



**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: 544531, 521181; E-mail: [office@uztel.ro](mailto:office@uztel.ro)

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

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## **Administrator's Report**

### **On Uztel S.A Company's business in 2016**

#### **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 or EC standards. QOHSE compartments using modern laboratories and procedures provide compliance with international standards ISO 9001 and API specifications. UZTEL maintains and continually improves a quality management system "QMS" ISO 9001: 2008 and API Spec. Q1 , in accordance with international standards of reference, 14001, 18001 and integrated with environmental management systems and occupational health and safety certified, certified by DNV-Germanischer Lloyd, to ensure product quality while protecting the environment and creating a safe and healthy working environment at work.

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

UZTEL S.A. Ploiesti was organized as a joint stock company under Law no. 15/1990 on the reorganization of state economic units as autonomous holdings and companies and the Government Decision no. 1213/20 November 1990, act



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published in Official Gazette no. 13a / January 21, 1991, operating under Law no. 31/1990 of the companies and its own statute.

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

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

1.1 c) Description of any merger or significant reorganization of the company, its subsidiaries or controlled companies during the financial year

By conclusion pronounced in the meeting of the council chamber of 30.06.2011 - file no. 4732/105/2010 Prahova County Court, bankruptcy judge upheld the consortium INSOL EURO SPRL Bucharest and EUROINSOL CONSULTING SPRL Ploiesti, to manage the insolvency procedure upon Uztel SA, taking act of delimitation of powers between the two administrators set forth in the protocol of cooperation signed on 24.06.2011.

The final and irrevocable sentence no. 1282 / 09.10.2012, passed by Dolj County Court, Department II Civil in the file no. 4732/105/2010, decides entry of Uztel S.A. Ploiesti in judicial reorganization procedure by confirming the reorganization plan over a 3-year plan that provides for the payment in full of the claims submitted in the Final Table.

By Decision no. 1 of 10/10/2013 1 of the Extraordinary General Meeting of Shareholders of Uztel S.A. with the quorum and majority required in the provisions of art. 115 of Law no. 31/1990 R and the provisions of chapter. IV, art. 11 of the Constitutive Act of Uztel SA revoked the mandate of the Special Administrator Dan N. Radulescu PFA and appointment of a new Special Administrator in the person of Mr. Eng. Zidaru Ion - CEO of Uztel S.A. Ploiesti.

By the application for registration of mentions no 61793 / 23.10.2013, the Resolution of Extraordinary General Meeting of Shareholders No.1 / 10.10.2013, pursuant to resolution no. 19127 of 25.10.2013 was registered in the Trade Register on 25.10.2013, disposing registration of mentions about authorized persons and publication of the Resolution in the Official Gazette of Romania, Part-IV.



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Approval of Reorganization Plan extension and modification of the payment of debts was passed, approved and registered by the Minute no. 38 of 16.01.2014 of the Creditors Meeting. Bankruptcy judge by sentence no. 112 of 28.01.2014 confirms the change and extension of Reorganization Plan of Uztel S.A. Ploiesti another year.

Approval of Reorganization Plan and modification of the payment of debts was passed, approved and registered by the Minute no. 500 of 26.11.2015 of the Creditors Meeting. Bankruptcy judge by sentence no. 1186 of 15.12.2015 confirms the change and extension of Reorganization Plan of Uztel S.A. Ploiesti another year.

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

#### 1.1 d) Description of acquisitions and/or sale of assets

- **Fixed Assets- Tangibles**

In 2016, class ""Buildings and constructions" registered an increase of 39.650 lei, meaning commissioning concrete platform TO1.

During 2016 the total amount of the increases recorded in the accounting books for class "machinery and equipment" was 263.072 lei, consisting of:

- LED Lighting installation Steel Foundry hall (TO1) amounting 108.894 lei;
- LED Lighting installation Machining sector (P3) totaling 29.101 lei;
- Unit for distributors testing 210 bar totaling 28.836 lei
- LED Lighting installation sector Assembly (M2) totaling 26.045 lei;
- LED Lighting installation sector Adjustment totaling 24.544 lei;
- LED Lighting installation sector Heat Treatment amounting 18.925 lei;
- LED Lighting installation Steel Foundry (TO2) amounting 17.436 lei;
- LED Lighting installation sector Chrome plating amounting to 5.375 lei;
- Laptop ASUS totaling 3.916 lei.

Outflows recorded in the accounts in 2016 to Class "Land" (decrease with 548.765 lei) are documented by sale of area of 6.079,83 mp land, according to sale—purchase agreement with authentication closure nmb. 2175,2176,2180,2182,2185 and



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2187/01.06.2016 entered with Popescu Ana Maria, Popescu Paul Lucian, Caravia Georgeta, Pana Nicolae, Lazar Magdalena, Jianu Florin and Sandu Albertina.

Outflows recorded in the accounting year 2016 to Class "Buildings" (decrease amounting 676.900 lei) are documented by canceling from books of building Camin C2 worth 676.900 lei, by sale under sale-purchase agreement nmb.2178 and 2179/01.06.2016 to Gavrilă Cristian and Tudorache Ion.

Outflows recorded in the accounting year 2016 to Class "Machinery and equipment" totaling 318.729 lei, documented by:

- Sale of assets amounting 261.400 lei (Station to prepare formation mixture) of external invoice nmb. 16102/07.07.2016 to GENTEN MACHINES LTD SCHOPPEN BELGIA;
- Rescission fixed assets of class "Machines and equipment" amounting 57.329 lei as minute of rescission nmb. 1/27.04.2016, 2/14.07.2016 (Heat Department) and nmb. 1/16.08.2016 (Oilfield Equipment Department).

#### • Fixed Assets- Intangibles

During 2016, Company recorded in the accounts development expenditure amounting to 66.307 lei to complete the following prototypes: Ball valve DN100 PN40 with locking mechanism, Ball valve a PN 10 BAR and Ball valve PN 100 BAR right.

During 2016, the Company purchased intangible assets in the amount of 84.391 lei, consisting of Technical Support Informatics Integration System SIVECO Applications 2020- for 2016 totaling 52.571 lei, License Oracle Database Standard Edition One- type CPI – Processor with related technical support totaling 21.585 lei, License antivirus ESET ENDPOINT (renewal) totaling 6.580 lei and Software Update License Support Oracle Database Standard Edition One Processor Perpetual totaling 3.655 lei.

During 2016 Class "Other intangible assets" recorded decrease in Value of 14.506 lei by removal of ESET Endpoint Antivirus license from records for the years 2014 to 2015, fully amortized.

1.1 e) Description of the main results of the evaluation activity of the company. Current assets recorded following developments in the financial year 01.01.2016 – 31.12.2016:

Compared with 2015, total fixed assets was reduced from 58.364.717 lei on 31.12.2015 to 51.883.452 lei at 31.12.2016, ie a decrease of 11,10% compared to the same period of 2015 as follows:



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- Value of Intangible assets increased from 54.973 lei on 31.12.2015 at 109.617 lei on 31.12.2016, i.e. a percentage increase of 99,40% due to inflows of intangible assets (development costs, licenses for the integrated program SIVECO Applications and licenses antivirus) during the financial year 2016.
- Tangible assets value decreased from 58.309.744 lei on 31.12.2015 at 51.773.835 lei on 31.12.2016, i.e. a decrease of 11,21% of due registration in the accounts and depreciation and rescission expenses.

lei

Asset item	31.12.2016	31.12.2015	31.12.2014
Intangible assets	109.617	54.973	52.541
Tangible assets	51.773.835	58.309.744	64.049.643
<b>Total assets</b>	<b>51.883.452</b>	<b>58.364.717</b>	<b>64.102.184</b>

All existing spaces are owned by Uztel S.A.

