

**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](mailto:office@uztel.ro)

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# **Report of the Board of Directors On Uztel S.A. Company's business in 2022**

## **1. Analysis of the Commercial Company Activity**

### *1.1 a) Description of the Company's core business*

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

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

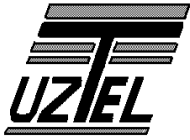
The production covers processes of foundry and forge sectors, heat treatment, machining, assembly and testing. Quality control is certified in laboratories fitted with specialized equipment.

The company has a production integrated with local design skills, high technology applied in accordance with API specifications and EC standards. QOHSE compartment using modern laboratories and procedures provide compliance with international standards ISO-14001-2015, ISO 45001-2018, ISO 9001-2015 and API 6A, 16A, 16C, 16D specifications.

UZTEL maintains and continually improves a quality management system "QMS" ISO 9001: 2015 and API Spec. Q1, in accordance with international standards of reference, 14001 and 45001 and integrated with environmental management systems and occupational health and safety certified by GR Eurocert SRL Ploiesti, to ensure product quality while protecting the environment and creating a safe and healthy working environment at work

### *1.1 b) Specify the date of incorporation of the Company*

UZTEL S.A. Ploiesti was organized as a joint stock company under Law no. 15/1990 on the reorganization of state economic units as autonomous holdings and



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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 at the Trade Register related to Prahova Court under no J29 / 48/1991 and holds unique registration number: RO 1352846.

In 2004, the company was privatized under PSAL I program, by transfer of shares held by the Romanian state to private shareholders, by sale of the Authority for State Assets Recovery shareholding in the Company, equivalent to 76,8745% of the share capital at that time, to the consortium formed by Association "UZTEL" and company ARRAY PRODUCTS CO. LLC - USA. As of May 22, 2008 the Company was admitted to trading on BSE category II with UZT symbol. Currently a part of UZT shares is traded.

#### 1.1 c) *Description of acquisitions and/or sale of assets*

##### • **Fixed Assets- Tangibles**

In the period January 1 - December 31, 2022, the total value of the increases recorded in the accounting records for the "*Buildings and constructions*" class was 995.889 lei, representing: accounting value according to Valuation Report no. 890/2022 for buildings identified on the ground following the fiscal inspection carried out between February 2 - May 13, 2022 by the Ploiesti Local Finance Public Service.

In the period January 1 - December 31, 2022, the total value of the increases recorded in the accounting records for the "*Machines and equipment*" class was 326.623 lei, representing the adjustment of fixed assets between analytical accounts.

In the period January 1 - December 31, 2022, the total value of the decreases recorded in the accounting records for the "*Lands*" class was 125.599 lei, representing the value adjustment of owned land according to the land register extracts following the fiscal inspection carried out between February 2 - May 13 2022 by the Ploiesti Local Finance Public Service.

In the period January 1 - December 31, 2022, the total value of the decreases recorded in the accounting records for the "*Buildings and constructions*" class was 1.037.100 lei, representing removal from the accounting records - C10 dormitory building following the fiscal inspection carried out between February 2 - 13 May 2022 by the Ploiesti Local Finance Public Service.



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In the period January 1 - December 31, 2022, the total value of the decreases recorded in the accounting records for the "Machines and equipment" class was 757.071 lei, representing:

- Exits of fixed assets through scrapping and sale in the amount of 430.447,55 lei;
- Adjustment of the value of fixed assets between analytical accounts in the amount of 326.623,30 lei.

#### • Fixed Assets – Intangible

Between January 1 and December 31, 2022, the company purchased intangible assets worth 21.102 lei, representing:

- ESET Endpoint antivirus license, worth 5.500 lei;
- Software Update License & Support Oracle Database Standard Edition One Processor Perpetual Nov 2022-Nov 2023, worth 4.536,47 lei;
- design licenses in the amount of 11.065,51 lei.

1.1 *d) Description of the main results of the evaluation of the company's activity The immobilized assets recorded the following developments in the financial year 01.01.2022 – 31.12.2022:*

Compared to 2021, total fixed assets decreased from 36.671.500 lei on 31.12.2021 to 35.500.674 lei on 31.12.2022, i.e. a percentage decrease of 3,19% compared to the same period of 2021, as follows :

- The value of intangible assets decreased from 56.207 lei on 31.12.2021 to 38.348 lei on 31.12.2022, i.e. a percentage decrease of 31,77%, due to the registration in the accounting records of the acquisition of intangible assets, as well as expenses with their amortization recorded during the 2022 financial year.
- The value of tangible fixed assets decreased from 36.615.293 lei on 31.12.2021 to 35.462.326 lei on 31.12.2022, i.e. a percentage decrease of 3,15%, due to the recording of entries and exits in the accounting records from the records and of the depreciation expenses.



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Asset component	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Intangible assets	38.348	56.207	68.052	80.115
Tangible assets	35.462.326	36.615.293	37.576.783	40.879.834
<b>Total assets</b>	<b>35.500.674</b>	<b>36.671.500</b>	<b>37.644.835</b>	<b>40.959.949</b>

All the spaces available are owned by Uztel S.A.

Uztel S.A. registered in 2022 the following evolution of sales on the domestic and foreign market:

**a. Sales in RON** increased from 18.494.470 lei on 31.12.2021 to 25.869.001 lei on 31.12.2022, i.e., a percentage increase of 39,87 % compared to the same period of 2021;

**b. Sales in EUR** increased from 2.582.454 Euro on 31.12.2021 to 2.620.486 EURO on 31.12.2022, i.e., a percentage increase of 1,47% compared to the same period of 2021;

**c. Sales in USD** decreased from USD 1.112.049 on 31.12.2021 to USD 971.494 on 31.12.2022 i.e., a percentage decrease of 12,64% compared to the same period of 202.

Explanations	31.12.2021	31.12.2022	31.12.2022/31.12.2021*100
Sales in RON	18.494.470	25.869.001	139,87
Sales in EUR	2.582.454	2.620.486	101,47
Sales in USD	1.112.049	971.494	87,36

#### 1.1.1 Elements of general assessment:

a) Profit (8.916.275) lei

b) Turnover 43.565.867 lei

c) Total value of the sales in foreign currencies (EURO and USD) changed to national currency or January- December 2022 worth 17.696.865 lei – account turnover 4111.1.03 (foreign clients) corresponding to turnover accounts, as follows:



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lei

acct. 7015.3	Revenue from the sale of finished products	17.654.272
acct.704.2.03	Income from services rendered- external	42.593

d) Actual expenditure of 2022 to achieve production manufactured totalizes 34.556.907 lei and to achieve production in progress are worth a total of 12.916.350 lei.

e). Market share estimated to be owned by the company:

- Internal market 14-15%;
- External market ~ 1%.

The company, using professional reasoning, estimated these market shares for 2022, which were affected due to the evolution of the international epidemiological situation caused by the spread of SARS-CoV-2 coronavirus in over 150 countries, and the declaration of "Pandemic" by The World Health Organization on 11.03.2020 and the Decree of the President of Romania no. 195 of 16.03.2020 regarding the establishment of the state of emergency on the Romanian territory published in the Official Gazette, part I, Nr. 212 / 16.03.2020 as well as the outbreak in February 2022 of the geopolitical conflict on Romania's border.

f) ) on 31.12.2022, the company had cash (according to the balance sheet) in the total amount of 105.728 lei namely:

lei

Explanations	31-December 2022	31-December 2021	Share (%)
<b>0</b>	<b>1</b>	<b>2</b>	<b>3 = 1/2*100</b>
Bank account 5121 ( lei )	62.254,89	60.541,92	102,83
Bank account 5124 (usd) - c/val. lei	23.850,58	4.208,66	566,70
Bank account 5124 (eur) - c/val. lei	7.584,91	276.529,23	2,74
Cash 5311 in lei	4.194,02	5.870,31	71,44
Petty cash acct 5314 in devises (usd) – c/val. lei	5.030,88	8.792,81	57,22
Petty cash acct 5314 in devises (eur) – c/val. lei	2.812,71	2.820,53	99,73
<b>Total cash</b>	<b>105.727,99</b>	<b>358.763,46</b>	<b>29,47</b>



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Cash and cash equivalents registered in 2022 a decrease from la 358.763,46 lei on 31.12.2021 to 105.727,99 lei on 31.12.2022, i.e., a percentage decrease of 70,53 % compared to the same period of the year 2021.

