



**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 2019**

## **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 Controlul calitatii se certifica in laboratoare dotate cu aparatura si echipamente specializate.

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, and 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 January 1st and December 31st, 2019, the total value of the increases recorded in the accounting records for the "Machines and equipment" class was 115.237 lei representing:

- Heating installation works for the boiler at the Oil Equipment Section, in value of 53.586 lei;
- Modernization of drilling machine in coordinates with rotary table without reader, in value of 22.000 lei;
- Len Lenovo Thinkpad laptop and Office Power computers, worth 39.651 lei.

Between January 1 - December 31, 2019 the total value of the increases recorded in the accounting records for the class "Other tangible fixed assets" was of 11.422 lei, representing a monitoring system for tests at the Oil Equipment Section.

*The tangible fixed assets in progress* registered between January 1 and December 31, 2019 an increase of 227.973 lei, representing:

- Monitoring system stand sample Oil Equipment Section, worth 11.422 lei;
- Lenovo Thinkpad i7 laptop, worth 4.706 lei;
- Mounting of radio bridges control, in the amount of 26.370 lei;
- Office Power computers, worth 34.946 lei;
- Topographic documentation in order to obtain the urban planning certificate for obtaining authorization for industrial hall construction, geotechnical study and design documentation, in value of 133.260 lei;
- Execution of command room for CALAMARI induction furnace, in amount of 17.269 lei.



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Between January 1 and December 31, 2019 advances for tangible assets recorded an increase of 23.921 lei, representing:

- Advance for the purchase of the BenchDot 150-150E marking system, worth 18.308 lei;
- Advance for mounting radio control bridges for rolling bridges, in the amount of 5.613 lei.

Between January 1st and December 31st, 2019, the class “Machines and equipment” registered a decrease in value of 401.092 lei representing: cancelation of fixed assets with an inventory value of 214.403 lei and sale of fixed assets with an inventory value of 186.689 lei.

Between January 1 and December 31, 2019 the total value of the deductions recorded in the accounting records for the class “*Other tangible fixed assets*” was of 11.157 lei representing disposable fixed assets.

*The tangible fixed assets* in progress registered between January 1 and December 31, 2019 a decrease of 149.236 lei, representing:

- Commissioning the heating installation for the boiler at the Oil Equipment Section, in value of 53.586 lei;
- Commissioning of the monitoring system of benchmark in the Oil Equipment Section, worth 11.421 lei;
- Modernization of drilling machine in coordinates with rotary table without reader, in value of 22.000 lei;
- Commissioning the Lenovo Thinkpad i7 Laptop, worth 4.706 lei;
- Commissioning of Office Power computers, worth 57.523 lei.

#### • Fixed assets - Non-corporal

Between 1st January and 31st December 2019, *development expenditures* increased by 53.646 lei, representing:

- Expenses for the realization of “SSV 3 1/8 X5m valve, hydraulically operated, equipped with automation system” delivered by VT VERES Hungary, worth 43.819 lei ;
- expenses for the realization of "wooden model fittings for the item masse acoustique traverse extreme", worth 9.827 lei.

Between January 1 and December 31, 2019 the company purchased intangible assets worth 75.511 lei, including:



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- technical support for the integrated SIVECO program, amounting to 54.411 lei;
- ESET Endpoint antivirus license, worth 6.698 lei;
- Software Update License & Support Oracle Database Standard Edition One Processor Perpetual for the period November 2019-November 2020, worth 4.033 lei;
- design licenses amounting to 10.369 lei.

1.1 d) *Description of the main results of the evaluation of the company's activity*  
*The fixed assets recorded the following evolutions in the financial year 01.01.2019 – 31.12.2019:*

Compared with the year 2018, the total of the fixed assets decreased from 43.722.390 lei to 31.12.2018 to 40.959.949 lei to 31.12.2019, i.e. a percentage reduction of 6,32% compared to the same period of 2018, as follows:

- The value of the intangible assets increased from 27.175 lei on 31.12.2018 to 80.115 lei on 31.12.2019, i.e. a percentage increase of 194,81%, due to the accounting record of the development expenses and the acquisition of fixed assets intangible assets, as well as the expenses with their amortization recorded during the financial year 2019.
- The value of the tangible assets decreased from 43.695.215 lei as of 31.12.2018 to 40.879.834 lei as of 31.12.2019, i.e. a percentage reduction of 6,44%, due to the accounting record of expenses with depreciation.

<b>Asset component</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Intangible assets	80.115	27.175	73.781	109.617
Tangible assets	40.879.834	43.695.215	46.995.454	51.773.835
<b>Total assets</b>	<b>40.959.949</b>	<b>43.722.390</b>	<b>47.069.235</b>	<b>51.883.452</b>

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

Uztel S.A. registered in 2019 the following evolution of sales on the domestic and foreign market:



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- a. **Sales in RON** increased from 22.037.087 lei to 31.12.2018 to 29.895.568 lei on 31.12.2019, i.e. a percentage increase of 35,66% compared to the same period of 2018;
- b. **Sales in EUR** decreased from 2.484.406 Euros as of 31.12.2018 to 1.836.672 Euros as of 31.12.2019, i.e. a percentage decrease of 26,07% compared to the same period of 2018;
- c. **Sales in USD** decreased from 6.558.711 USD on 31.12.2018 to 5.881.109 USD on 31.12.2019, i.e. a percentage decrease of 10,33% compared to the same period of 2018.

Explanations	31.12.2018	31.12.2019	31.12.2019/31.12.2018*100
Sales in RON	22.037.087	29.895.568	135,66
Sales in EUR	2.484.406	1.836.672	73,93
Sales in USD	6.558.711	5.881.109	89,67

#### 1.1.1 Elements of general assessment:

a) Profit 584.808 lei

b) Turnover 63.506.667 lei

c) Total value of to sales in foreign currencies ( EURO and USD ) changed to national currency or January- December 2019 worth 34.754.326 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	33.381.037
acct. 704.2.03	Revenue from services rendered - external	212.150,23
acct. 708.1.02	Income from different activities - export	17.911,43

d) Actual expenditure of 2019 to achieve production manufactured and sold is totaling 51.764.719, 15 lei and to achieve production in progress are worth a total of 10.754.379, 17 lei.

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

- domestic market 10-15%;



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- international market 1-1,5%.

