Report of the Board of Directors On Uztel S.A Company's business in 2018

1. Analysis of the Commercial Company Activity

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

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

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

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

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

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

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

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

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

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

- **Fixed Assets- Tangibles**

Between 01 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 modernization works of the board hall

Between 1 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;
- Marking PortaDot Equipment 130-30E, worth 22.577 lei;
- Modernization of the overhead bridge M17 (fitted radiocontrol), 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 11.406 lei;
- 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 registered a decrease of 717.559lei 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;
- Putting into operation f PortaDot 130-30E marking equipment, worth 22.577 lei;
- Modernization of the M17 bridge, amounting to 11.406 lei;
- 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

- **Fixed assets - Non-corporal**

Between 1st January and 31st December 2018, *development expenditures* increased by 2.828 lei, representing:

-expenses for main body 3 "- SCH 40 welded version in the amount of 1.968 lei;
- expenses for casting, heat treatment and performed the operation I for body 21 / 16X3 / 5M in value of 632 lei;
- expenses for casting, heat treatment and performed operation I 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;
- Software Update License & Support Oracle Database Standard Edition One Perpetual Processor worth 3.878 lei.

Between 01 January and 31 December 2018, *development expenditures* recorded a decrease of 49.788 lei by removing some prototypes (PN10 ball valve) that could not be achieved technically.

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1.1 e*) Description of the main results of the evaluation of the company's activity The fixed assets recorded the following evolutions in the financial year 01.01.2018-31.12.2018*:

Compared to 2017, the total fixed assets decreased from 47.069.235 lei at 31.12.2017 to 43.722.390 lei at 31.12.2018, a percentage decrease of 7,11% compared to the same period of 2017, as follows :

- The value of intangible assets decreased from 73.781 lei on 31.12.2017 to 27.175 lei on 31.12.2018, a percentage decrease of 63,17%, due to the recording in the bookkeeping of expenditures with the depreciation of development expenses and other intangible assets, as well as outflows during the financial year 2018.
- The value of the tangible assets decreased from 46.995.454 lei as at 31.12.2017 to 43.695.215 lei on 31.12.2018, a percentage decrease of 7,02%, due to the recording of the depreciation expenses in the accounting records.

Asset item	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Intangible assets	27.175	73.781	109.617	54.973
Tangible assets	43.695.215	46.995.454	51.773.835	58.309.744
Total assets	**43.722.390**	**47.069.235**	**51.883.452**	**53.364.717**

All existing spaces are owned by Uztel S.A.

In 2018 Uztel S.A saw an upward trend in terms of economic and commercial matters compared to previous year (2017) justified in the context of higher demand for oil equipment and machinery on domestic and international market.

Uztel S.A. knew in 2018 the following trend of sales on domestic and foreign markets:

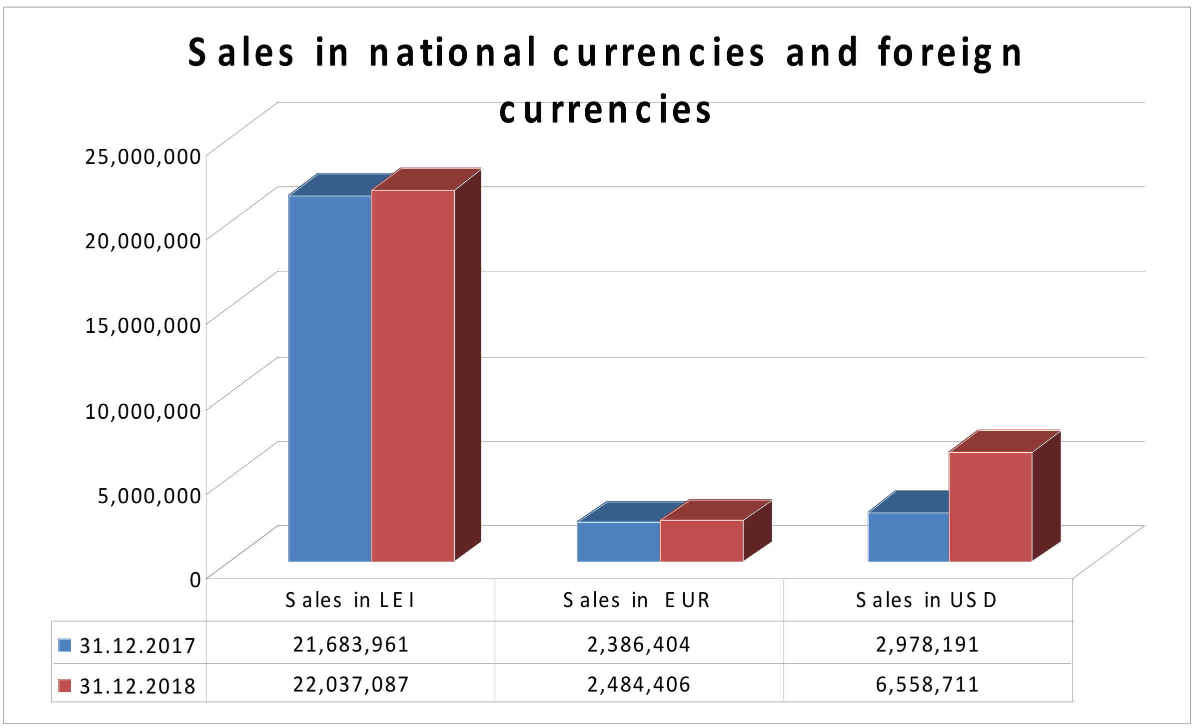
a) **Sales in LEI** increased from 21.683.961 lei at 31.12.2017 to 22.037.087 lei at 31.12.2018, that means a percentage increase of 1,63% compared to the same period of 2017;

b) **Sales in EUR** increased from 2.386.404 eur at 31.12.2017 to 2.484.406 eur at 31.12.2018, that means a percentage increase of de 4,11% compared to the same period of 2017;

c) **Sales in USD** increased from 2.978.191 usd la 31.12.2017 la 6.558.711 usd at

31.12.2018, meaning a significant percentage increase over the same period of 2017.

Explanations	31.12.2017	31.12.2018	31.12.2018/31.12.2017*100
Sales in LEI	21.683.961	22.037.087	101,63
Sales in EUR	2.386.404	2.484.406	104,11
Sales in USD	2.978.191	6.558.711	220,22



1.1.1 *Elements of general assessment:*

a) Net result 783.882 lei

b) Turnover 59.215.309 lei

c) Total value of to sales in foreign currencies (EURO and USD) changed to national currency or January- December 2018 worth 37.256.530,98 lei - account turnover 4111.1.03 (foreign clients) corresponding to turnover accounts, as follows:

lei

acct. 7015.3	Revenue from the sale of finished products	37.163.545,56
Acct, 704.2.03	Revenue from services rendered - external transport	87.534,83
acct. 708.1.02	Income from different activities - export	5.450,59

d) Actual expenditure of 2018 to achieve production manufactured and sold is totaling 46.824.277,71 lei and to achieve production in progress are worth a total of 10.470.881,33 lei.

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

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

In 2018 the company developed its commercial activity in the domestic market, intra-community and foreign markets, as follows:

- domestic trade partners:

- **Clients** - Cameron-Romania SRL Campina, Automobile Dacia SA Mioveni, Tehnomet SA Buzau, Multy Products Rom SRL Sighisoara, Neptun SA Campina, Expert Petroleum Solutions SRL Bucuresti, Upetrom 1 Mai SA Ploiesti, Roher Servicii Industriale SRL Bucuresti, Drilling Equipment SRL Zalau, GSP Offshore SRL Constanta s.a.
- **Suppliers** - Forja Rotec SRL Buzau, Arva Metals & Steels SRL Cornetu, Electrica Furnizare SA Bucuresti, Metarex SRL Bucuresti, MSD COM SRL Buzau, Huttenes Albertus Romania SRL Bucuresti, Hany Industry SRL Ploiesti, Engie Romania SA Bucuresti, Pas Technologies Romania SRL Campina, s.a.