The company registered on December 31, 2022 a net financial loss due to exchange rate fluctuations (euro and usd) related to the period January - December 2022 amounting to 262.246,33 lei, as follows:

- account 665 (expenses from exchange rate differences) = 815.863,68 lei
- account 765 (income from exchange rate differences) = 553.617,35 lei.

#### 1.1.2 Assessment of the technical level of the commercial company

- a) As of December 31, 2022, the Company owns assets in the total amount of 84.147.709,11 , as follows:

lei

ASSETS	Balance at 31.12.2022 as of Account balance
Lands	16.217.330,11
Constructions	30.954.446,77
Technological equipment, devices and measurement equipment, vehicles	36.809.890,10
Furniture and office equipment	166.042,12

The production activity for the production of extraction and construction equipment, industrial valves, spare parts for oil equipment and metallic constructions is carried out in the Petroleum Equipment Division, and the casting parts, treatments and forging in the Hot Sectors Section.

- b) During January-December 2022, the following evolutions of the company's main incomes were recorded compared to the total revenues of 43.502.628 lei and the turnover of 43.565.867 lei, as follows:

year 2022	Amount (lei)	Share in total income %	Share in turnover %
Revenue from the sale of finished products - domestic	25.338.377,66	58,10	58,16
Revenue from the sale of finished products – external	17.654.271,77	40,58	40,52
Revenue from services rendered – laboratory services	1.760,68	-	-



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Revenue from services rendered – internal transport	9.737,74	0,02	0,02
Revenue from services rendered – external transport	42.593,72	0,10	0,10
Income from rental of oilfield equipment and installation	150.925,80	0,35	0,35
Income from sale of goods	289.626,99	0,67	0,66
Income from various activities – internal	78.572,21	0,18	0,18
<b>Turnover - Total</b>	<b>43.565.866,57</b>	<b>100,00</b>	<b>100,00</b>

#### 1.1.3 Evaluation of technical – material supply (domestic and external suppliers)

From the annual volume of acquisitions made in 2022, amounting to 25.827.298,36 lei, the company's internal and external suppliers represent:

- internal suppliers amounting to 24.122.568,27 lei, a share of 93,40 % in total acquisitions;
- external suppliers (USD) worth 865.291,15 lei, a share of 3,35% in total acquisitions;
- external suppliers (EURO) worth 839.438,94 lei, a share of 2,25% in total acquisitions.

#### 1.1.4 Evaluation of the sales activity

From the annual volume of sales made in 2022, amounting to 43.565.866,57 lei, the company's internal and external customers represent:

- internal clients amounting to 25.869.001,08 lei, a share of 59,38% in turnover;
- external clients (USD) in the amount of external clients (USD) 4.733.638,13 lei, a share of 10,87% in turnover;
- external clients (EURO) amounting to 12.963.227,36 lei, a share of 29,75% in turnover.

The effects of the production activity, transactions and events carried out during 2022 of a company differ in terms of stability, risk and predictability, and the presentation of economic and financial elements helps to understand the performance achieved and to evaluate future results.



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The achievements of 2022 prove that UZTEL S.A. Ploiesti is a viable company, with potential for economic and commercial stability, which depends to a large extent on the internal and external profile market, on the players and market rules and on the internal possibilities of recovery/reorganization.

UZTEL S.A. had in progress on **31.12.2022** orders / contracts concluded with internal and external commercial partners in the total amount of **16.127.509 lei**, of which:

Internal market - RON	<b>5.170.342</b>
External market - EUR	<b>846.761</b>
External market - USD	<b>1.460.299</b>

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

Concerning the contracts / purchase orders at end of **2022**, the company is carrying out a series of commercial steps and auctions on domestic and international market that will create the conditions to provide the necessary contracts and orders expected by Income and Expenditure Balance and Cash flows related to **2023**, as follows:

Internal Market - RON	<b>7.669.000</b>
External market - EUR	<b>5.000.000</b>
External market - USD	<b>4.500.000</b>

#### *1.1.5. Evaluation of legal issues concerning the employees/staff of the company*

a) Company recorded at 31.12.2022, 305 employees of which:

individuals

Engineer	Sub-engineers	economists	Other people with academic education
43	1	8	4





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The factory staff is represented as follows:

			individuals
Oilfield equipment Dept	Hot Sectors Dept.	Other activities	Technical and admin. staff
107	97	30	71

The relationship between management and employees in 2022 were held in good conditions, labour conflicts are not registered and no otherwise.

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

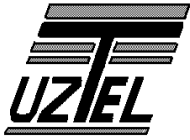
Company runs its business based on the following regulatory acts:

- Environmental authorization no. PH-259 from 02.10.2019, valid until review on 17.12.2021, valid with annual endorsement, for the activity of production assemblies, parts and oilfield equipment and industrial service, recovery of solid recyclable waste, collection, purification and distribution of water, painting workshop.
- Authorization for water management no. 143 from 17.08.2022 valid until 01.09.2025;

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

Environmental management program conducted in 2022 was achieved to 100%. Proposed actions aimed at waste management, emission and immission, drinking water and waste water.

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



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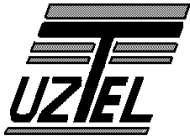
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### 1.1.7 Evaluation of Research and Development

a) The main objectives in the design and assimilation of new products in 2022 were:

No.	PRODUCT
1.	PH1-C Pumping Tree
2.	PH1-D Pumping Tree
3.	PH2-C/2 Pumping Tree
4.	PH2-D Pumping Tree
5.	PH4-C Pumping Tree
6.	PH5-A Pumping Tree
7.	PH5-D Pumping Tree
8.	PH6-A Pumping Tree
9.	PH6-D Pumping Tree
10.	Circulating pump
11.	WELLHEAD+CE 13 5/8 x11" x3 1/8" x 3 1/8 – 5000 psi
12.	WELLHEAD+CE 18 5/8"X13 5/8" x7 1/16-3000psi
13.	WELLHEAD+CE 13 5/8"X13 3/8"SOWx9 5/8"x7"-3000psi
14.	WELLHEAD+CE 13 5/8"X13 3/8"x11"x2 1/16"-3000psi
15.	WELLHEAD 11"x9 5/8"BTCx7"x7 1/16"x2 7/8"EUEx2 9/16"-3000psi
16.	WELLHEAD 11"x9 5/8"x7"x7 1/16"x3 1/2"EUEx3 1/8"-3000psi
17.	WELLHEAD+CE -13 5/8"x7 1/16"-3000psi
18.	WELLHEAD 13 5/8-3000psi
19.	WELLHEAD+CE COMPLETED WITH COLECTOR, 11"x9 5/8"SOWx7"x7 1/16"x2 7/8"x3 1/8"x3 1/8"-3000psi
20.	WELLHEAD+CE 9 5/8"x7"x2 7/8"-3000/5000psi
21.	WELLHEAD+CE 11"x7 1/16"-3000psi
22.	WELLHEAD +CE type 1 11"x11"x3 1/8"-5000psi
23.	WELLHEAD +CE 11"x9 5/8"x7"x4 1/16" x4 1/16"-3000psi
24.	WELLHEAD+CE 13 3/8"SOW x9 5/8"x7"x3 1/2"EUE Penetrator COSCOx3
25.	SNUBBING SWIVEL FLOW HEAD 2 9/16"-2000/3000/5000psi
26.	Equal Double Flange 13 5/8x3M-13 5/8x3M cu Adapter 7 1/16x3M-DN150xPN10
27.	FM 13 5/8"-3000psi, Hanger 13 5/8", Pup joint 4 1/2", Adaptor flange 13 5/8"-3000psi, Crossover 4 1/2"
28.	FM 13 5/8"X13 3/8"(SOW or BTC)x9 5/8"-3000psi; FD 13 5/8"x11"x7"-3000psi

