



**UZTEL S.A.**

**OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS**

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

Phone: + 40(0)244 / 541399, 523455; 0372441111; Fax: 521181; E-mail: [office@uztel.ro](mailto:office@uztel.ro)

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



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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;



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- 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.



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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.

#### 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.

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

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.



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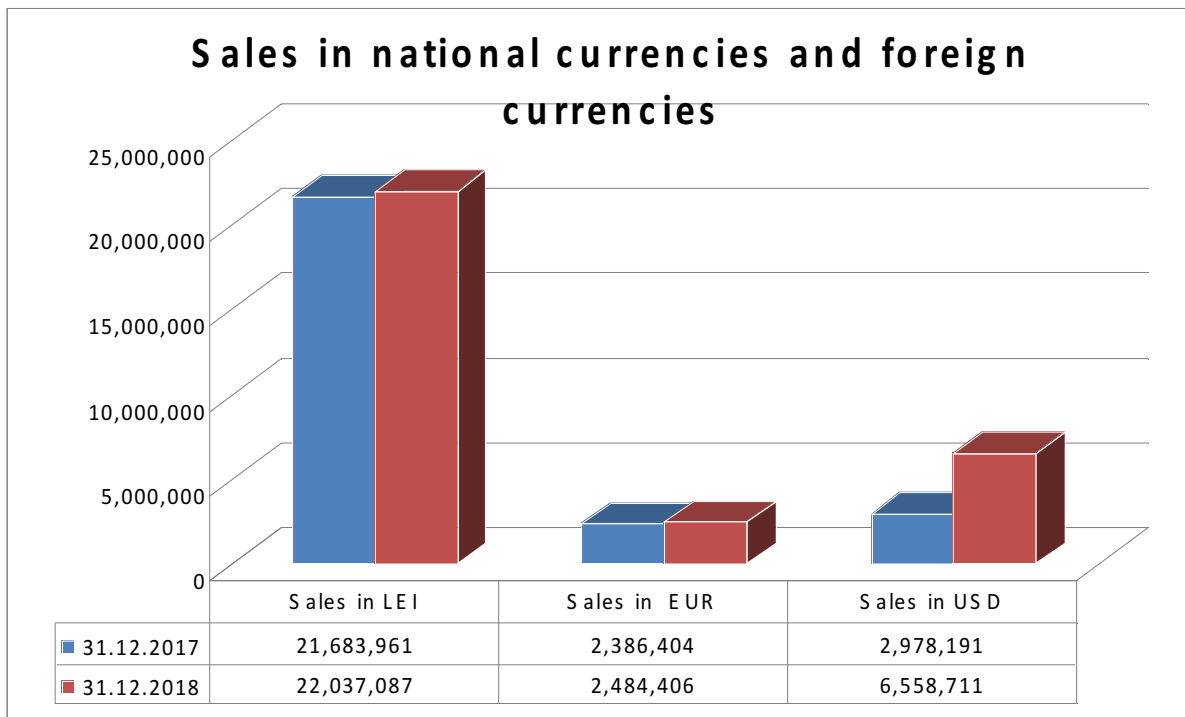
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Uztel S.A. knew in 2018 the following trend of sales on domestic and foreign markets:

- 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;
- 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;
- 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





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#### 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.



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#### - 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:

Explanations	lei		
	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



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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	-
<b>Total cash</b>	<b>1.330.657,02</b>	<b>1.771.478,44</b>	<b>75,12</b>

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:

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.





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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
<b>Turnover - Total</b>	<b>59.215.308,69</b>	<b>75,29</b>	<b>100,00</b>

### *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
Huttene Albertus Romania SRL Bucuresti	1.047.262,73	3,39
Hany Industry SRL Ploiesti	973.232,59	3,15

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Engie Romania SA Bucuresti	918.314,28	2,97
Pas Technologies Romania SRL Campina	903.173,33	2,92
<b>TOTAL</b>	<b>16.585.490,31</b>	<b>53,64</b>

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<b>External Suppliers</b>	<b>Total invoices (euro)</b>	<b>Share %</b>
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
<b>TOTAL</b>	<b>629.571,91</b>	<b>93,36</b>