- intra-community trading partners:

- **Clients** - Robke Erdol Und Erdgastechnik Germania, TDE Field Services ZRT Ungaria, ABB Process Industrie Franta, Green Control SRL Italia, Eurotech INT Sp zoo Wojska Polonia, VT Veres KFT Kecskmet Ungaria, Hartmann Valves GmbH Germania, Elematic Oy Ab Toijala Finlanda, Liberty Drilling Equipment Olanda, Peseco Limited Aberdeenshire United Kingdom, s.a.
- **Suppliers** - Riganti SPA Italia , Danco Industry LTD Bulgaria, Forgital Italy S.P.A., Nov Completion & Production Solutions Vechta, Siderforgerossi

Group S.P.A. Italia, CF Service SRL Italia, Special Quality Alloys LTD England, Hunting Energy Services B.V. Olanda, Kerramtech s.r.o Czech Republic, s.a.

- extra-community trading partners:

- **Clients –** FMC Technologies Canada, Desert Sand Oil&Gas LLC Muscat Oman, Omni Valve LLC USA, Kar Construction&Engineering LTD Iraq, IAL Engineering Services LTD Trinidad, Independent Oil Tools Iraq, Ibemo Industrie Service Germania, Tartan Valve Repair LTD Canada, PT Bangun Mitra Sinergi Jakarta Indonezia, Manefols Komerz LLP Belfast Irlanda, s.a.

- **Suppliers -** Parker Hannifin Corporation PGI USA, Shabum International LTD Tel Aviv Israel, Gebruder Wess SRL Bucuresti, Easycnc LTD China, s.a.

f) the company had liquidities (according to balance sheet) in total amount of 1.330.657,02 lei si namely:

lei

Explanations	31-December 2018	31-December 2017	Procent (%)
0	**1**	**2**	**3 = 1/2*100**
bank account 5121 (lei)	214.309,88	536.011,52	39,98
bank account 5124 (usd) - c/val. lei	781.639,81	152.733,75	1,73
bank account 5124 (eur) - c/val. lei	328.592,42	1.062.699,71	30,92
cash account 5311 in lei	3.717,29	18.679,56	19,90
Petty cash acct. 5314 in currency (usd) – c/val. lei	303,78	494,22	61,47
Petty cash acct 5314 in currency (eur) – c/val. lei	2.093,84	684,98	305,68
Other values – restaurant tickets 532 in (lei)	-	174,69	-
Total cash	**1.330.657,02**	**1.771.478,44**	**75,12**

The cash holdings registered a decrease in 2018 from 1.771.478,44 lei on 31.12.2017 to 1.330.657,02 lei on 31.12.2018, a percentage decrease of 24,88% over the same period of 2017.

The Company recorded a favorable net financial gain on 31 December 2018 due to exchange rate fluctuations (euro and usd) for the January to December 2018 period of 20.470,21lei, as follows:

- account 665 (foreign exchange expense) = 940.747,82 lei
- account 765 (income from exchange rate differences) = 961.218,03 lei.

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

a) As of December 31, 2018, the Company owns assets in the total amount of 85.269.697,78 lei, as follows:

lei

ASSETS	Balance at 31.12.2018 as of Account balance
Lands	16.537.801,55
Constructions	32.061.723,77
Technological equipment, devices and measurement equipment, vehicles	36.504.394,89
Furniture and office equipment	165.777,57

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 2018, the following evolutions of the company's main incomes were recorded compared to the total revenues of 78.650.237 lei and the turnover of 59.215.309 lei, namely:

Year 2018	Value (lei)	Share in Total income %	Share in turnover %
Revenue from the sale of finished products - domestic	21.635.144,46	27,51	36,54
Revenue from the sale of finished products – external	37.163.545,56	47,25	62,76
Revenue from services rendered – laboratory services	62.603,00	0,08	0,11
Revenue from services rendered – internal transport	56.840,53	0,07	0,10
Revenue from services rendered – external transport	87.534,83	0,11	0,15
Revenue from rental of oilfield equipment	8.711,25	0,01	0,01
Income from sale of goods	71.988,58	0,09	0,12
Income from various activities - Internal	123.489,89	0,16	0,21
Income from various activities - Export	5.450,59	0,01	0,01
Turnover - Total	**59.215.308,69**	**75,29**	**100,00**

1.1.3 *Evaluation of technical-material supply (domestic and external suppliers)*

The main 10 suppliers of the Company based on purchase volume for the year 2018 are shown bellow:

Domestic 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	**16.585.490,31**	**53,64**

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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 (US)	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
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**

1.1.4 *Evaluation of sales*

The main 10 clients per sales volume for 2018 are listed in the table bellow:

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
GSP Offshore SRL Constanta	649.657,79	2,88
TOTAL	**15.382.171,53**	**70,17**

External Clients	**Total Invoices (Euro)**	**share %**
Robke Erdol UND Erdgastechnik GmbH	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 United	24.067,00	1,17
TOTAL	**1.921.060,68**	**93,15**

External Clients	Total Invoices (USD)	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	23.611,00	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**

The effects of manufacturing activity, transactions and events conducted during 2018 in a company vary in stability, risk and predictability, and presentation elements economic - financial helps in understanding the performance achieved and in assessing future results.

Accounting achievements of 2018 show that SC UZTEL S.A. Ploiesti is a viable society with economic and commercial development potential which succeeded to close the reorganization procedure under Law nm. 85/2006 and get back in the economic environment of business company.

SC UZTEL S.A. had ongoing on 31.12.2018 orders / contracts with internal and external trading partners in the total amount of 18.774.408 lei, from what:

Internal Market - LEI	4.543.820
External market - EURO	2.112.896
External market - USD	1.184.620

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-2018, 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 2019, as follows:

Internal Market - LEI	6.650.000
External market - EURO	4.875.000
External market - USD	9.800.000

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

a) Company recorded at 31.12.2018, 497 employees from what:

individuals

Engineers	Sub-engineers	economists	Other people with academic education
59	6	10	4

The factory staff is represented as follows:

individuals

Oilfield equipment Dept. Dept.	Hot sectors Depart.	Other activities	Total Techn-Ec. Adm staff
193	162	55	87

b) The relationship between management and employees in 2018 were held in good conditions, labor 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-619 from 21.12.2009 rev. at 24.09.2015, valid until 21.12.2019 for the activity of production assemblies, parts and oilfield equipment and industrial service, recovery of solid recyclable waste, collection, purification and distribution of water, painting workshop.

- Authorization for water management no. 107 dated 16.06.2017 valid until the date of 15.06.2019;
- Certificate of registration in the register of authorized economic operator performing waste recovery operations no. 0325 issued by the Ministry of Economy - Department of Industrial Policy (renews annually) valid until 31.03.2019.

Environmental factors (water, wastewater, air-emission, air -immission, 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 2018 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.

1.1.7 *Evaluation of Research and Development*

a) The main objectives in the design and assimilation of new products in 2018 were:

	PRODUCT
1	WELLHEAD 16 ¾’’x13 5/8’’x7 1/16’’-3M
2	Hanger TH7 13 5/8"x4 1/2"VAM TOP (12.6 lb/ft) type ITT SP-HBM5B7122 connector
3	Tubing Hanger TH7 13 5/8"x4 1/2"VAM TOP (12.6 lb/ft)
4	Valve type RSE-HT with short lid
5	Valve type RSL 7 1/16’’x10M- forged body
6	Pumping head type 13C
7	Flange with FM plug 011-11 "x9 5/5"
8	Valve type RSL 3 1/8"-5M-RIGANTI
9	Driving preventer cutting jaws 13 5/8”-10M
10	Valve type RSE-HT 3 1/8"-2M, F, FE, RIGANTI
11	Drilling nozzle 2 9/16"-10M
12	RSE 3 1/8" x 3M, F, FE

13	Vertical preventer PV 7 1/16-5M
14	Rotary Ball preventer UZRSf 7 1/16-5M
15	Safety valve with blade drawer, hydraulically operated, 3 1/16"-10M-RIGANTI
16	Hydraulic control CH-6U-MD-08-BA with 2 hydropneumatic pumps
17	Tubinghead UZTH 11”x11”x2 1/16”-3M
18	Valve type RSL –AH 3 1/8”-5M
19	Drum Clamping Hanger UZ-IWS 9 5/8”
20	Brake shoe
21	Cross Over Pin 9” VAM TOP
22	Cross Over Pin 7” VAM TOP
23	Drum 11”x7 1/16”x2 1/16”-3M
24	Valve type RSL 3 1/8’’x5M cu etansare tip FLS

All targets of engineering department were s fully completed.

