UZTEL S.A.
OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS
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INDIVIDUAL FINANCIAL STATEMENTS

SC UZTEL S.A. PLOIESTI

31.12. 2016

PREPARED IN ACCORDANCE WITH THE MINISTER OF FINANCE NO. 881/2012 AND OF ORDER NO. 1286/2012

CONTENT:

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Statement of individual financial position

For the year ended on 31 December 2016

În LEI	Nota	31-December 2016	31-December 2015
Long-term Assets			
Tangible	10	51.773.835	58.309.744
Real Estate Investments		-	-
Intangible assets	10	109.617	54.973
Financial assets	10	-	-
Total long-term assets		**51.883.452**	**58.364.717**
Current assets			
Stocks	11	37.903.801	42.145.939
Trade receivables and other receivables	4	14.600.326	17.769.723
Deferred tax assets	4	7.557	-
Loans granted to related parties		-	-
Recoverable Taxes	4	17.857	-
Other assets		-	-
Cash and cash equivalents	4	1.245.085	7.359.311
Assets held for sale		-	-
Total current assets		**53.774.626**	**67.274.973**
Total Assets		**105.658.078**	**125.639.690**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	5	13.413.648	13.413.648
Adjustments of capital	5	3.453.860	3.453.860
Share premium account		-	-
Reservations	5	67.707.446	69.335.973
Result for the year	6	(19.146.952)	(2.037.296)
Result reported (earnings)	8	(10.069.996)	7.952.819
Total Capital		**74.504.958**	**94.156.300**
Long term loans			
trade payables	4	5.271.246	6.051.297
Loans received from related parties		-	-
loans	4	6.087.660	-
Financial leasing and interest bearing liabilities		-	-
Deferred tax liabilities		-	-
other liabilities	4	1.585.053	2.161.581
Provisions	9	246.213	250.638
Income in advance	4	-	-
Total long term liabilities	4	**13.190.172**	**8.463.516**

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Continued **Individual financial position**

Current liabilities			
Trade payables	4	11.311.105	9.612.345
Loans received from related parties		-	-
Loans	4	2.467.306	4.772.776
Financial leasing and interest bearing liabilities		-	-
Deferred tax liabilities		-	-
Other liabilities	4	3.647.565	6.898.040
Income in advance	4	536.971	1.618.884
Current income tax	7	-	117.829
Total current liabilities		**17.962.947**	**23.019.873**
Total liabilities		**31.153.119**	**31.483.390**
Total equity and liabilities		**105.658.078**	**125.639.690**

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Individual Statement of consolidated income

for the year ended 31 December 2016

În LEI	**Nota**	**31-December 2016**	**31-December 2015**
Income	12	41.510.000	45.806.332
Income from investments		-	-
Other income	12	1.132.405	1.039.353
Other gains / (losses) -net	12	(711.594)	447.337
Income cost of inventories of finished goods and production in progress	12	5.577.215	15.164.297
Expenses with raw materials and consumables	12	(30.070.705)	(30.430.434)
Asset depreciation and amortization expense	12	(6.057.829)	(7.043.300)
Employee benefits expense	12	(14.751.961)	(15.892.809)
Expenditure on insurance contributions and social protection	12	(3.323.695)	(3.845.740)
Expenses with external supply	12	(6.591.198)	(5.678.456)
Other expenses	12	(5.649.037)	(1.574.929)
Other gains / (losses) -net	12	-	-
Operating profit		**(18.936.399)**	**(2.008.349)**
Financial income	12	1.324.412	1.754.570
Financial expenses	12	1.534.965	1.471.340
Other financial gains / (losses) -net		-	-
Financial costs - net		**(210.553)**	**283.230**
Profit / (loss) before tax		**(19.146.952)**	**(1.725.119)**
Current income tax expense	7	-	312.177
Expense / income with deferred income tax	7	-	-
Profit / (loss) for the year - net	6	**(19.146.952)**	**(2.037.296)**
Other items of comprehensive income			
Earnings / (loss) from revaluation of tangible assets	10	-	-
Adjustment of deferred tax related to reserves from revaluation		-	-
Total consolidated income for the year		**(19.146.952)**	**(2.037.296)**
Earnings per Share	6	**(3,57)**	**(0,38)**
Number of shares	6	**5.365.459**	**5.365.459**

Individual Statement of changes in equity

For the year ended on 31 December 2016

În LEI	Note	Equity	Adjustment of equity	Legal reserve	Reserves from revaluation	Other reserves	Result reported	Total equity
Balance at 01 January 2015		13.413.648	3.453.860	1.916.641	69.365.688	631.133	7.694.745	96.475.715
Revaluation tangible assets		-	-	-	-	-	-	-
Distribution of dividends		-	-	-	-	-	-	-
Reserve from Revaluation	**5**	-	-	-	-	-	-	-
Reserve Reclassification From Revaluation At reported Result	**8**	-	-	-	-	-	2.295.370	2.295.370
Transfer of result of period to legal reserves	**6**	-	-	-	-	-	-	-
Net Profit of period	**6**	-	-	-	-	-	(2.037.296)	(2.037.296)
Removal Of application of IAS 29 On equity elements		-	-	-	-	-	-	-
Transfer between Equity accounts		-	-	-	(2.577.489)	-	-	(2.577.489)
Balance at 31 December 2015		13.413.648	3.453.860	1.916.641	66.788.199	631.133	7.952.819	94.156.300

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Continued Individual statement of changes in equity