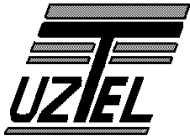


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29.	FM 7 1/16"x5 1/2"SOWx2"LP-3000psi
30.	THS 9X9-2000PSI with seal UZB-FS 4 1/2
31.	Tubing Head 13 5/8x5000psi-11x5000psi
32.	Hangers 13 5/8"-3000psi
33.	Hangers 3 1/2"EUEx3"HBPV
34.	Hangers 11"x2 3/8"EUE
35.	Hangers 3 1/2"IFx3 1/2"VAM TOP
36.	RSL 2 1/16-2M; RSL 2 1/16-3/5M; RSL 2 1/16-10M
37.	RSL 2 9/16-2M;
38.	RSL 3 1/8-3M; RSL 3 1/8-5M
39.	RSL 4 1/16-5M tip FLS; RSL 4 1/16-5M,
40.	RSL 7 1/16-3M
41.	RSE 2 1/16-2M; RSE 2 1/16-3/5M
42.	RSE 2 9/16-2M; RSE 2 9/16-3M;
43.	RSE 3 1/8-2M
44.	RSE 4 1/16-2M;
45.	RSL ready for action
46.	Safety valve SSV AH 3 1/8-3M; SSV-AH 3 1/8-5M;
47.	RRC 2 1/16-2M; RRC 2 1/16-3M; RRC 4 1/16x2M
48.	Adjustable nozzle 2 1/16"-2M, 2 1/16"-3M, 2 1/16"-10M
49.	Valves ABB + blocks
50.	Monobloc preventer 7 1/16-5000psi + Hydraulic control
51.	Monobloc preventer 7 1/16-10000psi + Hydraulic control
52.	Horizontal preventer 13 5/8"-10000psi
53.	Double preventer for PDTP Pumping Rods 3 1/8x3M
54.	Polished rod preventer 4 1/16"-3000PSI+BPV
55.	Brake drum
56.	Cement mixer
57.	Small squares 3 and 3 1/2
58.	Crossover spool 3 1/8"x3 1/2"EUE pin-5000psi
59.	Raiser spool 20 3/4"-3000psi x 21 1/4"-2000psi
60.	Reel 7 1/16"-3000/5000 psi
61.	Counter pressure valve. 2.5HBPV, Back pressure valve. with double act. 2.5 HBPV, T-bar, Lubricator



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All the objectives pursued in the design activity have been fully achieved/completed.

b) In order to ensure the quality requirements regarding the sale of Uztel products on the foreign market, the technical departments obtained in 2022 certifications for licenses as follows:

b1) The audit of the integrated quality - environment - ssm system carried out by the company GR Eurocert SRL Ploiesti in the period 19.06-21. 06.2022, included:

- recertification audit of the quality management system according to ISO 9001:2015
- recertification audit of the environmental management system according to ISO 14001:2015
- recertification audit of the OSH management system according to ISO45001:2018

Following the audit performed by GR Eurocert SRL Ploiesti, the following certifications/certificates were obtained:

- No. 00.12.1682; ISO-9001-2015; validity period 22.07.2023;
- No. 00.02.1104; ISO-14001-2015; validity period 22.07.2023;
- No. 00.05.0626; ISO45001:2018; validity period 22.07.2023.

b2) The recertification audit carried out by the GR Eurocert SRL Ploiesti company, on 21.06.2022, for:

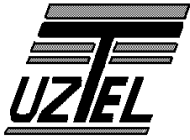
- application of the CE mark for products manufactured in accordance with the European Directive PED 2014/68/EU
- conformity of cast materials according to the European Directive PED 2014/68/EU

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

- PEMH1.0072 (validity period 23.06.2025);
- PE 43.00174 (validity period 27.09.2024);

b3) Holding product licenses according to the standards: API 6A; 16A; 16D; 16C, for which an audit was carried out between 14-18.03.2022 and Certificates of Conformity of the Quality Management System and application of the API monograms valid for 02.10.2024.

c) The technological activity was intended to the extension of the range of products processed on machine tools with numerical control, the diversification of the corrosion protection methods, the development of the program of inspections and recertifications of equipment and the launch of the production in the Integrated Computer Program SIVECO Applications thus:



## UZTEL S.A.

### OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

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– continued the assimilation of modern cutting tools continued with a direct impact on the technical norms of time and implicitly on the quality and cost price of the finished product. An important aspect from a technological point of view is the rather advanced physical and moral wear of machine tools such as machining centres;

– the design of verifiers in accordance with the new API requirements revised in 2019, which will ensure the precision of the execution of the products according to the client's requirements and the submitted tender documentation and at the same time significantly reduce the percentage of scrap or reworked parts and prevent possible complaints . Also, the design of self-centering devices to reduce processing time and implicitly decrease the cost per product continued;

– permanent technical assistance provided by the Technological Design Service - SDV in the manufacturing process for early detection of technological problems (semi-finished products, inappropriate settings or working regimes) and their quick correction;

– in the conditions of the restriction of the global economic activity and the uncertain geopolitical situation, the process of training qualified personnel for numerically controlled machine tools was slowed down/stopped in order to replace the personnel who ceased working with the

– continued the implementation of the processing technology for the latest generation parts made of superalloys, respectively from INCONEL 625, INCONEL 718, INCONEL925, required by the drilling-extraction industry, especially geothermal, and for environments with high H<sub>2</sub>S content;

– for the profitability of some orders, the variants of forged semi-finished products were replaced, which involved the exit of liquidity from the company with the variant of cast or welded semi-finished products, which presuppose a smaller volume of labour in compliance with API requirements;

– continued the implementation of technologies for inspection and recertification services according to the new requirements API / 2019, of equipment used in drilling - extraction for various companies and this problem was solved using online technology, the works being.



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#### 1.1.8 *Evaluation of the Company's activity on risk management*

##### *Interest rate risk*

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

	<b>Accounting year</b>	<b>Accounting year</b>
	<b>Ended at</b>	<b>ended at</b>
	<b><u>31 December 2022</u></b>	<b><u>31 December 2021</u></b>
	<b>(lei)</b>	<b>(lei)</b>
Interest paid	885.177	517.998

##### *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash in RON and devises in the company's cash account.

	<b>Accounting year</b>	<b>Accounting year</b>
	<b>ended at</b>	<b>ended at</b>
	<b><u>31 December 2022</u></b>	<b><u>31 December 2021</u></b>
Cash and availability on demand	105.728	358.763
<b>Total Cash and cash equivalents</b>	<b>105.728</b>	<b>358.763</b>

The decrease in cash available on 31.12.2022 in a percentage of 70,53% compared to 31.12.2021 is the result of significantly reduced cash flows in 2022 due to the reduced performance regarding the volume of sales on the internal and external market, which led to the existence an increased risk of liquidity at the level of the company, the accumulation of debts and significant imbalances in the flows of receipts and payments.

##### *Currency risk*

The company is subject to exchange rate fluctuations due to transactions made in foreign currency.



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	Accounting year ended at	Accounting year ended at
	<u>31 December 2022</u>	<u>31 December 2021</u>
	(lei)	(lei)
Result of exchange rate differences	(262.246)	(170.669)

### *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.

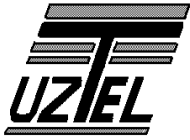
Management is unable to reliably estimate the effects on the financial position of the Company to further loss of liquidity in financial markets and the increased volatility in the exchange rate of the national currency and market indices.