The company, using the professional reasoning, has estimated these market shares for 2019, quotas that will be affected in 2020 due to the events following the balance sheet concluded on 31.12.2019 regarding the evolution of the international epidemiological situation determined by the spread of SARS-CoV-2 coronavirus at the level of over 150 countries, as well as the declaration of "Pandemic" by the World Health Organization on 11.03.2020 and of the Decree of the President of Romania no. 195 of 16.03.2020 regarding the establishment of the state of emergency in the territory of Romania published in the Official Gazette, part I, no. 212 / 16.03.2020.

In 2019 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, Petro Welt Technologies AG Austria, Automobile Dacia SA Mioveni, Tehnomet SA Buzau, Multy Products Rom SRL Sighisoara, Tacrom Drilling SRL Ploiesti, Atlantic Prod Impex SRL Ploiesti, Expert Petroleum Solutions SRL Bucuresti, Metal Somet SA Buzau s.a.
- **Suppliers** - Forja Rotec SRL Buzau, Arva Metals & Steels SRL Cornetu, Electrica Furnizare SA Bucuresti, Phoenix Unio SRL Satu Mare, Hany Industry SRL Ploiesti, MSD COM SRL Buzau, Engie Romania SA Bucuresti, Pas Technologies Romania SRL Campina, Huttenes Albertus Romania Bucuresti s.a.

#### - intra-community trading partners:

- **Clients** - ABB Process Industrie Franta, Robke Erdol Und Erdgastechnik Germania, Eurotech INT Sp zoo Wojska Polonia, Liberty Drilling Equipment Olanda, Saipem s.p.A. San Donato Milanese Italia, VT Veres KFT Kecskmet Ungaria, Elematic Oy Ab Toijala Finlanda, TDE ITS KFT Ungaria, Hartmann Valves GmbH Germania s.a.
- **Suppliers** - Riganti SPA Italia , Forgitall Italy S.P.A., Danco Industry LTD Bulgaria, Siderforgerossi Group S.P.A. Italia, Quattro Intersped SRL Pitesti, Ompa SRL Italia, Hunting Energy Services B.V. Olanda, CF Service SRL Italia, Special Quality Alloys LTD England, IGP Enineers PVT LTD India s.a.

#### - extra-community trading partners:





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- **Clients** –Desert Sand Oil&Gas LLC Muscat Oman, Kar Construction&Engineering LTD Iraq, TechnipFMC Canada Ltd, Independent Oil Tools Iraq, IAL Engineering Services LTD Trinidad, PT Bangun Mitra Sinergi Jakarta Indonezia, Peseco Limited Aberdeenshire United Kingdom, Petrolava Company Iraq, Manefols Komerz LLP Belfast Irlanda.
- **Suppliers** - Parker Hannifin Corporation PGI USA, Shabum International LTD Tel Aviv Israel, Optimum LTD Liban, Lonestar Fasteners Europe LTD United Kingdom, Quattro Intersped SRL Pitesti, Gebruder Wess SRL Bucuresti, Techstreet – Clarivate Analytics LLC Canada, Easycnc LTD China, Hub Dacia Limited Cipru s.a.

f) at 31.12.2019, the company had liquidities (according to balance sheet) in total amount of 1.971.169 lei as follows:

lei

<b>Explanations</b>	<b>31-December 2019</b>	<b>31-December 2018</b>	<b>Share (%)</b>
<b>0</b>	<b>1</b>	<b>2</b>	<b>3 = 1/2*100</b>
bank account 5121 ( lei )	66.022,79	214.309,88	30,81
bank account 5124 (usd) - c/val. lei	391.510,89	781.639,81	50,09
bank account 5124 (eur) - c/val. lei	1.499.431,15	328.592,42	456,32
cash account 5311 in lei	4.734,10	3.717,29	127,35
Petty cash acct. 5314 in currency (usd) – c/val. lei	7.946,10	303,78	2.615,74
Petty cash acct 5314 in currency (eur) – c/val. lei	1.524,35	2.093,84	72,80
<b>Total cash</b>	<b>1.971.169,38</b>	<b>1.330.657,02</b>	<b>148,14</b>

The cash availability registered in 2019 an increase from 1.330.657, 02 lei on 31.12.2018 to 1.971.169, 38 lei on 31.12.2019, i.e. a percentage increase of 48,14% compared to the same period of the year 2018.

At 31 December 2019, the company recorded a net financial loss due to the exchange rate fluctuations (Euro and USD) for the period January - December 2019, amounting to 156.030,04 lei, as follows:



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- account 665 (expenses due to exchange rate differences) = 846.428,72 lei
- account 765 (income from exchange rate differences) = 690.398,68 lei.

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

- a) As of December 31, 2019, the Company owns assets in the total amount of 84.984.107,38 lei, as follows:

lei

ASSETS	Balance at 31.12.2019 as of Account balance
Lands	16.537.801,55
Constructions	32.061.723,77
Technological equipment, devices and measurement equipment, vehicles	36.218.539,93
Furniture and office equipment	166.042,12

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

- b) During January-December 2019, the following evolutions of the company's main incomes were recorded compared to the total revenues of 75.577.893 lei and the turnover of 63.506.667 lei, namely:

Year 2019	Value (lei)	Share in total income %	Share in turnover %
Revenue from the sale of finished products - domestic	29.696.725,71	39,29	46,76
Revenue from the sale of finished products – external	33.381.037,00	44,17	52,56
Revenue from services rendered – laboratory services	45.925,00	0,06	0,07
Revenue from services rendered – internal transport	20.261,86	0,03	0,03
Revenue from services rendered – external transport	212.150,23	0,28	0,33
Income from sale of goods	46.337,14	0,06	0,07
Income from various activities - Internal	86.318,79	0,11	0,14





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Income from various activities - Export	17.911,43	0,02	0,03
<b>Turnover - Total</b>	<b>63.506.667,16</b>	<b>84,03</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 2019 are shown below:

<b>Domestic suppliers</b>	<b>Total invoices (lei) Without VAT</b>	<b>Share %</b>
Forja Rotec SRL Buzau	4.211.644,01	12,43
Arva Metals & Steels SRL Cornetu	3.051.909,08	9,01
Electrica Furnizare SA Bucuresti	2.787.743,51	8,23
Sodexo Pass Romania SRL Bucuresti	1.933.178,58	5,70
Phoenix Unio SRL Satu Mare	1.597.411,47	4,71
Hany Industry SRL Ploiesti	1.095.680,99	3,23
MSD COM SRL Buzau	1.024.783,20	3,02
Engie Romania SA Bucuresti	939.663,49	2,77
Pas Technologies Romania SRL Campina	871.194,29	2,57
Huttenes Albertus Romania SRL Bucuresti	791.160,57	2,33
<b>TOTAL</b>	<b>18.304.369,19</b>	<b>54,00</b>

