



UZTEL S.A.

OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

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

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FISCAL CODE RO1352846 , R.C. PLOIESTI NO. J29/48/1991

NOTE OF SUBSTANTIATION
of the proposal on distribution of accounting profit on
31.12.2021

In the financial year ended December 31, 2021 the company UZTEL SA Ploiesti registered a net accounting profit in the amount of 330.324,49 lei.

Under Law 31/1990 on commercial companies: according to art. 183, "*of the company's profit shall be taken at least 5% each year for the formation of the reserve fund, until it reaches at least a fifth of the share capital.*" Thus, at the end of each year, the legal reserve of the company's profit will be created by applying the 5% share, until the reserve reaches 20% of the equity.

At 31 December 2021, the statutory legal reserve worth 2.001.592,16 lei, and the total amount of the constituted reserve is 2.682.729,50 lei.

The company constituted on 31.12.2021 the legal reserve amounting to 16.516,22 lei , according to the provisions of art. 26 par. (1), lit. (a) of Law no. 227/2015 regarding the Fiscal Code, as follows:

129	=	1061	16.516,22 lei
Profit distribution		Legal reserves	

As a result of establishing the legal reserve amounting to 16.516,22 lei, the net book profit will be of 313.808,27 lei.

It is proposed to the General Meeting of Shareholders that the net profit of 313.808,27 lei should be recorded in the accounting records of Uztel SA Ploiesti as follows:

121	=	1171.02	313.808,27 lei
Profit		Result reported/loss-profit	
1171.02	=	1171.01	313.808,27 lei
Reported result-profit		Reported result-loss	

The result carried forward from previous years is an accounting loss amounting to (24.302.726,04) lei, consisting of:

- Loss related to the year 2017, amounting to (12.686.899,66) lei;
- Loss related to 2020, amounting to (11.615.826,38) lei.



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According to the provisions of art. 31 par. (1), lit. (a) of Law no. 227/2015 regarding the Fiscal Code and art. 19 par. (4) of the Accounting Law no. 82/1991 with subsequent modifications and completions, after the approval of these accounting operations, the company's net loss shall be in the amount of (23.988.917,77) lei .

According to the provisions of art. 19 para. 4 of the Accounting Law no. 82/1991 republished and updated, art. 176 para. (1) and (2) of OMFP no. 2844/2016, normative act taken into account when preparing the financial statements, the coverage of the accounting loss from the reserve from the revaluation is allowed as follows:

„Art. 176. - (1) The carried forward accounting loss is covered from the profit of the financial year and the carried forward one, from reserves, capital premiums and share capital, according to the decision of the general meeting of shareholders or associates, in compliance with legal provisions.

(2) In the absence of express legal provisions, the order of the sources from which the accounting loss is covered is the competence of the general meeting of shareholders or associates, respectively of the board of directors. ”

The use of the revaluation reserve is regulated by art. 210 para. (3) of Law no. 31/1990 regarding the commercial companies as follows:

"(3) - Favorable differences in the revaluation of assets will be included in reserves, without increasing the share capital."

From the analysis of the normative text, we notice that there is a prohibition for using the favorable difference from revaluation as a source of capital increase, but the revaluation surplus can be used to: cover accounting losses from previous years, distribution to shareholders when earning condition, retention on account of the reserves within the own capitals.

On 31.12.2021, the company has registered in account 1175 *“The carried forward result representing the surplus realized from revaluation reserves”*, the amount of 14.199.853,95 lei, composed as follows:

- reserves related to the surplus from the revaluation of tangible assets (equipment and technical installations) removed from the record between January and December 2021 by scrapping and sale, in the amount of 70.437,83 lei, the amount that was included in the tax base as a similar element to income;

- reserves related to the surplus from the revaluation of tangible assets (constructions, equipment and industrial machinery, office equipment) in the amount of 14.129.416.12 lei highlighted in the fiscal register by the quarterly transfer from the revaluation reserve accounts as depreciation as non-deductible expenses.

It is proposed to the General Meeting of Shareholders to cover the loss from the carried forward result representing the surplus realized from the revaluation, as follows:



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1175	=	1171.01	70.437,83 lei
Deferred result representing surplus made of revaluation reserves		Deferred result - loss	

After the approval of performing these accounting operations, the net accounting loss of the company will be in the amount of (23.918.479,94) lei, (loss in 2017: (12.302.653,56) lei and loss in 2020 (11.615.826,38) lei) to be recovered according to Art. 19 par. (4) of the Accounting Law no. 82/1991 with subsequent amendments and completions:

- "The carried forward accounting loss is covered by the profit for the financial year and the carried forward one, from reserves, capital premiums and share capital, according to the decision of the general meeting of shareholders".

General Director
Eng. Anghel George

Economic Director E
Ec. Popescu Ileana

Head of Gen Acct. Dept.
Ec. Duta Heroiu
Maria Carmen