



**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 2020**

## **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 and integrated with environmental management systems and occupational health and safety certified by GR Eurocert SRL Ploiesti, to ensure product quality while protecting the environment and creating a safe and healthy working environment at work

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

UZTEL S.A. Ploiesti was organized as a joint stock company under Law no. 15/1990 on the reorganization of state economic units as autonomous holdings and 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 at the Trade Register related to Prahova Court under no J29 / 48/1991 and holds unique registration number: RO 1352846.

In 2004, the company was privatized under PSAL I program, by 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 is traded.

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

##### • **Fixed Assets- Tangibles**

Between January 1st and December 31st, 2020, the total value of the increases recorded in the accounting records for the "*Machines and equipment*" class worth 68.004 lei , including:

- BenchDot 150-150E marking equipment, worth 36.632 lei;
- Standard measuring head for BRINELL portable KIM 3000 kg durimeter, worth 13.990 lei;
- Stand opening 20 ''with skylight for portable hardness meter KING 3000 kg, opening 6'', worth 13.719 lei;
- HP14 ''Probook 440 G6 laptop, FHD, IntelA Korea processor, worth 3.663 lei.

*The current tangible fixed* assets registered in the period January 1 - December 31, 2020 an increase in value of 68.004 lei, representing:

- BenchDot 150-150E marking equipment, worth 36.632 lei;
- Standard measuring head for BRINELL portable KIM 3000 kg durimeter, worth 13.990 lei;
- Stand opening 20 '' with skylight for portable hardness meter KING 3000 kg, opening 6'', worth 13.719 lei;
- HP14 ''Probook 440 G6 laptop, FHD, IntelA Korea processor, worth 3.663 lei.

Between January 1 and December 31, 2020, the total value of the decreases registered in the accounting records for the "*Land*" class was 194.871 lei,



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representing the removal from the record of 2.159 sq m of land sold according to the Sale Contract with authentication conclusion no. 571 / 19.02.2020.

Between January 1 and December 31, 2020, the total value of the decreases registered in the accounting records for the “*Constructions*” class was 1,066,065 lei, representing removal from the Club records sold according to the Sale Contract with authentication conclusion no. 571 / 19.02.2020.

*The tangible fixed assets in progress* registered between January 1 and December 31, 2020 a decrease in the amount of 68,004 lei, representing:

- BenchDot 150-150E marking equipment, worth 36.632 lei;
- Standard measuring head for BRINELL portable KIM 3000 kg durimeter, worth 13.990 lei;
- Stand opening 20 ”with skylight for portable hardness meter KING 3000 kg, opening 6”, worth 13.719 lei;
- HP14 ”Probook 440 G6 laptop, FHD, IntelA Korea processor, worth 3.663 lei.

- **Fixed assets – intangible**

Between January 1 and December 31, 2020, the *development expenses* registered an increase of 2.871 lei, representing expenses for the realization of SSV 3 1/8 X5m valve, hydraulically operated, equipped with automation system delivered by VT VERES Hungary.

Between January 1 and December 31, 2020, the company acquired intangible assets worth 75.917 lei, representing:

- technical support for the integrated SIVECO program, amounting to 54.959 lei;
- ESET Endpoint antivirus license, worth 6.975 lei;
- Software Update License & Support Oracle Database Standard Edition One Perpetual processor for the period November 2020-November 2021, amounting to 4.194 lei;
- design licenses worth 9.789 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 – 31.12.2020:*



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Compared to 2019, the total fixed assets decreased from 40.959.949 lei on 31.12.2019 to 37.644.835 lei on 31.12.2020, i.e., a percentage decrease of 8.09% compared to the same period of 2019, as follows:

- The value of intangible assets decreased from 80,115 lei on 31.12.2019 to 68.052 lei on 31.12.2020, i.e., a percentage decrease of 15,06%, due to the registration in the accounting records of development expenses and the acquisition of fixed assets intangible assets, as well as the depreciation expenses recorded during the financial year 2020.
- The value of tangible fixed assets decreased from 40.879.834 lei on 31.12.2019 to 35.576.783 lei on 31.12.2020, i.e., a percentage decrease by 12,97%, due to the registration in the accounting records of the records (land and club) and depreciation expenses.

Asset component	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Intangible assets	68.052	80.115	27.175	73.781
Tangible assets	35.576.783	40.879.834	43.695.215	46.995.454
<b>Total assets</b>	<b>37.644.835</b>	<b>40.959.949</b>	<b>43.722.390</b>	<b>47.069.235</b>

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

Uztel S.A. registered in 2020 the following evolution of sales on the domestic and foreign market:

- Sales in RON** decreased from 29,895,568 lei on 31.12.2019 to 21,543,371 lei on 31.12.2020, i.e., a percentage decrease of 27.94% compared to the same period of 2019;
- Sales in EUR** decreased from 1,836,672 euro on 31.12.2019 to 1,047,305 euro on 31.12.2020, i.e., a percentage decrease of 42.98% compared to the same period of 2019;
- Sales in USD** decreased from USD 5,881,109 on 31.12.2019 to USD 2,080,075 on 31.12.2020, i.e., a percentage decrease of 64.63% compared to the same period of 2019.



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Explanations	31.12.2019	31.12.2020	31.12.2020/31.12.2019*100
Sales in RON	29.895.568	21.543.371	72,06
Sales in EUR	1.836.672	1.047.305	57,02
Sales in USD	5.881.109	2.080.075	35,37

#### 1.1.1 Elements of general assessment:

a) Profit (11.615.826) lei

b) Turnover 35.278.237 lei

c) Total value of the sales in foreign currencies (EURO and USD) changed to national currency or January- December 2020 worth 11.919.264 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	13.720.433
acct. 704.2.03	Income from services rendered- external transport	78.707

d) Actual expenditure of 2020 to achieve production manufactured totalizes 31.099.338,14 lei and to achieve production in progress are worth a total of 7.427.445,79 lei.

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

- Internal market 13-15%;
- External market ~ 1%.