<b>External Suppliers</b>	<b>Total invoices (euro)</b>	<b>Share %</b>
Riganti SPA Italia	279.428,00	30,41
Forgital Italy S.P.A.	152.029,00	16,54
Danco Industry LTD Bulgaria	125.693,83	13,68
Siderforgerossi Group S.P.A. Italia	98.905,00	10,76
Quattro Intersped SRL Pitesti	63.465,95	6,91
Ompa SRL Italia	62.702,00	6,82
Hunting Energy Services B.V. Olanda	18.674,00	2,03
CF Service SRL Italia	16.495,80	1,80
Special Quality Alloys LTD England	14.400,00	1,57
IGP Enineers PVT LTD India	14.001,55	1,52
<b>TOTAL</b>	<b>845.795,13</b>	<b>92,04</b>



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<b>External Suppliers</b>	<b>Total invoices (US)</b>	<b>Share %</b>
Parker Hannifin Corporation PGI USA	85.572,00	28,53
Shabum International LTD Tel Aviv Israel	68.486,72	22,83
Optimum LTD Liban	64.608,12	21,54
American Petroleum Institut Washington USA	36.001,89	12,00
Lonestar Fasteners Europe LTD United Kingdom	13.871,40	4,62
Quattro Intersped SRL Pitesti	9.005,00	3,00
Gebruder Wess SRL Bucuresti	6.687,08	2,23
Techstreet-Clarivate Analytics LLC Canada	6.584,24	2,19
Easycnc LTD China	3.490,00	1,16
Hub Dacia SRL Bucuresti	2.925,00	0,98
<b>TOTAL</b>	<b>297.231,45</b>	<b>99,08</b>

#### *1.1.4. Evaluation of sales*

The main 10 clients per sales volume for 2019 are listed in the table bellow:

<b>Domestic Clients</b>	<b>Total invoices (lei) Without VAT</b>	<b>share %</b>
Cameron-Romania SRL Campina	7.260.950,25	26,98
Petro Welt Technologies AG Austria	4.998.139,59	18,57
Automobile Dacia SA Mioveni	2.262.014,54	8,41
Tehnomet SA Buzau	1.520.171,34	5,64
Multy Products Rom SRL Sighisoara- Punct de lucru Albesti Prahova	1.330.195,94	4,94
Tacrom Drilling SRL Ploiesti	965.353,81	3,59
Atlantic Prod Impex SRL Ploiesti	749.699,88	2,79
Nis Petrol SRL Bucuresti	736.497,74	2,74
Expert Petroleum Solutions SRL Bucuresti	709.255,87	2,64
Metal Somet SA Buzau	697.277,88	2,59
<b>TOTAL</b>	<b>21.229.556,84</b>	<b>78,89</b>



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<b>External Clients</b>	<b>Total Invoices (Euro)</b>	<b>share %</b>
ABB Process Industrie Aix-Les Bains Cedex France	522.643,67	23,62
ABB Process Industrie Aix-Les Bains Cedex France (NE)	492.242,42	22,25
Robke Erdol UND Erdgastechnik GmbH Germania	488.865,48	22,10
Eurotech INT Sp zoo Wojska Polonia	182.443,40	8,25
Liberty Drilling Equipment B.V. Olanda	141.554,00	4,40
Saipem S.p.A San Donato Milanese Italia	101.218,00	4,57
VT Veres KFT Kecskmet Ungaria	46.275,00	2,09
Elematic Oy Ab Toijala Finlanda	40.518,80	1,83
TDE ITS KFT Ungaria	34.429,00	1,56
Hartman Valves GmbH Germania	34.369,70	1,55
<b>TOTAL</b>	<b>2.084.559,47</b>	<b>92,22</b>

<b>External Clients</b>	<b>Total Invoices (Euro)</b>	<b>share %</b>
Desert Sand Oil&Gas LLC Muscat Oman	2.272.397,25	40,47
Kar Construction&Engineering LTD Iraq	1.449.483,60	25,81
TechnipFMC Canada Ltd	1.065.062,00	18,97
Independent Oil Tools Iraq	300.105,63	5,34
IAL Engineering Services LTD Trinidad	234.001,80	4,17
PT Bangun Mitra Sinergi Jakarta Indonezia	167.825,00	2,99
Peseco Limited Aberdeenshire United Kingdom (NE)	97.729,00	1,74
Petrolava Company Iraq	19.112,00	0,34
Manefols Komerz LLP Belfast Irlanda (NE)	6.784,00	0,12
Manefols Komerz LLP Belfast Irlanda	2.851,00	0,05
<b>TOTAL</b>	<b>5.615.351,28</b>	<b>100,00</b>

The effects of manufacturing activity, transactions and events conducted during 2019 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 2019 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.



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SC UZTEL S.A. had on 31.12.2019 ongoing orders / contracts with internal and external trading partners in the total amount of 11.114.123 lei, from what:

Internal Market - RON	794.453
External market - EURO	1.281.754
External market - USD	1.078.620

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-2019, 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 2020, as follows:

Internal Market - RON	6.000.000
External market - EURO	4.400.000
External market - USD	10.500.000

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

a) Company recorded at 31.12.2019, 482 employees from what:

individuals

Engineer	Sub-engineers	Economists	Other people with academic education
55	6	9	4

The factory staff is represented as follows:

individuals

Oilfield equipment Dept.	Hot sectors Depart.	Other activities	Total Techn-Ec. Adm staff
193	155	52	82



## UZTEL S.A.

### OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

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The relationship between management and employees in 2019 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-259 from 02.10.2019, valid until 02.10.2024 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: 109 from 14.06.2019 valid until 15.06.2022;
- Certificate of registration in the register of authorized economic operator performing waste recovery operations no. 0325 /150256/24.02.2020 issued by the Ministry of Economy - Department of Industrial Policy valid until 31.03.2021.