The economic, commercial and financial effects of the “energy crisis” and the geopolitical conflict were felt in the company’s activity in 2022 by decreasing production (low demand), decreasing revenues and increasing stocks of finished products (available to customers for rent). Most oil companies and drilling operators in the domestic and international market have reoriented their investment policy (purchases of oil equipment and machinery) by dividing it for economic and financial reasons into two components:

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

The decrease in sales volume was determined by the reduction of the volume of contracts and orders at the company level against the background of the evolution of the international and national epidemiological situation of the spread of SARS-CoV-2 coronavirus, corroborated with the sudden decrease of the oil barrel price.

The evolution of the international epidemiological situation determined by the spread of SARS-CoV-2 coronavirus to over 150 countries, as well as the declaration of the pandemic by the World Health Organization on 11.03.2020 and the decrees of the



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President on the establishment of the state of emergency and alert on the territory of Romania, as well as the prolongation of the alert throughout 2021 determined social, commercial, economic and financial phenomena and aspects independent of the company and which cannot be controlled by it, which have led and will inevitably lead to an unavoidable negative impact on the volume of orders and commercial contracts for 2022, the achievement of the foreseen budgetary indicators.

Any market study that would be carried out by the company at this time cannot provide accurate information about the sale of manufactured product stocks.

The demand for products made by UZTEL SA Ploiesti is currently more elastic than stable, because the preferences and orientations of consumers (internal and external customers), the decrease of the price of a barrel of oil and the investment budgets of large oil companies and the size of competitors' offer. are unpredictable.

As a result, the company is currently facing an instability of demand for oil equipment, sales and the price of a barrel of oil, which have generated fluctuations in sales volume on the domestic and international market and, consequently, in cash flows generated by exploitation activity.

The Company's management analysed the forecasts regarding the future of the operational activity, highlighting, at least for the period 01.01.2022 - 31.12.2022, a volume of inputs ensured both by the development of existing contracts, but also by the reasonable certainty of contracting new works.

During 2022, the company faced difficulties in ensuring the volume of orders needed to operate in the context in which the international and domestic market has been severely affected by possibly the worst crisis in the last 100 years. The effects of the crisis have generated difficulties in the chain in terms of:

- management of the situation caused by the coronavirus pandemic and isolation measures;
- fluctuation of crude oil barrel price;
- drastic decrease in the demand for oil equipment;
- the commercial activity of selling / bidding of the company is hampered by: travel bans, worldwide stoppage of oil equipment auctions, volatile oil price rates, price reductions demanded by major national and international drilling companies, breaking supply and sale chains of national and international firms

All these have determined a drastic reduction of the expenses with the investments in the extraction and drilling sector and have generated a negative impact in the activity of the equipment producing companies, leading to a decrease of turnover.





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### **Operational risk**

Operational risk is the risk of direct or indirect losses arising from a wide range of causes associated with the company's processes, personnel, technology and infrastructure, as well as from external factors, such as those arising from the company's customer requirements to increase the quality of products and services offered.

The operational risks come from all the operations carried out by the company. The main responsibility for managing operational risks lies with the company's management, which has identified and controlled a series of operational risks in order not to affect the company's ability to achieve its objectives, namely:

- providing products and services according to the explicit and implicit quality requirements of the clients through the organization, planning and permanent monitoring of the commercial orders / contracts;

- improving the management of human resources by reducing the risks regarding the lack of qualified personnel and by maintaining and developing the professional competencies of all employees.

The company cannot control all the risks, nor is it possible, from the perspective of the costs / resources involved, but it has managed and controlled, which is really a priority, the significant / strategic risks.

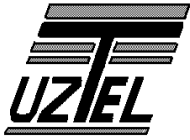
The company does not hold participation titles in other entities.

#### **1.1.9 Perspectives on the business activity of the company**

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

<b>Economic -financial indicators</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>Current liquidity</b> = Current assets / Current liabilities	1,42	1,68	2,02	2,00
<b>Quick Liquidity</b> = Current Assets - Stocks / Current Liabilities	0,33	0,36	0,32	0,44

b) According to the presentation and substantiation note of the Investment Program for 2022, the note prepared by the Investment Energy Maintenance Service and approved by the administrative and executive management of the company was



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estimated the allocation of material resources for rehabilitation and modernization of existing assets.

This imperative investment process necessary for society has been severely affected by the evolution of the international epidemiological situation caused by the spread of SARS-CoV-2 coronavirus has led to an inevitable negative impact in terms of drastic decrease in the volume of orders and commercial contracts for 2022. This epidemiological crisis generated commercial, financial and social losses. Not to be neglected is the sudden drop in the price of a barrel of oil in a very short time, which had serious consequences on the company's clients (drilling and exploitation companies) who stopped and postponed investment programs in oil equipment, and which caused a negative "chain reaction" on the company's income / turnover.

## **Tangible Assets of Company**

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

The company owns a land area of 179.673,50 mp, from which:

-109.022,00 mp – buildings;

- 70.651,50 mp – factory roads, utilities network and free area.

The core activity takes place in the industrial zone on an area of 161.690 mp.

### *2.2 Description and analysis of the company's properties wear*

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

Some assets have been repaired or upgraded.

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

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

Overhead travelling cranes and hoist, which mostly had expired lifespan were expertise and recertified by ISCIR, process to be continued in 2023. Machine tools



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manifest wear on the guides, gearboxes, main axes, so it becomes increasingly difficult to maintain optimal parameters.

It is estimated, depending on the financial resources, the purchase of the following equipment: plasma cutting machine that allows cutting sheets up to 200 mm thick; CNC carousel that allows the processing of parts with H = 2000 mm and D = 1600 mm; machining centre that allows the processing of parts such as HM800 or EMSIL VTC-1600; increasing the capacity of CEF (Photovoltaic Power Plant) from 305kW to 700KW in order to reduce energy consumption; two 5 ton single girder overhead cranes to increase productivity by reducing the handling times of cast parts; noxious ventilation and filtration station for TO2 of higher capacity (200 filter bags) than the one from TO1 which has 160 filter bags.

### *2.3. Mention of the potential problems related to the property right on the tangible assets of the trading company*

The company holds title of property on the land, according to the MO3 series certificate number 3371 / 05.01.1996 and is not in litigation related to the property right.

## **3. Market of Securities issued by the Company**

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

**3.2** The share capital of UZTEL S.A. registered at 31 December 2022 worth 13.413.647,50 lei, being divided into 5.365.459 shares, with a nominal value of 2.50 lei. According to the evidences existing at the Central Depository S.A. according to address no. 5282 from 08.03.2023, the situation of the shareholders of the shares on 31.12.2022 is the following:

Shareholder	Nmb. of shares held	Share in capital, %
UZTEL Association	4.498.300	83,8381
Legal persons	419.956	7,8270
Natural persons	447.203	8,3349
<b>TOTAL</b>	<b>5.365.459</b>	<b>100,0000</b>

In 2022 the Company made quarterly payments amounting 241,51 lei, representing net dividends due to shareholders for the years 2003, 2005, 2006, 2007 and 2008, as bellow:



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	lei
a) Payment 1st quarter	233,11
b) Payment 3rd quarter	8,40

At 31.12.2021 Uztel SA recorded in account 457 (due dividends) the sum of 1.569.499,50 lei representing dividends due to shareholders for years 2003-2008. The company has not determined and not paid dividends for the years 2011 – 2022.

### **3.3** *Description of any activities of the Company to purchase its own shares:*

- Company did not buy its own shares in 2022.

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

- The Company has no subsidiaries.

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

-In 2022 the company has not issued bonds or other debt securities

## **4. Company's management**

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

By Order no.129 dated 03.03.2017 pronounced on File no. 4732/105/2010 by Dolj Court; Department of -II- of Civil, was ordered closure of the Uztel SA company's reorganization procedures, following the 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.

