.653,22 |

– 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 2018), 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:**

- **ALTEX SRL TULCEA** debit registered at the debtor's creditor's mass amounting to 651.867,52 lei (including contractual penalties);
- **ARMAX GAZ MEDIAS** debit registered at the borrower's creditor mass in the amount of 16.750,11 lei;
- **ARPEGA TRADING SRL BLEJOI** for the outstanding debts amounting to 444.504,74 lei, (including contractual penalties) the legal recovery procedure was started.
- **BAT SERVICE BUZAU** debit registered at debtor's creditor's mass in the amount of 5.138,37 lei;
- **CONDMAG SA BRASOV** debit registered at the creditor's debtor's amount in the amount of 564,20 lei;
- **FEPA SA BARLAD** debit registered at debtor's creditor mass in the amount of 41.108,56 lei;
- **FORAJ SA BUZAU** debit registered at the debtor's creditor's mass in the amount of 539.128,14 lei;
- **GRUP ROMET SA BUZAU** debit registered at debtor's creditor mass in amount of 909,87 lei;
- **HIDRAULIC SA MOINESTI** debit registered at debtor's creditor mass in amount of 17.603,42 lei (including contractual penalties);
- **FORAJ SONDE PLOIESTI** debit registered at the debtor's creditor mass in the amount of 87.965,13 lei;

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- **MARIAN TRANS CONSTRUCT SRL CHIOJDU** debit registered at the debtor's creditor mass in the amount of 446,40 lei;
- **METAL PROIECT PROSPER BUZAU** executed debit in the amount of 20.871,00 lei;
- **UBEMAR SA PLOIESTI** debit in execution by court executor in the amount of 25.112,69 lei;
- **VIPREC COM SRL BAIA MARE** debit registered at debtor's creditor mass in the amount of 20.360,80 lei.

Company's top 10 clients based on volume of transactions for 2018 are shown in the table below:

| Domestic Clients | Total Invoices (lei) without VAT | share % |
|---|---|---|
| Cameron-Romania SRL Campina | 6.713.924,79 | 29,80 |
| Automobile Dacia Mioveni | 1.753.972,03 | 7,78 |
| Tehnomet SA Buzau | 1.676.165,80 | 7,44 |
| Multy Products Rom SRL Sighisoara- Punct de lucru Albesti Prahova | 1.030.190,93 | 4,57 |
| Neptun SA Campina | 796.551,30 | 3,53 |
| Expert Petroleum Solutions SRL Bucuresti | 756.978,42 | 3,36 |
| Upetrom 1 Mai SA Ploiesti | 691.478,62 | 3,07 |
| Rohrer Servicii Industriale SRL Bucuresti | 657.155,51 | 2,91 |
| Drilling Equipment SRL Zalau | 656.096,34 | 2,91 |
| GPS Offshore SRL Constanta | 649.657,79 | 2,88 |
| **TOTAL** | **15.382.171,53** | **68,25** |

| External Clients | Total Invoices (Euro) | share % |
|---|---|---|
| Robke Erdol UND Erdgastechnik GmbH Germania | 769.378,00 | 37,30 |
| TDE Field Services ZRT Ungaria | 461.094,00 | 22,36 |
| ABB Process Industrie Aix-Les Bains Cedex France | 246.353,53 | 11,95 |
| Green Control SRL Italia | 101.978,00 | 4,94 |
| Eurotech INT Sp zoo Wojska Polonia | 91.980,00 | 4,46 |
| VT Veres KFT Kecskmet Ungaria | 74.726,40 | 3,62 |
| Hartmann Valves GmbH Germania | 59.465,80 | 2,88 |
| Elematic Oy Ab Toijala Finlanda | 54.347,95 | 2,64 |
| Liberty Drillyng Equipment B.V. Olanda | 37.670,00 | 1,83 |
| Peseco Limited Aberdeenshire U.K. | 24.067,00 | 1,17 |
| **TOTAL** | **1.921.060,68** | **93,15** |

| External Clients | Total Invoices (Euro) | share % |
|---|---|---|
| FMC Technologies Canada | 3.424.708,00 | 48,76 |
| Desert Sand Oil&Gas LLC Muscat Oman | 2.629.445,75 | 37,44 |
| Omni Valve LLC USA | 443.450,00 | 6,31 |
| Kar Construction&Engineering LTD Iraq | 195.804,60 | 2,79 |
| IAL Engineering Services LTD Trinidad | 156.340,00 | 2,22 |
| Independent Oil Tools Iraq | 90.121,30 | 1,28 |

| | | |
|---|---|---|
| Ibemo Industrie Service Germania | 32.941,28 | 0,47 |
| Tartan Valve Repair LTD Canada | 23.644,00 | 0,34 |
| PT Bangun Mitra Sinergi Jakarta Indonezia | 22.932,00 | 0,33 |
| Manefols Komerz LLP Belfast Irlanda | 4.024,00 | 0,06 |
| **TOTAL** | **7.023.410,93** | **100** |

| | Accounting year ended at 31 December 2018 (lei) | Accounting year ended at 31 December 2017 (lei) |
|---|---|---|
| Debts | 29.651.462 | 32.026.158 |
| Provisions for risk and expenses | 248.054 | 253.413 |
| Income recorded in advance | 2.690.077 | 2.749.697 |
| **Total debts** | **32.589.593** | **35.029.268** |