În LEI	Note	Equity	Adjustment of equity	Legal reserve	Reserves from revaluation	Other reserves	Result reported	Total equity
Balance at 01 January 2016		13.413.648	3.453.860	1.916.641	66.788.199	631.133	7.952.819	94.156.300
Revaluation of tangible assets		-	-	-	-	-	-	-
Distribution of dividends		-	-	-	-	-	-	-
Reserve from Revaluation	5	-	-	-	-	-	-	-
Reserve Reclassification From Revaluation at reported Result	8	-	-	-	-	-	1.124.137	1.124.137
Transfer of result of the year to legal reserves	6	-	-	-	-	-	-	-
Net profit of year	6	-	-	-	-	-	(19.146.952)	(19.146.952)
Removal Of application of IAS 29 On equity elements		-	-	-	-	-	-	-
Transfer between accounts		-	-	-	(1.628.527)	-	-	(1.628.527)
Balance at 31 December 2016		13.413.648	3.453.860	1.916.641	65.159.672	631.133	(10.069.996)	74.504.958

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Individual Statement of Cash Flows

For the year ended 31 December 2016

	31-December 2016	31-December 2015	31-December 2014
	lei	lei	lei
Net profit for the year	**(19.146.952)**	**(2.037.296)**	**2.403.349**
Income tax expenses	-	312.177	1.119.193
Amortization / depreciation of long term assets	6.057.829	7.043.308	7.513.542
Gain /(loss) on sale of fixed assets	-	-	-
Provisions for clients	(730.576)	(4.124.629)	(4.169.862)
Income / (expenses) related to value adjustments on current assets	6.779.810	-	-
Provisions for stocks	-	(2.669.738)	(3.068.951)
Interest expenses	(112.593)	(176.486)	(361.280)
Interest income	71.198	258.873	688.688
Dividends income	-	-	-
Gain / (loss) from exchange rate differences	278.002	198.820	276.423
Movements in working capital	**12.343.670**	**842.324**	**1.997.754**
Increase / decrease in trade receivables and other 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 trade payables	918.711	858.206	(6.078.814)
Increase / decrease in deferred revenue	-	-	794.900
Increase / decrease another liabilities	(1.248.979)	(10.576.377)	12.050.431
Cash used in operating activities	**7.055.853**	**-687.538**	**2.036.143**
Income tax paid	(17.857)	(194.348)	(576.375)
Interest paid	(112.593)	(176.486)	(361.280)
Cash generated from operating activities	**122.120**	**(2.253.343)**	**5.499.591**
Net cash from investing activities	**(1.425.341)**	**(2.304.511)**	**(4.269.428)**
Cash payment for acquisition of land and assets	(1.425.341)	(2.304.511)	(4.269.428)
Net cash from financing activities	**(4.811.005)**	**(2.757.350)**	**(3.693.608)**
Cash repayments of borrowings	(4.772.776)	(2.755.871)	(3.658.177)
Dividends paid	(38.229)	(1.479)	(35.431)

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Increase / (decrease)in net cash and cash equivalents	**(6.114.226)**	**(7.315.203)**	**(2.463.445)**
Cash and cash equivalents at beginning of period	**7.359.311**	**14.674.514**	**17.137.959**
Cash and cash equivalents at end of period	**1.245.085**	**7.359.311**	**14.674.514**
Increase / decrease in net cash and cash equivalents	**(6.114.226)**	**(7.315.203)**	**(2.463.445)**

The financial statements were approved by CEO and were authorized to be issued on 24.04.2017.

NOTES TO INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED on 31 December 2016

1. REPORTING ENTITY UZTEL S.A. (The "Company")

IAS 1.138 (a)-(b) UZTEL S.A. Ploiesti (the "Company") is a company based in Romania.

IAS 1.51 the financial statements have been prepared under IFRS for the year on 31.12.2016.
The company was organized as a joint stock company under *Law no. 15/1990 on the reorganization of state economic units as autonomous holdings and companies and the* Government Decision no. 1213/20 November 1990, act published in Official Gazette no. 13bis / January 21, 1991, operating under Law no. 31/1990 of the companies and its own statute.
The company is registered in the Trade Register related to Prahova Tribunal under no. J29 / 48/1991 and holds unique registration code - RO1352846.
The Company's core activity is the "Manufacture of machinery for mining, quarrying and construction" NACE classified code 2892.
As of May 22, 2008 the Company was admitted to trading on BSE category II with UZT symbol. Currently shares of UZT are traded.
In 2004, the company was privatized in PSAL I, by transferring shares held by the Romanian state to private shareholders , namely the Authority for State Assets Recovery balance the shareholding in the Company, equivalent to 76.8745% of the share capital at that time, to the consortium formed by association "UZTEL" and company ARRAY PRODUCTS CO.LLC – SUA .

Description of the Company's business.
UZTEL" S.A. Ploiesti was founded in 1904 having an experience of over 112 years in the main activity: designing, manufacturing, repairing, selling on domestic and international market parts, assemblies and oil equipment and manufacture forgings and molded parts, spare parts for oil equipment, industrial machines, machine tools repair and others.