In 2016 Uztel S.A saw a downward trend in terms of economic and commercial matters compared to previous year ( 2015 ) justified in the context of lower demand for oil equipment and machinery on domestic and international market that determined all oil operating and service companies and all significant drilling operators on domestic and international market freeze investments and postpone all projects of investment in oil equipment and machinery until stabilization of oil price.

Uztel S.A. knew in 2016 the following trend of sales on domestic and foreign markets:

**Sales in RON** declined from 24.747.821 lei at 31.12.2015 to 17.278.547 lei to 31.12.2016, i.e. a decrease of 30,18% compared to the same period of 2015;

**Sales in EUR** declined from 1.320.866 lei euro at 31.12.2015 to 1.328.546 euro at 31.12.2016, i.e. a percentage increase of 0,58% over the same period of 2015;

**Sales in USD** increased from 3.792.816 USD at 31.12.2015 to 4.545.166 USD to 31.12.2016, i.e. a percentage increase of 19,84% compared to the same period of 2015.



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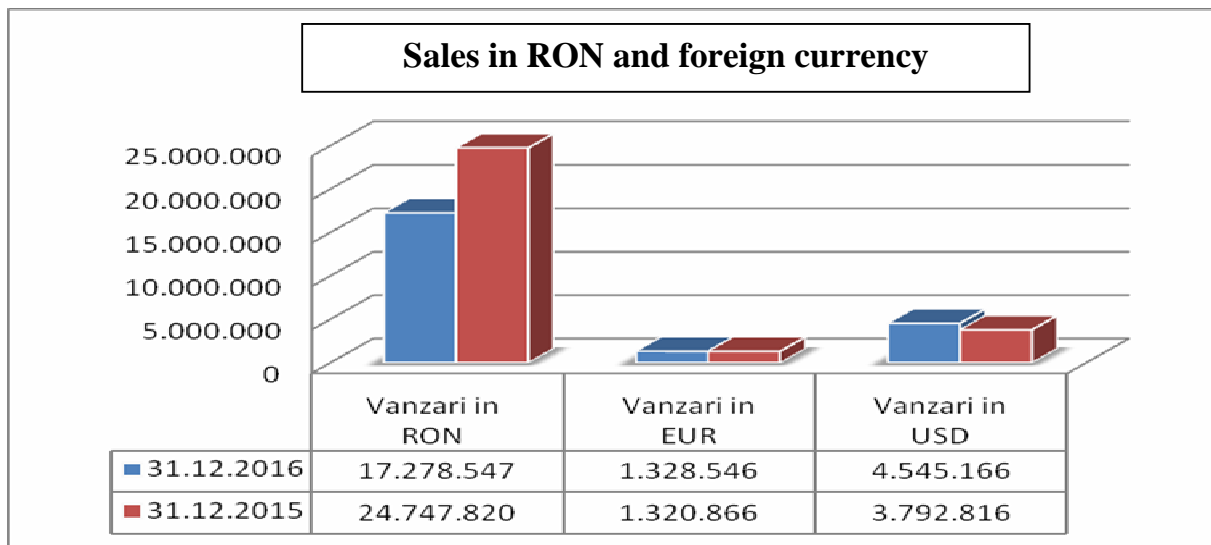
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Explanations	31.12.2016	31.12.2015	31.12.2016/31.12.2015*100
Sales in RON	17.278.547	24.747.820	69,82
Sales in EUR	1.328.546	1.320.866	100,58
Sales in USD	4.545.166	3.792.816	119,84



#### 1.1.1 Elements of general assessment:

- a) Net profit - 19.146.952 lei
- b) Turnover 41.510.000 lei
- c) Total value of to sales in foreign currencies for the period January to December 2016 is of 24.229.058, 76 lei - account turnover 4111.1.03 (foreign clients) corresponding to turnover accounts, as follows:

lei

Ct. 701.1.03	Revenue from the sale of finished products	24.226.757,66
Ct. 704.2.03	Revenue from services rendered - external	52.134,32
Ct. 708.1.02	Income from different activities - export	10.855,30
Ct. 709.1.03	Trade discounts granted on	(60.688,52)

d) Actual expenditure of 2016 to achieve production manufactured and sold is totaling 41.548.003 lei and to achieve production in progress are worth a total of 6.417.536 lei.



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

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

In 2016 commercial activity took place in the domestic market, intra-community and foreign markets, as follows:

**- domestic trade partners:**

• **Clients** - Cameron-Romania SRL Campina , Automobile Dacia SA Mioveni , Drilling Equipment SRL Zalau , OMV Petrom SA , Tehnomet SA Buzau , Multy Products Rom SRL Sighisoara, s.a.

• **Suppliers** - Forja Rotec SRL Buzau , Electrica Furnizare SA Bucuresti , Arva Metals & Steels SRL Cornetu , Mechanic&Hydro Pneumatic Systems SRL Bucuresti , Huttenes Albertus Romania SRL Bucuresti , Engie Romania SA Bucuresti , s.a.

**- intra-community trading partners:**

• **Clients** - Liberty Driling Equipment Holland, ABB Process Industrie France , Robke Erdol Und Erdgastechnik Germany , Peseco Limited Aberdeenshire UE , Exalo Drilling Poland, Green Control SRL Italy , s.a.

• **Suppliers** - Riganti SPA Italy , GPS Oil Tools Oilfield Equipment & Services GMBH Vechta Germany, Forgital Italy S.P.A. , CF Service SRL Italy, Hartmann Valves GMBH Germany, Ompa SRL Italy , s.a.

**- extra-community trading partners:**

• **Clients** - Desert Sand Oil & Gas LLC Oman , Omni Valve LLC USA , Manefols Komerz LLP Belfast , Fenton Holding Worldwide USA , Ibemo Industrie Service Germania , IAL Engineering Services Trinidad , s.a.

• **Suppliers** - Optimum LTD Liban, Parker Hannifin Corporation PGI USA, Trelleborg Sealing Solutions Sofia, American Petroleum Institut Washington USA, CF Service SRL Italy, Shabum International LTD Tel Aviv Israel, s.a.

f) on 31.12.2016 the company had liquidities (according to balance sheet) in total amount of 1.245.084,95 lei namely:



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Explanations	31-December 2016	31-December 2015	Percent (%)
0	1	2	3 = 1/2*100
bank account 5121 ( lei )	608.978,23	1.965.917,69	30,98
bank account 5124 (usd) - c/val.	380.418,26	951.546,92	39,98
bank account 5124 (euro) - c/val.	246.736,94	550.385,15	44,83
Cash account 531 in lei	8.951,52	11.149,95	80,28
Cash account 531 in currency	-	5.925,74	-
Account 508 (bank deposit )	-	3.874.386,33	-
<b>Total cash</b>	<b>1.245.084,95</b>	<b>7.359.311,78</b>	<b>16,92</b>

Cash and cash equivalents recorded in 2016 a reduction from 7.359.311,78 lei at 31.12.2015 to 1.245.084,95 lei at 31.12.2016 , i.e. a percentage reduction of 83,08%, as result of carrying in full and terms provided quarterly payments for the year 2016 according to the schedule of payment of the debts of Reorganization Plan in the total amount of 12.521.524,99 lei , so:

Installment 1st quarter 2016 (09.01.2016) totaling 2.311.504, 42 lei, from what:

	lei
a) Secured claim	2.298.856,56
b) Subordinated debt	12.647,86

Installment 2nd quarter 2016 (09.04.2016) totaling 1.101.618, 36 lei, from what:

	lei
a) Secured claim	1.093.163,00
b) Subordinated debt	8.455,36

Installment 3rd quarter III 2016 (09.07.2016) totaling 1.102.392, 00 lei from what:

	lei
a) Secured claim	1.093.162,50
b) Subordinated debt	9.229,50

Installment 4th quarter 2016 (24.11.2016) totaling 8.006.010, 21 lei, from what:

	lei
a) Secured claim	4.660.243,64
b) Unsecured claim	3.337.870,98
c) Subordinated debt	7.895,59





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The company registered at 31 December 2015 a favorable financial net gain due to currency fluctuations (EUR and USD) for the period January to December totaling 278.001,55 lei:

- Account 665 (expenses from exchange rate differences) = 973.656,49 lei

- Account 765 (income from exchange rate differences) = 1.251.658, 04 lei

#### 1.1.2 Evaluation of technical level of the Company

a) At 31.12.2016 the Company owns assets totaling 84.797.504,98 lei, as bellow:

lei

ASSETS	Balance at 31.12.2016 as of Account balance
Lands	16.764.099,62
Constructions	32.015.002,35
Technological equipment, devices and measurement equipment, vehicles	35.857.772,14
Lands	160.630,87

The production to achieve extraction and construction equipment, industrial valves, spare parts for oil equipment and constructions is carried out in the Oilfield Equipment Department, and casting parts, heat treatments and forging in Section of Hot Sectors.

b) In the period January to December 2016 were recorded following evolutions of the main income of the company compared to total revenues (49.544.032,34 lei) and turnover (41.510.000,12 lei ) namely:

year 2016	Value ( lei )	Share in Total Income %	Share in Turnover %
Revenue from the sale of finished products - domestic	17.063.263,31	34,44	41,11
Revenue from the sale of finished products - abroad	24.226.757,66	48,90	58,36
Revenue from sale of residual products	-	-	-
Revenue from services rendered – laboratory services	75.310,00	0,15	0,18



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Revenue from services rendered – internal transport	5.606,65	0,01	0,01
Revenue from services rendered – external transport	52.134,32	0,11	0,13
Income from royalties, management and rental locations	88,68	-	-
Income from rental of oil equipment and installations	36.158,23	0,07	0,09
Revenue from sale of goods	79.606,76	0,16	0,19
Income from different activities - Domestic	25.907,73	0,05	0,06
Income from different activities – Export	10.855,30	0,02	0,03
Trade discount- domestic	(5.000,00)	(0,01)	(0,01)
Trade discount- external	(60.688,52)	(0,12)	(0,15)
<b>Turnover - Total</b>	<b>41.510.000,12</b>	<b>83,78</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 2016 are:

<b>Domestic suppliers</b>	<b>Total invoices (lei) Without VAT</b>	<b>Share %</b>
Forja Rotec SRL Buzau	2.962.361,54	11,94
Electrica Furnizare SA Bucuresti	2.038.561,20	8,21
Arva Metals & Steels SRL Cornetu	1.864.277,68	7,51
Mechanic&Hydro Pneumatic Systems SRL Bucuresti	1.079.300,38	4,35
Huttenes Albertus Romania SRL Bucuresti	777.571,21	3,13
Engie Romania SA Bucuresti	765.609,15	3,08
Edenred Romania SRL Bucuresti	661.672,93	2,67
MSD COM SRL Buzau	621.216,20	2,50
Bronic Security Bucuresti	446.284,80	1,80
Sodexo Pass Romania SRL Bucuresti	437.644,63	1,76
<b>TOTAL</b>	<b>11.654.499,72</b>	<b>46,95</b>



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<b>External Suppliers</b>	<b>Total invoices (euro)</b>	<b>Share %</b>
Riganti SPA Italia	216.872,75	31,70
GPS Oil Tools Oilfield Equipment & Services GMBH Vechta Germania	116.577,20	17,04
Forgital Italy S.P.A.	87.242,00	12,75
CF Service SRL Italia	66.325,38	9,70
Hartmann Valves GMBH Germania	25.496,20	3,73
Ompa SRL Italia	25.281,00	3,70
Schreier Metall GMBH Dusseldorf	16.733,29	2,45
Continental Logistics SRL Otopeni	16.621,00	2,43
Passion SRL Ploiesti	15.848,00	2,32
Green Control SRL Italia	15.297,81	2,24
<b>TOTAL</b>	<b>602.294,63</b>	<b>88,06</b>

<b>External Suppliers</b>	<b>Total invoices (USD)</b>	<b>share %</b>
Optimum LTD Liban	100.515,83	41,66
Parker Hannifin Corporation PGI USA	42.262,50	17,52
Trelleborg Sealing Solutions Sofia	32.530,44	13,48
Shabum International LTD Tel Aviv Israel	22.370,18	9,27
American Petroleum Institut Washington USA	20.500,00	8,50
Continental Logistics SRL Otopeni	9.820,00	4,07
Gebruder Wess SRL Bucuresti	5.900,00	2,45
Manefols Komerz LLP Belfast Irlanda	3.340,00	1,38
Practicom SRL Bucuresti	1.772,34	0,73
Romtech LLC Houston	1.000,00	0,41
<b>TOTAL</b>	<b>240.011,29</b>	<b>99,47</b>

#### 1.1.4 Evaluation os sales

The main 10 clients per sales volume for 2016 are listed in the table bellow:



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<b>Domestic Clients</b>	<b>Total invoices (lei)</b>	<b>Weight %</b>
Cameron-Romania SRL Campina	1.939.827,58	10,90
Automobile Dacia SA Mioveni	1.633.084,99	9,18
Drilling Equipment SRL Zalau	1.562.253,47	8,78
Servicii si Operatiuni Speciale S.A Medias	1.332.754,00	7,49
OMV Petrom SA	1.079.451,89	6,07
Tehnomet SA Buzau	1.078.610,32	3,87
Montana M.G.Campulung	991.609,28	5,57
Multy Products Rom SRL Sighisoara	979.905,00	5,51
Altex SRL Tulcea	766.116,76	4,31
Weatherford Eastern Europe	664.499,04	3,74
<b>TOTAL</b>	<b>12.028.112,33</b>	<b>65,41</b>

<b>External Clients</b>	<b>Total Invoices (Euro)</b>	<b>Weight %</b>
Liberty Driling Equipment Olanda	279.011,00	20,71
ABB Process Industrie Franta	228.313,00	16,95
Robke Erdol Und Erdgastechnik Germania	172.251,00	12,79
Green Control Italia	156.094,00	11,59
Peseco Limited Aberdeenshire UE	134.788,13	10,01
Elematic Oy AB Toijala	78.348,75	5,82
Exalo Drilling Polonia	72.330,00	5,37
Simmons Drilling Limited Albania	61.184,00	4,51
Hartman Valves Germania	53.148,30	3,95
Genten Machines Belgia	30.000,00	2,23
<b>TOTAL</b>	<b>1.265.468,18</b>	<b>93,90</b>

<b>External Clients</b>	<b>Total Invoices (usd)</b>	<b>Weight %</b>
Desert Sand Oil & Gas LLC Oman	1.689.975,15	37,13
Omni Valve LLC USA	1.234.758,00	27,13
Manefols Komerz LLP Belfast	549.740,00	12,08
Fenton Holding Wordwide USA	468.874,00	10,30
Ibemo Industrie Service Germania	436.666,00	9,59
Ial Engineering Services Trinidad	139.252,00	3,06
PT Bangun Mitra Sinergi Indonezia	25.870,00	0,57
PT Mandiri Multi Ajijaya Jakarta	5.120,00	0,11
Array Holdings USA	1.908,00	0,04
<b>TOTAL</b>	<b>4.552.163,15</b>	<b>100,00</b>



## UZTEL S.A.

### OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

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

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The effects of manufacturing activity, transactions and events conducted during 2016 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 2016 show that SC UZTEL S.A. Ploiesti is a viable society with economic and commercial development potential which succeeded to fulfill the pay obligations assumed by the reorganization Plan. An important event occurred after end of 2016 year statement namely closure of the Company's reorganization procedure under Law 85 / 2006 and its reintegration in the economic environment with continuation of activity.