- **Commercial debts and other debts**

At 31 December 2018, the debts of the company are as follows:

| Debts at 31.12.2018 | | | | lei |
|---|---|---|---|---|
| DEBTS | Balance at 31.12.2018 | Maturity term | | |
| | | Less 1 year | 1-5 years | over 5 years |
| 0 | 1 = 2 + 3 + 4 | 2 | 3 | 4 |
| **Total, of which:** | **32.589.593** | **27.968.147** | **4.621.446** | - |
| Amounts owed to credit institutions | **4.864.348** | 2.522.940 | 2.341.408 | - |
| Advances collected for orders | **2.690.077** | 2.690.077 | - | - |
| Trade payables - suppliers | **19.529.196** | 17.497.212 | 2.031.984 | - |
| Income tax | - | - | - | - |
| Other creditors including tax and social security | **5.257.918** | 5.257.918 | - | - |
| Provisions and deferred income | **248.054** | - | 248.054 | - |

The amount of 5.257.918 lei recorded in the account "Other debts, including tax and social security liabilities" refers to:

- amounts from the account 462 (various creditors - rescheduling agreements) = 1.412.681 lei ;
- account 457 ( dividends ) = 1.574.779 lei , of which – rescheduling agreements 1.007.874 lei;
- current budget debts = 1.447.444 lei;
- current salary debts = 823.014 lei.

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lei

| Trade receivables and other receivables | Balance at | Of which overdue | | |
|---|---|---|---|---|
| | 31.12.2018 | 31-90 days | 91-120 days | > 120 days |
| 1. Internal suppliers | 17.101.697,33 | 4.999.404,16 | 1.744.748,02 | 1.542.997,34 |
| 2. External suppliers | 2.427.499,22 | 446.756,40 | 45.143,66 | 344.388,93 |
| 3. Customers creditors | 2.690.077,50 | - | - | - |
| **Net debts** | 22.219.274,05 | 5.446.160,56 | 1.789.891,68 | 1.887.386,27 |

Company's top 10 suppliers based on volume of transactions for 2018 are shown in the table below:

| **Internal suppliers** | **Total Invoices (lei) without VAT** | **share %** |
|---|---|---|
| Forja Rotec SRL Buzau | 3.506.668,11 | 11,34 |
| Arva Metals & Steels SRL Cornetu | 2.659.443,43 | 8,60 |
| Electrica Furnizare SA Bucuresti | 2.286.067,05 | 7,39 |
| Sodexo Pass Romania SRL Bucuresti | 1.787.113,69 | 5,78 |
| Metarex SRL Bucuresti | 1.267.310,70 | 4,10 |
| MSD COM SRL Buzau | 1.236.904,40 | 4,00 |
| Huttenes Albertus Romania SRL Bucuresti | 1.047.262,73 | 3,39 |
| Hany Industry SRL Ploiesti | 973.232,59 | 3,15 |
| Engie Romania SA Bucuresti | 918.314,28 | 2,97 |
| Pas technologies Romania SRL Campina | 903.173,33 | 2,92 |
| **TOTAL** | **11.497.904,99** | **48,40** |

| **External Suppliers** | **Total Invoices (Euro)** | **share %** |
|---|---|---|
| Riganti SPA Italia | 231.658,54 | 34,35 |
| Danco Industry LTD Bulgaria | 107.028,37 | 15,87 |
| Forgital Italy S.P.A. | 86.980,00 | 12,90 |
| Nov Completion & Production Solutions Vechta | 80.089,05 | 11,88 |
| Siderforgerossi Group S.P.A. Italia | 36.840,00 | 5,46 |
| CF Service SRL Italia | 35.701,95 | 5,29 |
| Special Quality Alloys LTD England | 18.441,00 | 2,74 |
| Passion SRL Ploiesti | 12.211,00 | 1,81 |
| Hunting Energy Services B.V. Olanda | 10.686,00 | 1,59 |
| Kerramtech s.r.o. Czech Republic | 9.936,00 | 1,47 |
| **TOTAL** | **629.571,91** | **93,36** |

| **External Suppliers** | **Total Invoices (USD )** | **share %** |
|---|---|---|
| Parker Hannifin Corporation PGI USA | 119.018,75 | 33,45 |
| Optimum LTD Liban | 79.096,50 | 22,30 |
| Shabum International LTD Tel Aviv Israel | 55.673,96 | 15,65 |
| Manefols Komerz LLP Belfast Irlanda | 43.857,00 | 12,32 |

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| | | |
|---|---|---|
| Gebruder Wess SRL Bucuresti | 25.800,00 | 7,25 |
| American Petroleum Institut Washington USA | 20.500,00 | 5,76 |
| Omni Valve LLC USA | 4.045,00 | 1,13 |
| Easycnc LTD China | 2.820,00 | 0,79 |
| Quattro Intersped SRL Pitesti | 2.550,00 | 0,71 |
| Hub Dacia SRL Bucuresti | 1.617,00 | 0,45 |
| **TOTAL** | **354.978,21** | **99,81** |