Since establishment "Company Romano - Americana" was meant to drilling, processing and distribution of petroleum products in Romania. The company was nationalized in 1948 and has expanded its business by embedding business of oilfield equipment repairs.
In 1950 it was renamed "Uzina Teleajen" and became a unit independent of the refinery sector.
In 1958 the company was taken over by the Ministry of Oil and Chemistry and in 1963 became a part of the General Directorate for Construction and Repair Oil Equipment. After 1966 the company was under the Ministry of Petroleum.
The company was founded and registered in the Trade Registry Prahova on 02.15.1991, at no. J29 / 48/1991, with unique registration code RO 1352846 under the name S.C. UZTEL S.A. as a joint stock company, Romanian legal person with unlimited runtime in accordance with Law No.31 / 1990 - Companies Law.
Until 1990 it was called "Oil and Repair Equipment Company Teleajen" and then, based on Law No.15 / 1990, Law No.31 / 1990 H. G.no. 1213/1990 was reorganized as a company, registered with the name S.C. UZTEL S.A.
In 2004 the company was privatized as a result of the contract of sale of shares No.77 / 2004 signed between A.V.A.S. Bucharest as Seller and the Consortium Association UZTEL Ploiesti and Array Products CO LLC as Buyer.

UZTEL Company S.A. Ploiesti's main objective is increasing the market share on production efficiency by improving responsiveness to customer requests, the range of products and services offered the creation of joint companies for joint venture and opening commercial offices in areas of interest in the industry in operating.

Decisions with immediate

- conduct permanent auditing processes and logistics to minimize time and cost of production;
– implementation of program of "Change Management" that will help in the creation and implementation of new visions, strategies and initiatives to support medium and long duration of action;
-comparative evaluation (integration, outsourcing) costs not affect– the core business, as well as those that affect a small proportion;
- optimization of decision-making information.

Decisions on permanent optimization and cost control generate visible effects and evaluated in regular activity of the company, among which we can mention:

- operational costs are subject to a continuous optimization process production expenses are planned and regularly checked
– staff resizing according to functional categories and depending on workload;
– reducing costs that are not directly related to sales (guard services, telephony, transport, etc.)
– fully optimized operating cost structure, adapted to the new market– conditions that will sustain profitable growth in the future.

Permanent decisions on boosting sales generated and generate visible effects and evaluated the company's activity, among which we can mention:

- redefining the range of products, focusing on products– and keeping only the most popular products with fast motion (for slow moving products are not considered stocks);
-implementation of training programs for the sales department employees-tender;
- full range of integrated products and services for its customers and to initiate a program of service for international clients through partners;
-forming a team to promote interdepartmental (focused on improving brand perception sensitive and significant);
–rethinking marketing strategy of the company and social responsibility.

The core of the current strategy consists in positioning the client in the center of company interests and maximizing potential profitability of existing customers, and the potential ones and increase turnover and thus the sales volume of the company..

UZTEL Company S.A. It is a viable and mobile economic system, optimally dimensioned, a company that has the capacity to continue the productive activity.

The Company is and remains an important contributor to the state budget and creator of added value by contributing to national gross domestic product.

The company has integrated production with local design skills, uses high technologies in accordance with API specifications or CE standards. Quality and OHSE Department using modern laboratories and procedures ensure compliance with international standards ISO 9001 and API specifications. UZTEL maintain and continuously improves quality management system and "SMC" ISO 9001: 2008 and API Spec. Q1 harmonized with the OHSE Management System under 14001, 18001, integrated with systems of environmental management and occupational health and safety certified by DNV, Germanischer Lloyd, to ensure product quality amid protecting the environment and creating a safe and healthy environment at workplace.

2. BASIS OF PREPARATION OF INDIVIDUALFINANCIAL STATEMENTS IAS 1.112

a. Statement of compliance with IFRS

IAS 1.7 states that International Financial Reporting Standards include: International Financial Reporting Standards, International Accounting Standards, IFRIC and SIC interpretations. These provisions imply that an entity will include in its financial statements an explicit and unreserved statement of compliance with IFRSs whether to apply all the provisions of International Financial Reporting Standards, International Accounting Standards, SIC and IFRIC interpretations.

IAS 1.16 The Company has a complete set of financial statements prepared in accordance with the Order of Ministry of Public Finance n0. 881/2012 and the Order of Ministry of Public Finance no. 1286/2012 2012 on the application of International Financial Reporting Standards ("IFRS") by companies whose securities are admitted to trading on a regulated market.

These financial statements have been prepared considering the ongoing business principle. Amounts are expressed in lei in all parts of the financial statements.

The financial statements have been prepared by management using the standards and interpretations issued on 31 December 2016, based on manual of accounting policies in force at that time. As part of the transition to IFRS, the Company prepared the financial statements and required to provide comparative information for the year ended 31 December 2015.

For annual financial statements under IFRS, the Company proceeded to the inventory of assets, liabilities and equity and their evaluation according to the provisions contained in IFRS.

The accompanying financial statements are based on the Company's statutory accounting records adjusted and reclassified in order of fair presentation in accordance with IFRS.

Significant adjustments to the statutory financial statements refer to:

- grouping a number of accounts in positions of comprehensive statement of financial position;
- preparing the notes to the financial statements and other disclosure requirements under IFRS.

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

UZTEL SA is not part of a group of entities under the control of a parent company and does not apply IAS 27 - Consolidated and Separated Financial Statements since the company was not in a consolidation perimeter.

Company managers take responsibility for preparation of financial statements on 31.12.2016 and confirm that they are in accordance with applicable accounting regulations and the company is ongoing.

b. Basis of valuation

IFRS provide financial statements prepared on a historical cost basis be adjusted, taking into account the effect of inflation, if it was significant (IAS1.106) to include the revaluation of tangible and adjusted according to International Accounting Standard IAS 29- Financial Reporting in hyperinflationary economies, until 31 December 2003. From 1 January 2004, the Romanian economy is no longer considered hyperinflationary.

The Company does not apply hyperinflationary environment accounting as of this date.