SC UZTEL S.A. had ongoing on 31.12.2016 orders / contracts with internal and external trading partners in the total amount of 7.115.244 lei, from what:

Internal Market - RON	1.891.157
External market - EURO	916.458
External market - USD	255.820

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, nitriding, packaging, etc.

Concerning the contracts / purchase orders at end-2016, 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 2017, as follows:

Internal Market - RON	9.665.000
External market - EURO	5.342.557
External market - USD	8.962.650



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

a) Company recorded at 31.12.2016 a number of 494 employees from what:

People

Engineer	Sub-engineers	economists	Other people with academic education
54	5	11	6

The factory staff is represented as follows:

People

Oilfield equipment Dept.	Hot sectors Depart.	Other activities	Total Techn-Ec. Adm staff
212	147	51	84

b) The relationship between management and employees in 2016 were held in good conditions, labor conflicts are not registered and no otherwise.

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

Company runs its business based on the following regulatory acts:

- Environmental authorization no. PH-619 from 21.12.2009 to 21.12.2019 valid until (it renews ten years) 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. 105 dated 22.06.2015 (is renewed every two years) valid until the date of 15.06.2017;
- Certificate of registration in the register of authorized economic operator performing waste recovery operations no. 0325 issued by the Ministry of Economy - Department of Industrial Policy (renews annually) valid until 31.03.2017.

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.



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Environmental management program conducted in 2016 was achieved to 100%. Proposed actions aimed at waste management, emission and immission, drinking water and waste water

It was completed an important environmental investment.

- mounting Filtering Station Puls Jet with screw and rotary valve ALWO-SFPJ 2,4/200\*3.5/352 at Electric Furnace 1,5 tone in Foundry Workshop TO1 .

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 2016 were:

Nr. Crt.	PRODUCT DESCRIPTION
1	Preventer pumping rods simple 3 1/8"-2M with threaded connections TBG 3 1/2"EUE
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	Wellhead dual completion assy. 13 5/8"-3000PSI x 11"-3000PSI Dual 2 7/8"EUE
5	Dual preventer pumping rods 11"-2x2 9/16"-3M
6	Casing head ass. +Christmas tree 13 5/8"x13 3/8"SOWx9 5/8"x13 5/8"x7"SLHCx7 1/16"x2 7/8"TSH Bluex2 9/16"-3M/5M
7	Cutter actuation cylinder
8	Adjustable nozzle 2 1/16"x15M
9	RSL 3 1/8"-5M-RIGANTI
10	RSL 4 1/16"-10M controlled by reductor
11	Testing device BOP flange 11"-3 1/2"IF
12	RSE-HT 3 1/8"-2M, F, FE, RIGANTI
13	Bit nozzle 2 9/16"-10M
14	RSE 3 1/8" x 3M, F, FE
15	Vertical preventer PV 7 1/16-5M
16	Ball preventer UZRSf 7 1/16-5M



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17	Safety valve blade gate hydraulically operated, 3 1/16"-10M-RIGANTI
18	Hydraulic control CH-6U-MD-08-BA
19	Hydraulic control CH-6U-MD-12-BA
20	Hoses transport carrier
21	Safety valve type TRSV 2 7/8
22	Brake block
23	Kit preventers transport device
24	Valve T 6"x6"-SCH10, pneumatic control
25	Valve H 6"x6"x6"-SCH 10, pneumatic control, distance between axis 240
26	Valve X 6"x6"-SCH 10, pneumatic control, distance between axis 240

All targets of engineering was fully completed.

b) In order to ensure the quality conditions required for sale of Uztel products on external market , technical departments obtained in 2016 certifications for licenses as follows:

b1) Auditing integrated quality (HSEQ) conducted by DNV-GL-Business Assurance during 17- 19. 05.2016, included:

- audit for monitoring the quality management system under ISO 9001:2008
- audit for monitoring the environmental management system under ISO 14001 :2004
- audit for monitoring the OHS management system under OHSAS 18001 :2007

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

- Nr.175755-2015-AQ-ROU- RvA; ISO-9001-2008; valid until 20.05.2018
- Nr.175754-2015-AE-ROU- RvA; ISO-14001-2004; valid until 15.07.2017
- Nr.175753-2015-AHSO-ROU-RvA; OHSAS18001-2007; valid until 15.07.2017.

b2) Audit for monitoring conducted by the company GR Eurocert SRL Ploiesti Romania, on 19.07.2016, for :

- Affixing CE mark on products manufactured according to European Directive PED 97/23/E





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- Conformity of castings with European Directive PED 97/23/EC
- Welding certification authorization under the European Directive PED 97/23/EC
- Quality Management System certification according to ISO 9001-2008

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

- PEMH.0001 08/15 ( valid until 21.08.2018 ) ;
- RU.CE.0016A-08/15 (valid until 12.08.2018 ) ;
- 146ROQS.0016A-08/15(valid until .21.08.2018).

b3) Maintaining GOST certification for GOST licenses equivalent to API 6A; 6D; 10D; 16A; 16C and 16D and 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) Recertification audit for products licenses API6A;6D;10D;16A;16C;API7-1 ; API 7K and audit under quality standard requirements APIQ1-Ed.9 conducted by American Petroleum Institut Washington USA during 13- 16.12.2016.

Following the audit were prepared corrective actions following to be assessed by the American Petroleum Institut Washington USA. To maintain certification with have the extension letter valid until 08.04.2017.

b5) Audit by second party - audit at supplier conducted during 7-11.08.2016. , by CC Energy Development n assessment of quality management system under ISO 9001-2008 and Product Specification API -6A in order to be entered on the list of accepted suppliers. Were assessed manufacturing and inspection processes. In particular for products executed under API -6A.



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c) Technological work aimed enlargement of processing technologies on CNC machine tools, diverse methods of corrosion protection and production launch within SIVECO Applications Integrated Program as follows:

1. Introduction and launch in SIVECO of a larger number of productions orders, especially those with a high degree of repeatability;
2. The use of high productivity technologies and modern cutting tools with direct impact on the technical rules of time and thus the cost price and quality of the product;
3. The design of such devices and controllers that increases the accuracy of product execution and at the same time significantly reduces the percentage of scrap or rework parts;
4. Permanent technical assistance in the manufacturing process to early detect of technological issues and promptly removing them;
5. Preparing trained staff for CNC machine tools in order to replace staff that ceased employment with the company;
6. Design of special tools that allow for the possibility of increasing the mechanical processing enabling assimilation of new products of high complexity required on foreign markets;
7. Increasing the number of modern CNC machines for increasing labor productivity and quality of mechanical processing;
8. Drawing with Energy, Investment Maintenance Service of programs to modernize the basic equipment, allowing increased machining capabilities of the company, purchase of equipment or deep drilling operations.