The company, using professional reasoning, estimated these market shares for 2020, which were affected due to the evolution of the international epidemiological situation caused by the spread of SARS-CoV-2 coronavirus in over 150 countries, and the declaration of "Pandemic" by The World Health Organization on 11.03.2020 and the Decree of the President of Romania no. 195 of 16.03.2020 regarding the establishment of the state of emergency on the Romanian territory published in the Official Gazette, part I, Nr. 212 / 16.03.2020.

f) on 31.12.2020, the company had cash (according to the balance sheet) in the total amount of 1,286,319 lei, namely 1.286.319 lei:



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lei

Explanations	31-December 2020	31-December 2019	Share (%)
0	1	2	3 = 1/2*100
Bank account 5121 ( lei )	58.918,80	66.022,79	89,24
Bank account 5124 (usd) - c/val. lei	457.756,28	391.510,89	116,92
Bank account 5124 (eur) - c/val. lei	755.534,73	1.499.431,15	50,39
Cash ont casa 5311 in lei	3.798,54	4.734,10	80,24
Petty cash acct 5314 in devises (usd) – c/val. lei	7.983,38	7.946,10	100,47
Petty cash acct 5314 in devises (eur) – c/val. lei	2.327,40	1.524,35	152,68
<b>Total cash</b>	<b>1.286.319,14</b>	<b>1.971.169,38</b>	<b>65,26</b>

Cash and cash equivalents registered in 2020 a decrease from 1.971.169,38 lei on 31.12.2019 to 1.286.319.14 lei on 31.12.2020, i.e., a percentage decrease of 34.74% compared to the same period of the year 2019.

The company registered on December 31, 2020 a net financial loss due to exchange rate fluctuations (euro and usd) related to the period January - December 2020 amounting to 26.455,48 lei, as follows:

- account 665 (expenses from exchange rate differences) = 557.873,92 lei

- account 765 (income from exchange rate differences) = 531.418,44

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

- a) As of December 31, 2020, the Company owns assets in the total amount of 84.984.107,38 lei, as follows:

lei

ASSETS	Balance at 31.12.2020 as of Account balance
Lands	16.342.930,21
Constructions	30.995.658,77
Technological equipment, devices and measurement equipment, vehicles	36.286.544,03
Furniture and office equipment	166.042,12



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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 2020, the following evolutions of the company's main incomes were recorded compared to the total revenues of 34.168.723 lei and the turnover of 35.278.237 lei, namely:

Year 2020	Value (lei)	Share in total income %	Share in turnover %
Revenue from the sale of finished products - domestic	21.279.694,91	62,28	60,32
Revenue from the sale of finished products – external	13.720.433,10	40,15	38,89
Revenue from services rendered – laboratory services	640,40	-	-
Revenue from services rendered – internal transport	23.048,89	0,07	0,07
Revenue from services rendered export and commodities insurance	6.636,63	0,02	0,02
Revenue from services rendered – external transport	78.706,99	0,23	0,22
Income from rental of oilfield equipment and installation	291,27		
Income from sale of goods	47.995,32	0,14	0,14
Income from various activities – internal	120.790,08	0,35	0,34
<b>Turnover - Total</b>	<b>35.278.237,59</b>	<b>103,23</b>	<b>100,00</b>

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

From the annual volume of acquisitions made in 2020, amounting to 17.467.677,55 lei, the company's internal and external suppliers represent:

- internal suppliers amounting to 15.119.822,18 lei, a share of 86.56% in total acquisitions;
- external suppliers (usd) amounting to 843.829,69 lei, a share of 4.83% in total acquisitions;



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- external suppliers (euro) amounting to 1,504,025.68 lei, a share of 8.61% in total acquisitions

#### 1.1.4 Evaluation of the sales activity

From the annual volume of sales made in 2020, amounting to 35.278.237,59 lei, the company's internal and external customers represent:

- internal clients amounting to 21.444.978,25 lei, a share of 60.79% in turnover;
- external clients (usd) in the amount of 8.778.839,89 lei, a weight of 24.88% in the turnover;
- external clients (euro) amounting to 5.054.419,45 lei, a share of 14.33% in turnover.

The effects of the production activity, transactions and events carried out during 2020 of a company differ in terms of stability, risk and predictability, and the presentation of economic and financial elements helps to understand the performance achieved and to evaluate future results.

The achievements of 2020 prove that UZTEL S.A. Ploiesti is a viable company, with potential for economic and commercial stability, which managed to close its reorganization procedure according to Law no. 85/2006 and to re-enter the normal circuit of companies.

UZTEL S.A. had in progress on 31.12.2020 orders / contracts concluded with internal and external commercial partners in the total amount of 3.565.000 lei, of which:

Internal market - ron	102.000
External market - euro	151.450
External market - usd	662.905

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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Concerning the contracts / purchase orders at end-2020, 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 2021, as follows:

Internal Market - RON	3.000.000
External market - EURO	3.700.000
External market - USD	4.500.000

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

a) Company recorded at 31.12.2020, 354 employees of which:

individuals

Engineer	Sub-engineers	economists	Other people with academic education
49	2	8	3

The factory staff is represented as follows:

individuals

Oilfield equipment Dept.	Hot sectors Depart.	Other activities	Total Techn-Ec. Adm staff
136	112	34	72

The relationship between management and employees in 2020 were held in good conditions, labour conflicts are not registered and no otherwise.

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

Company runs its business based on the following regulatory acts:

- Environmental authorization no. PH-259 from 02.10.2019, valid until 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;



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- 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 2020 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 2020 were:

No.	PRODUCT
1.	WELLHEAD+CE 13 5/8"x11"x4 1/16"-3M 13 3/8"SOWx9 5/8"x4 1/2"VAM
2.	Hanger TH8 ( mandrel type) 16 3/4"x11 3/4"SEAL LOCK FLUSH R3 (47.0 lb/ft)
3.	PH-2B Pumping Head assy 2 9/16"x2 1/16"-2M
4.	PH5-BH Hybrid Pumping Tree 2M(13.8MPa) 11"x7 1/16"x2 1/16"-3M(20.7MPa) x 7" 3 1/8"x2 9/16"-2M(13.8MPa) 3 1/2"EUE polished rod
5.	PH5-D Pumping Head Assy 3 1/8"x2 9/16"-2M(13.8MPa) 3 1/2"EUE polished rod 32/38
6.	PH1-D Pumping Tree
7.	PH2-D Pumping Tree
8.	PH5-D Pumping Tree
9.	PH6-D Pumping Tree
10.	PH1-D; PH5-D Tubinghead 11"x7 1/16"x2 1/16"-3M UZ-B 7"
11.	PH2-D; PH6-D Tubinghead 11"x7 1/16"x2 1/16"-5M UZ-B 7"
12.	Valve type RSE-HT DUAL PORT 2 1/16"-2M
13.	Valve type RSE-HT DUAL PORT 3 1/8"-2M
14.	Valve type RSE-HT DUAL PORT 4 1/16"-2M



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15.	Valve type RSE-HT 7 1/16"-3M, T, FE
16.	Hydraulic control CH-6U-MD-08-BA
17.	PH5-BH-U Pumping Tree
18.	Horizontal preventer 7 1/16-3M with flanged ends
19.	Wellhead 13 5/8"x11"-3MxDN200 PN25 13 3/8"SOWx9 5/8"x7 5/8"BTCx5
20.	Hanger TH8 (mandrel type) 11x7 5/8"BTC (26.4 lb/ft)