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 2019 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 2019 were:

#	PRODUCT
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



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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 2019 certifications for licenses as follows:

b1) Audit of integrated quality (HSEQ) conducted by DNV-GL-Business Assurance during 06- 08. 05.2019, included:

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



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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) Recertification audit conducted by GR Eurocert SRL Ploiesti Romania, on 17.07.2019, 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:

- PEMH1.0041 (valid until 23.08.2020);
- PE43.0065 ( valid until 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 valid until 22.11.2020
- RU No.0330701 valid until 23.11.2020
- RU No.0330702 valid until 24.11.2020

b4) Maintaining product licenses according to the standards: API 6A; 6D; 16A; 16D; 16C for which we were audited during the periods 14-18.01.2019 and 24-26.09.2019 and received a letter of extension of the certificates until April 2, 2020.

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

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





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- Introduction of high productivity technologies and modern cutting tools with direct impact on the technical norms of time and implicitly on the quality and cost price of the finished product;

- Designing verifiers in accordance with the new API requirements revised in 2019, which will ensure the execution accuracy of the products according to the client's requirements and the tender documentation submitted and at the same time significantly reduce the percentage of rejects or reprocessed parts and prevent any complaints. Also it was continued the design of devices with self-centering that reduce the processing time and implicitly decrease the cost per product;

- Permanent technical assistance provided by the Technological Design Service - SDV in the manufacturing process for the early detection of the technological problems (semi-manufactured, adjustments or inadequate working regimes) and their rapid correction;

- The training of qualified personnel for machine tools with numerical control in order to replace the personnel who ceased working relations with the company. In this sense, a 30-day course was organized in September, totaling 80 hours with the course support provided by the Technological Service. This course was followed by a graduation check. All participants directly involved in the production process on CNC, engineers and machine operators participated in this course;

- Designing and executing two stands for homologation of valves and adjustable nozzles in accordance with the new API / 2019 requirements. These were needed in the UZTEL API / 2019 audit process;

- Drawing up a new plan for the location of the main machines existing in UZTEL by concentrating them on a new location. In this regard, discussions were held with the suppliers of numerically controlled machines for the purchase of several new types of machines, allowing the processing of large gauge parts specific to the oil extraction equipment in order to extend the manufacturing range of the oil machine. This is because according to market requirements, the demands for fracturing and geothermal equipment were increased;

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



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– Also continued the implementation of technologies for inspection and recertification services according to the new requirements API / 2019, of the equipment used in drilling-extraction for various foreign or Romanian companies that are interested in performing these works in UZTEL. This range has been extended to preventers, manifolds, control stations, diverters, manufactured by Cameron, Shaffer, Hydrill or Koomey with major impact in obtaining the original repair documentation for the execution of these recertifications. In 2019 the collaboration with a number of companies with collaborative interests in the area of Poland, the Czech Republic and Turkey was extended.

#### **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 at <u>31 December 2019</u></b>	<b>Accounting year ended at <u>31 December 2018</u></b>
	<b>(lei)</b>	<b>(lei)</b>
Interest paid	696.286	371.361

##### ***Liquidity risk***

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

	<b>Accounting year ended at <u>31 December 2019</u></b>	<b>Accounting year ended at <u>31 December 2018</u></b>
	<b>(lei)</b>	<b>(lei)</b>
Cash and availability on demand	1.971.169	1.330.657
<b>Total Cash and cash equivalents</b>	<b>1.971.169</b>	<b>1.330.657</b>



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### *Currency risk*

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

	Accounting year ended at	Accounting year ended at
	<u>31 December 2019</u>	<u>31 December 2018</u>
	(lei)	(lei)
Result of exchange rate differences	(156.030)	20.470

### *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 fully avoidable..

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 2019 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 reduced investments budgets;

During 2019 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



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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 2019, 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.

### *Operational risk*

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

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

- the supply of products and services according to the explicit and implicit qualitative requirements of the clients through the organization, planning and permanent monitoring of the orders / commercial contracts;
- improving the management of human resources by reducing the risks regarding the lack of qualified personnel and by maintaining and developing the professional competences of all employees.

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

The company does not hold 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>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Current liquidity</b> = Current assets / Current liabilities	2,00	1,85	1,77	2,99



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<b>Quick Liquidity</b> = Current Assets - Stocks / Current Liabilities	0,44	0,55	0,56	0,88
---------------------------------------------------------------------------	------	------	------	------

b) According to the presentation and foundation note of the Investment Program for 2020, the note prepared by the Energy Investment Maintenance Service and approved by the administrative and executive management of the company was estimated the allocation of material resources for the rehabilitation and modernization of existing assets.

This imperative investment process necessary for the company will be seriously affected by the events following the balance sheet concluded on 31.12.2019 regarding the evolution of the international epidemiological situation determined by the spread of the SARS-CoV-2 coronavirus at the level of over 150 countries, as well as the declaration of the "Pandemic" by the World Organization. of Health on 11.03.2020 and of the Decree of the President of Romania no. 195 of 16.03.2020 regarding the establishment of the state of emergency in the territory of Romania published in the Official Gazette, part I, no. 212 / 03.16.2020. The worsening situation on a national and international level, a phenomenon that cannot be controlled by the company, will inevitably lead to an unavoidable negative impact on the drastic decrease in the volume of orders and commercial contracts for 2020, of the achievement of indicators. planned budgets. This epidemiological crisis will generate commercial, financial and social losses that are difficult to quantify at the moment of this report. It is not to be neglected either the sharp fall in the price of the barrel of oil in a very short time, which will have serious consequences on the clients of the company (drilling and exploitation companies) who have stopped and delayed the investment programs in oil equipment, and which will cause a negative "chain reaction" on the company's revenues / turnover.

## **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.



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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 travelling cranes and hoist, which mostly had expired lifespan were expertise and recertified by ISCIR, process to be continued in 2020. Machine tools manifest wear on the guides, gearboxes, main axes, so it becomes increasingly difficult to maintain optimal parameters.

It is estimated, depending on the financial resources, the purchase of the following machines: 305kW photovoltaic panels in order to reduce the energy consumption, the purchase of two 5-tones monogrid rolling bridges and TCN-CNC machining center in order to increase productivity.

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

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

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

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

**3.2** The share capital of UZTEL S.A. registered at 31 December 2019 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



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to address no. 2967 from 30.01.2020, the situation of the shareholders of the shares on 31.12.2019 is the following:

Shareholder	Nmb. of shares held	Share in capital, %
UZTEL Association	4.498.300	83,8381
Legal persons	420.126	7,8302
Natural persons	447.033	8,3317
<b>TOTAL</b>	<b>5.365.459</b>	<b>100,0000</b>

In 2019 the Company made quarterly payments amounting 4.701,75 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	304,14
b) Payments 2nd quarter	386,51
c) Payments 3rd quarter	236,43
d) Payments 4th quarter	3.774,67

At 31.12.2019 Uztel SA recorded in account 457 (due dividends) the sum representing dividends due to shareholders for years 2003-2008.