b) In order to ensure the quality conditions required for sale of Uztel products on external market , technical departments obtained in 2018 certifications for licenses as follows:

b1) Audit of integrated quality (HSEQ) conducted by DNV-GL-Business Assurance during 23- 26. 04.2018, include :

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

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

- Nr.175755-2015-AQ-ROU- RvA; ISO-9001-2015; valid until 20.05.2021
- Nr.175754-2015-AE-ROU-RvA; ISO-14001-2015; valid until 15.07.2020
- Nr.175753-2015-AHSO-ROU-RvA; OHSAS18001-2007; valid until 15.07.2020 .

b2) Audit for monitoring conducted by the company GR Eurocert SRL Ploiesti Romania, on 25.07.2018, for :

- Affixing CE mark on products manufactured according to European Directive PED 2014/68/EU

- Conformity of castings with European Directive PED 2014/68/EU
- Welding certification authorization under the European Directive PED 97/23/EC

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

- PEMH.0001 08/15 (expiry date 23.08.2019) ;
- PE43.0065 (expiry date 27.09.2021).

b3) Maintaining Recertification ROSTEHNAZOR according to new specification TR CU 10/2011-Russia

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

- RU No.0330700 expiry date 22.11.2020
- RU No.0330701 expiry date 23.11.2020
- RU No.0330702 expiry date 24.11.2020

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

- Introducing and launching 100% of the SIVECO type production and tracking program, whose product structure was defined by the Design-Development Service and especially of products with high repeatability;

- The use of high productivity technologies and modern cutting tools with direct impact on the technical rules of time and thus the cost price and quality of the product;

- The design of such devices and controllers that increases the accuracy of product execution and at the same time significantly reduces the percentage of scrap or rework parts and avoid possible claims;

- Permanent technical assistance provided by SDV Engineering Service in the manufacturing process (inadequate workouts, adjustments or work regimes) to early detect of technological issues and promptly removing them;

- Preparing trained staff for CNC machine tools in order to replace staff that ceased employment with the company;

- Design of self-centering and quick-fastening devices that allow the piece to be fastened in as little time as possible and implicitly increase the efficiency of mechanical processing in order to lower the cost per product and increase the competitiveness on the external and internal market;

- Drawing with Energy, Investment Maintenance Service of programs to modernize the basic equipment, allowing increased machining capabilities of the company, purchase of equipment or deep drilling operations.

- Implementation of the processing technology for the latest generation parts made of superalloys, respectively from INCONEL 718.

- Technology for inspection and recertification services for drilling and extraction equipment: preventive, manifolds, control stations, diverters have also been introduced and developed

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

Interest rate risk

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

	Accounting year ended 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.

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

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Currency risk

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

	Accounting year ended	Accounting year ended
	31 December 2018	**31 December 2017**
	(lei)	**(lei)**
Result of exchange rate differences	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 eflected in the company's business on the first months of 2018 by decrease of 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 equipment in 2018, the maximum prices imposed by the big drilling companies in the domestic and international markets, depending on the variations in oil prices and the barriers of geographical areas.

The company does not hold units 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:

Economic -financial indicators	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Cash ratio = Current assets/Current Liabilities	1,85	1,77	2,99	2,92
Quick ratio = Current assets - Inventories / Current Liabilities	0,55	0,56	0,88	1,09

b) According to the note of presentation and justification of the Investment Program for 2019, note prepared by Energy Investment Maintenance Department and approved by the company's executive and administrative management is expected an allocation of approximately 800.000 lei for the rehabilitation and modernization of existing assets.

2. Tangible Assets of Company

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

The company owns a land area of 184.586,34 mp, from what:

- 113.033,49 mp – buildings;
- 71.553,85 mp – factory roads, utilities network and free area.

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

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

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

Some assets have been repaired or upgraded.

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

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

Overhead traveling cranes and hoist, which mostly had expired lifespan were expertise and recertified by ISCIR, process to be continued in 2019. Machine tools manifest wear on the guides, gearboxes, main axes, so it becomes increasingly difficult to maintain optimal parameters.

It is estimated, according to the financial resources, the acquisition of the following equipment: new rolling bridge Q = 16 Tf / 6.3 Tf and CNC CNC machining center.

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

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

3. Market of Securities issued by the Company

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

3.2 The share capital of UZTEL S.A. registered at 31 December 2018 a value of 13.413.648 lei, being divided into 5.365.459 shares, with a nominal value of 2,50 lei. According to the evidences existing at the Central Depository S.A. according to address no. 7133 of March 06, 2019, the situation of the shareholders of the shares on 31.12.2018 is the following:

Shareholder	Nmb. of shares held	Share in 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**

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

	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

At 31.12.2018 Uztel SA recorded in account 457 (due dividends) sum representing dividends due to shareholders for years 2003-2008.
The company has not determined and not paid dividends for the years 2011 - 2018.

3.3 *Description of any activities of the Company to purchase its own shares*:
- Company did not bought its own shares in 2018.

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 2018 the company has not issued bonds or other debt securities.

4. Company's management

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

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

In 2018 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:

PERIOD 01.01.2018 - 31.12.2018		
SURNAME, GIVEN NAME	**POSITION**	**PERIOD OF OFFICE OoffuiceADA**
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	14.03.2017-02.07.2018
Hagiu Neculai	Member of Board of Directors	14.03.2017-02.07.2018
Legal entity COMIS SRL by conventional representative 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 the period 14.03.2018 - 31.12.2018 the total remunerations of the Board of Directors of the Company represented 2,21% 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 2018 had the following composition:

THE EXECUTIVE MANAGEMENT OF THE COMPANY - during the period 01.01.2018 - 31.12.2018 registered the following component in exercising the managerial attributions:

PERIOD: 01.01.2018 - 31.12.2018			
Name Surname	**Function**	**Period**	**Decision / date issuing decision**
Zidaru Ion	General Director	01.01.2018-31.12.2018	Mandate Contract t nr. 06/05.01.2018
Anghel George Marinelo	Technical Director	01.01.2018-31.12.2018	Decision 170 / 16.10.2017
Gheorghiu Mihail Gabriel	Commercial Director	01.01.2018-31.12.2018	Indiv. Labour Contract 238 / 31.01.2013
Popescu Ileana	Economic Director	01.01.2018-31.12.2018	Decision 592 / 30.11.2010
Ristoiu Mariana	Manager Quality Management System	10.04.2018-31.12.2018	Decision 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.

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

The Company did not found any such situations in financial year 2018 .

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

SURNAME, GIVEN NAME-POSITION	Number of shared owned
Zidaru Ion - General Director	-
Anghel George Marinelo – Technical Director	-
Gheorghiu Mihail Gabriel – Commercial Director	-
Popescu Ileana – Economic Director	122
Ristoiu 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 will implement the recommendations contained in the Corporate Governance Code of the Bucharest Stock Exchange, which defines the principles and governance structures, aiming mainly shareholders rights and ensuring fair treatment. In this regard, the Board will draw up its own Rules of Organization and Operation, which is consistent with CGC principles, thus ensuring transparency and sustainable development of the company. Rules of organization and functioning will set while corresponding functions Board, powers and its responsibilities, so as to ensure the observance of interests of all shareholders of the company, and not least, equal access to them, but also the potential investors to relevant information about the company. In accordance with the recommendations provided in the GCC, in the company will establish strict rules for the internal handling and disclosure to third parties of documents with confidential and privileged information, paying particular importance to data and / or information that may influence the price of market securities issued by Uztel SA.

5. Finance -accounting statement

a) Elements of Financial Statement

a.1. The situation of assets items in 2018 compared to the years 2017, 2016 and 2015 is as follows:

lei

assets	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Intangible assets	27.175	73.781	109.617	54.973
Tangible assets, of which:	43.695.215	46.995.454	51.773.835	58.309.744
Land and buildings	31.946.854	34.280.920	37.709.342	42.563.845
Plant and machinery	9.084.357	10.101.313	10.900.435	12.930.406
Other installations and furniture	58.387	71.204	78.181	90.678
Tangible assets in progress	2.467.747	2.418.897	2.962.757	2.601.695
Advance for acquisition of intangible assets	137.870	123.120	123.120	123.120
Total assets	**43.722.390**	**47.069.235**	**51.883.452**	**58.364.717**
Current assets of which:	51.603.852	49.294.264	53.774.626	67.274.973
Stocks	36.287.530	33.811.683	37.903.801	42.145.939
Receivables	13.983.352	13.707.148	14.621.400	17.766.065
Cash	1.330.657	1.771.478	1.245.085	7.359.311
Prepayments	2.313	3.955	4.340	3.658
Total assets	**95.326.242**	**96.363.499**	**105.658.078**	**125.639.690**

Compared to 2017, there was a decrease of 1,08% of the total assets held by the company, compared to 2016 there was a decrease of 9,78%, and compared to 2015 a decrease by 24,13%.