All targets of engineering department were fully completed.

b) In order to ensure the quality conditions required for sale of Uztel products on external market, technical departments obtained in 2020 certifications for licenses as follows:

b1) Audit of integrated quality (HSEQ) conducted by GR Eurocert SRL Ploiesti during 24.05- 04. 06.2020, included:

- recertification audit of quality management system under ISO 9001:2015
- recertification of the environmental management system under ISO 14001 :2015
- recertification of the OHS management system under ISO45001 :2018

Further audit conducted by EUROCERT BUSINESS ASSURANCE were obtained the following certifications/certificates:

- Nr.288ROQS; ISO-9001-2015; valid until 22.07.2021
- Nr.205ROES ; ISO-14001-2015; valid until 22.07.2021
- Nr.171ROOH; ISO45001:2018; valid until 22.07.2021

b2) Monitoring audit conducted by GR Eurocert SRL Ploiesti , on 30.07.2020, 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

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

- PEMH1.0054 ( valid until 24.08.2021 ) ;
- PE 43.0065 ( valid until 27.09.2021 )



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- PEDE .0013 (valid until 23.08.2021 )

b3) Maintaining product licenses according to the standards: API 6A; 16A; 16D; 16C for which we were audited during the periods 29- 30.06.2020 and Certificates of Conformity of the Quality Management System and application of API monograms with validity 02.10.2021 were received

c) UZTEL S.A. Ploiesti joins other large national and international oil companies that report commercial and financial results below expectations due to historical collapses in oil demand given that the population is in quarantine / isolation, and the activity of companies has been / is suspended due to the pandemic of coronavirus. There is a global surplus of oil reserves for which there is significantly diminished demand due to drastic traffic restrictions (air, naval, car) and consumption caused by the isolation of the population in the face of the coronavirus pandemic.

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:

- continued the introduction, launch and tracking of production in the SIVECO database of orders whose product structure was defined by the Design - Development Service and, in particular, of products with a high degree of repeatability;

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

- designing verifiers in accordance with the new API requirements revised in 2019, to ensure the precision of execution of products according to customer requirements and submitted tender documentation and at the same time to significantly reduce the percentage of scrap or reprocessed parts and prevent possible complaints. Also, the design of self-centering devices was continued, which would 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 technological



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problems (semi-finished products, inadequate settings or work regimes) and their rapid correction;

– in the conditions of pandemic and restriction of the global economic activity, the process of training qualified personnel for machine tools with numerical control was slowed down / stopped in order to replace the personnel that ended the labour relations with the company;

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

– respecting the restrictive economic conditions due to the pandemic and traffic bans, continued the implementation of technologies for inspection and recertification services according to the new requirements API / 2019, of equipment used in drilling - extraction for various companies and this problem was solved using online technology, the works being executed by the client with our documentation and by the supervision by a third party.

### **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 2020</u></b>	<b>Accounting year ended <u>31 December 2019</u></b>
	<b>(lei)</b>	<b>(lei)</b>
Interest paid	605.349	696.286

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

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



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	<b>Accounting year ended <u>31 December 2020</u> (lei)</b>	<b>Accounting year ended <u>31 December 2019</u> (lei)</b>
Cash and availability on demand	1.286.319	1.971.169
<b>Total Cash and cash equivalents</b>	<b>1.286.319</b>	<b>1.971.169</b>

### *Currency risk*

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

	<b>Accounting year ended <u>31 December 2020</u> (lei)</b>	<b>Accounting year ended at <u>31 December 2019</u> (lei)</b>
Result of exchange rate differences	(26.455)	(156.030)

### *Market risk*

The current global liquidity crisis that began in mid-2015 resulted in, among other things, a low level of capital market funding, lower liquidity levels in the banking sector and occasionally higher interbank lending rates and volatility very high stock exchanges.

The uncertainties in the global financial markets have led to significant and influential market in Romania. They had a double influence on society: a decrease in assets held and volumes of activity. Currently, the full impact of the current financial crisis is impossible to predict and totally preventable.

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

Economic, commercial and financial effects of " oil prices crisis " begun in 2016 were effective in the company's business on the first months of 2017 by lowering production (low demand), lower revenues, increased stocks of finished products



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(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 investment budgets

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

As in March 2020 there was a decrease in the average income and receipts in January and February 2020 by more than 25%, the company requested the Ministry of Economy, Energy and Business Environment to issue the Emergency Certificate - type 2 (yellow) for supporting economic operators in relations with public institutions to obtain, in accordance with the law, credit facilities, support measures in trade relations, as a result of the economic, financial and social impact on them, caused by the spread of SARS-CoV coronavirus -2 and deferral of payment for utility services. The evolution of the international epidemiological situation determined by the spread of the SARS-CoV-2 coronavirus and the declaration of the pandemic by the World Health Organization on 11.03.2020 imposed the establishment of a state of emergency on the Romanian territory, according to the Decree of the President of Romania no. 195 from 16.03.2020. During the state of emergency March 16 - May 15, 2020, according to GEO no. 30/2020, the company suspended a limited number of individual employment contracts and benefited, based on a statement on its own responsibility, from technical unemployment benefits borne by the unemployment insurance budget up to the limit of 75% of the basic salary corresponding to the place employed, but not more than 75% of the average gross earnings provided by Law no. 6/2020 of the state social insurance budget for 2020 (ie 75% of 5,429 lei). During the state of emergency, the company received from the social insurance budget the amount of 1,039,831 lei and paid social insurance contributions, social health insurance contributions and income tax in the nature of salaries amounting to 431,375 lei.

The evolution of the international epidemiological situation determined by the spread of SARS-CoV-2 coronavirus in over 150 countries, as well as the declaration of the pandemic by the World Health Organization on 11.03.2020 and the Presidential Decrees on the establishment of the state of emergency and alert on the Romanian



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territory have determined social, commercial, economic and financial phenomena and aspects independent of society and which cannot be controlled by it, which have led and will inevitably lead to an inevitable negative impact on the drastic decrease of the volume of orders and contracts. for the year 2020, of the achievement of the provided budgetary indicators.

Any market study that would be carried out by the company at this time cannot provide accurate information about the sale of manufactured product stocks. The demand for products made by UZTEL SA Ploiesti is currently more elastic than stable, because the preferences and orientations of consumers (internal and external customers), the decrease of the price of a barrel of oil and the investment budgets of large oil companies and the size of competitors' offer. are unpredictable. As a result, the company is currently facing an instability of demand for oil equipment, sales and the price of a barrel of oil, which have generated fluctuations in sales volume on the domestic and international market and, consequently, in cash flows generated by exploitation activity. The Company's management analysed the forecasts regarding the future of the operational activity, highlighting, at least for the period 01.01.2021 - 31.12.2021, a volume of inputs ensured both by the development of existing contracts, but also by the reasonable certainty of contracting new works.