The company has not determined and not paid dividends for the years 2011 - 2019.

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

- Company did not buy its own shares in 2019.

### **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 2019 the company has not issued bonds or other debt securities.





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## 4. Company's management

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

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

In 2019 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 01.01.2019 - 31.12.2019</b>		
<b>SURNAME, GIVEN NAME</b>	<b>POSITION</b>	<b>PERIOD OF OFFICE</b>
Hagiu Neculai	Chairman of Board of Directors	03.07.2018-31.12.2019
Popescu Ileana	Member of board of Directors	03.07.2018-31.12.2019
Serbaniuc Tudor	Member of board of Directors	03.07.2018-31.12.2019
Stan Vasile Armis	Member of board of Directors	03.07.2018-31.12.2019
Gheorghiu Mihail Gabriel	Member of board of Directors	01.01.2019-31.12.2019
Grigore Victor	Member of board of Directors	19.03.2019-31.12.2019

For the period 14.03.2019 - 31.12.2019 the total remunerations of the Board of Directors of the Company represented 2,07% of the salary fund.

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



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a) the executive management appointed by the Board of Directors for the year 2019 had the following composition:

**THE EXECUTIVE MANAGEMENT OF THE COMPANY** - during the period 01.01.2019 - 31.12.2019 registered the following component in exercising the managerial attributions:

PERIOD 01.01.2019 - 31.12.2019			
SURNAME, GIVEN NAME	POSITION	PERIOD	DECISION / ISSUED AT
Zidaru Ion	General Director	01.01.2019-31.12.2019	Mandate Contract t nr. 06/05.01.2018
Anghel George Marinelo	Technical Director	01.01.2019-31.12.2019	Decision 170 / 16.10.2017
Gheorghiu Mihail Gabriel	Commercial Director	01.01.2019-31.12.2019	Indiv. Labour Contract 238 / 31.01.2013
Popescu Ileana	Economic Director	01.01.2019-31.12.2019	Decision 592 / 30.11.2010
Voicu Mariana	Manager Quality Management System	10.04.2019-31.12.2019	Decision 64/05.04.2018

For the period 01.01.2019 - 31.12.2019 total remuneration of the executive management of the Company accounted for a share of 6,23 % 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 2019 .

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



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Voicu Mariana - Manager Quality Management System	-
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**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 drawn 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. The internal management control system of the company Uztel operates with a variety of procedures, means, actions, dispositions, which concern all aspects related to the activities of the entity, being established and implemented by the management of the company to allow it to have a good control over the functioning of the entity as a whole, as well as each activity / operation. The instrumentation of internal managerial control is classified into six large groups: objectives, means (resources), information system, organization, procedures, control.

The internal management control and the internal audit had the following objectives in 2019:

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

The achievement of these objectives was achieved as follows:

- the recruitment of personnel with an adequate level of competence, in accordance with the needs of the company, accompanied by the development of a continuous training plan that will allow an update of the specific knowledge or supplement the internal resources with external consultants / service providers, when appropriate;



## UZTEL S.A.

### OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

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- clear definition and division of responsibilities for each person involved in the organizational process;
- the separation of the attributions regarding the carrying out of operations between persons, so that the attributions of approval, control and registration are, to an appropriate extent, entrusted to different persons (according to the Organization Chart);
- existence of a calendar and a well-defined process regarding the elaboration of accounting, financial and commercial information in accordance with the reporting requirements and the corresponding verification and approval by the Board of Directors.

In accordance with the recommendations provided in the GCC, 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 2019 compared to the years 2018, 2017, and 2016 is as follows:

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<b>Assets</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Intangible assets	80.115	27.175	73.781	109.617
Tangible assets, of which:	40.879.834	43.695.215	46.995.454	51.773.835
Land and buildings	30.212.484	31.946.854	34.280.920	37.709.342
Plant and machinery	7.901.870	9.084.357	10.101.313	10.900.435
Other installations and	57.205	58.387	71.204	78.181
Tangible assets in progress	2.546.484	2.467.747	2.418.897	2.962.757
Advance for acquisition of intangible assets	161.791	137.870	123.120	123.120
<b>Total assets</b>	<b>40.959.949</b>	<b>43.722.390</b>	<b>47.069.235</b>	<b>51.883.452</b>
<b>Current assets of which:</b>	<b>51.895.551</b>	<b>51.603.852</b>	<b>49.294.264</b>	<b>53.774.626</b>
Stocks	40.547.659	36.287.530	33.811.683	37.903.801
Receivables	9.372.388	13.983.352	13.707.148	14.621.400
Cash availability	1.971.169	1.330.657	1.771.478	1.245.085
Prepayments	4.335	2.313	3.955	4.340
<b>Total assets</b>	<b>92.855.500</b>	<b>95.326.242</b>	<b>96.363.499</b>	<b>105.658.078</b>



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Compared to 2018 there was a decrease of 2, 59% of the total assets held by the company, compared to 2017 there was a decrease of 3, 64%, and compared to 2016 a decrease of 12,12%.

In nominal terms, total assets decreased in 2019 compared to 2018 from 95.326.242 lei at 31.12.2018 to 92.855.500 lei at 31.12.2019, on the account of:

- the decrease of fixed assets by 6,32%, and in nominal values from 43.722.390 lei at 31.12.2018 to 40.959.949 lei at 31.12.2019;
- the increase of the current assets by 0,57%, and in nominal values from 51.603.852 lei at 31.12.2018 to 51.895.551 lei at 31.12.2019.

In nominal terms, total assets decreased in 2019 compared to 2017 from 96.363.499 lei at 31.12.2017 to 92.855.500 lei at 31.12.2019, on the account of:

- the decrease of fixed assets by 12,80%, and in nominal values from 47.069.235 lei at 31.12.2017 to 40.959.949 lei at 31.12.2019;
- the increase of the current assets by 5,28 %, and in nominal values from 49.294.264 lei at 31.12.2017 to 51.895.551 lei at 31.12.2019.

In nominal terms, total assets diminished in 2019 compared to 2016 from 105.658.078 lei at 31.12.2016 to 92.855.500 lei at 31.12.2019 , on the account of:

- decrease of fixed assets by 21,05%, and in nominal values from 51.883.452 lei at 31.12.2016 to 40.959.949 lei at 31.12.2019;
- the decrease of the current assets by 3,49%, and in nominal values from 53.774.626 lei at 31.12.2016 to 51.895.551 lei at 31.12.2019.