In nominal terms, total assets decreased in 2018 compared to 2017 from 96.363.499 lei at 31.12.2017 to 95.326.242 lei at 31.12.2018, on the account of:

- the decrease of fixed assets by 7,11% and in nominal values from 47.069.235 lei at 31.12.2017 to 43.722.390 lei at 31.12.2018;

- the increase of the current assets by 4,70%, and in nominal values from 49.294.264 lei at 31.12.2017 to 51.603.852 lei at 31.12.2018.

In nominal terms, total assets decreased in 2018 compared to 2016 from 105.658.078 lei at 31.12.2016 to 95.326.242 lei at 31.12.2018, on the account of:

- the decrease of fixed assets by 15,73% and in nominal values from 51.883.452 lei at 31.12.2016 to 43.722.390 lei at 31.12.2018;

- the decrease of the current assets by 4,04%, and in nominal values from 53.774.626 lei at 31.12.2016 to 51.603.852 lei at 31.12.2018.

In nominal terms, total assets diminished in 2018 compared to 2015 from 125.639.690 lei at 31.12.2015 to 95.326.242 lei at 31.12.2018, on the account of:

-decrease of fixed assets by 25,09% and in nominal values from 58.364.717 lei at 31.12.2015 to 43.722.390 lei at 31.12.2018;

- the decrease of the current assets by 23.29%, and in nominal values from 67.274.973 lei at 31.12.2015 to 51.603.852 lei at 31.12.2018.

Customers

Uztel SA regularly reviews the situation of internal, external and litigant claims.

For the receivables of the internal clients existing in the balance at 31.12.2018 amounting to 2.730.439,88 lei there were no depreciation adjustments in the financial year 2018 because they are under strict monitoring regarding the terms of their collection.

Also, these internal receivables are subject to periodic analysis to accurately highlight the fair value of the receivable.

For the debts of the external clients existent in the balance at 31.12.2018 amounting to 3.095.596,88 lei there were no depreciation adjustments in the financial year 2018 because they are under strict monitoring regarding the terms of their collection.

Also, these external receivables are subject to periodic review to accurately highlight the fair value of the receivable.

For receivables of outstanding clients in the balance as at 31.12.2018 amounting to 3.855.939,37 lei were created adjustments for their depreciation in amount of 1.546.765,98 lei

These litigious claims are subject to the periodic review and review of their fair value based on the legal information in the cases pending before the courts and in the enforcement files.

Uztel believes, based on professional reasoning, that the amounts registered in the client accounts are their fair value.

Analytical activity, write-down receivables and depreciation adjustments are made periodically throughout the fiscal year to maintain a true and fair view of the current and future receivables of the company.

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

On 31.12.2018 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 2018 compared to the years 2017, 2016 and 2015 is as follows:*

lei

Liabilities	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Share capital	13.413.648	13.413.648	13.413.648	13.413.648
Adjustments of share capital	3.453.860	3.453.860	3.453.860	3.453.860
Reserves	38.756.972	40.780.481	67.707.446	69.335.973
Retained earnings	7.112.169	3.686.242	(10.069.996)	7.952.819
Debt over a year	4.373.392	6.913.206	12.943.959	8.212.877
Provisions	248.054	253.413	246.213	250.638
Debts under one year	27.968.147	27.862.649	17.962.947	23.019.874
Total Liabilities	**95.326.242**	**96.363.499**	**105.658.078**	**125.639.690**

Compared to 2017, there was a 1,08% decrease in the company's total liabilities in nominal values from 96.363.499 lei at 31.12.2017 to 95.326.242 lei at 31.12.2018;

Compared to 2016, there was a 9,78% decrease in the company's total liabilities in nominal values from 105.658.078 lei at 31.12.2016 to 95.326.242 lei at 31.12.2018.

Compared to 2015, there was a 24,13% decrease in the Company's total liabilities in nominal values from 125.639.690 lei at 31.12.2015 to 95.326.242 lei at 31.12.2018.

The decrease in the percentage and value of the total liabilities held by the Company is due to the diminution of the revaluation reserves with the value of 2.062.703,43 lei through the capitalization of the revaluation surplus as the depreciation expenses recorded in the tax register, as follows:

- the amount of 57.081,60 lei representing the surplus capitalization from the revaluation of the surface of 720 square meters of land sold in 2018;
- the amount of 1.196.413,63 lei representing depreciation expense related to the revaluation surplus evidenced in the fiscal register at Trim I and II - 2018;
- the amount of 809.208,20 lei representing depreciation expense related to the revaluation surplus highlighted in the tax register on Trim III and IV- 2018.

b) Global Outcome Statement

The structure of the overall result in 2018 compared to the years 2017, 2016 and 2015 is as follows:

lei

Keys	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Net turnover	**55.215.309**	**44.370.143**	**41.510.000**	**45.806.332**
Operational income	77.683.418	48.627.123	48.219.620	62.009.982
Operational expense	76.554.078	61.584.908	67.156.019	64.018.331
Operation Result	**1.129.342**	**(12.957.785)**	**(18.936.399)**	**(2.008.349)**
Financial income	966.819	704.431	1.324.412	1.754.570
Financial expenses	1.312.277	917.374	1.534.965	1.471.340
Net Financial Result	**(345.458)**	**(212.943)**	**(210.553)**	**283.230**
Total income	78.650.237	49.331.554	49.544.032	63.764.552
Total expenses	77.866.355	62.502.282	68.690.984	65.489.671
Result before tax	**783.882**	**(13.170.728)**	**(19.146.952)**	**(1.725.119)**
Income tax	-	-	-	**312.177**
Global related result	**783.882**	**(13.170.728)**	**(19.146.951)**	**(2.037.296)**

Turnover as of 31.12.2018 as compared to 31.12.2017 increased by 24,44% in nominal values from 44.370.143 lei at 31.12.2017 to 55.215.309 lei at 31.12.2018. Compared to 31.12.2016 the turnover registered an increase of 33,02%, in nominal values from 41.510.000 lei at 31.12.2016 to 55.215.309 lei at 31.12.2018 and compared to 31.12.2015 registered a an increase of 20,54%, in nominal values from 45.806.332 lei at 31.12.2015 to 55.215.309 lei at 31.12.2018.

Turnover expresses the volume of revenue earned by the company on the basis of the business operations performed in the reference year 2018. The turnover includes: sales of manufactured products, works and services, rents and other income.

Operating revenues registered an increase of 59,75% in 2018 compared to 2017, ie in nominal values from 48.627.123 lei at 31.12.2017 to 77.683.418 lei at 31.12.2018, on the account of:

- increase of the production sold from 44.114.519 lei at 31.12.2017 to 59.143.320 lei at 31.12.2018, a percentage increase of 34,07%;
- the increase of the incomes related to the cost of the stock of products from 3.828.029 lei at 31.12.2017 to 16.936.267 lei at 31.12.2018, a significant percentage increase;

- the increase of the revenues from the production of intangible and tangible assets from 59.755 lei to 31.12.2017 to 60.635 lei at 31.12.2018, a percentage increase of 1,47%;

- the increase of other operating revenues from 369.196 lei at 31.12.2017 to 1.471.207 lei at 31.12.2018, a significant percentage increase.

Compared to 31.12.2016, the operating revenues registered an increase of 61,10%, ie in nominal values from 48.219.620 lei at 31.12.2016 to 77.683.418 lei at 31.12.2018, on the account of:

- increase of the production sold from 41.496.082 lei at 31.12.2016 to 59.143.320 lei at 31.12.2018, a percentage increase of 42,53%;

- the increase of revenues related to the cost of product stocks from 5.577.215 lei at 31.12.2016 to 16.936.267 lei at 31.12.2018, a significant percentage increase;

- the decrease of the revenues from the production of intangible and tangible assets from 309.972 lei to 31.12.2016 lei to 60.635 lei at 31.12.2018, a percentage decrease of 80,44%;

- increase of other operating income from 822.433 lei at 31.12.2016 to 1.471.207 lei at 31.12.2018, a percentage increase of 78,88%.