During 2020, the company faced difficulties in ensuring the volume of orders needed to operate in the context in which the international and domestic market has been severely affected by possibly the worst crisis in the last 100 years. The effects of the crisis have generated difficulties in the chain in terms of:

- management of the situation caused by the coronavirus pandemic and isolation measures;
- the rapid decrease of crude oil prices (April 20, 2020 will remain in the history of financial markets as the first time when the price of a barrel of oil reached a negative value);
- drastic decrease in the demand for oil equipment;
- the commercial activity of selling / bidding the company is hampered by: travel bans, stopping global oil equipment auctions, volatile oil price hikes, price reductions requested by major national and international drilling companies, breaking supply chains - sale of national and international companies.

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

### ***Operational risk***

Operational risk is the risk of direct or indirect losses arising from a wide range of causes associated with the company's processes, personnel, technology and infrastructure, as well as from external factors, such as those arising from the



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company's customer requirements to increase the quality of products and services offered.

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

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

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

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

The company does not hold participation titles in other entities.

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

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

<b>Economic -financial indicators</b>	<b>31.12.2020</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
<b>Current liquidity</b> = Current assets / Current liabilities	2,02	2,00	1,85	1,77
<b>Quick Liquidity</b> = Current Assets - Stocks / Current Liabilities	0,32	0,44	0,55	0,56

b).According to the presentation and substantiation note of the Investment Program for 2021, the note prepared by the Investment Energy Maintenance Service and approved by the administrative and executive management of the company was estimated the allocation of material resources for rehabilitation and modernization of existing assets.

This imperative investment process necessary for society has been severely affected by the evolution of the international epidemiological situation caused by the spread of SARS-CoV-2 coronavirus has led to an inevitable negative impact in terms



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of drastic decrease in the volume of orders and commercial contracts for 2020. This epidemiological crisis generated commercial, financial and social losses. Not to be neglected is the sudden drop in the price of a barrel of oil in a very short time, which had serious consequences on the company's clients (drilling and exploitation companies) who stopped and postponed investment programs in oil equipment, and which caused a negative "chain reaction" on the company's income / turnover.

## **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 182.427,34 mp, from what:

- 111.877,49 mp – buildings;

- 70.549,85 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 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



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consumption, the purchase of two 5-tones single beam 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 are listed on Standard category by the Bucharest Stock Exchange.*

**3.2** The share capital of UZTEL S.A. registered at 31 December 2019 a value of 13.413.647,50 lei, being divided into 5.365.459 shares, with a nominal value of 2.50 lei. According to the evidences existing at the Central Depository S.A. according to address no. 7066 din 02.03.2021, the situation of the shareholders of the shares on 31.12.2020 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 2020 the Company made quarterly payments amounting 294,36 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	159,78
b) Payments 4th quarter	134,58

At 31.12.2020 Uztel SA recorded in account 457 (due dividends) the sum of 1.569.783,01 lei representing dividends due to shareholders for years 2003-2008. The company has not determined and not paid dividends for the years 2011 - 2020..



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

- Company did not buy its own shares in 2020.

### 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 2020 the company has not issued bonds or other debt securities.

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

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

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

In 2020 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 01.01.2020 - 31.12.2020</b>		
<b>SURNAME, GIVEN</b>	<b>POSITION</b>	<b>PERIOD OF OFFICE</b>
Hagiu Neculai	Chairman of Board of	03.07.2018-31.12.2020
Popescu Ileana	Member of board of Directors	03.07.2018-31.12.2020
Serbaniuc Tudor	Member of board of Directors	03.07.2018-31.12.2020
Stan Vasile Armis	Member of board of Directors	03.07.2018-31.12.2020
Grigore Victor	Member of Board of Directors	19.03.2019-31.12.2020

For the period of 01.01.2020 – 31.12.2020 2019 the total remunerations of the Board of Directors of the Company represented 1,56 % of the salary fund.



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#### 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 2020 had the following composition:

**THE EXECUTIVE MANAGEMENT OF THE COMPANY** - during the period 01.01.2020 – 31.12.2020 registered the following component in exercising the managerial attributions:

PERIOD 01.01.2020 - 31.12.2020			
SURNAME, GIVEN NAME	POSITION	PERIOD	DECISION / ISSUED AT
Anghel George Marinelo	General Director	01.01.2020-31.12.2020	C.M. 02/09.01.2020
Anton Laurentiu Alexandru	Commercial Director	01.01.2020-31.12.2020	Decizia 183/12.12.2019
Voica Ain Marian	Technical Director	01.01.2020-31.12.2020	Decizia 184 / 12.12.2019
Popescu Ileana	Economic Director	01.01.2020-31.12.2020	Decizia 592 / 30.11.2010
Voicu Mariana	Manager Quality Management System	01.01.2020-31.12.2020	Decizia 64/05.04.2018

For the period 01.01.2020 - 31.12.2020 total remuneration of the executive management of the Company accounted for a share of 5,55 % 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 find any such situations in financial year 2020.

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

SURNAME, GIVEN NAME-POSITION	Number of shares owned
Anghel George Marinelo - General Director	-
Voica Alin Marian – Technical Director	-
Anton Laurentiu Alexandru – Commercial Director	-



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Popescu Ileana – Economic Director	122
Voicu Mariana - Manager Quality Management System	-

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

#### Corporate governance

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

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

The internal managerial control and the internal audit had in 2020 the following objectives:

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

The achievement of these objectives was achieved as follows:



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

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

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

### a ) Elements of Financial Statement

a.1. The situation of assets items in 2020 compared to the years 2019, 2018, and 2017 is as follows:

lei

<b>assets</b>	<b>31.12.2020</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Intangible assets	68.052	80.115	27.175	73.781
Tangible assets, of which:	37.576.783	40.879.834	43.695.215	46.995.454
Land and buildings	27.981.990	30.212.484	31.946.854	34.280.920
Plant and machinery	6.977.919	7.901.870	9.084.357	10.101.313
Other installations and furniture	50.027	57.205	58.387	71.204
Tangible assets in progress	2.546.484	2.546.484	2.467.747	2.418.897
Advance for acquisition of intangible assets	20.363	161.791	137.870	123.120
<b>Total assets</b>	<b>37.644.835</b>	<b>40.959.949</b>	<b>43.722.390</b>	<b>47.069.235</b>
<b>Current assets of which:</b>	<b>41.290.546</b>	<b>51.895.551</b>	<b>51.603.852</b>	<b>49.294.264</b>



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Stocks	34.758.639	40.547.659	36.287.530	33.811.683
Receivables	5.241.939	9.372.388	13.983.352	13.707.148
Cash availability	1.286.319	1.971.169	1.330.657	1.771.478
Prepayments	3.649	4.335	2.313	3.955
<b>Total assets</b>	<b>78.935.381</b>	<b>92.855.500</b>	<b>95.326.242</b>	<b>96.363.499</b>

Compared to 2019, there was a decrease of 14,99% of the total assets held by the company, compared to 2018 there was a decrease of 17,19%, and compared to 2017 a decrease of 18,09%.