**Bank loans are secured by:**

- Mortgages totalling 29.434.935 lei (insurance policy No. 2487024 from 25.05.2017 valid from 25.05.2017 until 24.05.2018 and insurance policy No. 250966 valid from 25.05.2018 until 24.05.2019). The last evaluation report was carried out for banking purposes in August 2017 by Neoconsult Valuation SRL Bucharest, authorized valuer, an accredited member of ANEVAR, the value of the valued property market being 24.728.166 lei;

- Pledge on technological equipment with a total value of 5.852.629 lei (insurance policy No. 2470241 valid from 01.03.2017 to 28.02.2018 and insurance policy No. 2503328 valid from 01.03.2018 until on 28.02.2019);

- Pledge Stocks of raw materials, inventory items and finished products totalling lei 24.651.575 (insurance policy No. 2493798 valid from 23.11.2017 until 22.11.2018 and insurance policy No. 2520612 valid from 23.11.2018 to 22.11.2019).

**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** **31 December 2018** **(lei)** | **Accounting year ended** **31 December 2017** **(lei)** |
|---|---|---|
| Interest paid | 371.361 | 240.349 |

***Liquidity risk***

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

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| | Accounting year ended 31 December 2018 | Accounting year ended 31 December 2017 |
|---|---|---|
| | (lei) | (lei) |
| Cash and availability on demand | 1.330.657 | 1.771.478 |
| **Total cash and cash equivalent** | **1.330.657** | **1.771.478** |

***Currency risk***

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

| | Accounting year ended 31 December 2018 | Accounting year ended 31 December 2017 |
|---|---|---|
| | (lei) | (lei) |
| Result of foreign exchange difference | 20.470 | 20.234 |

***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 effective in the company's business on the first months of 2018 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

During 2018 there was an increase in the price of oil, which triggered a revival of the appetite of the big drilling companies in the domestic and international market for the acquisition / rental of oil equipment and equipment which led to the increase in turnover and of the portfolio of orders / contracts of the company.

The UZTEL company faced fluctuations in the sales prices of the manufactured oil equipment and installation made in 2018, the maximum prices imposed by the big drilling companies on the domestic and international market depending on the variations of the oil prices and the barriers of the geographical areas

## 5. EQUITY

*Share capital*

The share capital of SC UZTEL S.A. is 31 December 2018, amounts to 13.413.647,50 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. 7133 of 06.03.2019 , situation of shareholders on 31.12.2018 is as follows::

| Shareholder | Nmb. of shares held | Weight in share capital, % |
|---|---|---|
| UZTEL Association | 4.498.300 | 83,8381 |
| Legal persons | 452.526 | 8,4341 |
| Natural persons | 414.633 | 7,7278 |
| **TOTAL** | **5.365.459** | **100,0000** |

All shares are common, were subscribed and paid in full on 31 December 2018.

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, 2018 Company constitutes legal reserves totalling 1.955.836 lei.

| | Accounting year ended<br>31 December 2018<br>(lei) | Accounting year ended<br>31 December 2017<br>(lei) |
|---|---|---|
| Legal reserves | 1.955.835,54 | 1.916.64,42 |

At 31.12.2018 the company established a legal reserve worth 39.194,12 lei .

**Other reserves**

| | Accounting year ended 31 December 2018 (lei) | Accounting year ended 31 December 2017 (lei) |
|---|---|---|
| Other reserves | 631.133 | 631.133 |

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 36.170.002,79 lei at 31 December 2018 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 31 December 2018 (lei) | Accounting year ended 31 December 2017 (lei) |
|---|---|---|
| Revaluation reserves | 36.170.003 | 38.232.706 |

The revaluation reserve diminished in 2018 by the amount of 2.062.703,46 lei by capitalizing the revaluation surplus and reserves highlighted in the tax register as follows:

- the value of 57.081,60 lei representing the surplus capitalization from the land revaluation, which is out of the record by sale to individuals in 2018;

- the amount of 2.005.621,83 lei representing revaluation reserves highlighted in the fiscal register in 2018.

**6. RESULT OF THE EXERCISE**

***The result of the exercise***

At the end of the financial year 2018, the Company recorded the following results:

- **Gross operating result** increased from (12.957.785) lei at 31.12.2017 to 1.129.340 lei at 31.12.2018, meaning a significant increase compared to the same period of 2017;
- **The gross result of the financial activity** decreased from (212.943) lei at 31.12.2017 to (345.458) lei at 31.12.2018, an increase of 62,23% compared to the same period of 2017;

- **Gross profit for the financial year** increased from (13.170.728) lei at 31.12.2017 to 783.882 lei at 31.12.2018, meaning a significant increase compared to the same period of 2017;
- **The net result of the financial year** increased from (13.177.728) lei at 31.12.2017 to 783.882 lei at 31.12.2018, meaning a significant increase compared to the same period of 2017.