#### 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.



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	<b>Accounting year ended at <u>31 December 2016</u></b>	<b>Accounting year ended at <u>31 December 2015</u></b>
	<b>(lei)</b>	<b>(lei)</b>
Interest paid	112.593	176.486

#### *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and bank deposits .

	<b>Accounting year ended at <u>31 December 2016</u></b>	<b>Accounting year ended at <u>31 December 2015</u></b>
	<b>(lei)</b>	<b>(lei)</b>
Cash and availability on demand	1.245.085	3.484.925
Financial investment TS	-	3.874.386
<b>Total cash and cash equivalent</b>	<b>1.245.085</b>	<b>7.359.311</b>

#### *Currency risk*

Company is subject to exchange rate fluctuations due to foreign currency transactions.

	<b>Accounting year ended at <u>31 December 2016</u></b>	<b>Accounting year ended at <u>31 December 2015</u></b>
	<b>(lei)</b>	<b>(lei)</b>
Result of foreign currency exchange differences	278.002	198.820



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### *Market risk*

Company - customer relationship runs based on contracts or orders.

In order to reduce price risk, these contracts contain clauses relating to submission of performance guarantees, terms of price indexation or periodic renegotiation of it, the late pay fees and damages for breach of contractual conditions.

Regarding the risk of the company's cash flow can mention the following threats:

- production and repair oil equipment can be affected by the oil sector financing, closely dependent on the micro and macroeconomic policies;
- production activity restriction activity is at risk of decrease of activity of internal and external customers;
- business of renting oilfield equipment is affected by delays or rescheduling of debts, which may lead to a deterioration in the financial position by slowing the recovery of debts.

Given the above were implemented the following measures:

- a) selecting potential clients by checking their creditworthiness;
- b) negotiate shorter payment terms;
- c) for uncertain - bad payers customers continue legal proceedings of recovery of outstanding debt and enforcement of the assets owned by them;
- d) for internal and external customers is monitored with priority recovery of amounts outstanding older than 30 days from the contractual payment terms

The current global liquidity crisis which began in mid-2007 resulted, among other things, in a low level of capital market funding, lower liquidity levels in the banking sector and, occasionally, higher interbank lending rates and volatility high stock exchanges.

The uncertainties in the international financial markets have led to significant influence and 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 difficult to anticipate or completely guard against.

Management is unable to reliably estimate the effects on the Company's financial position, liquidity continued to decline in financial markets and increased volatility in the exchange rate of the national currency and indices markets.



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Economic, commercial and financial effects of "oil price crisis" in 2016 were felt in the company's business by lowering production (low demand), lower revenues, increased stocks of finished products (available to customers for renting) and not least, reduce employment costs in percentage of about 8,42 % compared to previous year (2015) . Most oil companies and drilling operators in domestic and international market have shifted 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 machinery with reduced investment budgets;
- oil equipment and machinery rental with larger investments budgets.

The Company does not hold interests in other entities

### 1.1.9 Forecasts on Company's business

#### 1.1.10

a) Influence of financial blockage on company's cash is mitigated by reducing the volume of doubtful clients. General liquidity and quick liquidity indicators had the following comparative developments:

<b>Economic -financial indicators</b>	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
<b>Cash ratio</b> = Current assets/Current Liabilities	2,99	2,92	4,71
<b>Quick ratio</b> = Current assets - Inventories / Current Liabilities	0,88	1,09	2,33

b) According to the note of presentation and justification of the Investment Program for 2017, note prepared by Energy Investment Maintenance Department and approved by the company's executive and administrative management is expected an allocation of approximately 2.803.252 lei for the rehabilitation and modernization of existing assets and acquisition of new equipment, CNC machines tools and equipment necessary for the manufacturing process.



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## **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 187.094,52 mp, din care:

- 113.033,49 mp – buildings;
- 26.802,68 mp – free area;
- 43.729,35 mp – factory roads;
- 3.529,00 mp – networks occupied area

The core activity takes place in the industrial zone on an area of 166.893,00 sqm.

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

Company assets are mostly formed and acquired before 1989, which put a high rate of wear and tear.

Some assets have been repaired or upgraded.

The situation of buildings is precarious, we consider an average of 65% wear and to avoid damaging will be repaired and rehabilitated depending upon financial resources of the company.

In 2016 were completed repairs of roofs of non-Ferrous Sector and a part of Foundry 1. These repairs will be continued to the remaining buildings owned by UZTEL.

Most of the equipment and machine tools are not in the best technical and technological condition. We appreciate that they already have a 55-60% average wear, most requiring overhaul.

Overhead traveling cranes and hoist, which mostly had expired lifespan were expertise and recertified by ISCIR, process to be continued in 2017.

Machine tools encounter wear of the slides, gearbox, and main axes so that maintenance becomes increasingly difficult to optimum. We intend to buy new equipments as: 5 axis CNC machining centre, CNC Lathe, Carousel Lathe. Classic lighting was changed with LED lighting for energy savings and providing a better



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lighting in the following halls: Steel Foundry 1, Steel Foundry 2, Adjustment Hall, machining 3, Assembly 2, Chrome Plating

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

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

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

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

**3.2** On 31.12.2016 the company has issued a total of 5.365.459 shares under the Consolidated Synthetic Structure of Holders of Financial Instruments issued by the Central Depository under no nr. 39995 of 06.12.2016, as follows:

Shareholder	Nmb. of shares held	Share in capital, %
UZTEL Association	4.498.300	83,8381
Legal persons	534.451	9,9610
Natural persons	332.708	6,2009
<b>TOTAL</b>	<b>5.365.459</b>	<b>100,0000</b>

In 2016 the Company made quarterly payments amounting 38.228,71 lei, representing net dividends due to shareholders for the years 2003, 2005 and 2006, as bellow:

a) Payments 1 <sup>st</sup> quarter – 4 <sup>th</sup> year reorganization	12.647,86	lei
b) Payments 2nd quarter – 4 <sup>th</sup> year reorganization	8.455,36	
c) Payments 3rd quarter – 4 <sup>th</sup> year reorganization	9.229,90	
d) Payments 4th quarter – 4 <sup>th</sup> year reorganization	7.895,59	



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At 31.12.2016 Uztel SA recorded in account 457 (due dividends) sum of 1.624.398,45 lei representing dividends due to shareholders for years 2003 , 2005 , 2006 , 2007 and 2008.

Dividends payable in the amount of 1.007.874,37 lei Uztel Association will be paid during 01.01.2017 - 31.12.2018, in equal quarterly installments in the amount of 125.984,29 lei net, conformity rescheduling agreement no. 3766 of 12/08/2016.

The company has not determined and not paid dividends for the years 2011, 2012, 2013, 2014, 2015 and 2016.

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

- Company did not bought its own shares in 2016.

**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 2016 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.

a) In 2016 the company was managed as follows:

- By conclusion pronounced in session in private on 30.06.2011 - file no. 4732/105/2010 Prahova Court, the bankruptcy judge acknowledged the consortium consisting of INSOL EURO SPRL Bucharest and EUROINSOL

CONSULTING SPRL Ploiesti, to manage the Uztel SA Company's insolvency procedure, taking act, for this purpose, of delimitation of powers between the two administrators set forth in the cooperation protocol concluded on 24.06.2011.

- The Decision no. 1 of 10.10.2013 of the Extraordinary General Meeting of Shareholders of Uztel S.A. with the quorum and majority required, under the provisions of art. 115 of Law no. 31/1990 R and the provisions of chapter. IV, art. 11 of the Constitutive Act of Uztel SA, revoked the mandate of the Special





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Administrator Dan N. Radulescu PFA and voted appointment of a new Special Administrator in the person of Mr. Eng. Zidaru Ion - CEO of Uztel S.A.