In nominal values, the total assets decreased in 2020 compared to 2019 from 92.855.500 lei on 31.12.2019 to 78.935.381 lei on 31.12.2020, due to:

- decrease of fixed assets by 8.09%, and in nominal values from 40.959.949 lei on 31.12.2019 to 37.644.835 lei on 31.12.2020;
- decrease of current assets by 20,44%, and in nominal values from 51.895.551 lei on 31.12.2019 to 41.290.546 lei on 31.12.2020.

In nominal values, the total assets decreased in 2020 compared to 2018 from 95.326.242 lei on 31.12.2018 to 78.935.381 lei on 31.12.2020, due to:

- decrease of fixed assets by 13,90%, and in nominal values from 43.722.390 lei on 31.12.2018 to 37.644.835 lei on 31.12.2020;
- decrease of current assets by 19.99%, and in nominal values from 51.603.852 lei on 31.12.2018 to 41.290.546 lei on 31.12.2020.

In nominal values, the total assets decreased in 2020 compared to 2017 from 96.363.499 lei on 31.12.2017 to 78.935.381 lei on 31.12.2020, due to:

- decrease of fixed assets by 20,02%, and in nominal values from 47.069.235 lei on 31.12.2017 to 37,644,835 lei on 31.12.2020;
- decrease of current assets by 16.24%, and in nominal values from 49.294.264 lei on 31.12.2017 to 41.290.546 lei on 31.12.2020.

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



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For the receivables of the internal clients existing in the balance on 31.12.2020 in the amount of 2.,025.928,71 lei, no depreciation adjustments were established in the financial year 2020 because they are under strict monitoring regarding the collection terms. Internal receivables are subject to periodic analysis for the correct highlighting of the fair value receivable.

For the receivables of the external clients existing in the balance on 31.12.2020 in the amount of 699.647,71 lei, no depreciation adjustments were established in the financial year 2020 because they are under strict monitoring regarding the collection terms. External receivables are subject to periodic analysis for the correct highlighting of the fair value receivable.

Uncertain receivables from account 4118.1.02 were transferred to account 6542 - "Losses from receivables", in total amount of 2.693.898,18 lei, to account 7814 - "Revenues from active depreciation adjustments", in total amount of 1.077.743, 81 lei and invoices were drawn up to adjust the VAT tax base in the total amount of 423.530,62 lei.

The registration in the expense accounts, taxable and non-taxable incomes, and the adjustment of the VAT tax base, made on 31.12.2020 are based on documents issued by the Trade Register, notifications of opening, respectively closing bankruptcy / insolvency procedure, civil sentences, bulletin insolvency proceedings as the case may be and were submitted for approval to the Board of Directors of the company.

The value of 616.764,70 lei represents the balance of receivables on 31.12.2020 for uncertain creditors and is the subject of analysis and periodic review of their fair value based on legal information in the files pending before the courts and in the enforcement files.

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

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



## UZTEL S.A.

### OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

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

On 31.12.2020 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 2020 compared to 2019,2018 and 2017 is as follows:*

lei

<b>Liabilities</b>	<b>31.12.2020</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2017</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	34.986.872	37.055.314	38.756.972	40.780.481
Retained earnings	(2.674.097)	9.398.635	7.112.169	3.686.242
Debt over a year	9.110.547	3.333.492	4.373.392	6.913.206
Provisions	225.017	241.307	248.054	253.413
Debts under one year	20.419.534	25.959.244	27.968.147	27.862.649
<b>Total Liabilities</b>	<b>78.935.381</b>	<b>92.855.500</b>	<b>95.326.242</b>	<b>96.363.499</b>

Compared to 2019, there was a decrease by 14,99% of the total liabilities held by the company, in nominal values from 92.855.500 lei on 31.12.2019 to 78.935.381 lei on 31.12.2020;

Compared to 2018, there was a decrease by 17,19% of the total liabilities held by the company, in nominal values from 95.326.242 lei on 31.12.2018 to 78.935.381 lei on 31.12.2020;

Compared to 2017, there was a decrease by 18,09% of the total liabilities held by the company, in nominal values from 96.363.499 lei on 31.12.2017 to 78.935.381 lei on 31.12.2020.

The percentage and value decrease of the total liabilities held by the company is due to the decrease of the revaluation reserves with the value of 2.068.442 lei by: capitalizing the revaluation surplus as the depreciation expenses recorded in the fiscal register, as follows:

- the value of 1.020.741,02 lei representing expenses with depreciation related to the revaluation surplus highlighted in the fiscal register in 2020; –
- the value of 1.047.700,65 lei representing expenses with depreciation



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related to the revaluation surplus highlighted in the fiscal register for the fixed assets removed from the record by sale.

#### b) Overall Result

The structure of the overall result in 2020 compared to the years 2019,2018 and 2017 is as follows:

lei

Keys	31.12.2020	31.12.2019	31.12.2018	31.12.2017
<b>Net turnover</b>	<b>35.278.237</b>	<b>63.506.667</b>	<b>55.215.309</b>	<b>44.370.143</b>
Operational income	33.630.585	74.882.706	77.683.418	48.627.123
Operational expense	44.601.931	73.428.186	76.554.078	61.584.908
<b>Operation Result</b>	<b>(10.971.346)</b>	<b>1.454.520</b>	<b>1.129.342</b>	<b>(12.957.785)</b>
Financial income	538.138	695.187	966.819	704.431
Financial expenses	1.182.618	1.564.899	1.312.277	917.374
<b>Net Financial Result</b>	<b>(644.480)</b>	<b>(869.712)</b>	<b>(345.458)</b>	<b>(212.943)</b>
Total income	34.168.723	75.577.893	78.650.237	49.331.554
Total expenses	45.784.549	74.993.085	77.866.355	62.502.282
<b>Result before tax</b>	<b>(11.615.826)</b>	<b>584.808</b>	<b>783.882</b>	<b>(13.170.728)</b>
Income tax	-	-	-	-
<b>Global related result</b>	<b>(11.615.826)</b>	<b>584.808</b>	<b>783.882</b>	<b>(13.170.728)</b>

**The turnover registered** on 31.12.2020 compared to 31.12.2019 a decrease by 44,45%, in nominal values from 63.506.667 lei on 31.12.2019 to 35.278.237 lei on 31.12.2020. Compared to 31.12.2018, the turnover registered a decrease by 36,11%, in nominal values from 55.215.309 lei on 31.12.2018 to 35.278.237 lei on 31.12.2020, and compared to 31.12.2017 it registered a decrease by 20,49%, in nominal values from 44.370.143 lei on 31.12.2017 to 35.278.237 lei on 31.12.2020.