The Company does not apply IFRSs issued and not-entered into force on 31.12.2016, can not estimate the impact of not applying these provisions on individual financial statements but intends to apply these provisions with their enforcement.

c. Continued activity

These financial statements have been prepared under ongoing business principle assumption.

This is confirmed by completion of the reorganization plan prepared by the Company, and the way the company operated in the reference year 2016 and in the year before, 2015.

By sentence no.129 dated 03.03.2017 pronounced on File no. 4732/105/2010 by Dolj Court; Department of -II- Civil, was ordered closure of the Uztel SA company's reorganization procedures, following the fulfillment of payment obligations assumed in the plan confirmed by Sentence no. 1282 dated October 9, 2012 and the Uztel SA Company's reintegration into the economic circuit with continued activity Company management has analyzed the prediction of future operational activity, highlighting, at least for 2016, a volume of inputs from other contracts secured both by existing contract and reasonable certainty of contracting of new works.

UZTEL S.A. is one of the leading manufacturers of oilfield equipment, and providing repair services in this area, an area that has a positive perspective, especially in present day in Romania, when large companies in Europe and beyond will begin operation of new deposits of oil and natural gas.
Based on analyzes conducted and measures of reorganization plan, the Company's directors confirm that it will be able to continue operations in the foreseeable future and, therefore, the application of the ongoing business assumption is justified and appropriate for the preparation of financial statements based on this principle.

d. Functional and presentation currency

Under IAS 1.51 financial statements are presented in Romanian Lei (RON), which is the functional and presentation currency. Except where otherwise stated, the financial information presented in RON has been rounded to the nearest unit.

e. Use of estimates and judgments

Preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates are made based on the most reliable information available at the date of the financial statements but actual results may differ from these estimates. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed periodically. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods affected as of IAS 1125. In accordance with IAS 36, both tangible and intangible assets are reviewed at the balance sheet date to identify whether there are indicators of impairment.
The most significant estimates and decisions that have an impact on the amounts recognized in the financial statements are estimates of the economic life of tangible assets (e.g. equipment), determine the recoverable amount of tangible assets involving a lease, the estimate of provisions for doubtful debts, for depreciation of old stocks and stocks without movement, provisions for risks and charges.

3. ACCOUNTING POLICIES

The accounting policies detailed below have been consistently applied by the Company in accordance with IAS 8 and IAS 1134-135.

The company discloses information that enables users of its financial statements to evaluate the objectives, policies and processes for managing capital Society.

In order to comply with IAS1.134 Society presents:

- Qualitative information about its objectives, policies and processes for managing capital including a description of what it manages as capital, and how it is meeting its objectives for managing capital;
- A summary quantitative data;
- Any changes from the previous period on qualitative and quantitative information. The Company relies on information provided internally to key management personnel IAS 1135.

In the process of applying the Company's accounting policies, management has not made significant assumptions apart from those involving estimates of reserves for receivables, inventories and litigation that have significant effect on the amounts in the financial statements.

The accounting policies have been applied consistently to all periods presented in the financial statements prepared in accordance with IFRS.

In the process of applying the Company's accounting policies, management has made estimates for provisions, impairment of receivables and inventories which have no effect on the estimated values of the individual financial statements.

Distinction assets / fixed or current debt / long-term

Society presents current assets, assets and current and long-term liabilities as distinct classifications in statement of financial position, except when a presentation based on liquidity provides information that is reliable and more relevant in order of liquidity.

a. *Transactions in foreign currencies*

According to IAS 1.51 (d), (e) transactions in foreign currencies are expressed in RON by applying the exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies at year end are in USD at the exchange rate at that date. Gains and losses from exchange rate differences, realized or unrealized, are recorded in the income statement in the year in question, in accordance with IAS 21.

Official exchange rates used to convert foreign currency balances at December 31, 2016 are as follows:

Currency	31 December 2016
1 Euro	4,5411 lei
1 US dollar	4,3033 lei

***b. Financial* Non-derivative financial receivables**

Financial assets include primarily cash and cash equivalents, customers and other similar accounts, investments. Recognition and measurement of these items are disclosed in the respective accounting policies.

Financial instruments are classified as receivables from loans, liabilities or equity in accordance with the content of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income as incurred. Payments to holders of financial instruments classified as equity are charged directly to equity.

The Company initially recognizes receivables and deposits on the date on which they were initiated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date when the Company becomes party to the contractual terms of the instrument.

The Company recognizes a financial asset when it expires contractual rights on cash flows generated by the assets or when transferred rights to collect the contractual cash flows of the financial asset in a transaction in which the risks and rewards of ownership of the financial asset are transferred significantly. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are compensated and in the statement of financial position are presented net value only when the Company has a legal right to offset the amounts and intends either to settle on a net basis, or to realize the asset and settle the obligation at the same time.

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss, held to maturity financial assets, receivables and financial assets available for sale.

Trade receivables

Customer accounts and similar accounts include invoices and unpaid at the reporting date at face value and estimated claims related to sales, services, which are recognized initially at fair value plus directly attributable transaction costs. Subsequently, customer accounts and similar accounts are stated at amortized cost less impairment losses. Amortized cost approximates the nominal value. Ultimate losses may vary from the current estimates. Due to the inherent lack of information about the financial position of customers, an estimate of probable losses is uncertain. However, the company management made the best estimate of losses and believes that this estimate is reasonable in the circumstances.

Losses of value are analyzed on the date of the financial statements to determine whether they are correctly estimated. Depreciation adjustment can be repeated if there has been a change in existing conditions when determining the recoverable amount. Reversing impairment adjustments can be made so that only the net value of the asset does not exceed its net book value history.