- Approval of Reorganization Plan extension and modification of the debts payment schedule was passed, approved and registered by the Minute no. 38 of 16.01.2014 of the Creditor' Meeting. Bankruptcy Judge by sentence no. 112 of 28.01.2014 confirmed the change and extension of Reorganization Plan of Uztel S.A. Ploiesti another year.

-Approval of Reorganization Plan and modification of the debts payment schedule was passed, approved and registered by the Minute no. 500 of 26.11.2015 of the Creditor' Meeting. Bankruptcy Judge by sentence no. 1186 of 15.12.2015 confirmed the change of Reorganization Plan of Uztel S.A. Ploiesti

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

b) Any agreement, understanding or family connection between that administrator and another person who caused that person is appointed administrator:  
- Not applicable.

c) Contribution of the Company manager to capital:  
- Not applicable

#### 4.2 Presentation of the senior executives of the Company

a) the list of senior executives appointed by the Judicial Administrator for 2016 includes:

<b>PERIOD 01.01.2016 - 31.12.2016</b>			
<b>SURNAME, GIVEN NAME</b>	<b>POSITION</b>	<b>PERIOD</b>	<b>DECISION / DATE OF ISSUE</b>
Zidaru Ion	Special Administrator General Director	01.01.2016-31.12.2016	Decision 44 / 23.04.2013
Gruescu Serban Gheorghe	Tehcnical Director	01.01.2016-31.12.2016	Decision 194 / 8.11.2012
Gheorghiu Mihail Gabriel	Commercial Director	01.01.2016-31.12.2016	CIM 238 / 31.01.2013
Popescu Ileana	Economic Director	01.01.2016-31.12.2016	Decision 592 / 0.11.2010



## UZTEL S.A.

### OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

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For the period 01.01.2016 - 31.12.2016 total remuneration of the executive management of the Company accounted for a share of 5,64 % 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:

- Not applicable.

c) Participation of executives in company's share capital is as follows:

SURNAME, GIVEN NAME-POSITION	Number of shared owned
Zidaru Ion- Administrator Special –General Director	0
Gruescu Serban Gheorghe – Technical Director	0
Gheorghiu Mihail Gabriel –Commercial Director	0
Popescu Ileana –Economic Director	122

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

#### **4.4 Corporate governance**

Uztel will implement the recommendations contained in the Corporate Governance Code of the Bucharest Stock Exchange, which defines the principles and governance structures, aiming mainly shareholders rights and ensuring fair treatment. In this regard, the Board will draw up its own Rules of Organization and Operation, which is consistent with CGC principles, thus ensuring transparency and sustainable development of the company. Rules of organization and functioning will set while corresponding functions Board, powers and its responsibilities, so as to ensure the interests of all shareholders of the company, and not least, equal access to them, but also the potential investors to relevant information about the company. In accordance with the recommendations provided in the GCC, in the company will establish strict rules for the internal handling and disclosure to third parties of documents with confidential and privileged information, paying particular importance to data and / or information that may influence the price of market securities issued by Uztel SA.



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## 5.Finance –accounting Statement

### a ) Elements of Financial Statement

a.1. The situation of assets items in 2016 compared to the years 2015 and 2014 is as follows:

lei

Assets	31.12.2016	31.12.2015	31.12.2014
<b>Intangible assets</b>	<b>109.617</b>	<b>54.973</b>	<b>52.541</b>
<b>Tangible assets of which :</b>	<b>51.773.835</b>	<b>58.309.744</b>	<b>64.049.643</b>
Land and buildings	37.709.342	42.563.845	46.582.141
Plant and machinery	10.900.435	12.930.406	13.019.747
Other installations and furniture	78.181	90.678	103.622
Tangible assets in progress	2.962.757	2.601.695	3.639.460
Advance for acquisition of intangible assets	123.120	123.120	704.673
<b>Total assets</b>	<b>51.883.452</b>	<b>58.364.717</b>	<b>64.102.184</b>
<b>Current assets of which:</b>	<b>53.774.626</b>	<b>67.274.973</b>	<b>75.291.503</b>
Stocks	37.903.801	42.145.939	37.981.286
Receivables	14.621.400	17.766.065	22.632.387
Cash	1.245.085	7.359.311	14.674.514
Prepayments	4.340	3.658	3.316
<b>Total assets</b>	<b>105.658.078</b>	<b>125.639.690</b>	<b>139.393.687</b>

Compared to 2015 it was a decrease of 15,90 % of total assets held by the company, and compared to 2014 a decrease amounted 24,20 % .

In nominal values, total assets decreased in 2016 compared to 2015 from 125.639.690 lei at 31.12.2015 to 105.658.078 lei at 31.12.2016 , due to:

- assets decrease by 11,10 %, and nominal values from 58.364.717 lei at 31.12.2015 to 51.883.452 lei at 31.12.2016;
- decrease in current assets 20,07 %, and nominal values from 67.274.973 lei at 31.12.2015 to 53.774.626 lei at 31.12.2016.

In nominal values, total assets decreased in 2016 compared to 2014 from 139.393.687 lei at 31.12.2014 to 105.658.078 lei at 31.12.2016, on account of:

- assets decrease by 19,06 %, and in nominal value from 64.102.184 lei at 31.12.2014 to 51.883.452 lei at 31.12.2016 ;



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– decrease in current assets of 28.58% and nominal values from 75.291.503 lei at 31.12.2014 to 53.774.626 lei to 31.12.2016.

### Clients

At 31 December 2016 were submitted to management approval analyzing all documents proving doubtful situation and by the substantiation note no 556 dated 24.02.2017 was recorded the partial cancelation of provisions made for doubtful debts and moving to income, as follows:

Denumire Firma Company	Date of provision account 491	Amount of provision canceled
Foraj Sonde SA Braila	2007-2011	2.435.430,25
Foraj Sonde Bucuresti	2008-2011	852.861,28
Mada SRL Iasi	2014	82.566,56
SAS International PV&AD Negresti Oas	2011	11.653,97
Autoterasiere SRL Costesti	2005	7.247,20
Liftronic SRL Paulesti	2013	4.294,00
<b>Total Provisions canceled / reversed on taxable income on 31.12.2016</b>		<b>3.394.053,26</b>

On 31.12.2016 was approved financial accounting deregistration by the substantiation note no. 556 of 02.24.2017 the prescriptions of claims, as follows:

- amount of 6.583.226,00 lei - recording on tax deductible expenses ;
- amount of 599.015,46 lei - recording on not tax deductible expenditure

Following the Report no. 570/27.02.2017 was approved the transfer of receivables from account 4111.1.01 (Clients) in account 4118.1.02 (Customer disputes) amounting 4.219,18 lei as at no risk of not cashing, as follows .