Turnover expresses the volume of revenue earned by the company on the basis of the business operations performed in the reference year 2020. The turnover includes: sales of manufactured products, works and services, rents and other income.



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**Operating revenues** decreased by 55,09% in 2020 compared to 2019, i.e., in nominal values from 74.882.706 lei on 31.12.2019 to 33.630.585 lei on 31.12.2020, due to:

- decrease of the production sold from 63.460.330 lei on 31.12.2019 to 35.328.635 lei on 31.12.2020, a percentage decrease by 44,33%;
- significant decrease of the incomes related to the costs of product stocks from 9.291.097 lei on 31.12.2019 to (2.950.128) lei on 31.12.2020;
- decrease in revenues from the production of intangible and tangible fixed assets from 53.645 lei on 31.12.2019 to 2.871 lei on 31.12.2020, a percentage decrease of 94,65%;
- income from operating subsidies amounting to 1.039.945 lei on 31.12.2020, representing receipts from the social insurance budget during the state of emergency for the payment of salaries representing the technical unemployment for which social insurance contributions were paid, insurance contributions social health and income tax in the nature of salaries amounting to 431.375 lei;
- decrease of other operating income from 2.031.297 lei on 31.12.2019 to 259.660 lei on 31.12.2020, a percentage decrease of 87.22%.

Compared to 31.12.2018, the operational revenues registered a decrease by 56.71%, i.e., in nominal values from 77.683.418 lei on 31.12.2018 to 33.630.585 lei on 31.12.2020, due to:

- decrease of the production sold from 59.143.320 lei on 31.12.2018 to 35.328.635 lei on 31.12.2020, a percentage decrease by 40.27%;
- significant decrease of the revenues related to the costs of product stocks from 16,936,267 lei on 31.12.2018 to (2,950,128) lei on 31.12.2020;
- decrease in revenues from the production of intangible and tangible fixed assets from 60,635 lei on 31.12.2018 lei to 2,871 lei on 31.12.2020, a percentage decrease by 95.27%;
- income from operating subsidies amounting to 1.039.945 lei on 31.12.2020, representing receipts from the social insurance budget during the state of emergency for the payment of salaries representing the technical



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- unemployment for which social insurance contributions were paid, insurance contributions social health and income tax in the nature of salaries amounting to 431.375 lei;
- decrease of other operating income from 1.471.207 lei on 31.12.2018 to 259.660 lei on 31.12.2020, a percentage decrease of 82,35%.

Compared to 31.12.2017, the operational revenues registered a decrease by 30,84%, i.e., in nominal values from 48.627.123 lei on 31.12.2017 to 33.630.585 lei on 31.12.2020, due to:

- decrease of the production sold from 44.114.519 lei on 31.12.2017 to 35.328.635 lei on 31.12.2020, a percentage decrease by 19,92%;
- significant decrease of the revenues related to the costs of product stocks from 3.828.029 lei on 31.12.2017 to (2.950.128) lei on 31.12.2020;
- decrease in revenues from the production of intangible and tangible fixed assets from 59.755 lei on 31.12.2017 lei to 2.871 lei on 31.12.2020, a percentage decrease by 95,20%;
- income from operating subsidies amounting to 1.039.945 lei on 31.12.2020, representing receipts from the social insurance budget during the state of emergency for the payment of salaries representing the technical unemployment for which social insurance contributions were paid, insurance contributions social health and income tax in the nature of salaries amounting to 431.375 lei;
- decrease of other operating income from 369.196 lei on 31.12.2018 to 259.660 lei on 31.12.2020, a percentage decrease of 29,67%.

**Operational expenses** - registered a decrease by 39.26% on 31.12.2020 compared to 31.12.2019, in nominal values from 73.428.186 lei on 31.12.2019 to 44.601.931 lei on 31.12.2020, due to:

- decrease of expenses with raw materials, consumables, goods and utilities from 35.904.353 lei on 31.12.2019 to 13.430.849 lei on 31.12.2019, a percentage decrease by 62,59%;



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- decrease of other expenses representing external benefits, taxes and duties from 7.639.908 lei on 31.12.2019 to 4.215.826 lei on 31.12.2020, a percentage decrease of 44,82%;
- decrease of personnel expenses from 26.435.090 lei on 31.12.2019 to 21.811.819 lei on 31.12.2020, a percentage decrease by 17,49%.

All these decreases in operating income and expenses were significantly influenced by the evolution of the international epidemiological situation caused by the spread of SARS-CoV-2 coronavirus and the declaration of the pandemic by the World Health Organization on 11.03.2020 imposed the establishment of a state of emergency in Romania, according to the Decree of the President of Romania no. 195 from 16.03.2020.

During the state of emergency March 16 - May 15, 2020, according to GEO 30/2020, the company suspended a limited number of individual employment contracts and benefited, based on a declaration on its own responsibility, from technical unemployment benefits borne by the insurance budget for unemployment up to the limit of 75% of the basic salary corresponding to the job occupied, but not more than 75% of the average gross earnings provided by Law no. 6/2020 of the state social insurance budget for 2020 (i.e. 75% of 5.429 lei).

The company received during the state of emergency from the social insurance budget the amount of 1.039.831 lei and paid social insurance contributions, social health insurance contributions and income tax in the nature of salaries amounting to 431.375 lei.

Compared to 31.12.2018, the operating expenses decreased by 41,74%, in nominal values from 76.554.078 lei on 31.12.2018 to 44.601.931 lei on 31.12.2020, due to:

- decrease of expenses with raw materials, consumables, goods and utilities from 41.130.415 lei on 31.12.2018 to 13.430.849 lei on 31.12.2020, i.e., a percentage decrease of 67,35%;
- decrease of other expenses representing external benefits, taxes and duties from 7,631,832 lei on 31.12.2018 to 4,215,826 lei on 31.12.2020, a percentage decrease of 44.76%;



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- decrease of the personnel expenses from 23,957,522 lei on 31.12.2018 to 21,811,819 lei on 31.12.2020, a percentage decrease by 8.96%.