In 2022 the company was administered by the Board of Directors:

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



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PERIOD 01.01.2022 - 31.12.2022		
SURNAME, GIVEN	POSITION	PERIOD OF OFFICE
Hagiu Neculai	Chairman of Board of Directors	03.07.2018-31.12.2022
Popescu Ileana	Member of board of Directors	03.07.2018-31.12.2022
Serbaniuc Tudor	Member of board of Directors	03.07.2018-31.12.2022
Stan Vasile Armis	Member of board of Directors	03.07.2018-31.12.2022
Grigore Victor	Member of Board of Directors	19.03.2019-31.12.2022

For the period of 01.01.2021 – 31.12.2022 the total remunerations of the Board of Directors of the Company represented 2,56 % of the salary fund.

#### 4.2 Presentation of the list of members of the executive management of the commercial company

a) the executive management appointed by the Board of Directors for the year 2022 had the following composition:

**THE EXECUTIVE MANAGEMENT OF THE COMPANY** - during the period 01.01.2022 – 31.12.2022 registered the following component in exercising the managerial attributions:

PERIOD 01.01.2022 - 31.12.2022			
SURNAME, GIVEN NAME	POSITION	PERIOD	DECISION / DATE OF ISSUANCE
Anghel George Marinelo	General Director	01.01.2022-31.12.2022	M.C. 02/09.01.2020
Sighiartau Dan Petru	Commercial Director	01.01.2022-31.12.2022	Decision 49/09.02.2021
Voica Alin Marian	Technical Director	01.01.2022-31.12.2022	Decision 184 / 12.12.2019
Popescu Ileana	Economic Director	01.01.2022-31.12.2022	Decision 592 / 30.11.2010
Voicu Mariana	Manager Quality Management System	01.01.2022-31.12.2022	Decision 64/05.04.2018

For the period 01.01.2022 - 31.12.2022 total remuneration of the executive management of the Company accounted for a share of 20,33 % of wages fund.



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

The Company did not find any such situations in financial year 2022 .

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

SURNAME, GIVEN NAME-POSITION	No. of shares held
Anghel George Marinelo - General Director	-
Voica Alin Marian - Technical Director	-
Sighiartau Dan Petru- Commercial Director	-
Popescu Ileana – Economic Director	122
Voicu Mariana - Manager Quality Management System	-

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

#### Corporative governance

Uztel SA will implement the recommendations contained in the Corporate Governance Code of the Bucharest Stock Exchange, which establishes the principles and governance structures, having as main purpose the observance of shareholders' rights as well as ensuring their equitable treatment. In this sense, the Board of Directors has elaborated a Regulation of Organization and Functioning, which is in accordance with the CGC principles, thus ensuring the transparency as well as the sustainable development of the company. The Organization and Functioning Regulation established at the same time the functions corresponding to the Board of Directors, its competencies and responsibilities, so as to ensure the observance of the interests of all company shareholders, their fair treatment and potential investors to the relevant information about the company.

Uztel's internal managerial control system operates with a variety of procedures, means, actions, provisions, which concern all aspects related to the entity's activities, being established and implemented by the company's management to allow it to have good control over the operation of the entity as a whole, as well as of each activity / operation separately. The managerial internal control tools are classified into six large groups: objectives, means (resources), information system, organization, procedures, control.



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The internal managerial control and the internal audit had in 2022 the following objectives:

- protecting the organization's resources against waste, negligence, abuse, fraud;
- compliance with the legislation in force and the internal regulations;
- reliability of financial reporting (accuracy, completeness and correct presentation of information);
- ensuring a climate based on the identification, understanding and control of all operations and activities of the entity, which should contribute to the achievement of organizational objectives;
- the application of the decisions / decisions of the Board of Directors and of the executive management and the follow-up of their fulfilment.

The achievement of these objectives was achieved as follows:

- maintaining staff with an adequate level of competence, in accordance with the needs of the company, accompanied by the development of a continuous training plan that allows updating specific knowledge or supplementing internal resources with consultants / external service providers, when appropriate;
- clear definition and division of responsibilities related to each person involved in the organizational process; the separation of the attributions regarding the performance of operations between persons, so that the attributions of approval, control and registration are, to an adequate extent, entrusted to different persons (according to the Company's Organization Chart);
- the existence of a calendar and a well-defined process regarding the elaboration of accounting, financial and commercial information in accordance with the requirements of their reporting, verification and appropriate approval by the Board of Directors.

In accordance with the recommendations contained in the GCC, the company will establish strict rules on the internal circuit of confidential documents and inside information, giving special importance to data and / or information that may influence the evolution of the market price of securities issued by Uztel SA.

## **5. Finance- accounting statement**

### a ) Elements of Financial Statement

a.1. The situation of assets items in 2022 compared to the years 2021, 2020, and 2019 is as follows:



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lei

Asset	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Intangible assets	38.348	56.207	68.052	80.115
Tangible assets, of which:	35.462.326	36.615.293	37.576.783	40.879.834
Land and buildings	26.484.923	26.737.410	27.981.990	30.212.484
Plant and machinery	6.401.256	7.294.558	6.977.919	7.901.870
Other installations and furniture	35.671	42.849	50.027	57.205
Tangible assets in progress	2.520.113	2.520.113	2.546.484	2.546.484
Advance for acquisition of intangible assets	20.363	20.363	20.363	161.791
<b>Total immobilized assets</b>	<b>35.500.674</b>	<b>36.671.500</b>	<b>37.644.835</b>	<b>40.959.949</b>
Current assets of which:	49.103.628	52.137.391	41.290.546	51.895.551
Stocks	37.712.651	40.968.713	34.758.639	40.547.659
Receivables	11.279.906	10.804.774	5.241.939	9.372.388
Cash availability	105.728	358.763	1.286.319	1.971.169
Prepayment	5.343	5.141	3.649	4.335
<b>Total assets</b>	<b>84.604.302</b>	<b>88.808.891</b>	<b>78.935.381</b>	<b>92.855.500</b>

Compared to the year 2021, a decrease of 4,73% of the total assets owned by the company was found, compared to the year 2020, an increase of 7,18% was found, and compared to the year 2019, a decrease of 8,89%.

In nominal values, total assets decreased in 2022 compared to 2021 from 88.808.891 lei at 31.12.2021 to 84.04.302 lei at 31.12.2022, on account of:

- decrease in immobilized assets by 3.19%, and in nominal values from 36.671.500 lei on 31.12.2021 to 35.500.674 lei on 31.12.2022;
- the decrease of current assets by 5.82%, and in nominal values from 52.137.391 lei on 31.12.2021 to 49.103.628 lei on 31.12.2022.

In nominal values, total assets increased in 2022 compared to 2020 from 78.935.381 lei on 31.12.2020 to 84.604.302 lei on 31.12.2022, on account of:

- decrease of immobilized assets by 5,70%, and in nominal values from 37.644.835 lei on 31.12.2020 to 35.500.674 lei on 31.12.2022;
- the increase of current assets by 18,92%, and in nominal values from 41.90.546 lei on 31.12.2020 to 49.103.628 lei on 31.12.2022.

In nominal values, total assets decreased in 2022 compared to 2019 from 92.855.500 lei at 31.12.2019 to 84.604.302 lei at 31.12.2022, on account of:





## UZTEL S.A.

### OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

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- decrease of fixed assets by 13,33%, and in nominal values from 40.959.949 lei on 31.12.2019 to 35.500.674 lei on 31.12.2022;

- decrease of current assets by 5,38%, and in nominal values from 51.895.551 lei on 31.12.2019 to 49.103.628 lei on 31.12.2022.

### Clients

Uztel SA periodically analyses the receivables situation of internal, external and litigious clients.

For the receivables of the internal clients existing in the balance on 31.12.2022 in the amount of 3.862.201 lei no depreciation adjustments were constituted in the financial year 2022 because they are under strict monitoring regarding the terms of their collection. Internal receivables are subject to periodic analysis for the correct highlighting of the fair value receivable.

For the receivables of the external clients existing in the balance on 31.12.2022 in the amount of 5.151.724 lei no depreciation adjustments were established in the financial year 2022 because they are under strict monitoring regarding the terms of their collection. External receivables are subject to periodic analysis for the correct highlighting of the fair value receivable to be collected.