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Compared to 31.12.2015, the operational revenues registered an increase of 25,28%, ie in nominal values from 62.009.982 lei at 31.12.2015 to 77.683.418 lei at 31.12.2018, on the account of:

- increase of the production sold from 45.739.475 lei at 31.12.2015 to 59.143.320 lei at 31.12.2018, a percentage increase of 29,30%;

- the increase of the incomes related to the cost of the stock of products from 15.164.297 lei at 31.12.2015 to 16.936.267 lei at 31.12.2018, a percentage increase of 11,69%;

- decrease of the revenues from the production of intangible and tangible assets from 278.865 lei to 31.12.2015 lei to 60.635 lei at 31.12.2018, a percentage decrease of 78,26%;

- the increase of other operating revenues from 760.488 lei at 31.12.2015 to 1.471.207 lei at 31.12.2018, a percentage increase of 93,45%.

Operating expenses - recorded an increase of 24,31% at 31.12.2018 as compared to 31.12.2017, in nominal values from 61.584.908 lei at 31.12.2017 to 76.554.078 lei at 31.12.2018, on the account of:

- the increase of expenditures on raw materials, consumables, goods and utilities from 28.044.533 lei at 31.12.2017 to 41.130.415 lei at 31.12.2018, a percentage increase of 46,66%;

- increase of other expenses representing external benefits, taxes and taxes from 6.099.262 lei at 31.12.2017 to 7.631.832 lei at 31.12.2018, a percentage increase of 25,13%;

- the increase of the personnel expenses from 21.071.290 lei at 31.12.2017 to 23.957.522 lei at 31.12.2018, a percentage increase of 13,70%.

Compared to 31.12.2016, operating expenses increased by 13,99%, in nominal values from 67.156.019 lei at 31.12.2016 to 76.554.078 lei at 31.12.2018, on the account of:

- the increase of the expenditures of raw materials, consumables, goods and utilities from 30.070.705 lei at 31.12.2016 to 41.130.415 lei at 31.12.2018, a percentage increase of 36,78%;

- the increase of other expenses representing external services, taxes and taxes from 7.224.052 lei at 31.12.2016 to 7.631.832 lei at 31.12.2018, a percentage increase of 5,64%;

- the increase of personnel expenses from 18.075.656 lei at 31.12.2016 to 23.957.522 lei at 31.12.2018, a percentage increase of 32,54%.

Compared to 31.12.2015, operating expenses increased by 19,58%, in nominal values from 64.018.331 lei at 31.12.2015 to 76.554.078 lei at 31.12.2018, on the account of:

- the increase of expenditures on raw materials, consumables, goods and utilities from 30.430.434 lei at 31.12.2015 to 41.130.415 lei at 31.12.2018, a percentage increase of 35,16%;

- increase of other expenses representing external benefits, taxes and taxes from 6.404.463 lei at 31.12.2015 to 7.631.832 lei at 31.12.2018, a percentage increase of 19,16%;

- the increase of personnel expenses from 19.738.549 lei at 31.12.2015 to 23.957.522 lei at 31.12.2018, a percentage increase of 21,37%.

The increase in operating expenses was mainly influenced by the increase in the volume of purchases of raw materials, materials and utilities necessary for the realization of the contracted production.

Result of the operating activities, as at 31.12.2018, as compared to 31.12.2017, there was an increase in nominal value from (12.957.785) lei at 31.12.2017 to +1.129.342 lei at 31.12.2018. Compared to 31.12.2016, the result of operating activities registered an increase, in nominal values from (18.936.399) lei at 31.12.2016 to +1.129.341 lei at 31.12.2018, and compared to 31.12.2015 registered an increase from (2.008.349) lei at 31.12.2015 to +1.129.342 lei at 31.12.2018.

Financial revenues recorded an increase of 37,24% at 31.12.2018 compared to 31.12.2017, ie in nominal values from 704.431 lei at 31.12.2017 to 966.819 lei at 31.12.2018. Compared to 31.12.2016, the financial revenues recorded a decrease by 27,00%, ie in nominal values from 1.324.412 lei at 31.12.2016 to 966.819 lei at 31.12.2018, and compared to 31.12.2015 registered a decrease with 44,90%, in

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nominal values from 1.754.570 lei at 31.12.2015 to 966.819 lei at 31.12.2018.

Financial expenses recorded an increase of 43,05% on 31.12.2018 as compared to 31.12.2017, in nominal values from 917.374 lei at 31.12.2017 to 1.312.277 lei at 31.12.2018. Compared to 31.12.2016, financial expenditures recorded a decrease of 14,51% in nominal values from 1.534.965 lei at 31.12.2016 to 1.312.277 lei at 31.12.2018 and compared to 2015 they registered a decrease with 10,81%, in nominal values from 1.471.340 lei at 31.12.2015 to 1.312.278 lei at 31.12.2018.
The increase / decrease of the financial expenses was based on the exchange rate fluctuations, the appreciation / depreciation of the national currency against the euro and dollar currency and the amount of the trade receivables in the invoices and receivables.

The net financial result recorded a loss of (345.458) lei as at 31.12.2018, as at 31.12.2017 the company recorded a loss of (212.943) lei. On 31.12.2016 the company recorded a net financial loss of (210.553) lei, and on 31.12.2015 a profit of 283.230 lei.

Total revenues recorded an increase of 59,43% at 31.12.2018 compared to 31.12.2017, ie in nominal values from 49.331.554 lei at 31.12.2017 to 78.650.237 lei at 31.12.2018. Compared to 31.12.2016, total revenues increased by 58,75% in nominal values from 49.544.032 lei at 31.12.2016 to 78.650.237 lei at 31.12.2018 and compared to 31.12.2015, the total revenues increased with 23,34%, in nominal values from 63.764.552 lei at 31.12.2015 to 78.650.237 lei at 31.12.2018.

Total expenditures recorded an increase of 24,58% at 31.12.2018 as compared to 31.12.2017, in nominal values from 62.502.282 lei at 31.12.2017 to 77.866.355 lei at 31.12.2018. Compared to 31.12.2016, total expenditures increased by 13,36% in nominal values from 68.690.984 lei at 31.12.2016 to 77.866.355 lei at 31.12.2018, and compared to 31.12.2015, the total expenses increased with 20,74%, in nominal values from 65.489.671 lei at 31.12.2015 to 77.866.355 lei at 31.12.2018.

The earnings before tax amounted to 31.12.2018 compared to 31.12.2017 a nominal value increase from (13.170.728) lei at 31.12.2017 to +783.882 lei at 31.12.2018. Compared to 31.12.2016, the earnings before tax recorded an increase in nominal value from (19.146.952) MDL on December 31, 2016 to + 783.882 lei at 31.12.2018 and compared to 31.12.2015 recorded an increase, in nominal values from (1.725.119) lei at 31.12.2015 to +783.882 lei at 31.12.2018.

The overall result for the period recorded on 31.12.2018 compared to 31.12.2017 an increase in nominal values from (13.170.728) lei at 31.12.2017 to +783.882 lei at 31.12.2018.
Compared to 31.12.2016, the overall result of the period recorded an increase in nominal values from (19.146.952) MDL on 31.12.2016 to +783.882 lei at 31.12.2018 and compared to 31.12.2015 recorded an increase, in nominal values from (2.037.296) lei at 31.12.2015 to +783.882 lei at 31.12.2018.