Compared to 31.12.2017, the operating expenses decreased by 27.58%, in nominal values from 61.584.908 lei on 31.12.2017 to 44.601.931 lei on 31.12.2020, due to:

- decrease of expenses with raw materials, consumables, goods and utilities from 28.044.533 lei on 31.12.2017 to 13.430.849 lei on 31.12.2020, ie a percentage decrease of 52,11%;
- decrease of other expenses representing external benefits, taxes and duties from 6.099.262 lei on 31.12.2017 to 4.215.826 lei on 31.12.2020, a percentage decrease by 30,88%;
- increase of personnel expenses from 21.071.290 lei on 31.12.2017 to 21.811.819 lei on 31.12.2020, a percentage increase of 3,51%.

**The result of the operational activities** registered on 31.12.2020 compared to 31.12.2019 a decrease, in nominal values from +1.454.520 lei to 31.12.2019 to (10.971.346) lei on 31.12.2020. Compared to 31.12.2018, the result of operational activities registered a decrease, in nominal values from +1.129.342 lei on 31.12.2018 to (10.971.346) lei on 31.12.2020, and compared to 31.12.2017 it registered an increase from (12.957.785) lei on 31.12.2017 to (10.971.346) lei on 31.12.2020.

**The financial incomes** registered a decrease by 22,59% on 31.12.2020 compared to 31.12.2019, i.e., in nominal values from 695.187 lei to 31.12.2019 to 538.138 lei on 31.12.2020. Compared to 31.12.2018, the financial revenues registered a decrease by 44,34%, i.e., in nominal values from 966.819 lei on 31.12.2018 to 538.138 lei on 31.12.2020, and compared to 31.12.2017 they registered a decrease by 23,61%, i.e., in nominal values from 704.431 lei on 31.12.2017 to 538.138 lei on 31.12.2020.

**The financial expenses** registered a decrease by 24,43% on 31.12.2020 compared to 31.12.2019, in nominal values from 1.564.899 lei on 31.12.2019 to 1.182.618 lei on 31.12.2020. Compared to 31.12.2018, the financial expenses registered a decrease by 9.88%, in nominal values from 1.312.277 lei on 31.12.2018 to 1.182.618 lei on 31.12.2020, and compared to 2017 they registered an increase by 28,91%, in nominal values from 917.374 lei on 31.12.2017 to 1.182.618 lei on 31.12.2020.

The increase / decrease of financial expenses was made due to exchange rate differences, the appreciation / depreciation of the national currency against the euro



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and dollar contract currency and the volume of trade receivables in foreign currency invoiced and collected.

**The net financial result** registered on 31.12.2020 a loss of (644.480) lei, on 31.12.2019 the company registered a loss of (869.712) lei. On 31.12.2018 the company registered a net financial loss of (345.458) lei, and on 31.12.2017 a loss of (212.943) lei.

**The total revenues** registered a decrease by 54,79% on 31.12.2020 compared to 31.12.2019, i.e., in nominal values from 75.577.893 lei on 31.12.2019 to 34.168.723 lei on 31.12.2020. Compared to 31.12.2018, the total revenues decreased by 56,56%, in nominal values from 78.650.237 lei on 31.12.2018 to 34.168.723 lei on 31.12.2020, and compared to 31.12.2017, the total revenues decreased by 30,74%, in nominal values from 49.331.554 lei on 31.12.2017 to 34.168.723 lei on 31.12.2020.

**The total expenses** registered a decrease by 38,95% on 31.12.2020 compared to 31.12.2019, in nominal values from 74.993.085 lei on 31.12.2019 to 45.784.549 lei on 31.12.2020. Compared to 31.12.2018, the total expenses decreased by 41.20%, in nominal values from 77,866,355 lei on 31.12.2018 to 45.784.549 lei on 31.12.2020, and compared to 31.12.2017, the total expenses decreased by 26,75%, in nominal values from 62.502.282 lei on 31.12.2017 to 45.784.549 lei on 31.12.2020.

**The result before taxation** registered on 31.12.2020 compared to 31.12.2019 a decrease, in nominal values from +584.808 lei to 31.12.2019 to (11.615.826) lei on 31.12.2020. Compared to 31.12.2018, the result before taxation registered a decrease, in nominal values from +783.882 lei on 31.12.2018 to (11.615.826) lei on 31.12.2020, and compared to 31.12.2017 it registered an increase, in nominal values from (13.170.728) lei on 31.12.2017 to (11.615.826) lei on 31.12.2020.

**The overall result** for the period registered on 31.12.2020 compared to 31.12.2019 a decrease, in nominal values from +584.808 lei to 31.12.2019 to (11.615.826) lei on 31.12.2020. Compared to 31.12.2018, the result before taxation registered a decrease, in nominal values from +783,882 lei on 31.12.2018 to (11.615.826) lei on 31.12.2020, and compared to 31.12.2017 it registered an increase, in nominal values from (13.170.728) lei on 31.12.2017 to (11.615.826) lei on 31.12.2020.



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<b>Economic - financial indicators</b>	<b>31.12.2020</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
<b>Current liquidity</b> – Current Assets / Current Liabilities	2,02	2,00	1,85	1,77
<b>Indebtness</b> – Borrowed capital / Equity * 100	20,82%	15,70%	7,75%	12,23%
<b>Rotation speed debts – clients</b> – Receivables / Turnover * 365 days	54 days	54 days	86 days	112 days
<b>Rotation speed of fixed assets</b> – Turnover / Fixed Assets	0,94	1,55	1,35	0,94

**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 2020 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 0,94 expresses assets management effectiveness by achieving a turnover of 35.278.237 lei generated by an amount of fixed assets worth 37.644.835 lei.