#### 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 31.12.2019 amounting to 3.428.878,87 lei there were no depreciation adjustments in the financial year 2019 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 31.12.2019 amounting to 1.689.887,80 lei there were no depreciation adjustments in the financial year 2018 because they are under strict monitoring regarding the terms of their



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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 31.12.2019 amounting to 3.848.323, 81 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 31.12.2019 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 2019 compared to 2018,2017 and 2016 is as follows:*

lei

<b>Liabilities</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Equity	13.413.648	13.413.648	13.413.648	13.413.648
Adjustments of equity	3.453.860	3.453.860	3.453.860	3.453.860
Reserves	37.055.314	38.756.972	40.780.481	67.707.446
Retained earnings	9.398.635	7.112.169	3.686.242	(10.069.996)
Debt over a year	3.333.492	4.373.392	6.913.206	12.943.959
Provisions	241.307	248.054	253.413	246.213
Debts under one year	25.959.244	27.968.147	27.862.649	17.962.947
<b>Total Liabilities</b>	<b>92.855.500</b>	<b>95.326.242</b>	<b>96.363.499</b>	<b>105.658.078</b>

Compared to 2018, there was a decrease by 2,59% in the company's total liabilities in nominal values from 95.326.242 lei at 31.12.2018 to 92.855.500 lei at 31.12.2019.



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Compared to 2017, there was a decrease by 3,64% in the company's total liabilities in nominal values from 96.363.499 lei at 31.12.2017 to 92.855.500 lei at 31.12.2019.

Compared to 2016, there was a decrease by 12,12% in the company's total liabilities in nominal values from 105.658.078 lei at 31.12.2016 to 92.855.500 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 1.730.898 lei, through the capitalization of the revaluation surplus as the depreciation expenses recorded in the tax register, as follows:

- the amount of 1.545.488 lei expenses with depreciation related to the revaluation surplus highlighted in the fiscal register in 2019;
- the amount of 185.410 lei representing expenses with the depreciation related to the revaluation surplus evidenced in the fiscal register for the fixed assets removed from the record through disposal and sale.

#### b) Overall Result

The structure of the overall result in 2019 compared to the years 2018, 2017 and 2016 is as follows:

Keys	31.12.2019	31.12.2018	31.12.2017	31.12.2016
<b>Net turnover</b>	<b>63.506.667</b>	<b>55.215.309</b>	<b>44.370.143</b>	<b>41.510.000</b>
Operational income	74.882.706	77.683.418	48.627.123	48.219.620
Operational expense	73.428.186	76.554.078	61.584.908	67.156.019
<b>Operation Result</b>	<b>1.454.520</b>	<b>1.129.342</b>	<b>(12.957.785)</b>	<b>(18.936.399)</b>
Financial income	695.187	966.819	704.431	1.324.412
Financial expenses	1.564.899	1.312.277	917.374	1.534.965
<b>Net Financial Result</b>	<b>(869.712)</b>	<b>(345.458)</b>	<b>(212.943)</b>	<b>(210.553)</b>
Total income	75.577.893	78.650.237	49.331.554	49.544.032
Total expenses	74.993.085	77.866.355	62.502.282	68.690.984
<b>Result before tax</b>	<b>584.808</b>	<b>783.882</b>	<b>(13.170.728)</b>	<b>(19.146.952)</b>
Income tax	-	-	-	-
<b>Global related result</b>	<b>584.808</b>	<b>783.882</b>	<b>(13.170.728)</b>	<b>(19.146.952)</b>





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**Turnover** as of 31.12.2019 compared to 31.12.2018 increased by 15,02%, in nominal values from 55.215.309 lei at 31.12.2018 to 63.506.667 lei at 31.12.2019. Compared to 31.12.2017 the turnover registered an increase of 43,13%, in nominal values from 44.370.143 lei at 31.12.2017 to 63.506.667 lei at 31.12.2019, and compared to 31.12.2016 registered an increase of 52,99% , in nominal values from la 41.510.000 lei at 31.12.2016 to 63.506.667 lei at 31.12.2019.

Turnover expresses the volume of revenue earned by the company on the basis of the business operations performed in the reference year 2019. The turnover includes: sales of manufactured products, works and services, rents and other income.

**Operating revenues** registered a reduction of 3,61% in 2019 compared to 2018, i.e. in nominal values from 77.683.418 lei at 31.12.2018 to 74.882.706 lei at 31.12.2019, on the account of:

- increase of the production sold from 59.143.320 lei at 31.12.2018 to 63.460.330 lei at 31.12.2019, a percentage increase of 7,30%;
- decrease of the incomes related to the costs of the stocks of products from 16.936.267 lei at 31.12.2018 to 9.291.097 lei to 31.12.2019, a percentage decrease with 45,14%;
- decrease of the incomes from the production of intangible and tangible fixed assets from 60.635 lei at 31.12.2018 to 53.645 lei on 31.12.2019, a percentage decrease with 11,53%;
- increases of other operating revenues from 1.471.207 lei at 31.12.2018 to 2.031.297 lei on 31.12.2019, a percentage increase of 38,07%.

Compared with 31.12.2017, operating revenues registered an increase of 53,99%, i.e. in nominal values from 48.627.123 lei at 31.12.2017 to 74.882.706 lei as of 31.12.2019, due to:

- increase of the production sold from 44.114.519 lei at 31.12.2017 to 63.460.330 lei on 31.12.2019, a percentage increase with 43,85%;
- increase of the incomes related to the costs of the stocks of products from 3.828.029 lei at 31.12.2017 to 9.291.097 lei to 31.12.2019, a significant percentage increase;
- decrease of the incomes from the production of intangible and tangible fixed assets from 59.755 lei at 31.12.2017 lei to 53.645 lei on 31.12.2019, a percentage reduction with 10,23%;



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– increase of other operating revenues from 369.196 lei at 31.12.2017 to 2.031.297 lei as of 31.12.2019, a significant percentage increase. Compared with 31.12.2016, the operating revenues registered an increase of 55,30%, i.e. in nominal values from 48.219.620 lei at 31.12.2016 to 74.882.706 lei as of 31.12.2019, due to:

- increase of the production sold from 41.496.082 lei at 31.12.2016 to 63.460.330 lei on 31.12.2019, a percentage increase with 52,93%;
- increase of the incomes related to the costs of the stocks of products from 5.577.215 lei at 31.12.2016 to 9.291.097 lei at 31.12.2019, a percentage increase with 66,59%;
- decrease of the incomes from the production of intangible and tangible fixed assets from 309.972 lei at 31.12.2016 lei to 53.645 lei on 31.12.2019, a percentage decrease with 82,69%;
- increase of other operating revenues from 822.433 lei at 31.12.2016 to 2.031.297 lei as of 31.12.2019, a percentage increase significant percentage increase.