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

On 31.12.2016 it was approved financial accounting deregistration by registering on not tax deductible expenses slow moving inventory and no movement recorded in the accounts, so:

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lei

Minute nmb.	Name slow moving inventories and without movement	Value
635 / 03.03.2017	Raw materials and consumables	2.590.539,66
636 / 03.03.2017	Inventory Items	352.193,23
637 / 03.03.2017	semi-products	693.496,37
638 / 03.03.2017	Finished product	616.739,96
639 / 03.03.2017	Packing	986,82
<b>Total</b>		<b>4.253.956,04</b>

By the substantiation note no. 633 of 03.03.2017 management of company approved moving a part of adjustments for depreciation of inventory into income in account 7814 , because in the course of 2016 were used in the manufacturing process (domestic consumption) or were sold, scrapped in stocks without moving or slow-moving raw materials, supplies, inventory and elements so:

lei

391	=	7814	124.306,49	Adjustment for depreciation of raw material
3921	=	7814	114.741,09	Adjustment for depreciation of consumables
3922	=	7814	15.831,56	Adjustment for depreciation of object of inventory
3941	=	7814	6.271,44	Adjustment for depreciation of semi-finished
3945	=	7814	6.044,78	Adjustment for depreciation of finished products
			<b>267.195,36</b>	<b>Total</b>

Analysis, prescription of claims and adjustment provisions is regularly performed during the fiscal year to keep a true picture regarding the amount of the company's current and future claims.

a.2 Liabilities situation in 2016 compared to the years 2015 and 2014 is as follows

lei

<b>Liabilities</b>	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
Share capital	13.413.648	13.413.648	13.413.648
Adjustments of share capital	3.453.860	3.453.860	3.453.860
Reserves	67.707.446	69.335.973	71.913.463
Retained earnings	(10.069.996)	7.952.819	7.694.744



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Debt over a year	12.943.960	8.212.879	26.675.376
Provisions	246.213	250.638	253.538
Debts under one year	17.962.947	23.019.873	15.989.058
<b>Total Liabilities</b>	<b>105.658.078</b>	<b>125.639.690</b>	<b>139.393.687</b>

Compared to 2015, it was a decrease of 15,90% of total liabilities held by the company, in nominal value from 125.639.690 lei at 31.12.2015 to 105.658.078 lei at 31.12.2016 ;

Compared to 2014, it was a decrease by 24,20 % of total liabilities of the company , in nominal value from 139.393.687 lei at 31.12.2014 to 105.658.078 lei at 31.12.2016 .

The reduction as percentage and value of total liabilities held by the company is caused by redistribution of total debt of the company (with payment terms of one year and over one year) under debts rescheduling agreement for 2017 – 2018 entered with creditors of company.

#### b) Statement of global income

Structure of overall income in 2016 compared to 2014 and 2013 is bellow:

	lei		
Indicators	31.12.2016	31.12.2015	31.12.2014
<b>Net turnover</b>	<b>41.510.000</b>	<b>45.806.332</b>	<b>73.512.397</b>
Operational income	48.219.620	62.009.982	84.444.015
Operational expense	67.156.019	64.018.331	81.605.372
<b>Operating Activities Result</b>	<b>(18.936.399)</b>	<b>(2.008.349)</b>	<b>2.838.643</b>
Financial income	1.324.412	1.754.570	2.225.844
Financial expenses	1.534.965	1.471.340	1.541.945
<b>Net Financial Result</b>	<b>(210.553)</b>	<b>283.230</b>	<b>683.899</b>
Total income	49.544.032	63.764.552	86.669.859
Total expenses	68.690.984	65.489.671	83.147.317
<b>Result before tax</b>	<b>(19.146.951)</b>	<b>(1.725.119)</b>	<b>3.522.542</b>
Income tax	-	312.177	1.119.193
Income from deferred income tax	-	-	-
<b>Overall income for the period</b>	<b>(19.146.951)</b>	<b>(2.037.296)</b>	<b>2.403.349</b>



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**Turnover** recorded at 31.12.2016 compared to 31.12.2015 a decrease of 9,38 %, in nominal value from 45.806.332 lei at 31.12.2015 to 41.510.000 lei at 31.12.2016 , and compared with 31.12.2014 recorded a decrease by 43,53 %, in nominal value from 73.512.397 lei at 31.12.2014 to 41.510.000 lei at 31.12.2016 .

Turnover expresses the income obtained by the company based on commercial operations conducted in the reference year 2016. Turnover totals: sales of products manufactured, works and services, rents and other income.

**Operating income** showed a decrease of 22,24 % in 2016 compared to 2015 , i.e. in nominal values from 62.009.982 lei at 31.12.2015 to 48.219.620 lei at 31.12.2016 , on account of :

- products stocks costs related income decrease from 15.164.297 lei at 31.12.2015 to 5.577.215 lei la 31.12.2016 , a percentage decrease of 63,22 % ;

- decrease of sold production from 45.739.475 lei at 31.12.2015 to 41.496.082 lei at 31.12.2016 , a percentage decrease of 9,28 % ;

- Other operating income increased from 760.488 lei at 31.12.2015 to 822.433 lei at 31.12.2016 , a percentage increase of 8,15 % ;

- increased revenue from the production of tangible and intangible assets from 278.865 lei la 31.12.2015 la 309.972 lei la 31.12.2016 , a percentage increase of 11,15 % .

Compared to 31.12.2014, operating income showed a decrease of 42,90%, ie nominal value of 84.444.015 lei at 31.12.2014 to 48.219.620 lei at 31.12.2016 on account:

- diminishing stocks of products costs related incomes from 10.194.844 lei la 31.12.2014 at 5.577.215 lei to 31.12.2016 , a percentage decrease of 45,29 % ;

- Sold production decrease from 73.521.203 lei at 31.12.2014 to 41.496.082 lei at 31.12.2016 , a percentage decrease of de 43,56 % ;

- diminishing revenues from the production of tangible and intangible assets from 313.000 lei at 31.12.2015 to 309.972 lei at 31.12.2016 , a percentage decrease of 0,97 % ;

- other operating income increased from 423.774 lei at 31.12.2014 to 822.433 lei at 31.12.2016 , a percentage increase by 94,07 % .



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**Operating expenses** - recorded an increase of 4,90 % la 31.12.2016 compared to 31.12.2015 , in nominal value from 64.018.331 lei at 31.12.2015 to 67.156.019 lei at 31.12.2016 , on account of:

- Decreasing expenses with raw materials, consumables, goods and utilities from 30.430.434 lei at 31.12.2015 to 30.070.705 lei at 31.12.2016 , a percentage decrease of 1,18 % ;

- Decrease in personnel expenses from 19.738.549 lei at 31.12.2015 to 18.075.656 lei at 31.12.2016 , a percentage decrease of 8,42 % ;

- increase of other expenses , tax, fees external services from 6.404.463 lei at 31.12.2015 to 7.224.052 lei at 31.12.2016 , a percentage increase of 12,80 % .

Compared to 31.12.2014 , operating expenses decreased by 17,71 % , in nominal values from 81.605.372 lei at 31.12.2014 to 67.156.019 lei at 31.12.2016, on account of:

- Decreasing costs of raw materials, consumables, goods and utilities from 42.905.897 lei at 31.12.2014 la 30.070.705 lei la 31.12.2016 , a percentage decrease of 29,91 % ;

- Decrease in personnel expenses from 23.135.979 lei la 31.12.2014 la 18.075.656 lei la 31.12.2016 , a percentage decrease of 21,87 % ;

- Decrease other external services expenses, taxes from 8.027.156 at 31.12.2014 to 7.224.052 lei at 31.12.2016 , a percentage decrease of 10,00 % .

Decrease in operating expenses was mainly influenced by lower volume of purchases of raw materials and utilities necessary to achieve contracted production.

**The result of operational activities** , at 31.12..2014 recorded a gross profit of + 2.838.643 lei , at 31.12.2015 when the company recorded a gross loss of (2.008.349) lei and at 31.12.2016 the company recorded a gross loss of (18.936.399) lei.

**Financial income** recorded a decrease of 24,52 % la 31.12.2016 compared to 31.12.2015 , i.e. in nominal value from 1.754.570 lei at 31.12.2015 to 1.324.412 lei at 31.12.2016 . Compared to 31.12.2014 , financial income showed a decrease by 40,50 % , i.e. in nominal value from 2.225.844 lei at 31.12.2014 to 1.324.412 lei at 31.12.2016 . **Financial expenditure** recorded an increase of 4,32 % at 31.12.2016 compared to 31.12.2015 , in nominal values from 1.471.340 lei at 31.12.2015 to





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1.534.965 lei at 31.12.2016 . Compared to 31.12.2014, financial expenses recorded a decrease by 0,45% in nominal values from 1.541.945 lei to 1.534.965 lei 31.12.2014 to 31.12.2016. Increase/decrease of financial expenses was achieved on account of exchange rate differences, appreciation / depreciation of national currency against the euro and dollar currency contract and the volume of credit in foreign currency invoiced and collected.