Although the global crisis affecting the oil industry had negative repercussions on the production of Uztel S.A. (2018 turnover increase compared to 2017 by 33,46%), the management of the company has made efforts and managed the situation in such a way that it managed the operating expenses in accordance with the volume of production achieved.

| | **Accounting year ended 31 December 2018** | **Accounting year ended 31 December 2017** |
|---|---|---|
| | **(lei)** | **(lei)** |
| Net income (lei) | 783.882 | (13.170.728) |
| Ordinary shares | 5.365.459 | 5.365.459 |
| Earnings per share (lei) | 0,15 | (2,45) |

***Dividends***

In 2018 the Company made quarterly payments amounting 47.773,97 lei , representing net dividends due to shareholders for the years 2003 , 2005 , 2006 , 2007 and 2008 , as follows:

| | | lei |
|---|---|---|
| a) | Payments 1st quarter | 10.445,29 |
| b) | Payments 2nd quarter | 36.392,59 |
| c) | Payments 3rd quarter | 828,63 |
| d) | Payments 4th quarter | 107,46 |

On 31.12.2018 Uztel SA recorded in account 457 (Dividends to pay) the amount of 1.574.779,12 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- 2018.

## 7. PROFIT TAX

| | **Accounting year ended 31 December 2018** | **Accounting year ended 31 December 2017** |
|---|---|---|
| | **(lei)** | **(lei)** |
| Gross book value | 783.882 | (13.170.728) |
| Items assimilated to revenue | - | - |
| Legal reserve established | (39.195) | - |

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| | | |
|---|---|---|
| Non-taxable income | (5.359) | (161.733) |
| Non-deductible expenses | 3.187.260 | 10.937.897 |
| **Profit / (Fiscal Loss )** | **3.926.588** | **(2.394.564)** |
| Tax on profit | - | - |
| **Corporation tax payable** | **-** | **-** |
| **Net profit / (loss)** | **783.882** | **(13.170.728)** |

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 744.688,34 lei be recorded in the accounting books of Uztel SA Ploiesti as bellow :

| | | | |
|---|---|---|---|
| **121** | **=** | **1171.02** | **744.688,34** |
| Profit or loss | | Reported result- loss | |

The cumulative tax loss recorded at the end of 2017, determined by the annual corporate tax returns, net of (18.480.426) lei, will decrease with the fiscal profit recorded on 31.12.2018 in net value of 3.926.589 lei .

The total fiscal loss registered on 31.12.2018 by Uztel SA Ploiesti will be (14.553.837) lei.

## 8. RETAINED EARNINGGS

Retained earnings are the cumulative result of the Company. At December 31 2018 the Company has recorded retained earnings in the amount of 7.112.169 lei.

| | **Accounting year ended 31 December 2018** | **Accounting year ended 31 December 2017** |
|---|---|---|
| | **(lei)** | **(lei)** |
| Reported result | 7.112.169 | 3.686.242 |
| Reported result to application of IFRS | 5.365.459 | 5.365.459 |
| Earnings per share (lei) | 1,33 | 0,68 |

## 9. PROVISIONS

Statement of provisions made by the company is as follows:

| | Accounting year ended 31 December 2018 | Accounting year ended 31 December 2017 |
|---|---|---|
| | (lei) | (lei) |
| Provisions for litigation | 235.754 | 241.113 |
| Provisions for guarantees granted to clients | 12.301 | 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.

## 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 2018 | 16.602.789 | 32.003.702 | 36.430.685 | 165.777 | 2.418.897 | 123.120 | 87.744.970 |
| Increases | - | 58.021 | 73.710 | - | 766.409 | 14.750 | 912.890 |
| Outputs | 64.987 | - | - | - | 717.559 | - | 782.546 |
| Balance at 31 December | 16.537.802 | 32.061.723 | 36.504.395 | 165.777 | 2.467.747 | 137.870 | 87.875.314 |
| **Accumulated depreciation** | | | | | | | |
| Balance at 01 January 2018 | - | 14.325.571 | 26.329.372 | 94.573 | - | - | 40.749.516 |
| Depreciation of year | - | 2.327.100 | 1.090.666 | 12.817 | - | - | 3.430.583 |
| Depreciation of outputs | - | - | - | - | - | - | - |
| Balance at 31 December 2018 | - | 16.652.671 | 27.420.038 | 107.390 | - | - | 44.180.099 |

**Continued Tangible assets**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Adjustment** | | | | | | | |
| Balance at 01 January 2018 | - | - | - | - | - | - | - |
| Increases | - | - | - | - | - | - | - |
| Outputs | - | - | - | - | - | - | - |
| Balance at 31 December 2018 | - | - | - | - | - | - | - |
| **Net book value** | | | | | | | |
| Balance at 01 January 2018 | 16.602.789 | 17.678.131 | 10.101.313 | 71.204 | 2.418.897 | 123.120 | 46.995.454 |
| Balance at 31 December 2018 | 16.537.802 | 15.409.052 | 9.084.357 | 58.387 | 2.467.747 | 137.870 | 43.695.215 |

Between 1 January and 31 December 2018, the total value of the increases recorded in the accounting records for the "Buildings and constructions" class was 58.021 lei, representing the modernization of the boardroom.
Between 01 January and 31 December 2018 the total value of the increases recorded in the accounting records for the "Machinery and equipment" class was 73.710 lei representing:

- USM 36S Ultrasonic Defectoscope, worth 34.625 lei;
- Equipment PortaDot 130-30E, worth 22.577 lei;
- Modernization of the M17 (mounted radio control ) bridge, amounting to 11.406 lei;
- Maguay Office Power calculator, worth 5.102 lei.