Economic - financial indicators	**31.12.2018**	**31.12.2017**	**31.12.2016**	**31.12.2015**
Current liquidity – Current Assets / Current Liabilities	1,85	1,77	2,99	2,92
Indebtness – Borrowed capital / Equity * 100	7,75%	12,23%	11,48%	5,06%
Rotation speed debts – clients – Receivables / Turnover * 365 days	86 zile	112 zile	129 zile	141 zile
Rotation speed of fixed assets – Turnover / Fixed Assets	1,35	0,94	0,80	0,78

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

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

Rotation speed debts – clients - Express effectiveness of the company in collecting its receivables, namely the number of days until the debtors pay their debt to society. The average number of days in which the company claims back in 2018 was 86 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 1,35 expresses assets management effectiveness by achieving a turnover of 59.215.309 lei generated by an amount of fixed assets worth 43.722.390 lei.

c) Cash-flow :

The cash flow situation at 31 December 2018 as compared to 31 December 2017, 31 December 2016 and 31 December 2015 is as follows:

	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
Long term asset depreciation /impairment	3.504.520	4.743.779	6.057.829	7.043.308
Expenses with disposed assets	104.601	294.100	-	-
Net profit for the year	(70.493)	(98.578)	-	-
Provisions for customers	-	(816.190)	(730.576)	(4.124.629)
Income / (expenses) related to value adjustments on current assets	-	1.104.659	6.779.810	-
Provisions for inventory	-	-	-	(2.669.738)
Interest expense	(371.361)	(240.349)	(112.593)	(176.486)
Interest income	4.435	6.316	71.198	258.873
Gain / loss from exchange rate	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	(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 debts payables	(652.153)	6.289.074	918.711	858.206
Increase / (decrease) other liabilities	1.554.184	(2.412.926)	(1.248.979)	(10.576.377)
Cash used in operating activities	**(1.843.379)**	**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)
Net cash from investment activities	**1.756.314**	**2.032.564**	**122.120**	**(2.253.343)**
Cash payment for acquisition of land and assets	**(276.235)**	**(99.181)**	**(1.425.341)**	**(2.304.511)**
Net cash from financing activities	(276.235)	(99.181)	(1.425.341)	(2.304.511)
Cash repayments of borrowings	**(1.920.900)**	**(1.406.990)**	**(4.811.005)**	**(2.757.350)**
Dividends paid	(1.873.126)	(1.404.845)	(4.772.776)	(2.755.871)
Increase / decrease in net cash and cash equivalents	(47.774)	(2.145)	(38.229)	(1479)
Cash repayments of borrowings	**(440.821)**	**526.393**	**(6.114.226)**	**(7.315.203)**
Cash and cash equivalents at the begining of period	**1.771.478**	**1.245.085**	**7.359.311**	**14.674.514**
Cash and cash equivalents at the end of period	**1.330.657**	**1.771.478**	**1.245.085**	**7.359.311**
Net increase/decrease in cash and cash equivalents	**(440.821)**	**526.393**	**(6.114.226)**	**(7.315.203)**

In 2018 cash and cash equivalents decreased by 2017 with 967.214 lei, as a result of:

- The decrease in cash generated by operating activity by 276.250 lei, from + 2.032.564 lei at 31.12.2017 to +1.756.314 lei at 31.12.2018;

- The decrease of the net cash from the investment activity by 177.054 lei, from (99.181) lei to 31.12.2017 to (276.235) lei at 31.12.2018;

- The decrease of net cash from financing activity by 513.910 lei, from (1.406.990) lei at 31.12.2017 to (1.920.900) lei at 31.12.2018.

In 2018 the cash and cash equivalents decreased as compared to 2016 by 5.673.405 lei, due to:

- Increase in cash generated from operating activity by 1.634.194 lei, from + 122.120 lei to 31.12.2016 to + 1.756.314 lei at 31.12.2018;

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- The increase of the net cash from the investment activity by 1.149.106 lei, from (1.425.341) lei at 31.12.2016 to (276.235) lei at 31.12.2018;

- The increase of the net cash from the financing activity by 2.890.105 lei, from (4.811.005) lei at 31.12.2016 to (1.920.900) lei at 31.12.2018.

In 2018 the cash and cash equivalents increased by 2015 with 6,874,382 lei, due to:

- The increase in cash generated by operating activity by 4.009.657 lei, from (2.253.343) lei at 31.12.2015 to + 1.756.314 lei at 31.12.2018;

- The increase of the net cash from the investment activity by 2.028.275 lei, from (2.304.511) lei at 31.12.2015 to (276.235) lei at 31.12.2018.

- The increase of the net cash from the financing activity by 836.450 lei, from (2.757.350) lei at 31.12.2015 to (1.920.900) lei at 31.12.2018;

Board of Directors,	Director General,
Through CEO - Hagiu Neculai	Zidaru Ion
Economic Director,	Head of Gen. Acct. Dept.,
Popescu Ileana	Duta Heroiu Maria Carmen

UZTEL S.A.
OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS
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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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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**

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**	**Adjustme nt 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)

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 .

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.

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.

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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.

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.

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.

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

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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.

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.

- *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.

- *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.

- *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.

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;

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- **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;
- **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	-

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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.

lei

Trade receivables and other receivables	Balance at 31.12.2018	Of which overdue 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
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.

	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 31 December 2018 (lei)	Accounting year ended 31 December 2017 (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 <u>31 December 2018</u>	**Accounting year ended <u>31 December 2017</u>**
	(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 <u>31 December 2018</u>	**Accounting year ended <u>31 December 2017</u>**
	(lei)	**(lei)**
Gross book value	783.882	(13.170.728)
Items assimilated to revenue	-	-

Legal reserve established	(39.195)	-
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

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9. PROVISIONS

Statement of provisions made by the company is as follows:

	Accounting year ended 31 December 2018 (lei)	Accounting year ended 31 December 2017 (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

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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;
- 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

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

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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**

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.

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

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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

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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.

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

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NOTE OF SUBSTANTIATION

of the proposal on distribution of accounting profit on la 31.12.2018

In the financial year ended December 31, 2018, UZTEL SA Ploiesti recorded net profit of RON 783.882,46.
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 share capital.
As at 31 December 2018, the statutory legal reserve is in the amount of 1.955.836 lei, and the total amount of the constituted reserve is 2.682.729,50 lei.
The company constituted on 31.12.2018 the legal reserve amounting to 39.194,12 lei, according to the provisions of art. 26 par. (1), lit. (a) of Law no. 227/2015 regarding the Fiscal Code, as follows:

129 Profit distribution	=	1061 Legal reserves	39.194,12 lei

As a result of establishing the legal reserve amounting to 39.142,12 lei, the net book profit will be 744.688,34 lei.

It is proposed to the General Meeting of Shareholders that the net profit of RON 744.688,34 should be recorded in the accounting records of Uztel SA Ploiesti as follows :

121 **Profit**	**=**	**1171.02** **Result reported-loss**	**744.688,34 lei**

1171.02	**=**	**1171.01**	**744.688,34 lei**
Reported result - profit		**Reported result - loss**	

The result carried forward from previous years is an accounting loss amounting to (16.650.910,26) lei, representing:

- loss related to the year 2016, amounting to (3.480.181,87) lei;
- loss related to 2017, amounting to (13.170.728,39) lei.

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 (15.906.221,92) lei.

General Director	Economic Director	Head of Gen. Acct.Dept.
Eng. Zidaru Ion	Ec. Popescu Ileana	Ec Duta Heroiu Maria Carmen

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

They have been prepared the annual financial statements at 31.12.2018 of:
Entity: UZTEL
County: 29-Prahova
Address: town of Ploiesti, Str.Mihai BRAVU, NO. 243, tel.0372441111
Trade register number: J29 / 48/1991
Ownership: 34 Joint stock companies
Core business (NACE code and class name): 2892 - Manufacture of machinery for mining, quarrying and construction.
Unique Registration Code: RO 1352846

The undersigned Eng. Zidaru Ion under Article 10 (1) of the Accounting Law no. 82/1991, with the capacity of General Director, assumes responsibility for preparing annual financial statements to 31.12.2018 and acknowledges the following:

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

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

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

General Director,
Eng. Zidaru Ion

Statement of the company UZTEL S.A. on compliance with the Corporate Governance Code for 2018