The value of 611.335 lei represents the balance of receivables on 31.12.2022 for uncertain clients and is the object of analysis and periodic review of their fair value based on legal information in the files pending before the courts and in the enforcement files.

Uztel considers, based on professional reasoning, that the amounts recorded in the accounts receivable of customers represent their fair value.

The activity of analysis, prescription of receivables and depreciation adjustments is performed periodically during the fiscal year in order to keep a true image regarding the knowledge of the present and future receivables of the company.



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### Stocks of raw materials, materials, semi-finished products and finished products

On 31.12.2022 the Company did not provide adjustments for Stocks of raw materials, materials, semi-finished products and finished products

*a.2 The situation of liabilities in 2022 compared to 2021,20 and 2019 is as follows:*

lei

<b>Liabilities</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Equity	13.413.648	13.413.648	13.413.648	13.413.648
Adjustments of equity	3.453.860	3.453.860	3.453.860	3.453.860
Reserves	32.369.908	34.065.517	34.986.872	37.055.314
Retained earnings	(9.024.687)	(1.422.418)	(2.674.097)	9.398.635
Debt over a year	9.639.293	8.131.379	9.110.547	3.333.492
Provisions	214.337	220.217	225.017	241.307
Debts under one year	34.537.943	30.946.688	20.419.534	25.959.244
<b>Total Liabilities</b>	<b>84.604.302</b>	<b>88.808.891</b>	<b>78.935.381</b>	<b>92.855.500</b>

Compared to the year 2021, there was a decrease of 4,73% in the total liabilities held by the company, in nominal values from 88.808.891 lei on 31.12.2021 to 84.604.302 lei on 31.12.2022;

Compared to 2020, there was an increase of 7,18% in the total liabilities held by the company, in nominal values from 78.935.381 lei on 31.12.2020 to 84.604.302 lei on 31.12.2022;

Compared to 2019, there was a decrease of 8,89% in the total liabilities held by the company, in nominal values from 92.855.500 lei on 31.12.2019 to 84.604.302 lei on 31.12.2022.

The percentage and value decrease of the total liabilities held by the company is due to the decrease of the revaluation reserves with the value of 1.695.609 lei by capitalization of the revaluation surplus as the depreciation expenses are recorded in the fiscal register, as follows:



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- the amount of 845.420,87 lei representing surplus capitalization from revaluation for tangible assets removed from the records through scrapping or sale during the year 2022;
- the value of 752.699,33 lei representing revaluation reserves highlighted in the tax register in 2022;
- the amount of 97.89,18 lei representing the reserve adjustment from revaluation for the area of land owned as a result of the fiscal inspection carried out between 02.02.2022 and 13.05.2022

#### b) The situation of the Global Result

The structure of the global result in 2022 compared to 2021,2020 and 2019 is as follows:

lei

Keys	31.12.2022	31.12.2021	31.12.2020	31.12.2019
<b>Net turnover</b>	<b>43.565.867</b>	<b>35.861.356</b>	<b>35.278.237</b>	<b>63.506.667</b>
Operational income	42.944.071	44.652.881	33.630.585	74.882.706
Operational expense	50.716.971	43.642.868	44.601.931	73.428.186
<b>Result of operational activities</b>	<b>(7.772.900)</b>	<b>1.010.013</b>	<b>(10.971.346)</b>	<b>1.454.520</b>
Financial income	558.557	187.101	538.138	695.187
Financial expenses	1.701.932	866.790	1.182.618	1.564.899
<b>Net Financial Result</b>	<b>(1.143.375)</b>	<b>(679.689)</b>	<b>(644.480)</b>	<b>(869.712)</b>
Total income	43.502.628	44.839.982	34.168.723	75.577.893
Total expenses	52.418.903	44.509.658	45.784.549	74.993.085
<b>Result before tax</b>	<b>(8.916.275)</b>	<b>330.324</b>	<b>(11.615.826)</b>	<b>584.808</b>
<b>Overall result of period</b>	<b>(8.916.275)</b>	<b>330.324</b>	<b>(11.615.826)</b>	<b>584.808</b>

The turnover recorded on 31.12.2022 compared to 31.12.2021 an increase of 21,48%, in nominal values from 35.861.356 lei on 31.12.2021 to 43.565.867 lei on 31.12.2022. Compared to 31.12.2020, the turnover increased by 23,49%, in nominal values from 35.278.237 lei on 31.12.2020 to 43.565.867 lei on 31.12.2022, and compared to 31.12.2019 it recorded a decrease by 31,40%, in nominal values from 63.506.667 lei on 31.12.2019 to 43.565.867 lei on 31.12.2022.



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The turnover expresses the volume of income obtained by the company based on the commercial operations carried out in the reference year 2022. The turnover sums up: sales of manufactured products, works and services, rents and other incomes.

**Operational revenues** decreased by 3,83% in 2022 compared to 2021, i.e. in nominal values from 44.652.881 lei on 31.12.2021 to 42.944.071 lei on 31.12.2022, on account of:

- the increase in sold production from 35.757.317 lei on 31.12.2021 to 43.276.240 lei on 31.12.2022, a percentage increase of 21,03%;
- the increase in revenues from the sale of goods from 104.039 lei on 31.12.2021 to 289.627 lei on 31.12.2022, a percentage increase of 178,38%;
- decrease in revenues related to the costs of product stocks from 8.408.612 lei on 31.12.2021 to (857.046) lei on 31.12.2022;
- the decrease of other operating income from 382.913 lei on 31.12.2021 to 235.250 lei on 31.12.2022, a percentage decrease of 38,56%.

Compared to 31.12.2020, operational revenues increased by 27,69%, i.e. in nominal values from 33.630.585 lei on 31.12.2020 to 42.944.071 lei on 31.12.2022, on account of:

- the increase in the sold production from 35.230.242 lei on 31.12.2020 to 43.276.240 lei on 31.12.2022, a percentage increase of 22,84%;
- the increase in revenues from the sale of goods from 47.995 lei on 31.12.2020 to 289.627 lei on 31.12.2022, a percentage increase of 503,45%;
- the increase in revenues related to the costs of product stocks from (2.950.128) lei on 31.12.2020 to (857.046) lei on 31.12.2022;
- the decrease of other operating income from 259.660 lei at 31.12.2020 to 235.250 lei at 31.12.2022, a percentage decrease of 9,40%.

Compared to 31.12.2019, operational revenues decreased by 42,65%, i.e. in nominal values from 74.882.706 lei on 31.12.2019 to 42.944.071 lei on 31.12.2022, on account of:

- decrease in sold production from 63.460.330 lei on 31.12.2019 to 43.276.240 lei on 31.12.2022, a percentage decrease of 31,81%;
- the increase in revenues from the sale of goods from 46.337 lei on 31.12.2019 to 289.627 lei on 31.12.2022, a percentage increase of 525,04%;
- decrease in revenues related to the costs of product stocks from 9.291.097 lei on 31.12.2019 to (857.046) lei on 31.12.2022;
- the decrease of other operating income from 2.031.297 lei at 31.12.2019 to 235.250 lei at 31.12.2022, a percentage decrease of 88,42%.



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**Operational expenses** - increased by 16,21% on 31.12.2022 compared to 31.12.2021, in nominal values from 43.642.868 lei on 31.12.2021 to 50.716.971 lei on 31.12.2022, on account of:

- the increase in expenses with raw materials, consumables, goods and utilities from 17.869.084 lei on 31.12.2021 to 18.791.128 lei on 31.12.2022, a percentage increase of 5,16%;
- the increase of other expenses representing external benefits, fees and taxes from 3.862.853 lei on 31.12.2021 to 4.745.088 lei on 31.12.2022, a percentage increase of 22,84%;
- the increase in personnel expenses from 19.404.441 lei on 31.12.2021 to 24.325.594 lei on 31.12.2022, a percentage increase of 25,36%.