*Tangible fixed assets in progress* registered an increase of 766.409 lei between January 1 and December 31, 2018, representing:

- Works for modernization of the council hall, amounting to 4.221 lei;
- USM 36S Ultrasonic Defectoscope, worth 34.625 lei
- PortaDot 130-30E marking equipment, worth 45.153 lei;
- Modernization of the M17 bridge, amounting to RON 11.406;
- Maguay Office Power calculator, worth 5.102 lei;
- Works at Heating plant for the Petroleum Equipment Unit, worth 53.586 lei;
- Works for capacitors chamber for induction melting furnace, worth 26.488 lei.
- Transfer between analytical accounts worth 585.828 lei, representing works for the induction melting furnace.

Between 1 January and 31 December 2018, the "Land" class registered a decrease of 64.987 lei by selling the surface of 720 sqm of land within the city, according to the sale contracts with authentication no .: 1894 / 04.05.2018; 3137 and 3138 / 23.07.2018 to individuals.

*Tangible fixed assets in progress* recorded decreases amounting to 717.559 lei between 1 January and 31 December 2018, representing:

- Modernization of the council hall, worth 58.021 lei;
- Putting into operation ultrasonic defectoscope USM 36S, worth 34.625 lei;
- commissioning of PortaDot 130-30E marking equipment, worth 22.577 lei;
- Modernization of the M17 bridge, amounting to RON 11.406;
- Putting into operation Maguay Office Power Calculator, worth 5.102 lei;
- Transfer between analytical accounts worth 585.828 lei, representing works for the induction melting furnace.

- **Intangible assets**

| | **Development expenses** | **Other intangible assets** | **Intangible assets in progress** | **Total** |
|---|---|---|---|---|
| **Cost** | **Lei** | **Lei** | **Lei** | **Lei** |
| Balance at 01 January 2018 | 177.335 | 561.563 | - | 738.898 |
| Inputs | 2.828 | 64.117 | - | 66.945 |
| outputs | 49.788 | - | - | 49.789 |
| Balance at 31 December 2018 | 130.375 | 625.680 | - | 756.054 |
| **Accumulated depreciation** | | | | |
| Balance at 01 January 2018 | 114.930 | 550.187 | - | 665.117 |
| Depreciation of year | 7.782 | 66.155 | - | 73.937 |
| Outputs depreciation | 10.174 | - | - | 10.174 |
| Balance at 31 December 2018 | 112.538 | 616.342 | - | 728.880 |
| Net book value | | | | |
| Balance on January 1, 2018 | 62.405 | 11.376 | - | 73.781 |
| Balance at 31 December 2018 | 17.837 | 9.338 | - | 27.174 |

Between 1 January and 31 December 2018, development expenditures increased by 2.828 lei, representing:
- expenses main body 3 "- SCH 40 welded version in the amount of 1.968 lei;
- casting, heat treatment expenses and performed the operation I for body 21 / 16X3 / 5M in value of 632 lei;
- casting, heat treatment expenses and performed the operation for body 41 / 16X5M worth 228 lei.

The Company acquired *intangible assets* in the amount of 64.117 lei, representing:
- Technical support for the SIVECO integrated IT system for the year 2018, worth 53.718 lei;
- Antivirus license ESET ENDPOINT worth 6.521 lei;

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- Software Update License & Support Oracle Database Standard Edition One Perpetual Processor worth 3.878 lei.

Between 01 January and 31 December 2018, development expenditures decreased by 49.788 lei by removing some prototypes (PN10 ball valve) which could not be technically achieved.

## 11. STOCKS

By comparison, the stocks are presented as follows:

| In LEI | 31-December 2018 | 31-December 2017 |
|---|---|---|
| Raw material | 1.381.978 | 1.876.772 |
| Additional material | 756.172 | 829.196 |
| Fuels | 18.352 | 60.335 |
| Packaging materials | 1.395 | 2.729 |
| Spare parts | 3.593.159 | 3.777.611 |
| Other consumables | 201.901 | 207.008 |
| Other consumables- protocol | - | 23 |
| Inventory items | 353.614 | 379.477 |
| Products in progress | 14.471.881 | 6.944.754 |
| Semi- manufactured | 1.692.376 | 1.350.955 |
| Finished product | 8.603.221 | 8.944.209 |
| Difference of price of semi-finished products | - | - |
| Difference of price of finished products | 8.970.838 | 9.010.016 |
| Packing | 5.251 | 9.260 |
| Residual products | 22.864 | - |
| **Total** | **36.072.002** | **33.392.345** |
| Advances to purchases assets such as stocks | 215.528 | 419.338 |
| **Total General Inventory** | **36.287.530** | **33.811.683** |

## 12. INCOME FROM THE MAIN COMPANY'S BUSINESS

Turnover in 2018 totalling 59.215.308,69 lei was made by the following segments of activity:

| | lei |
|---|---|
| - turnover for production activity is in the amount of | 58.798.690,02 |
| – turnover for the services activity is in the amount of | 344.630,09 |
| – turnover for trade activity is in the amount of | 71.988,58 |