Provisions of Corporate Governance Code	Conformity	Partial or total non-conformity	Reason of non-conformity
A.1. All companies must have an internal regulation of Board of Directors that includes the terms of reference and responsibilities of the Board and the key management functions of the company, and which applies inter alia the general principles in Section A.	X		
A.2 Provisions for managing conflict of interest should be included in the Board Regulation. In any case, Board members must notify the Board of any conflicts of interest that have arisen or may arise and refrain from participating in the discussions (including through non-attendance, unless the failure would impede the formation of the quorum) and to the vote for a decision on the issue giving rise to the conflict of interest.	X		
A.3 The Board of Directors must be composed of at least five members.	X		
A.4 Most members of the Board of Directors should not have an executive function. At least one member of the Board of Directors must be independent in the case of Standard Category companies. Each independent member of the Board of Directors must file a statement at the time of his nomination for election or re-election, as well as when any change of status occurs, indicating the elements on the basis of which he is considered to be independent in terms of his character and judgment and the following criteria.	X		
A.4.1 He/she is not the General Director / Chief Executive Officer of the company or a company controlled by it and has not held such a position for the past five (5) years	X		
A.4.2. He/she is not an employee of the company or a company controlled by it and has not held	X		

such a position for the past five (5) years;			
A.4.3. He/she does not receive and did not received any additional remuneration or other benefits from the company or a company controlled by it, other than those that are in the position of non-executive director;	X		
A.4.4. He/she is not or was not an employee or has not or did not have during the previous year a contractual relationship with a significant shareholder of the company, a shareholder controlling over 10% of the voting rights, or with a company controlled by it;	X		
A.4.5. He/she does not have and did not have a business or professional report with the company or a company controlled by it, either directly or as a client, partner, shareholder, member of the Board / Administrator, general manager / executive director or employee of a company if, by virtue of its substantive nature, this relationship may affect its objectivity;	X		
A.4.6. He/she is not and has not been for the past three years the external or internal auditor or partner or associate employee of the current external financial auditor or the internal auditor of the company or a company controlled by it;	X		
A.4.7. He/she is not the general manager / executive director of another company where another general manager / executive director of the company is non-executive;	X		
A.4.8. He/she has not been a non-executive manager of the company for more than twelve years;	X		
A.4.9. He/she has no family ties with a person in the situations mentioned under A.4.1. and A.4.4.	X		
A.5 Other relatively permanent professional engagements and obligations of a member of the Board, including executive and non-executive positions in the Board of Non-Profit Societies and	X		

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Companies, must be disclosed to potential shareholders and investors prior to nomination and during their term of office			
A.6 Any member of the Board must report the Board any relationship with a shareholder owning directly or indirectly shares representing more than 5% of all voting rights. This obligation refers to any kind of relationship that may affect the member's position on matters decided by the board.	X		
A.7 The Society shall designate a Board Secretary responsible for supporting the work of the Board.	X		
A.8 The Corporate Governance Statement will inform whether an evaluation of the Board has taken place under the direction of the President or the nomination committee and, if so, summarize the key measures and the resulting changes. The company must have a policy / guidance on the Board's assessment of the scope, criteria and frequency of the evaluation process.		X	Procedure in progress, deadline in sem. I 2019
A.9 The Corporate Governance Statement should contain information on the number of meetings of the Board and committees over the past year, the administrators' participation, and a report by the Board and committees on their activities.		X	Procedure in progress, deadline in sem. I 2019
A10 The corporate governance statement should contain information about the exact number of independent members of the Board of Directors.	X		
B. 1 The Board should set up an audit committee in which at least one member should be an independent non-executive administrator. Most members, including the President, must have proven that they have adequate qualifications relevant to the functions and responsibilities of the Committee. At least one member of the audit committee must have proven and appropriate audit or accounting experience.		X	The audit committee was set up in January 2019

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B.2 The Audit Committee Chairman must be an independent non-executive member.	X		
B.3 In its responsibilities, the audit committee must conduct an annual review of the internal control system.		X	The audit committee was set up in January 2019
B.4 The assessment should take into account the effectiveness and scope of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Board by the audit committee, the promptness and effectiveness with which executive management addresses the identified weaknesses or weaknesses Following internal control and submission of relevant reports to the Board's attention.		X	The audit committee was set up in January 2019
B.5 The Audit Committee shall assess the conflicts of interest in relation to the transactions of the company and its subsidiaries with affiliated parties.		X	The audit committee was set up in January 2019
B.6 The audit committee should assess the effectiveness of the internal control system and risk management system.		X	The audit committee was set up in January 2019
B.7 The Audit Committee should monitor the application of generally accepted legal standards and internal audit standards. The audit committee must receive and evaluate audit team reports.		X	The audit committee was set up in January 2019
B.8 Whenever the Code mentions reports or analyzes initiated by the Audit Committee, they should be followed by periodic reports (at least annually) or ad hoc reports to be submitted to the Board.		X	The audit committee was set up in January 2019
B.9 No shareholder may be granted preferential treatment over other shareholders in respect of transactions and agreements and concluded by the Company with its affiliated shareholders.	X		

B.10 The Board must adopt a policy to ensure that any company transaction with any of the Companies with which it has close relationships with a value equal to or greater than 5% of the company's net assets (according to the latest financial report) is approved by the Board following a mandatory opinion of the Board's audit committee and fairly disclosed to shareholders and potential investors, to the extent that these transactions fall within the category of events subject to reporting requirements.		X	The audit committee was set up in January 2019
B.11 Internal audits should be performed by a structurally separate division (internal audit department) within the company or by hiring an independent third party.	X		
B.12 In order to ensure the main functions of the internal audit department, it must report functionally to the Board via the audit committee. For administrative purposes and within management's responsibilities to monitor and mitigate risks, it must report directly to the General Director.	X		
C.1 The company must publish the remuneration policy on its website and include a statement on the implementation of the remuneration policy in the annual report during the annual period under review.	X		
D.1 The company must organize an Investor Relations Service - indicating to the general public the person or persons responsible or the organizational unit. In addition to information required by law, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all relevant information of interest to investors, including:	X		
D1.1. The main corporate regulations: the constitutive act, the procedures regarding the general meetings of the shareholders;		X	

D1.2. Professional CVs of members of the company's governing bodies, other professional engagements of Members of the Board, including executive and non-executive positions on board of directors in companies or non-profit institutions.		X	
D1.3. Current reports and periodic reports (quarterly, half-yearly and yearly) at least those under D.8 - including current reports including detailed information on non-compliance with the Code;	X		
D1.4. Information on general shareholders meetings: agenda and informative materials; The procedure for electing the members of the Board; The arguments supporting the nomination of candidates for the Board, together with their professional CVs; Shareholders' questions about the items on the agenda and the responses of the company, including the adopted decisions;	X		
D1.5. Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events that lead to the acquisition or limitation of the rights of a shareholder, including the deadlines and principles applied to such operations. Such information will be published within a timeframe that will allow investors to make investment decisions;	X		
D1.6. The name and contact details of a person who will be able to provide relevant information upon request;		X	
D1.7. Presentations of the company (eg, investor presentations, quarterly results, etc.), financial statements (quarterly, half-year, annual), audit reports and annual reports.	X		
D.2. The Company will have a policy on the annual distribution of dividends or other benefits to shareholders proposed by the Director General and adopted by the Board in the form of a set of	X		

guidelines that the company intends to follow on the distribution of net profit. The principles of the annual distribution policy to shareholders will be published on the company's website.			
D.3. The company will adopt a policy on forecasts, whether they are made public or not. The forecasts refer to quantified conclusions of studies aimed at determining the global impact of a number of factors for the upcoming period (the so-called hypotheses): by its nature, this projection has a high level of uncertainty; the actual results may differ materially from projections originally presented. The forecast policy will determine the frequency, timing and content of the forecasts. If published, the forecasts can only be included in the annual, half-yearly or quarterly reports. The forecasting policy will be published on the company's website.	X		
D.4. The rules of general shareholders' meetings should not limit the participation of shareholders in general meetings and the exercise of their rights. Changes to the rules will take effect at the earliest, starting with the next shareholders' meeting.	X		
D.5. External auditors will be present at the shareholders' general meeting when their rapporteurs are present at these meetings.	X		
D.6.The Board will present to the Annual General Meeting of the Shareholders a brief assessment of the internal control and management systems of significant risks, as well as opinions on matters subject to the decision of the general meeting.	X		
D.7. Any specialist, consultant, expert or financial analyst may attend the shareholders' meeting on the basis of a prior invitation from the Board Accredited journalists may, also to participate in the general meeting of the shareholders, unless the President of the Board decides otherwise.	X		

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

Chairman of Board of Directors of UZTEL SA. Ploiesti

Hagiu Neculai

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FINANCIAL AUDIT REPORT

Confidential

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

In attention to the shareholders of
SC UZTEL SA

Independent Audit Report

Report on the individual financial statements

The Opinion

1. SC ECOTEH EXPERT SRL has audited the annexed financial statements of SC UZTEL SA (hereinafter as «The Company»), which has the registered office in Ploiesti, 243 Mihai Bravu Street, Prahova County, identified by the unique registration code RO1352846. The statements include: Financial position statement at 31. December 2018, Global Result Statements, Equity Changes Statements, Cash Flows Statements and Financial Statements Notes, which include a summary of the significant accounting policies and other explanatory information.