Compared to 31.12.2020, operational expenses increased by 13,71%, in nominal values from 44.601.931 lei at 31.12.2020 to 50.716.971 lei at 31.12.2022, on account of:

- the increase in expenses with raw materials, consumables, goods and utilities from 13.430.849 lei at 31.12.2020 to 18.791.128 lei at 31.12.2022, i.e. a percentage increase of 39,91%;
- the increase of other expenses representing external benefits, fees and taxes from 4.215.826 lei at 31.12.2020 to 4.745.088 lei at 31.12.2022, a percentage increase of 12,55%;
- the increase in personnel expenses from 21.811.819 lei on 31.12.2020 to 24.325.594 lei on 31.12.2022, a percentage increase of 11,52%.

Compared to 31.12.2019, operational expenses decreased by 30,93%, in nominal values from 73.428.186 lei at 31.12.2019 to 50.716.971 lei at 31.12.2022, on account of:

- reduction of expenses with raw materials, consumables, goods and utilities from 35.904.353 lei at 31.12.2019 to 18.791.128 lei at 31.12.2022, i.e. a percentage decrease of 47,66%;
- reduction of other expenses representing external benefits, fees and taxes from 7.639.869 lei on 31.12.2019 to 4.745.088 lei on 31.12.2022, a percentage decrease of 37,89%;
- reduction of personnel expenses from 26.435.090 lei at 31.12.2019 to 24.325.594 lei at 31.12.2022, a percentage decrease of 7,98%.

**The result of the operational activities** recorded on 31.12.2022 compared to 31.12.2021 a decrease, in nominal values from 1.010.013 lei on 31.12.2021 to (7.772.900) lei on 31.12.2022. Compared to 31.12.2020, the result of operational activities registered an increase, in nominal values from (10.971.346) lei on 31.12.2020 to (7.772.900) lei on 31.12.2022, and compared to 31.12.2019 it



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registered a decrease from 1.454.520 lei on 31.12.2019 to (7.772.900) lei on 31.12.2022.

**Financial revenues increased** by 198,53% on 31.12.2022 compared to 31.12.2021, i.e. in nominal values from 187.101 lei on 31.12.2021 to 558.557 lei on 31.12.2022. Compared to 31.12.2020, financial revenues increased by 3,79%, i.e. in nominal values from 538.138 lei on 31.12.2020 to 558.557 lei on 31.12.2022, and compared to 31.12.2019 they decreased by 19 ,65%, i.e. in nominal values from 695.187 lei on 31.12.2019 to 558.557 lei on 31.12.2022.

**Financial expenses** increased by 96,35% on 31.12.2022 compared to 31.12.2021, in nominal values from 866.790 lei on 31.12.2021 to 1.701.932 lei on 31.12.2022. Compared to 31.12.2020, financial expenses increased by 43,91%, in nominal values from 1.182.618 lei on 31.12.2020 to 1.701.932 lei on 31.12.2022, and compared to 2019 they increased by 8,76%, in nominal values from 1.564.899 lei on 31.12.2019 to 1.701.932 lei on 31.12.2022.

The increase / decrease in financial expenses was achieved due to exchange rate differences, the appreciation / depreciation of the national currency compared to the contract currency euro and dollar and the volume of commercial receivables in invoiced and collected currencies.

**The net financial result** recorded a loss of (1.143.375) lei on 31.12.2022, on 31.12.2021 the company recorded a loss of (679.689) lei. On 31.12.2020 the company recorded a net financial loss of (644.480) lei, and on 31.12.2019 a loss of (869.712) lei.

**Total revenues** decreased by 2,98% on 31.12.2022 compared to 31.12.2021, that is, in nominal values from 44.839.982 lei on 31.12.2021 to 43.502.628 lei on 31.12.2022. Compared to 31.12.2020, total revenues increased by 27,32%, in nominal values from 34.168.723 lei on 31.12.2020 to 43.502.628 lei on 31.12.2022, and compared to 31.12.2019, total revenues were decreased by 42,44%, in nominal values from 75.577.893 lei on 31.12.2019 to 43.502.628 lei on 31.12.2022.

**Total expenses** increased by 17,77% on 31.12.2022 compared to 31.12.2021, in nominal values from 44.509.658 lei on 31.12.2021 to 52.418.903 lei on 31.12.2022. Compared to 31.12.2020, total expenses increased by 14.49%, in nominal values from 45.784.549 lei on 31.12.2020 to 52.418.903 lei on 31.12.2022, and compared to 31.12.2019, total expenses decreased by 30,10%, in nominal values from 74.993.085 lei on 31.12.2019 to 52.418.903 lei on 31.12.2022.

**The pre-tax result** recorded on 31.12.2022 compared to 31.12.2021 a decrease, in nominal values from 330.324 lei on 31.12.2021 to (8.916.275) lei on 31.12.2022. Compared to 31.12.2020, the result before taxation registered an increase, in nominal values from (11.615.826) lei on 31.12.2020 to (8.916.275) lei on 31.12.2022, and compared to 31.12.2019 it registered a decrease, in nominal values, from 584.808 lei on 31.12.2019 to (8.916.275) lei on 31.12.2022.



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The overall result for the period registered on 31.12.2022 compared to 31.12.2021 a decrease, in nominal values from 330.324 lei on 31.12.2021 to (8.916.275) lei on 31.12.2022. Compared to 31.12.2020, the result before taxation registered an increase, in nominal values from (11.615.826) lei on 31.12.2020 to (8.916.275) lei on 31.12.2022, and compared to 31.12.2019 it registered a decrease, in nominal values, from 584.808 lei on 31.12.2019 to (8.916.275) lei on 31.12.2022.

<b>Economic - financial indicators</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>Current liquidity</b> – Current Assets / Current Liabilities	1,42	1,68	2,02	2,00
<b>Indebtness</b> – Borrowed capital / Equity * 100	20,64%	19,56%	20,82%	15,70%
<b>Rotation speed debts – clients</b> – Receivables / Turnover * 365 days	95 days	110 days	54 days	54 days
<b>Rotation speed of fixed assets</b> – Turnover / Fixed Assets	1,23	0,98	0,94	1,55

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

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

**Rotation speed debts – clients** - Express effectiveness of the company in collecting its receivables, namely the number of days until the debtors pay their debt to society. The average number of days in which the company claims back in 2022 was 95 days.

**Rotation speed of fixed assets** - Express effectiveness of business assets by examining the turnover generated by a certain amount of assets. The value obtained was 1,23 expresses assets management effectiveness by achieving a turnover of 43.565.867 lei generated by an amount of fixed assets worth 35.500.674 lei.



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#### c) Cash-flow :

The cash flow situation at 31 December 2022 as compared to 31 December 2021, 31 December 2020 and 31 December 2019 is as follows:

	<u>31-December</u> <u>2022</u> lei	<u>31-December</u> <u>2021</u> lei	<u>31-December</u> <u>2020</u> lei	<u>31-December</u> <u>2019</u> lei
<b>Net profit for the year</b>	<b>(8.916.275)</b>	<b>330.324</b>	<b>(11.615.826)</b>	<b>543.176</b>
Income tax expenses	-	-	-	-
Long term asset depreciation /impairment	1.776.313	2.228.405	2.476.994	2.948.713
Expenses with disposed assets	285.904	32.000	843.485	194.777
Asset disposal income	(154.042)	(169.439)	(252.563)	(308.609)
Impairment adjustments for customer	-	-	1.077.744	-
Income / (expenses) related to value adjustments on current assets	-	-	2.693.898	-
Interest expense	(885.177)	(517.998)	(605.349)	(696.285)
Interest income	1.536	1.681	2.701	3.468
Gain / loss from exchange rate	262.247	170.669	(26.455)	(156.030)
<b>Movements in working capital</b>	<b>1.286.781</b>	<b>1.745.318</b>	<b>6.210.455</b>	<b>1.986.034</b>
Increase / (decrease) in trade receivables and other receivables	(475.132)	(5.562.835)	4.130.449	4.609.905
Increase /(decrease) in other current assets	(202)	(1.492)	(686)	(2.022)
Increase / (decrease) in inventories	3.256.062	6.379.529	(5.789.020)	(4.260.129)
Increase / (decrease) commercial debts	(2.990.559)	(10.814.183)	7.008.127	7.129.206
Increase / (decrease) income recorded in advance	(970.153)	1.350	2.500	-
Increase / (decrease) other debts	1.506.809	1.241.026	(6.671.369)	(3.077.948)
<b>Cash used in operating activities</b>	<b>326.825</b>	<b>(8.756.605)</b>	<b>(1.319.999)</b>	<b>4.399.012</b>
Profit tax paid	-	-	-	-
Interest paid	(885.177)	(517.998)	(605.349)	(696.285)