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 |

| **OPERATING INCOME** | **31-December 2018** | **31-December 2017** |
|---|---|---|
| **Total operating expenses, of which:** | **77.683.418** | **48.627.123** |
| Turnover | 59.215.309 | 44.370.143 |
| Income related to cost of inventories of products and production in progress | 16.936.267 | 3.828.029 |
| Revenues from production of tangible and intangible assets | 60.635 | 59.755 |
| Other operation income | 1.417.207 | 369.196 |

| **OPERATION EXPENSES** | **31-December 2018** | **31-December 2017** |
|---|---|---|
| **Total operating expenses, of which:** | **76.554.078** | **61.584.908** |
| Raw material and consumables costs | 36.759.085 | 24.388.266 |
| Other material expenses | 1.137.997 | 740.035 |
| Other external expenses | 3.213.344 | 2.760.022 |
| The expenditures on goods | 19.989 | 156.210 |
| Trade discounts received | - | - |
| Staff costs | 23.957.522 | 21.071.290 |
| Value adjustment concerning tangible, intangible assets, real estate investment, and biological assets evaluated at cost | 3.504.520 | 4.743.779 |
| Value adjustments on assets | - | 960.990 |
| Other operating expenses | 7.966.980 | 6.757.116 |
| Expenses with tangible and intangible revaluation | (5.359) | 7.200 |

| **FINANCIAL INCOME** | **31-December 2018** | **31-December 2017** |
|---|---|---|
| **Total financial income, of which:** | **966.819** | **704.431** |
| Income from exchange rate differences | 961.218 | 697.253 |
| Interest income | 4.435 | 6.316 |
| Other financial income | 1.166 | 862 |

| **FINANCIAL EXPENSES** | **31-December 2018** | **31-December 2017** |
|---|---|---|
| **Total financial expenses , of which:** | **1.312.277** | **917.374** |
| Interest charges | 371.361 | 240.349 |
| Other financial expenses | 940.916 | 677.025 |

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**CASH GENERATED FROM OPERATING ACTIVITIES**

| | 31-December 2018 lei | 31-December 2017 lei | 31-December 2016 lei | 31-December 2015 lei |
|---|---|---|---|---|
| **Net profit for the year** | **783.882** | **(13.170.728)** | **(19.146.952)** | **(2.037.296)** |
| Income tax expense | - | - | - | 312.177 |
| Amortization / depreciation of long term assets | 3.504.520 | 4.743.779 | 6.057.829 | 7.043.308 |
| Expenses with disposed assets | 104.601 | 294.100 | - | - |
| Revenue with disposed assets | (70.493) | (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 | (371.361) | (240.349) | (112.593) | (176.486) |
| Interest income | 4.435 | 6.316 | 71.198 | 258.873 |
| Gain / loss from exchange rate differences | 20.470 | 20.234 | 278.002 | 198.820 |
| **Movements in working capital** | **3.192.172** | **5.013.971** | **12.343.670** | **842.324** |
| Increase / (decrease) in trade receivables and other receivables | (276.205) | 2.461.019 | 3.144.665 | 4.866.322 |
| Increase / (decrease) in other current assets | 1.642 | 385 | (682) | (342) |
| Increase / (decrease) in inventories | (2.475.847) | 4.092.118 | 4.242.138 | 4.164.653 |
| Increase / (decrease) in trade payables | (652.153) | 6.289.074 | 918.711 | 858.206 |
| Increase / (decrease) in other liabilities | 1.554.184 | (2.412.926) | (1.248.979) | (10.576.377) |
| **Cash used in operating activities** | **(1.848.379)** | **10.429.670** | **7.055.853** | **(687.538)** |
| **Movements in working capital** | - | - | (17.857) | (194.348) |
| Increase / (decrease) in trade receivables and | (371.361) | (240.349) | (112.593) | (176.486) |
| Increase / (decrease) in other current assets | **1.756.314** | **2.032.564** | **122.120** | **(2.253.343)** |

## 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 rent ;
- revenues from commodities sale

Segment information for the year ended 31 December 2018 are bellow:

| **Report on operating segment at 31 December 2018** | **Amount ( lei )** | **Share Of total income %** |
|---|---|---|
| Revenue from the sale of finished products - internal | 21.635.144,46 | 27,51 |
| Revenue from the sale of finished products - external | 37.163.545,56 | 47,25 |
| Income stocks of finished goods and production in progress | 16.936.267,00 | 21,53 |
| Revenue from services rendered | 335.918,84 | 0,43 |
| Income from rent | 8.711,25 | 0,01 |
| Revenue from sale of goods | 71.988,58 | 0,09 |
| **Total** | **76.151.575,69** | **96,82** |

Information on segments for year ended at 31 December 2017 are:

| **Report on operating segment at 31 December 2017** | **Value ( lei )** | **Share of** |
|---|---|---|
| Revenue from the sale of finished products - domestic | 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 rent | 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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Income from rents in the amount of 8.711,25 lei registered by the company in 2018 through account 706.1.03 (Income from rental of machinery and oil installations) are represented by rental income of products manufactured by the company: Flange sample 29 1 / 4x500 PSI to Dosco Petroservices Romania SRL Bucuresti, according to order 3744 / 27.04.2018.