2. The financial statements refer to:
   - The individual equity 62.736.649 RON
   - Profit for the year 783.882 RON

3. As per our opinion, the annexed financial statements fairly represent the financial position and performance of the financial year and cash flows at 31. December 2018, under all significant aspects. The Company's annexed financial statements were prepared according to OMPF No. 2844/2016 on approving the accounting Regulations according to the International Financial Reporting Standards (hereinafter as «IFRS») under all significant aspects, which allowed the auditor to have a clean opinion.

Opinion Grounds

4. The audit was performed in accordance with the International Audit Standards (hereinafter as «IAS»), Regulation (EU) No. 537/2014 of the European Parliament and of the Council (hereinafter as «The Regulation») and Law No. 162/2017 (hereinafter as «The Law»). Based on the mentioned standards and regulations, our responsibilities are detailed in Section *The Auditor's Responsibilities* of our report. We are independent from the Company, according to the Code of Ethics of the Accounting Professionals, issued by the International Ethics Standards Board for Accountants (IESBA), according to the relevant Romanian ethics requirements, including the Regulation and the Law, and we have fulfilled these ethics requirements accordingly. We believe that the audit evidences that we obtained are sufficient and adequate in order to provide the grounds for our opinion.

Significant uncertainty on business activity continuation

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

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

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

   In this respect, the Controlling Function should be established, in order to assess and manage the risks to which the Company is exposed.

Key auditing aspects

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

Key auditing aspects	*Audit approach*
Risk management and internal controls system The Controlling system was established in the second part of 2018 financial year. The Board of Directors did not have any controlling means up to that point. The Controlling Function is a key function of the Company.	Our procedures included: - Assessment of the control and internal audit function; - Testing the control and internal audit plan, considering the control reports for the management, also verifying the implementation of the given recommendations; - Collaborating with the Audit Committee, which was established in the 2nd Semester of 2018.
Income recognition Accounting treatment, identification, assessment, recognition, according to IAS 18. In Note No. 3 (a) on the accounting policies – the income is a key performance indicator for the Company, have a direct influence on the majority of the specific objectives and expectations. Out of the total operating income of 77.683.418 RON, the recorded income for products in stock and in execution was 16.936.267 RON Nota 3(7)	Our procedures included: - Verification of the income accounting policies against the accounting standards and applicable legislation; - Verification whether the income was correctly classified and processed in the appropriate period.

Evaluation of the work-in-progress production

In Note No. 11, the work-in-progress production at 31. December 2018 was evaluated at 10.470.881 RON. The evaluation refers to that work-in-progress production during a normal business activity, as per IAS 2. The work-in-progress production is a key aspect in the audit due to unpredictability, which accumulates direct and indirect costs, balancing the impact when delivering within the contractual deadlines.

Our procedures included:

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

Depreciation of fixed assets

The Company's net fixed assets of 43.695.215 RON are presented in Note No. 10 and represent a key auditing aspect – IAS 16. The main features in recognizing these assets relate the determination of their carrying amounts, the depreciation charges and impairment losses to be recognised in relation to them. This is valuable information for the users of the financial statements for the Company's investment in tangible fixed assets.

Our procedures included:

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

Assessment on appliying the accounting policies

The Company admits in Note No. 3 (f) that is has not applied IFRS 9, which replaced IAS 39 on 1st of January, 2018.

Our procedures considered the status of the listing on the capital market of UZT shares. Although the UZT share value has significantly increased from an accounting perspective in line with the financial recovery of the Company after its insolvent period, the share trading was insignificant.

Evaluation of the business continuity

This principle is a key aspect in the audit engagement. The Company, which just finalized insolvency procedures, brings a strategic value to this aspect. In Note No. 2 (a) to the IFRS Conformity Declaration, the Company takes responsibility for confirming undertaking continuous business activities. The business activity trend of the Company was increasing in 2018, compared to 2017, the net assets and the equity are positive. Thus, the Management considers that there are no uncertainties that may put into question the Company's capacity to continue its activity, being able to manage the assets and fulfil its obligations while undertaking future activities.

Our procedures considered the following:

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

Additional information – Report of the Administrators

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

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

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

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

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

   a. The information presented in the Report of the Administrators is in line with the financial statements of 31. December 2017, in all significant aspects;

b. The Report of the Administrators has been issued, in all its significant aspects, in accordance with OMPF No. 2844/2016, Chapter 3, points 15-19.

Additionally, based on our understanding on the Company's activities and environment, which was obtained during the audit engagement of the financial statements at 31. December 2018, we are required to report whether we identified significant changes in the Report of the Administrators. There is nothing to report in this respect.

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

8. The Management is responsible for the preparation and fair presentation of the financial statements, in accordance with OMPF No. 2844/2016. In addition, the Company's management is responsible for designing, implementing and maintaining a relevant internal control, considered necessary for ensuring that the preparation of the financial statements is free of material misstatements due to fraud or error.

9. While preparing the individual financial statements, the Company's Management is responsible for evaluating whether the Company is capable of business continuation. If the case, the Management will present aspects regarding the business activity continuation, except for the case when the Management either intends to liquidate the Company or to terminate operations, or has no other realistic solution.

10. The responsible persons on governance are responsible for monitoring the Company's financial reporting process.

The Auditor's responsibilities in auditing the individual financial statements

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

12. As part of an audit undertaken according to ISA, we use professional judgement and we maintain a professional scepticism.

    In addition:

    - We identify and assess signification distortion risks on the individual financial statements, caused either by fraud or error, we plan and we perform audit procedures as risk responses and we obtain sufficient and adequate audit evidences as to provide a basis for our opinion. The risk of not detecting a significant distortion caused by fraud is higher than the one for a significant distortion caused by error, due to the fact that fraud may relate to misleading, secrets, forgery, false statements and overriding internal control.

- We understand the relevant internal control for the audit, in order to plan auditing procedures in line with the circumstances, without the purpose of providing an opinion on the efficiency if the Company's internal control.

- We assess the appropriateness of the used accounting policies and the reasonability of the accounting estimates and of the Management information reporting.

- We conclude on the business continuity accounting appropriateness used by the Management and we determine, based on the obtained audit evidence, whether there is a significant uncertainty regarding the events or conditions which could raise questions on the Company's capacity to continue its business activity. In case we conclude that there is a significant uncertainty, we will draw attention on the related presentations for the financial statements within the auditor's report or, in case the presentations are inconsistent, we will change our opinion. Our conclusions are based on audit evidences which were obtained until the auditor's report date. Nevertheless, the Company may not undertake its business based on activity continuation principle due to future events or conditions.

- We assess the presentation, the structure and the content of the individual financial statements, including the presentation of financial information, and also the fairness of how the financial statements reflect transactions and key events.

13. We inform the persons who are responsible with the governance on the scope and duration of the audit, also on the main findings, including any significant deficiencies of the internal control.

14. Additionally, we provide the persons who are responsible with the governance our statement that we met the ethical requirements on independence and we communicated all relationships or other aspects that could have affected our independence, and, if the case, related measures taken.

15. We prioritise all communicated aspects in order to determine the most important ones from auditing the individual financial statements, which become the key auditing aspects. We describe these aspects within the audit report, except for the case when the laws or regulations forbid making them public (extremely rare circumstances, when the public interest benefits may be overcome by the negative impact of the public communication).

Report on other legal and regulatory provisions

16. We were nominated by the General Assembly of the Shareholders to perform the audit the financial statements of SC UZTEL SA, for the financial exercise ended on 31. December 2018. The full duration of our audit engagement is 2 years, covering the financial exercises from 31.12.2018 to 31.12.2020.

We confirm the following:

- Our audit opinion is in line with the Report which was sent to the Company's Audit Committee, which we issued at the same date with the present Report. Additionally, during the audit engagement, we kept our independence toward the audited entity.
- We confirm that we have not provided any non-audit services which are forbidden as per Art. 5 para (1) of the EU Regulation No. 537/2014.

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

Olguta CODESCU

Financial Auditor, CFAR licence No. 947/2001
Chartered Accountant
Fiscal Consultant

Bucharest, Romania, 20.03.2019