**The operational expenses** - registered a decrease by 4,08% at 31.12.2019 compared to 31.12.2018, in nominal values from 76.5544.078 lei at 31.12.2018 to 73.428.186 lei to 31.12.2019:

- the decrease of the expenses with raw materials, consumables, goods and utilities from 41.130.415 lei at 31.12.2018 to 35.904.353 lei at 31.12.2019, a percentage decrease with 12,71%;
- the increase of other expenses representing external benefits, taxes and taxes from 7.631.832 lei at 31.12.2018 to 7.639.908 lei at 31.12.2019, a percentage increase of 0,11%;
- the increase of the expenses with the staff from 23.957.522 lei at 31.12.2018 to 26.435.090 lei at 31.12.2019, a percentage increase with 10,34%.

Compared with 31.12.2017, the operating expenses increased by 19,23%, in nominal values from 61.584.908 lei at 31.12.2017 to 73.428.186 lei at 31.12.2019, taking into account:



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- the increase of the expenses with raw materials, consumables, goods and utilities from 28.044.533 lei at 31.12.2017 to 35.904.353 lei at 31.12.2019, i.e. a percentage increase with 21,89%;
- the increase of other expenses representing external benefits, taxes and taxes from 6.099.262 lei at 31.12.2017 to 7.639.869 lei at 31.12.2019, a percentage increase of 21,89 %;
- the increase of other expenses representing external benefits, taxes and taxes from 6.099.262 lei at 31.12.2017 to 7.639.869 lei at 31.12.2019, a percentage increase of 25,26%;
- the increase of the expenses with the staff from 21.071.290 lei at 31.12.2017 to 26.435.090 lei on 31.12.2019, a percentage increase with 25,46%.

Compared with 31.12.2016, operating expenses increased by 9,93%, in nominal values from 67.156.019 lei to 31.12.2016 to 73.428.186 lei as of 31.12.2019, taking into account:

- the increase of other expenses representing external benefits, taxes and taxes from 7.224.052 lei on 31.12.2016 to 7.639.869 lei on 31.12.2019, a percentage increase of 5,76%;
- the increase of the expenses with the staff from 18.075.656 lei at 31.12.2016 to 26.435.090 lei at 31.12.2019, a percentage increase with 46,25%.

The increase of the operational expenses was influenced, mainly by the increase of the volume of purchases and of the prices for the raw materials, materials and utilities necessary to realize the contracted production.

**The result of the operational activities** registered at 31.12.2019 compared to 31.12.2018 an increase, in nominal values from +1.129.342 lei at 31.12.2018 to +1.454.520 lei as at 31.12.2019. Compared with 31.12.2017, the result of the operational activities registered an increase, in nominal values from (12.957.785) lei at 31.12.2017 to +1.454.520 lei at 31.12.2019, and compared to 31.12.2016 it registered an increase from (18.936.399) lei on 31.12.2016 to +1.454.520 lei on 31.12.2019.

**Financial revenues** decreased by 28,10% on 31.12.2019 compared to 31.12.2018, i.e. in nominal values from 966.819 lei to 31.12.2018 to 695.187 lei on 31.12.2019. Compared with 31.12.2017, the financial revenues registered a decrease by 1,31% that is in nominal values from 704.431 lei at 31.12.2017 to 695.187 lei on



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31.12.2019 and compared to 31.12.2016 they registered a decrease with 47,51%, i.e. in nominal values from 1.324.412 lei on 31.12.2016 to 695.187 lei on 31.12.2019.

**Financial expenses** registered an increase of 19,25% at 31.12.2019 compared to 31.12.2018, in nominal values from 1.312.277 lei to 31.12.2018 to 1.564.899 lei at 31.12.2019. Compared with 31.12.2017, the financial expenses registered an increase with 70,58%, in nominal values from 917.374 lei at 31.12.2017 to 1.564.899 lei on 31.12.2019, and compared to 2016 they registered an increase with 1,95%, in nominal values from 1.534.965 lei at 31.12.2016 to 1.564.899 lei at 31.12.2019

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

**The net financial result** recorded a loss of (869.712) lei on 31.12.2019, on 31.12.2018 the company recorded a loss of (345.458) lei. At 31.12.2017 the company recorded a net financial loss of (212.943) lei, and at 31.12.2016 a loss of (210.553) lei.

**The total revenues** registered a 3,91% decrease on 31.12.2019 compared to 31.12.2018, i.e. in nominal values from 78.650.237 lei at 31.12.2018 to 75.577.893 lei on 31.12.2019. Compared with 31.12.2017, the total revenues increased by 53,20%, in nominal values from 49.331.554 lei to 31.12.2017 to 75.577.893 lei to 31.12.2019, and compared at 31.12.2016, the total revenues increased by 52,55%, in nominal values from 49.544.032 lei on 31.12.2016 to 75.577.893 lei on 31.12.2019.

**The total expenses** registered a 3,69% decrease on 31.12.2019 compared to 31.12.2018, in nominal values from 77.866.355 lei at 31.12.2018 to 74.993.085 lei on 31.12.2019. Compared to 31.12.2017, total expenses increased by 19,98%, in nominal values from 62.502.282 lei at 31.12.2017 to 74.993.085 lei on 31.12.2019, and compared to 31.12.2016, the total expenses increased by 9,17%, in nominal values from 68.690.984 lei to at 31.12.2016 to 74.993.085 lei to 31.12.2019.

**The result before taxation** registered on 31.12.2019 compared to 31.12.2018 a decrease, in nominal values from +783.882 lei to 31.12.2018 to +584.808 lei on 31.12.2019. Compared with 31.12.2017, the result before taxation registered an increase, in nominal values from (13.170.728) lei to 31.12.2017 to +584.808 lei on 31.12.2019, and compared with 31.12.2016, it registered an increase, in nominal values from (19.146.952) lei on 31.12.2016 to +584.808 lei on 31.12.2019.