## 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 the financial year 2018, the following commercial transactions were carried out in the nature of the acquisitions of goods and services with independent legal entities (companies) that did not influence the position and financial performance of the company and were concluded under normal market conditions.

a) Sales of finished products and services:

In financial year 01.01.2018 – 31.12.2018 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 :

| **Entity** | **Acquisitions 2018 lei** | **Aquisitions 2017 lei** |
|---|---:|---:|
| Aprodem SA Ploiesti | 57.554,47 | 61.950,49 |
| Axon SRL Ploiesti | 277.299,45 | 553.387,67 |
| Comis SRL Valeni de Munte | - | 126.951,77 |
| Electro Service Onel & Co SNC Ploiesti | 3.617,60 | 30.048,69 |
| Iulnicomnic SRL Ploiesti | 35.635,96 | - |
| Passion SRL Ploiesti | 57.557,98 | 57.556,39 |
| Platus Com SRL Campina | 302.123,17 | 156.109,96 |
| Romconvert SA Ploiesti | - | 51.877,99 |
| Titancore SRL Ploiesti | 421.361,08 | 253.983,44 |
| Rikora Flm SRL Focsani (Vaspet SRL Focsani ) | 73.674,11 | 152.485,51 |

| **Entity** | **Aquisitions 2018 usd** | **Aquisitions 2017 usd** |
|---|---:|---:|
| Shabum International LTD Tel Aviv | 55.673,96 | 26.385,62 |

According to IAS 24 (Presentation of Related Party Information), the Company considered it opportune to describe the commercial transactions performed with the legal entities holding money funds as associate members of the UZTEL Association.

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The legal entities whose transactions have been mentioned above do not fall under the provisions of Art. 82 paragraph (1) of the Law no. 24/2017 due to the fact that the holdings, ie the money funds, do not allow them to hold control.
The company UZTEL SA presents the following additional information regarding the share of funds held by the legal entities in their capacity as members of the Uztel Association on 31.12.2018.

| **Entity** | **% money fund hold in UZTEL Association** |
|---|---|
| Aprodem SA Ploiesti | 0,2805 |
| Axon SRL Ploiesti | 0,7380 |
| Comis SRL Valeni de Munte | 8,2977 |
| Electro Service Onel & Co SNC Ploiesti | 4,8555 |
| Iulnicomnic SRL Ploiesti | 1,8897 |
| Passion SRL Ploiesti | 0,3982 |
| Platus Com SRL Campina | 0,6090 |
| Romconvert SA Ploiesti | 0,7609 |
| Titancore SRL Ploiesti | 4,2191 |
| Rikora Flm SRL Focsani (Vaspet SRL Focsani ) | 0,5087 |
| **Entity** | |
| Shabum International LTD Tel Aviv | 0,2640 |

a) 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,).

| | **2018** | **2017** |
|---|---|---|
| Gross salary paid | 3.035.272 lei | 2.350.203 lei |

## 15. OTHER INFORMATION

*(1) Fees paid to auditors*

In 2018 the Company's expenses on fees paid to auditors were worth 149.656,97 lei , including :

| **Statutory Auditor** | **lei** |
|---|---|
| - Ecoteh Expert SRL Bucuresti | 16.315,15 |
| **Intenal Auditor** | |
| - Fin Consult Audit SRL Ploiesti | 5.500,00 |

| **Auditors of quality management systems certification and product (license)** | **lei** |
|---|---|
| - DNV-GL Business Assurance SRL Bucuresti Romania | 28.189,20 |
| - GR Eurocert SRL Ploiesti Romania | 13.086,57 |
| | **usd** |
| - American Petroleum Institut Washington USA | 20.500,00 |
| - Techstreet – Clarivate Analytics LLC Canada | 773,00 |
| | **eur** |
| - Certification Center Contstand Moscova | 1.000,00 |

*(2)Expenses with salaries*

| | **Financial year ended at 31 December 2018 (lei)** | **Financial year ended at 31 December 2017 (lei)** |
|---|---|---|
| Expenses with wages for personnel | 23.252.317 | 17.211.920 |

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

*(3) Numărul mediu de angajați la 31 December se prezinta astfel :*

| | **Financial year ended at 31 December 2018** | **Financial year ended at 31 December 2017** |
|---|---|---|
| Average number of employees | 485 | 471 |

*(4) Financial Guarantees granted / received by the Company.*

**Financial guarantees granted**

Uztel SA Ploiesti has good performance guarantees at the request of OMV PETROM BUCHAREST client amounting to RON 12.300,61 on the basis of the contracts concluded between the parties.
The amount of 29.391,29 RON representing the good execution guarantee was made available to the client and is registered in the account "other non-current receivables"

**Financial guarantees received**

The company recorded financial guarantees from the suppliers in the financial year 2018 amounting to 4.077,02 lei for repair works performed by Wurman Co Ploiesti SRL at the oil separator, according to order no 181193 / 24.08.2018.

*(5) Insurance policies held by the company*

The Company owns OMNIASIG F Series F no. 2509660 for a period of 12 months, namely from 25.05.2018 to 24.05.2019 (renewed annually) representing fire insurance and other risks (risk packages) for a stated value of 29.434.935 lei a number of 26 buildings and industrial production halls owned by the company.