Cash and cash equivalents

Cash and cash equivalents includes petty cash, current accounts and other cash equivalents. Cash and cash equivalents in foreign currencies are revalued at the exchange rate at the end of the period. Bank overdrafts that are payable on demand and form an integral part of the Company's cash management funds and credit lines are included as a component of the available funds in order to present a cash flow statement. Bank overdrafts are shown as borrowings in current liabilities section.

Short-term investments

The company booked under short-term financial investments, bank deposits in lei made within 1 month and up to 3 months deposits that provide the necessary cash payment according to the schedule of payment of quarterly rates of claims of creditors of the company for the Reorganization Plan, completed as of Sentence no 129 dated 03.03.2017 passed by Dolj Court, Department II Civil.

Bank deposits were composed of financial liquidity obtained by the company through the collection of outstanding and current trade receivables in lei, to ensure the company's going on business and protect the interests of creditors and shareholders.

c. ***Non-derivative financial debt***

The Company initially recognizes debt instruments issued and subordinated liabilities on the date it is initiated. All other liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, when the company becomes party to the contractual terms of the instrument.

The Company derecognizes a financial liability when its contractual obligations are settled, canceled or expires.

Financial assets and liabilities are compensated and the net amount of financial position is presented only when the Company has a legal right to offset the amounts and intends either to settle on a net basis, or to realize the asset and settle the obligation at the same time.

The Company has the following non-derivative financial liabilities: financial liabilities, loans, overdraft, trade payables and other liabilities.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

d. Trade payables

Payables to suppliers and other payables are recognized initially at fair value plus directly attributable transaction costs. Subsequently, they are recognized at amortized cost less impairment losses using the effective interest method. Amortized cost approximates the nominal value. Payables and other liabilities at amortized cost include the invoices issued by the suppliers of goods, works and services rendered.

e. Interest Bearing Borrowings

Borrowings are recognized initially at fair value, net of transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost, any difference between cost and redemption value being recognized in the statement of comprehensive income during the loan based on an effective interest rate.

Net financing costs include interest on borrowings calculated using the effective interest rate method, less capitalized costs capitalized in assets, interest receivable on funds invested, dividend income, favorable and unfavorable foreign exchange differences, risk fees and commissions.

Interest income is recognized in profit or loss in the year they occur, using the effective interest rate method.

Dividend income is recognized in profit or loss on the date the Company's right to receive dividends is recognized.

f. *Equity (Share Capital)*

Ordinary shares

Ordinary shares are classified as part of equity. Incremental costs directly attributable to issue ordinary shares and share options are recognized as a deduction from equity net of tax effects. Dividends on equity holdings (capital) established in accordance with General assembly of Shareholders (AGA) Decisions are recognized as a liability in the period in which their distribution is approved.

g. Tangible assets

Under IAS 16 property, plant and equipment are initially recorded at acquisition cost. Intangible assets visible through financial statements were included in the revalued amount less accumulated depreciation and adjustments for depreciation or impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Tangible assets include land, buildings, construction, machinery and equipment and other tangible assets and tangible assets in progress.

Starting May 1, 2009, statutory reserves from the revaluation of fixed assets, including land, performed after 1 January 2004, which are deducted from taxable income through tax depreciation or expenditure on assets balance and / or scrapped, are subject to tax while tax depreciation deduction , when writing off books of these assets, as appropriate.

Statutory reserves from revaluation of fixed assets, including land, made up to 31 December 2003 plus the portion of the revaluation performed after January 1, 2004 for the period up to April 30, 2009 will not be taxed at the time of transfer to reserves representing surplus revaluation reserve, but when changing their destination.

The statutory reserves are made taxable in the future, when changing of reserves destination in any form, in case of liquidation, merger of the Company, including its use to cover accounting losses, except for transfer, after 1 May 2009, the reserves for assessment after 1 January 2004.

When parts of a tangible asset have different useful lives, they are considered separate asset. Tangible assets are retired or balances are removed from the statement of financial position together with the corresponding accumulated depreciation. Gains or losses after retirement or disposal are equal to the net proceeds from the disposal (less disposal costs) minus the net book value of the asset. They are recognized as income or expense in profit or loss.

When an asset is classified as investment property, the property is revalued at fair value. Gains arising from revaluation are recognized in the income statement only to the extent there is a loss of impairment of the property and any remaining winnings recognized as other elements of overall income and presented in the revaluation reserve in equity. Any loss is recognized immediately in profit or loss. Subsequent costs are capitalized only when it is probable that such expenditure will generate future economic benefits of the Company. Maintenance and repairs are expenses in the period

The fair value of tangible assets has been determined on the basis of continuity.

h. Depreciation

Tangible assets are generally amortized using the straight-line method over the estimated useful lives of the month following commissioning and monthly costs include company. The useful life (in years) used (fiscal) for tangible assets are as follows:

	Lifetime (years)
Buildings, constructions and special installations	25 - 60
Machinery and equipment	03 - 28
Measuring and Control	05 - 10
Machines	04 - 10
Machines	03 - 20

Depreciation of an asset ceases at the earlier of the date the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is derecognized.

Assets in progress and land are not depreciated. Investments in progress are not depreciated until commissioning. Assets' residual values and useful lives are reviewed and adjusted if necessary at each statement of financial position date. If expectations differ from previous estimates, the change must be accounted for as a change in an accounting estimate in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount exceeds the estimated recoverable amount.