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The overall result for the period registered on 31.12.2019 compared to 31.12.2018 a decrease, in nominal values from +783.882 lei to 31.12.2018 to +584.808 lei on 31.12.2019. Compared with 31.12.2017, the result before taxation registered an increase, in nominal values from (13.170.728) lei to 31.12.2017 to +584.808 lei on 31.12.2019, and compared with 31.12.2016, it registered an increase, in nominal values from (19.146.952) lei on 31.12.2016 to +584.808 lei on 31.12.2019.

<b>Economic - financial indicators</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Current liquidity</b> – Current Assets / Current Liabilities	2,00	1,85	1,77	2,99
<b>Indebtness</b> – Borrowed capital / Equity * 100	15,70%	7,75%	12,23%	11,48%
<b>Rotation speed debts – clients</b> – Receivables / Turnover * 365 days	54 days	86 days	112 days	129 days
<b>Rotation speed of fixed assets</b> – Turnover / Fixed Assets	1,55	1,35	0,94	0,80

**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 2019 was 54 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 1,55 expresses assets management effectiveness by achieving a turnover of 63.506.667 lei generated by an amount of fixed assets worth 40.959.949 lei.

c) Cash-flow :



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The cash flow situation at 31 December 2019 as compared to 31 December 2018, 31 December 2017 and 31 December 2016 is as follows:

	<u>31-December</u> <u>2019</u> lei	<u>31-December</u> <u>2018</u> lei	<u>31-December</u> <u>2017</u> lei	<u>31-December</u> <u>2016</u> lei
<b>Net profit for the year</b>	<b>543.176</b>	<b>783.882</b>	<b>(3.170.728)</b>	<b>(19.146.952)</b>
Income tax expenses	-	-	-	-
Long term asset depreciation /impairment	2.948.713	3.504.520	4.743.779	6.057.829
Expenses with disposed assets	194.777	104.601	294.100	-
Asset disposal income	(308.609)	(70.493)	(98.578)	-
Impairment adjustments for customer receivables	-	-	(816.190)	(730.576)
Income / (expenses) related to value adjustments on current assets	-	-	1.104.659	6.779.810
Interest expense	(696.285)	(371.361)	(240.349)	(112.593)
Interest income	3.468	4.435	6.316	71.198
Gain / loss from exchange rate	(156.030)	20.470	20.234	278.002
<b>Movements in working capital</b>	<b>1.986.034</b>	<b>3.192.172</b>	<b>5.013.971</b>	<b>12.343.670</b>
Increase / (decrease) in trade receivables	4.609.905	(276.205)	2.461.019	3.144.665
Increase / (decrease) in other current assets	(2.022)	1.642	385	(682)
Increase / (decrease) in inventories	(4.260.129)	(2.475.847)	4.092.118	4.242.138
Increase / (decrease) in debts payables	7.129.206	(652.153)	6.289.074	918.711
Increase / (decrease) other liabilities	(3.077.949)	1.554.184	(2.412.926)	(1.248.979)
<b>Cash used in operating activities</b>	<b>4.398.960</b>	<b>(1.843.379)</b>	<b>10.429.670</b>	<b>7.055.853</b>
Profit tax paid	-	-	-	(17.857)
Interest paid	(696.285)	(371.361)	(240.349)	(112.593)
<b>Cash generated from operating activities</b>	<b>6.231.885</b>	<b>1.756.314</b>	<b>2.032.564</b>	<b>122.120</b>



## UZTEL S.A.

### OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

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

<b>Net cash from investment activities</b>	<b>(953.048)</b>	<b>(276.235)</b>	<b>(99.181)</b>	<b>(1.425.341)</b>
Cash payment for acquisition of land and assets	(953.048)	(276.235)	(99.181)	(1.425.341)
<b>Net cash from financing activities</b>	<b>(4.638.377)</b>	<b>(1.920.900)</b>	<b>(1.406.990)</b>	<b>(4.811.005)</b>
Cash repayments of borrowings	(4.633.675)	(1.873.126)	(1.404.845)	(4.772.776)
Dividends paid	(4.702)	(47.774)	(2.145)	(38.229)
<b>Increase / decrease in net cash and cash equivalents</b>	<b>640.460</b>	<b>(440.821)</b>	<b>526.393</b>	<b>(6.114.226)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>1.330.657</b>	<b>1.771.478</b>	<b>1.245.085</b>	<b>7.359.311</b>
<b>Cash and cash equivalents at the end of period</b>	<b>1.971.117</b>	<b>1.330.657</b>	<b>1.771.478</b>	<b>1.245.085</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>640.460</b>	<b>(440.821)</b>	<b>526.393</b>	<b>(6.114.226)</b>

In 2019, cash and cash equivalents increased compared to 2018 with 1.081.281 lei, as a result of:

- Increases in cash generated from the operating activity by 4.475.571 lei, from +1.756.314 lei at 31.12.2018 to +6.231.885 lei at 31.12.2019;
- The decrease of the net cash from the investment activity by 676.813 lei, from (276.235) lei at 31.12.2018 to (953.048) lei at 31.12.2019;
- The decrease of the net cash from the financing activity by 2.717.477 lei, from (1.920.900) lei at 31.12.2018 to (4.638.377) lei at 31.12.2019.

In 2019 the cash and cash equivalents increased compared to 2017 with 114.067 lei, as a result of:

- Increases of cash generated from the operating activity by 4.199.321 lei, from +2.032.564 lei at 31.12.2017 to +6.231.885 lei at 31.12.2019;
- The decrease of the net cash from the investment activity by 853.867 lei, from (99.181) lei at 31.12.2017 to (953.048) lei at 31.12.2019;





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- The decrease of the net cash from the financing activity by 3.231.387 lei, from (1.406.990) lei at 31.12.2017 to (4.638.377) lei at 31.12.2019.

In 2019, cash and cash equivalents increased compared to 2016 by 6.754.686 lei, as a result of:

- Cash increases generated from the operating activity with 6.109.765 lei, from 122.120 lei at 31.12.2016 to + 6.231.885 lei at 31.12.2019;
- The increase of the net cash from the investment activity by 472.293 lei, from (1.425.341) lei at 31.12.2016 to (953048) lei at 31.12.2019.
- The increase of the net cash from the financing activity by 172.628 lei, from (4.811.005) lei at 31.12.2016 to (4.638.377) lei at 31.12.2019.

Board of Directors,  
trough Chairman – Hagi Neculai

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Anghel George Marinelo

Economic Director,  
Popescu Ileana

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Duta Heroiu Maria Carmen