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<b>External Suppliers</b>	<b>Total invoices (US)</b>	<b>share %</b>
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
<b>TOTAL</b>	<b>354.978,21</b>	<b>99,81</b>

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#### 1.1.4 Evaluation of sales

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

<b>Domestic Clients</b>	<b>Total invoices (lei) Without VAT</b>	<b>share %</b>
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
<b>TOTAL</b>	<b>15.382.171,53</b>	<b>70,17</b>

<b>External Clients</b>	<b>Total Invoices (Euro)</b>	<b>share %</b>
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 Drilling Equipment B.V. Olanda	37.670,00	1,83
Peseco Limited Aberdeenshire United	24.067,00	1,17
<b>TOTAL</b>	<b>1.921.060,68</b>	<b>93,15</b>



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<b>External Clients</b>	<b>Total Invoices (USD)</b>	<b>share %</b>
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
<b>TOTAL</b>	<b>7.023.410,93</b>	<b>100</b>

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.



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Phone: + 40(0)244 / 541399, 523455; 0372441111; Fax: 521181; E-mail: [office@uztel.ro](mailto:office@uztel.ro)

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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.



## UZTEL S.A.

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- 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 31.03.2018.

Environmental factors (water, wastewater, air-emission, air -immission, soil, waste) were monitored as required by law applicable to the activities of SC 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:

	<b>PRODUCT</b>
1	WELLHEAD 16 3/4''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



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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 .



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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;





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- 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.

	<b>Accounting year ended <u>31 December 2018</u> (lei)</b>	<b>Accounting year ended <u>31 December 2017</u> (lei)</b>
Interest paid	371.361	240.349



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### *Liquidity risk*

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

	Accounting year ended <u>31 December 2018</u>	Accounting year ended <u>31 December 2017</u>
	(lei)	(lei)
Cash and availability on demand	1.330.657	1.771.478
<b>Total Cash and cash equivalents</b>	<b>1.330.657</b>	<b>1.771.478</b>

### *Currency risk*

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

	Accounting year ended <u>31 December 2018</u>	Accounting year ended la <u>31 December 2017</u>
	(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.



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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 effected 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:

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



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b) According to the note of presentation and justification of the Investment Program for 2018, 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.



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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. 9234 of March 15, 2018 and on the Bucharest Stock Exchange, 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
<b>TOTAL</b>	<b>5.365.459</b>	<b>100,0000</b>

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 bellow:

	lei
a) Payments 1 <sup>st</sup> 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.



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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:

<b>PERIOD 01.01.2018 - 31.12.2018</b>		
<b>SURNAME, GIVEN NAME</b>	<b>POSITION</b>	<b>PERIOD OF OFFICE OofficeADA</b>
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



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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:

<b>PERIOADA 01.01.2018 - 31.12.2018</b>			
<b>PERIOD 01.01.2018 - 31.12.2018</b>	<b>PERIOD 01.01.2018 - 31.12.2018</b>	<b>PERIOD 01.01.2018 - 31.12.2018</b>	<b>PERIOD 01.01.2018 - 31.12.2018</b>
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.



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

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

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

<b>SURNAME, GIVEN NAME-POSITION</b>	<b>Number of shared owned</b>
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.





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## 5. Finance -accounting statement

### a ) Elements of Financial Statement

a.1. The situation of assets items in 2018 compared to the years 2017 and 2016 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
<b>Total assets</b>	<b>43.722.390</b>	<b>47.069.235</b>	<b>51.883.452</b>	<b>58.364.717</b>
<b>Current assets of which:</b>	<b>51.603.852</b>	<b>49.294.264</b>	<b>53.774.626</b>	<b>67.274.973</b>
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
<b>Total assets</b>	<b>95.326.242</b>	<b>96.363.499</b>	<b>105.658.078</b>	<b>125.639.690</b>

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.



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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



## UZTEL S.A.

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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

<b>Liabilities</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
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
<b>Total Liabilities</b>	<b>95.326.242</b>	<b>96.363.499</b>	<b>105.658.078</b>	<b>125.639.690</b>

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.