Assets acquired under leasing

IFRS 1 does not contain an exception to the retrospective application of IAS 17. Entities will need to consider leases at the date of transition to IFRS and classify them according to IAS 17. Certain operating leases may be reclassified into the category of finance leases. In this case, the entity recognizes that the date of passing to IFRS the asset leased with related depreciation, liability duty assessed under IAS 17 and impute to earnings any difference.

Under IAS 17 leases in which the Company assumes all the risks and rewards of ownership are classified as finance leases. Tangible assets acquired through finance leases are stated at least between the market value and the present value of future payments, less accumulated amortization and impairments of value. Lease payments are recorded in accordance with accounting policy. Fixed assets acquired in finance leases are depreciated over their lifetime.

j. Intangible

Intangible assets with determined useful life are amortized over the economic life and assessed for depreciation whenever there are indications that intangible assets may be impaired. The amortization period for an intangible asset with a useful life determined is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period, and treated as changes in accounting estimates. Amortization expense of intangible assets with useful lives determined is recognized in profit or loss category operational expenses.

Under IAS 38, intangible assets are presented in the statement of financial position at their revalued amount.

Depreciation is recognized in profit or loss on a straight line method basis during the estimated useful lives of the intangible asset. Expenditure related to the acquisition of software licenses is capitalized based on the costs of procurement and commissioning of programs. Costs associated with developing or maintaining computer software programs are recognized as expenses when registering.

Intangible assets according to generally accepted regulations cannot be acquired through exchange of assets, which are treated as special deliveries.

k. Stocks

According to IAS 2, Inventories consist of raw materials and supplies, goods, spare parts, semi-finished products and packaging, and other materials. These are recorded at their entry as inventory at the acquisition price and acquisition are expensed or capitalized, as appropriate, when consumed. The cost of inventories is determined based on the FIFO method. Inventory accounting method is **ongoing inventory method**, quantity and value management being watched (store sheet and Integrated Informatics Storage Program SIVECO Applications - SVAP 2011). The value of production in progress and finished products includes direct cost of materials, labor and indirect costs of production that we have built. Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, if any, and expenses of sale.

Inventory items are treated as inventory, passing on costs is performed entirely in putting them into use, tracking them extra accounting.

Heritage assessment at the end of the financial year is influencing stocks, with differences (+ / -) resulting from the annual inventory.

l. Dividends

Under IAS 10, the Company may pay dividends only by statutory profit-sharing, considering the financial statements prepared in accordance with Romanian accounting principles. Dividends are recognized as a liability in the period in which their distribution is approved.

m. Employee Benefits

Under IAS 9, the rights of employees in the short term include salaries and social security contributions. Short-term employee rights are recognized as expenses with services by them in the current activity they perform. The Company makes payments to the Romanian State Social Security benefits to its employees. All employees of the Company are included in the Romanian State pension plan. The payments are recognized in profit or loss together with payroll expenses. The Company has no other legal or implicit obligations to pay future benefits to its employees. On termination of employment, the company has no obligation to repay the contributions made by former employees.

n. Provisions

A provision is recognized when, and only when the following conditions are met: the Company has a present obligation (legal or implicit) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation when a reliable estimate can be made regarding the amount of the obligation. Where the effect of the temporary value of money is material, the amount of a provision is the present value of the expenditures is expected to be required to settle the obligation.

Provisions are measured at the present value of cash flows using a discount rate that reflects current market situation and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted annual financial statements to reflect the current best estimate of the Company's management in this regard. Where to settle an obligation is no longer probable that an outflow of resources, provision is canceled by resuming revenue.

No provisions are recognized for costs that are incurred for the activity in the future.

o. Income

Under IAS 18, revenue is recognized when the significant risks and rewards have been transferred to the buyer, obtaining economic benefits is probable and the associated costs can be estimated correctly. Revenue is recognized at the fair value of the amount received (net amounts of revenue), VAT, returns and discounts. Sales of services are recognized in the period, to which it relates, by their nature (operational, financial).

Financial income comprises interest income from dividends. Interest income is recognized as it accrues in profit or loss using the effective interest method. Dividend income is recognized in profit or loss is determined at the time the Company is entitled to receive the amount paid.

Financial expenses comprise interest expense related to loans and impairment losses on financial assets.

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Interest on borrowed capital and commissions related to these loans are capitalized in production costs and those that are not directly attributable to the acquisition, construction or production are recognized in profit or loss using the effective interest method.

Losses and gains from exchange rate differences are recorded at net value under IAS 21.

p. Leasing

In accordance with IAS 17 leases in which the Company assumes substantially the risks and rewards of ownership are classified as finance leases. On initial recognition, the asset that is the subject of the lease is valued at the lower of fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

r. Income tax

Income tax is recorded in the income statement except where it relates to items of equity, in which case income tax is recorded in the equity section. Current tax is the expected tax payment that relates to taxable profit of the year, using tax rates set by law at the reporting date, adjusted for corrections of previous years.

Deferred income tax is calculated based on temporary differences. These assets and liabilities are determined as the difference between the carrying amount (VC) and the amount attributed for tax purposes (tax base BF).

Dividend tax is recorded at the same time when debts are recognized on dividend on dividend payment.

Income tax rate used to calculate the current and deferred income tax at 31 December 2016 was 16% .

s. Earnings per share

In accordance with IAS 33, earnings per share are calculated by dividing profit or loss attributable to owners of the weighted average number of shares subscribed.

The weighted-average shares outstanding during the year represents the number of shares at the beginning of the period, adjusted number of shares issued multiplied by the number of months in which the shares were outstanding during exercise.