The Company owns OMNIASIG F Series F no. 2520612 for a period of 12 months, namely from 23.11.2018 to 22.11.2019 (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. 2503328 for a period of 12 months, namely from 01.03.2018 to 28.02.2019 representing bank security for technological equipment with a total value of 5.852.629 lei.

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

*(6) Assessment of aspects related to the impact of the company's basic activity on the environment*

The activity of the company is carried out on the basis of the following regulatory acts:

- Environmental permit no. PH-619 from 21.12.2009 rev. on 24.09.2015, valid until 21.12.2019 for carrying out the activity of production of assemblies, subassemblies, equipment and oil installations and industrial services, recovery of recyclable industrial waste, water capture, treatment and distribution, paint shop.
- Water Management Authorization no. 107 of 16.06.2017 valid until 15.06.2019;
- Certificate of registration in the Register of authorized economic operators carrying out waste recovery operations no. 0325 issued by the Ministry of Economy - Industrial Policy Directorate, valid until 31.03.2019.

Environmental factors (potable water, wastewater, air-emissions, airborne, soil, waste) were monitored according to the legal requirements applicable to Uztel S.A. (monthly, quarterly, semester, yearly). The frequency imposed by the Environmental Authorization has been observed and no exceeds have been recorded over the maximum limits imposed.

The 2018 measures program was 100%. The proposed actions concerned waste management, emissions and immissions, drinking and waste water, noise and soil.

Dangerous chemicals and chemicals have been purchased, stored, handled and used in compliance with the applicable legislation, according to the safety data sheets.

*(7) Aspects of legal disputes of the company*

As a creditor, the company undertook all legal steps necessary to recover outstanding trade receivables from legal and physical persons, carrying out during the financial year 2018 a number of commercial files through the competent courts, files at different stages of trial and enforcement and is civil party (without material implications) in the work group files (labor litigation) with former employees.

| | |
|---|---|
| Debt recovery | 5 files |
| Enforcement | 14 files |
| Insolvency proceedings | 17 files |
| Labor Disputes (labor groups, special conditions, claims, dismissal appeal) | 112 files |

In order to recover debts from legal or natural persons, the company proceeded to issue notifications, summons or agreement amicably in order to settle the dispute.
The company periodically monitor outstanding commercial receivables and apply the best estimates for their accountability and accounting.

## 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.

***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 succeded 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 l 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 cannot predict events that could have an effect on the banking sector in Romania and then what effect would have on the company's business .

*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 fulfilment 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.

**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 01.01.2018 - 31.12.2018 | | |
|---|---|---|
| **SURNAME NAME** | **POSITION** | **PERIOD** |
| Popescu Ileana | CEO. | 14.03.2017-02.07.2018 |
| Hagiu Neculai | CEO. | 03.07.2018-31.12.2018 |
| Popescu Ileana | Member of Board of Directors | 03.07.2018-31.12.2018 |
| Maer Alina Mariana | Member of Board of Directors | 14.03.2018-02.07.2018 |
| Hagiu Neculai | Member of Board of Directors | 14.03.2017-30.06.2018 |
| Persoana Juridica COMIS SRL prin reprezentant conventional Badea Florian | Member of Board of Directors | 14.03.2017-02.07.2018 |
| Gheorghiu Mihail Gabriel | Member of Board of Directors | 24.04.2017-31.12.2018 |
| Serbaniuc Tudor | Member of Board of Directors | 03.07.2018-31.12.2018 |
| Stan Vasile Armis | Member of Board of Directors | 03.07.2018-31.12.2018 |

For 01.01.2018 – 31.12.2018 the total remunerations of the Board of Directors of the Company represented 2,21% of the salary fund.

**THE EXECUTIVE MANAGEMENT OF THE COMPANY -** during the period 01.01.2018 **-** 31.12.2018 recorded fluctuations in the exercise of the managerial duties, thus:

| **PERIOD 01.01.2018 - 31.12.2018** | | | |
|---|---|---|---|
| **SURNAME, GIVEN NAME** | **POSITION** | **PERIOD** | **DECISION / DATE OD DECISION** |
| Zidaru Ion | General Director | 01.01.2018-31.12.2018 | Mandate contract no. 06/05.01.2018 |
| Anghel George Marinelo | Technical Director | 01.01.2018-31.12.2018 | Decizion170 / 16.10.2017 |
| Gheorghiu Mihail Gabriel | Commercial Director | 01.01.2018-31.12.2018 | CIM 238 / 31.01.2013 |
| Popescu Ileana | Economic Director | 01.01.2018-31.12.2018 | Decizion 592 / 30.11.2010 |
| Ristoiu Mariana | Manager Quality Management System | 10.04.2018-31.12.2018 | Decizion 64/05.04.2018 |

For the period 01.01.2018 - 31.12.2018 total remuneration of the executive management of the Company accounted for a share of 7,29 % of wages fund.

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|---|---|---|
| General Director | Economic Director , | Head of Gen,Acct. Serv. |
| Eng. Zidaru Ion | Ec. Popescu Ileana | Ec. Duta- Heroiu Maria Carmen |