#### c) Cash-flow :

The cash flow situation at 31 December 2020 as compared to 31 December 2019, 31 December 2018 and 31 December 2017 is as follows:



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	<u>31-December</u> <u>2020</u> lei	<u>31-December</u> <u>2019</u> lei	<u>31-December</u> <u>2018</u> lei	<u>31-December</u> <u>2017</u> lei
<b>Net profit for the year</b>	<b>(11.615.826)</b>	<b>543.176</b>	<b>783.882</b>	<b>(3.170.728)</b>
Income tax expenses	-	-	-	-
Long term asset depreciation /impairment	2.476.994	2.948.713	3.504.520	4.743.779
Expenses with disposed assets	843.485	194.777	104.601	294.100
Asset disposal income	(252.563)	(308.609)	(70.493)	(98.578)
Impairment adjustments for customer	1.077.744	-	-	(816.190)
Income / (expenses) related to value adjustments on current assets	2.693.898	-	-	1.104.659
Interest expense	(605.349)	(696.285)	(371.361)	(240.349)
Interest income	2.701	3.468	4.435	6.316
Gain / loss from exchange rate	(26.455)	(156.030)	20.470	20.234
<b>Movements in working capital</b>	<b>6.210.455</b>	<b>1.986.034</b>	<b>3.192.172</b>	<b>5.013.971</b>
Increase / (decrease) in trade receivables	4.130.449	4.609.905	(276.205)	2.461.019
Increase /(decrease) in other current assets	(686)	(2.022)	1.642	385
Increase / (decrease) in inventories	(5.789.020)	(4.260.129)	(2.475.847)	4.092.118
Increase / (decrease) commercial debts	7.008.127	7.129.206	(652.153)	6.289.074
Increase / (decrease) income recorded in advance	2.500	-	-	-
Increase / (decrease) other debts	(6.671.369)	(3.077.948)	1.554.184	(2.412.926)
<b>Cash used in operating activities</b>	<b>(1.319.999)</b>	<b>4.399.012</b>	<b>(1.843.379)</b>	<b>10.429.670</b>
Profit tax paid	-	-	-	-
Interest paid	(605.349)	(696.285)	(371.361)	(240.349)
<b>Cash generated from operating activities</b>	<b>(7.330.719)</b>	<b>6.231.937</b>	<b>1.756.314</b>	<b>2.032.564</b>
<b>Net cash from investment activities</b>	<b>(651.489)</b>	<b>(953.048)</b>	<b>(276.235)</b>	<b>(99.181)</b>
Cash payment for acquisition of assets	(651.489)	-	(276.235)	(99.181)
<b>Net cash from financing activities</b>	<b>7.297.358</b>	<b>(4.638.377)</b>	<b>(1.920.900)</b>	<b>(1.406.990)</b>
Cash repayments on loans and credits	(1.005.938)	(4.633.675)	(1.873.126)	(1.404.845)
Cash receipts from loans and credits	7.263.645	-	-	-
Receipts from subsidies for the payment of staff in technical furlough	1.039.945	-	-	-
Dividends paid	(294)	(4.702)	(47.774)	(2.145)



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<b>Increase / decrease in net cash and cash equivalents</b>	<b>(684.850)</b>	<b>640.512</b>	<b>(440.821)</b>	<b>526.393</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>1.971.169</b>	<b>1.330.657</b>	<b>1.771.478</b>	<b>1.245.085</b>
<b>Cash and cash equivalents at the end of period</b>	<b>1.286.319</b>	<b>1.971.169</b>	<b>1.330.657</b>	<b>1.771.478</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>(684.850)</b>	<b>640.512</b>	<b>(440.821)</b>	<b>526.393</b>

In 2020, cash and cash equivalents decreased compared to 2019 by 1.325.362 lei, as a result of:

- Decrease of the cash generated from the exploitation activity by 13.562.656 lei, from +6.231.937 lei on 31.12.2019 to -7.330.719 lei on 31.12.2020;
- The increase of the net cash from the investment activity by 301.559 lei, from (953.048) lei on 31.12.2019 to (651.489) lei on 31.12.2020;
- The increase of the net cash from the financing activity by 11.935.735 lei, from (4.638.377) lei on 31.12.2019 to 7.297.358 lei on 31.12.2020.

In 2020, cash and cash equivalents decreased compared to 2018 by 244.029 lei, as a result of:

- The decrease of the cash generated from the exploitation activity by 9.087.033 lei, from +1.756.314 lei on 31.12.2018 to (7.330.719) lei on 31.12.2020;
- Decreasing the net cash from the investment activity by 375.254 lei, from (276.235) lei on 31.12.2018 to (651.489) lei on 31.12.2020;
- The increase of the net cash from the financing activity by 9.218.258 lei, from (1.920.900) lei on 31.12.2018 to 7.297.377 lei on 31.12.2020.

In 2020, cash and cash equivalents decreased compared to 2017 by 1.211.243 lei, as a result of:

- Decrease of the cash generated from the exploitation activity by 9.363.283 lei, from 2.032.564 lei on 31.12.2017 to (7.330.719) lei on 31.12.2020;



## UZTEL S.A.

### OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

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

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

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- Decreasing the net cash from the investment activity by 552.308 lei, from (99.181) lei on 31.12.2017 to (651.489) lei on 31.12.2020.
- The increase of the net cash from the financing activity by 8.704.348 lei, from (1.406.990) lei on 31.12.2017 to 7.297.358 lei on 31.12.2020.

### Events after the financial statements concluded on 31.12.2020

Based on the information that the company holds so far, the shareholding structure has not changed until the date of issuance of these financial statements. Uztel has identified events that occurred between the date of the balance sheet concluded on 31.12.2020 and the date on which the financial statements are authorized for submission. These events provide additional information regarding the conditions that existed at the balance sheet date or regarding certain conditions that appeared after the closing of the 2021 balance sheet, as follows:

1. Changes in the executive management of the company:
  - starting with 15.02.2021, Mr. Eng. Sighiartau Dan Petru fulfils the position of Commercial Director of the company according to Decision no. 49 / 09.02.2021.
2. In 2020, UZTEL SA carried out its activity in conditions of continuity in accordance with the provisions of OMFP 2844/2016 regarding the accounting regulations compliant with the International Financial Reporting Standards.

The evolution of the national and international epidemiological situation determined by the spread of SARS – coV – 2 coronavirus in more than 150 countries, as well as the declaration of the “Pandemic” by the World Health Organization on 11.03.2020 and the Presidential Decrees establishing the state of emergency and of the alert status on the Romanian territory determined social, commercial, economic and financial phenomena and aspects independent of the company and which could not be controlled by it, which led to a negative impact regarding the drastic decrease of the volume of orders and related commercial contracts. year 2020.

The decrease in the volume of orders and contracts negatively influenced the cash flow and generated the accumulation of budgetary and commercial debts. The company took steps regarding the payment rescheduling of the fiscal obligations and



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obtained the rescheduling of the amount of 8.860.564 lei (of which 7.458.329 lei main fiscal obligation and 1.402.235 lei delay increases) for a period of 5 years, starting with 15.02.2021, until 15.01.2026, according to the Decision for rescheduling the payment of fiscal obligations no. 294 / 22.01.2021. The guarantee of this rescheduling was carried out by instituting the insurance seizure of real estate according to the Minutes of the insurance seizure for real estate no. 1320640 / 20.01.2021, mortgaged goods to First Bank.

General Director,	Economic Director	Head of Gen. Acct. Dept.
Eng. Anghel George Marinelo	Ec. Popescu Ileana	Ec. Duta- Heroiu Maria Carmen