Dilution is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or alternatives are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions. Result of diluted earnings per share is consistent with that of basic earnings per share namely, to assess the interest of each ordinary share in the performance of an entity.

t. **The implications of the new International Financial Reporting Standards (IFRS)**

Standards and interpretations issued by the IASB and adopted by the EU but not yet in force and society do not apply early

Currently, the EU adopted IFRS does not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to existing standards and interpretations, which have not been approved for use:

Amendments to IFRS 7 Financial Instruments: Disclosures, published in ianuarie2017. The European Union, they are pending.

– Proposed amendments to IFRS 10 on the sale or contribution of assets of an investor and its associates or joint ventures occurred in September 2014 with the entry in force after 1 January 2016. In the European Union was not yet set a timetable approval..

– Amendments to IAS 12.– Recognition of deferred tax on unrealized losses. appeared in January 2016 with effect after 1 January 2017. In the European Union, they are pending.

– Clarification of the IFRS 15 Revenue from contracts with customers occurred in April 2016 with effect from 1 January 2018. In the European Union, they are pending.

– Amendments to IFRS 2: The classification assessments of transactions– related to share-based payment occurred in June 2016, with effect from 1 January 2018. In the European Union, they are pending.

– Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with application of IFRS– 4 Insurance Contracts, occurred in September 2014 with effect after 1 January 2018. In the European Union, they are pending.

– IFRIC 22 .Foreign currency transactions and advanced considerations appeared in December 2016 with effect after January 1, 2018. At EU level, it is pending.

– Amendments to IAS 40 .Transfer of securities investments occurred– in December 2016 with effect after 1 January 2018. In the European Union, they are pending.

New internationastandards not applied by the Company

The Company does not apply some new provisions IFRS or IFRS issued and we entered in force on financial statements.– The Company can not estimate the impact of this provision on the financial statements and intends to apply these provisions with the entry into force.
The standards issued but not yet in force, the company will not be in a position to apply prospectively none of them.
These are:

– FRS 9 *Financial Instruments* incorporating the requirements for classification and evaluation, depreciation, general accounting coverage and recognition of the financial instruments, released in July 2014, with effect on or after 1 January 2018. In the European Union (EU) this standard is pending.
– IFRS 14 applies to the first IFRS annual financial statements of an– entity for the period commencing on or after January 1, 2016, was published in January 2014. In the UniuniiEuropene this standard fostîncã not approved.
– IFRS 15 applies to the first annual financial statements IFRS of an– entity for the period commencing on or after January 1, 2018, was published in May 2014 and adopted by the European Union in September 2016, with effect in the EU since January 1, 2018
– IFRS 16 Leases applies to the first IFRS annual financial statements of an entity for the period commencing on or after January 1, 2019, was published in 13 ianuarie2016. At EU level, this standard the case is pending.

Reconciliation between IFRS and the accounting policies of previous years

31.12.2012, Uztel SA has made reconciliation between IFRS and local accounting policies applicable to previous years.
Financial statements for 2012 represent the first financial statements that the company was prepared in accordance with IFRS adopted by the EU, as provided OMPF 1286/2012.

For the year ended 31.12.2010 and 31.12.2011, the company separate financial statements according to OMPF 3055/2009.
The Company prepared financial statements in accordance with IFRS as adopted by the EU applicable for financial years ending 31.12.2012 and comparative data on the conclusion of 2011, respectively 31.12.2011.
For preparing these financial statements was drawn opening situation of financial position at January 1, 2011, transition date.
There were performed reconciler comprehensive income under IFRS 1 the overall outcome determined by OMPF 3055/2009, as there were no differences identified between the overall result determined in accordance with local accounting principles applied for accounting periods preceding and comprehensive income determined in accordance with IFRS.

u. ***Determining the fair value***
Certain of the Company's accounting policies and presentation of information requirements, ask for the determination of fair value for both assets and financial and non-financial liabilities. Fair values were determined in order to evaluate and / or presenting information on the basis of the methods described below. When applicable, further information about the assumptions used in determining fair values are presented in the notes specific to that asset or liability.

1 *Trade receivables and other resources*

The fair value of trade receivables and other resources is estimated as the present value of future cash flows, discounted using a financing rate specific to market at the financial reporting date. This value is determined for information.

2 *Interest bearing loans*

The fair value of these items is estimated as the present value of future cash flows, representing the principal and interest, discounted using a financing rate specific to market at the financial reporting date. This value is determined for information.

3 *Property and equipment*

The fair value of these items has been established following the revaluation carried out by a independent evaluator, member ANEVAR using the comparison method capitalization method for land and buildings.

Comparative Statements

For each item in the balance sheet, profit and loss account and, where appropriate, the statement of changes in equity and cash flows for comparability is presented corresponding element corresponding value for the previous financial year.

Correction of accounting errors IAS 8.

If the company becomes aware of errors made in accordance with accounting principles generally accepted previous reconciliations should be made to highlight the correction of those errors in accounting policies.

The recording of transactions relating to the correction of accounting errors, the provisions of IAS 8 (pct.134 of OMPF 1286/2012 as amended).

Events after the balance sheet

Based on the information that we have until now, the shareholding structure was not changed until the date of these financial statements and did not intervene no other significant events subsequent to the closing of the financial year.

- Closure of Uztel SA company reorganization procedurand reintegration into the economic environment with activity to continue under Sentence no. 129 dated 03.03.2017 of the Court Dolj.

4. RISK MANAGEMENT

The nature of the activities carried out, the Company is exposed to various risks that include credit risk, interest rate risk, liquidity risk, currency risk, market risk. The management aims to reduce the effects of potential effects of these risk factors on the financial performance of the Company by maintaining an adequate level of capital and outcomes.