**The net financial result** at 31.12.2014 recorded a gross profit of + 683.899 lei, at 31.12.2015 the company recorded a gross profit of + 283.230 lei and at 31.12.2016 the company recorded a gross loss (210.553) lei.

**Total revenue** registered a decrease of 22,30 % la 31.12.2016 compared with 31.12.2015 , i.e. in nominal values from 63.764.552 lei at 31.12.2015 to 49.544.032 lei at 31.12.2016 . Compared to 31.12.2014 , total revenue decreased by 42,84 % , i.e. in nominal values from 86.669.859 lei la 31.12.2014 to 49.544.032 lei at 31.12.2016. **Total expenditure** registered an increase of 4,89% compared to 31.12.2016 to 31.12.2015, i.e. in nominal values from 65.489.671 lei to 68.690.984 lei at 31.12.2015 at 31.12.2016. Compared to 31.12.2014, total expenditure decreased by 17,39 % , i.e. in nominal values from 83.147.317 lei at 31.12.2014 to 68.690.984 lei at 31.12.2016 .

**The overall result before tax global** registered at 31.12.2014 a gross profit of + 3.522.542 lei , at 31.12.2015 the company recorded a gross loss of (1.725.119) lei si la 31.12.2016 the company recorded a gross loss of (19.146.951) lei .

**The overall result for the period** recorded at 31.12.2014 a gross profit of + 2.403.349 lei , la 31.12.2015 the company recorded a net loss of (2.037.296) lei si la 31.12.2016 the company recorded a net loss of (19.146.951) lei .

<b>Economic - financial indicators</b>	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
<b>Current liquidity</b> – Current Assets / Current Liabilities	2,99	2,92	4,71
<b>Indebtness</b> – Borrowed capital / Equity * 100	11,48%	5,06%	7,80%
<b>Rotation speed debts – clients</b> – Receivables / Turnover * 365 days	129 zile	141 zile	118 zile
<b>Rotation speed of fixed assets</b> – Turnover / Fixed Assets	0,80	0,78	1,15



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**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 2016 was 129 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 0,80 expresses assets management effectiveness by achieving a turnover of 41.510.000 lei generated by an amount of fixed assets amounting to 51.883.452 lei.

#### c) Cash-flow :

Cash-flow situation on 31 December 2016 compared to 31 December 2015 and 31 December 2014 is as follows: :

	<b>31-December 2016 lei</b>	<b>31-December 2015 lei</b>	<b>31-December 2014 lei</b>
<b>Net profit for the year</b>	<b>(19.146.952)</b>	<b>(2.037.296)</b>	<b>2.403.349</b>
Income tax expenses	-	312.177	1.119.193
Long term asset depreciation /impairment	6.057.829	7.043.308	7.513.542
Gain / (loss) on sale of fixed assets	-	-	-
Provisions for customers	(730.576)	(4.124.629)	(4.169.862)
Income / (expenses) related to value adjustments on current assets	6.779.810	-	-
Provisions for inventory	-	(2.669.738)	(3.068.951)
Interest expense	(112.593)	(176.486)	(361.280)
Interest income	71.198	258.873	688.688
Dividend income	-	-	-
Gain / (loss) exchange rate	278.002	198.820	276.423
<b>Movements in working capital</b>	<b>12.343.670</b>	<b>842.324</b>	<b>1.997.754</b>
Increase / decrease in trade receivables	3.144.665	4.866.322	(1.234.716)
Increase /decrease in other current assets	(682)	(342)	(604.506)
Increase / decrease in inventories	4.242.138	4.164.653	(2.891.152)
Increase / decrease in debts payables	918.711	858.206	(6.078.814)



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Increase / decrease in deferred income	-	-	794.900
Increase/ decrease other liabilities	(1.248.979)	(10.576.377)	12.050.431
<b>Cash used in operating activities</b>	<b>7.055.853</b>	<b>(687.538)</b>	<b>2.036.143</b>
Income tax paid	(17.857)	(194.348)	(576.375)
Interest paid	(112.593)	(176.486)	(361.280)
<b>Cash generated from operating activities</b>	<b>122.120</b>	<b>(2.253.343)</b>	<b>5.499.591</b>
<b>Net cash from investing activities</b>	<b>(1.425.341)</b>	<b>(2.304.511)</b>	<b>(4.269.428)</b>
Cash payment for acquisition of land and assets	(1.425.341)	(2.304.511)	(4.269.428)
<b>Net cash from financing activities</b>			
Cash repayments of borrowings	<b>(4.811.005)</b>	<b>(2.757.350)</b>	<b>(3.693.608)</b>
Dividends paid	(4.772.776)	(2.755.871)	(3.658.177)
Cash repayments of borrowings	(38.229)	(1.479)	(35.431)
Creștere/scădere netă în numerar și echivalente de numerar	(6.114.226)	(7.315.203)	(2.463.445)
<b>Increase / decrease in net cash and cash equivalents</b>	<b>7.359.311</b>	<b>14.674.514</b>	<b>17.137.959</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1.245.085</b>	<b>7.359.311</b>	<b>14.674.514</b>
<b>Cash and cash equivalents at the end of period</b>	<b>(6.114.226)</b>	<b>(7.315.203)</b>	<b>(2.463.445)</b>

In 2016 cash and cash equivalents decreased compared to 2015 cu 6.114.226 lei , as a result:

- increase of cash generated from operating activities with 2.375.463 lei, from (2.253.343) lei at 31.12.2015 to +122.120 lei at 31.12.2016 ;
- Increase of net cash generated from investment activity with 879.170 lei, from (2.304.511) lei at 31.12.2015 to (1.425.341) lei at 31.12.2016 ;
- decrease of net cash generated from financing activity with 2.053.655 lei, from (2.757.350) lei at 31.12.2015 to (4.811.005) lei at 31.12.2016.

Compared to 2014, cash and cash equivalents decreased in 2016 by 13.429.429 lei, because of:



## UZTEL S.A.

### OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

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- decrease of net cash generated from operating activities with 5.377.471 lei, from 5.499.591 lei at 31.12.2014 to 122.120 lei at 31.12.2016 ;
- decrease of net cash generated from financing activity with 1.117.397 lei , from (3.693.608) lei at 1.12.2014 to (4.811.005) lei at 31.12.2016;
- increase of cash generated from investment activity with 2.844.087 lei, from (4.269.428) lei at 31.12.2014 to (1.425.341) lei at 31.12.2016.

CEO  
Eng. Zidaru Ion

Economic Director  
Ec. Popescu Ileana

Head of General Acct. Depart  
Ec. Ilie Marian Eduard

Undersigned, Maria Coman, sworn interpreter and translator for the English and French languages under the license no. 5886/2001 of 11 December 2001 issued by the Ministry of Justice of Romania, certify the accuracy of the translation done from Romanian to English language that the text presented has been fully translated, without omissions, and that the translation did not distorted document content and meaning.

The document whose translation is required in full was issued by SC UZTEL SA , Ploiesti city, Romania and presented me completely .

The translation of the document submitted was executed according to a written request filed at no 57/20.03.2017 , kept in the archives of the undersigned.

SWORN NTERPRETER AND TRANSLATOR