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<b>Cash generated from operating activities</b>	<b>(8.187.846)</b>	<b>(7.198.961)</b>	<b>(7.330.719)</b>	<b>6.231.937</b>
<b>Net cash from investment activities</b>	<b>(241.315)</b>	<b>(436.928)</b>	<b>(651.489)</b>	<b>(953.048)</b>
Cash payment for acquisition of assets	(241.315)	(436.928)	(651.489)	(953.048)
<b>Net cash from financing activities</b>	<b>8.176.126</b>	<b>6.708.333</b>	<b>7.297.358</b>	<b>(4.638.377)</b>
Cash repayments on loans and credits	(1.005.938)	(1.005.938)	(1.005.938)	(4.633.675)
Cash receipts from loans and credits	9.182.306	7.714.313	7.263.645	-
Receipts from subsidies for the payment of staff in technical furlough	-	-	1.039.945	-
Dividends paid	(242)	(42)	(294)	(4.702)
<b>Increase / decrease in net cash and cash equivalents</b>	<b>(253.035)</b>	<b>(927.556)</b>	<b>(684.850)</b>	<b>640.512</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>358.763</b>	<b>1.286.319</b>	<b>1.971.169</b>	<b>1.330.657</b>
<b>Cash and cash equivalents at the end of period</b>	<b>105.728</b>	<b>358.763</b>	<b>1.286.319</b>	<b>1.971.169</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>(253.035)</b>	<b>(927.556)</b>	<b>(684.850)</b>	<b>640.512</b>

In 2022, cash and cash equivalents decreased compared to 2021 by 674.521 lei, as a result of:

- decrease of the cash generated from the exploitation activity by 988.885 lei, from (7.198.961) lei on 31.12.2021 to (8.187.846) lei on 31.12.2022;
- decrease of net cash from investment activity by 195.613 lei, from (436.928) lei on 31.12.2021 to (241.315) lei on 31.12.2022;
- the increase of net cash from financing activity by 1.467.793 lei, from 6.708.333 lei on 31.12.2021 to 8.176.126 lei on 31.12.2022.

In 2022, cash and cash equivalents decreased compared to 2020 by 431.815 lei, as a result of:

- decrease of the cash generated from the exploitation activity by 857.127 lei, from (7.198.961) lei on 31.12.2020 to (8.187.846) lei on 31.12.2022;
- decrease of net cash from investment activity by 410.174 lei, from (651.489) lei on 31.12.2020 to (241.315) lei on 31.12.2022;
- the increase of net cash from financing activity by 878.768 lei, from 7.297.358 lei on 31.12.2020 to 8.176.126 lei on 31.12.2022.



## 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](mailto:office@uztel.ro)  
FISCAL CODE RO1352846 , R.C. PLOIESTI NO. J29/48/1991; web site: [www.uztel.ro](http://www.uztel.ro)

In 2022, cash and cash equivalents decreased compared to 2019 by 893.547 lei, as a result of:

- decrease of the cash generated from the exploitation activity by 14.419.783 lei, from 6.231.937 lei at 31.12.2019 to (8.187.846) lei at 31.12.2022;
- decrease of net cash from investment activity by 711.733 lei, from (953.048) lei on 31.12.2019 to (241.315) lei on 31.12.2022.
- the increase of net cash from financing activity by 12.814.503 lei, from (4.638.377) lei on 31.12.2019 to 8.176.126 lei on 31.12.2022.

### **Events after the financial statements concluded on 31.12.2022**

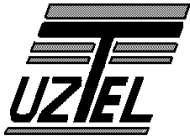
Based on the information that the company holds so far; the shareholding structure has not changed until the date of issuance of these financial statements.

Uztel has identified events that occurred between the date of the balance sheet concluded on 31.12.2022 and the date on which the financial statements are authorized for submission. These events provide additional information regarding the conditions that existed at the balance sheet date or regarding certain conditions that appeared after the closing of the 2022 balance sheet, as follows:

In 2022, UZTEL SA carried out its activity in conditions of continuity in accordance with the provisions of OMFP 2844/2016 regarding the accounting regulations compliant with the International Financial Reporting Standards.

The evolution of the national and international epidemiological situation determined by the spread of SARS – coV – 2 coronavirus in more than 150 countries, as well as the declaration of the “Pandemic” by the World Health Organization on 11.03.2020 and the Presidential Decrees establishing the state of emergency and of the alert status on the Romanian territory determined social, commercial, economic and financial phenomena and aspects independent of the company and which could not be controlled by it, which led to a negative impact regarding the drastic decrease of the volume of orders and related commercial contracts year 2022.

The decrease in the volume of orders and contracts negatively influenced the cash flow and generated the accumulation of budgetary and commercial debts. The company makes significant financial efforts to comply with the deadlines for the payment of current and staggered budget taxes and fees according to the Decision to



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reschedule the payment of fiscal obligations no. 294 / 22.01.2021 and of the supplements obtained for the payment of fiscal obligations through Decisions no. 1712070/27.05.2022 and no. 1943615202/28.09.2022

After the closing date of the financial year on 31.12.2022, the uncertainties and risks in the economic, commercial and financial environment remain high nationally and internationally. Even if the impact of the pandemic on economic activity has diminished over time, further application of measures to limit the spread of the disease and the prolonged shortage of staff could affect economic activity. These measures could also affect the operation of supply and sales chains for a longer period than expected.

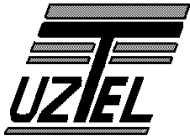
Starting with 01.01.2022, the inflation forecasts have been considerably revised upwards compared to the forecasts for the fourth quarter of 2021. They reflect the effects of very high energy and gas prices which will lead to a significant and unpredictable increase in costs. with the utilities in the total operational expenses of the company.

The outbreak in February 2022 of the geo-political conflict on the border of Romania and the energy crisis led to major imbalances in the purchase and sale chains with immediate unfavorable consequences in treasury flows and implicitly, in the accumulation of salary and commercial debts and the failure to meet budget indicators provided for the year 2022.

The economic (commercial and financial) instability of the company determined by the reduced volume of sales on the internal and external market, delays in the collection of receivables, resulted in delays in paying the commercial debts of suppliers of raw materials, materials, utilities and services.

The challenges of 2023: rising prices for raw materials and materials, higher bank interest rates, high utility bills (energy and gas) will affect the pressure to raise wages and maintain a high volume of sales in physical units and in order to achieve the performance objectives estimated by the Revenue and Expenditure Budget.

The Uztel company makes every effort to continue the production activity under conditions of its reorganization/restructuring in accordance with the provisions of Law no. 85/2014 regarding the procedures for preventing insolvency and insolvency



## **UZTEL S.A.**

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and resizing the number of employed personnel depending on the volume of orders and commercial contracts negotiated with internal and external clients and the winning of internal and international auctions in the oil equipment market.

Board of Directors,  
CEO – Hagi Neculai

General Director  
Anghel George Marinelo

Economic Director,  
Popescu Ileana

Head of Gen. Acct. Dept,  
Brujban Gabriela