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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:

Keys	31.12.2018	31.12.2017	31.12.2016	31.12.2015
<b>Net turnover</b>	<b>55.215.309</b>	<b>44.370.143</b>	<b>41.510.000</b>	<b>45.806.332</b>
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
<b>Operation Result</b>	<b>1.129.342</b>	<b>(12.957.785)</b>	<b>(18.936.399)</b>	<b>(2.008.349)</b>
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
<b>Net Financial Result</b>	<b>(345.458)</b>	<b>(212.943)</b>	<b>(210.553)</b>	<b>283.230</b>
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
<b>Result before tax</b>	<b>783.882</b>	<b>(13.170.728)</b>	<b>(19.146.952)</b>	<b>(1.725.119)</b>
Income tax	-	-	-	<b>312.177</b>
<b>Global related result</b>	<b>783.882</b>	<b>(13.170.728)</b>	<b>(19.146.951)</b>	<b>(2.037.296)</b>

**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



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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%;



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-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%.

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:



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- 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, ie 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, ie 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



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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%, ie in 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





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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.

<b>Economic - financial indicators</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
<b>Current liquidity</b> – Current Assets / Current Liabilities	1,85	1,77	2,99	2,92
<b>Indebtness</b> – Borrowed capital / Equity * 100	7,75%	12,23%	11,48%	5,06%
<b>Rotation speed debts – clients</b> – Receivables / Turnover * 365 days	86 zile	112 zile	129 zile	141 zile
<b>Rotation speed of fixed assets</b> – 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 2017 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.



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#### 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:

	<u>31-December</u> <u>2018</u> lei	<u>31-December</u> <u>2017</u> lei	<u>31-December</u> <u>2016</u> lei	<u>31-December</u> <u>2015</u> lei
<b>Net profit for the year</b>	<b>783.882</b>	<b>(13.170.728)</b>	<b>(19.146.952)</b>	<b>(2.037.296)</b>
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	-	-
<b>Net profit for the year</b>	<b>(70.493)</b>	<b>(98.578)</b>	<b>-</b>	<b>-</b>
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
<b>Movements in working capital</b>	<b>3.192.172</b>	<b>5.013.971</b>	<b>12.343.670</b>	<b>842.324</b>
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)
<b>Cash used in operating activities</b>	<b>(1.843.379)</b>	<b>10.429.670</b>	<b>7.055.853</b>	<b>(687.538)</b>
Interest paid	-	-	(17.857)	(194.348)



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<b>Cash generated from operating activities</b>	(371.361)	(240.349)	(112.593)	(176.486)
<b>Net cash from investment activities</b>	<b>1.756.314</b>	<b>2.032.564</b>	<b>122.120</b>	<b>(2.253.343)</b>
Cash payment for acquisition of land and assets	<b>(276.235)</b>	<b>(99.181)</b>	<b>(1.425.341)</b>	<b>(2.304.511)</b>
<b>Net cash from financing activities</b>	(276.235)	(99.181)	(1.425.341)	(2.304.511)
Cash repayments of borrowings	<b>(1.920.900)</b>	<b>(1.406.990)</b>	<b>(4.811.005)</b>	<b>(2.757.350)</b>
Dividends paid	(1.873.126)	(1.404.845)	(4.772.776)	(2.755.871)
<b>Increase / decrease in net cash and cash equivalents</b>	(47.774)	(2.145)	(38.229)	(1479)
Cash repayments of borrowings	<b>(440.821)</b>	<b>526.393</b>	<b>(6.114.226)</b>	<b>(7.315.203)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>1.771.478</b>	<b>1.245.085</b>	<b>7.359.311</b>	<b>14.674.514</b>
<b>Cash and cash equivalents at the end of period</b>	<b>1.330.657</b>	<b>1.771.478</b>	<b>1.245.085</b>	<b>7.359.311</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>(440.821)</b>	<b>526.393</b>	<b>(6.114.226)</b>	<b>(7.315.203)</b>

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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### OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

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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,

Through CEO - Hagiu Neculai

Director General,

Zidaru Ion

Economic Director,

Popescu Ileana

Head of Gen. Acct. Dept.,

Duta Heroiu Maria Carmen