For a good risk management and the desire to establish new ways of managing its level proceed continuously updating and improving procedures and rules specific to each department, to the extent that at a time, it is considered that based on existing rules at the time , Company is exposed through the activities performed by that department.

Authorized persons of the Company permanently monitors the effectiveness of policies and procedures for risk assessment, the extent to which the Company and relevant persons complying with the procedures, methods and mechanisms for risk management, and the effectiveness and adequacy of measures taken to address any deficiencies. Risk indicators are checked constantly to ensure their framing limits. Also check the daily management of the company the production and marketing of the company.

Credit risk

Company is subject to credit risk due to its trade receivables and other types of claims.

	Accounting year ended at <u>31 December 2016</u> (lei)	**Accounting year ended at <u>31 December 2015</u> (lei)**
Receivables	14.625.740	17.769.723

For other operations, where the amounts are significant, references to the creditworthiness references are normally obtained for all new customers, debt maturity date is carefully monitored and amounts due after exceeding the time limit shall be pursued promptly.

The following balance sheet elements were identified under credit risk and were within the following exposure classes:

– claims on local government: budgetary claims:
– claims on institutions and financial institutions: bank accounts, guarantee funds;
– claim against the company: Payment in advance companies;

– Other items: petty cash, property and equipment.

The value at risk of an asset is the value of its balance sheet and is identified based on documents provided by the Accounting Department.

- **Trade receivables and other receivables**

On 31 December 2016, the company's trade receivables situation is as follows :

Receivables on 31.12.2016			**lei**
RECEIVABLES	Balance at 31.12.2016	maturity	
		less 1 year	over 1 year
0	1 = 2 + 3	2	3
Total, of which:	**14.600.326**	**12.207.427**	**2.392.899**
Domestic Client	**4.284.726**	4.284.726	-
External Client	**3.509.607**	3.509.607	-
Doubtful client, litigation	**3.123.475**	-	3.123.475
Other receivables (Performance Assurance OMV Petrom Bucharest)	**314.366**	314.366	-
VAT to be recovered	**926.258**	926.258	-
Salary advance	**3.300**	3.300	-
Suppliers borrowers	**383.397**	383.397	-
Debtors – trade receivables Factoring	**2.013.089**	2.013.089	-
Other receivables (VAT not due, accrued expenses and settlement systems in operation during clarification)	**772.685**	772.685	-
Ajustari pentru deprecierea creantelor-clienti	**(730.576)**	-	(730.576)

Impairment of receivables-customers	**17.857**	17.857	-
Deferred tax payables	**7.557**	-	7.557

Amount worth 772.685 lei recorded in "other receivables" account refers to amounts from account 4428 (VAT under settlement) = 761.464,40 lei ; account 471 (prepayment) = 4.339,60 lei and account 473 (settlements pending clarification) = 6.880,50 lei (corrected amount in January-February 2017).

The main 10 clients of Company depending on the volume of transactions for 2016 are listed in the table bellow:

Domestic Client	**Total Invoices (RON) without VAT**	**Share %**
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
TOTAL	**12.028.112,33**	**65,42**

Domestic Client	Total Invoices (euro)	share %
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
TOTAL	**1.265.468,18**	**93,93**

External client	Total Invoices (USD)	share %
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	0,10
Array Holdings USA	1.908,00	0,04
TOTAL	**4.552.163,15**	**100,00**

	Accounting year ended 31 December 2016 (lei)	**Accounting year ended 31 December 2015 (lei)**
Liabilities	30.369.935	29.613.868
Provisions for risks and expenditures	246.213	250.638
Income in advance	536.971	1.618.884
Total liabilities	**31.153.119**	**31.483.390**

- **Trade payables and other payables**

On December 31, 2016, company's debts are the following:

Debt situation on 31.12.2016				lei
Debt	Balance at 31.12.2016	Balance at		
		Less 1 year	1-5 years	over 5 years
0	1 = 2 + 3 + 4	2	3	4
Total, of which:	**31.153.119**	**17.962.947**	**13.190.172**	**-**
Amounts owed to credit institutions	**8.554.966**	2.467.306	6.087.660	-
Advances collected for orders	**536.971**	536.971	-	-
Trade payables - suppliers	**16.582.351**	11.311.105	5.271.246	-
Income tax	**-**	-	-	-
Other creditors including tax and social security	**5.232.618**	3.647.565	1.585.053	-
Provisions and deferred income	**246.213**	-	246.213	-

The amount of 1.585.053 lei recorded in the account "Other debts, including tax and social security liabilities" refers to amounts from the account 462 (various creditors - rescheduling agreements) = 1.081.116 lei and account 457 (dividends – rescheduling agreements) = 503.937 lei .

Company's top 10 suppliers based on volume of transactions for 2016 are shown in the table below:

Domestic Suppliers	**Total Invoices (lei) without VAT**	**share %**
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
TOTAL	**11.654.499,72**	**46.95**

External Suppliers	**Total Invoices (Euro)**	**share %**
Riganti SPA Italia	216.872,75	31,70
GPS Oil Tools Oilfield Equipment & Services GMBH Vechta	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
TOTAL	**602.294,63**	**88,06**

External Suppliers	Total Invoices (USD)	share %
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
TOTAL	**240.011,29**	**99,47**

Bank loans are secured by :

- real estate mortgages totaling 29.434.935 lei (insurance policy nmb. 2452267 of 11.05.2016) ;
- Pledge Stocks of raw materials, inventory and finished goods totaling 24.651.575 lei * insurance policy nmb. 2470188 of 22.11.2016) ;
- Pledge on rquipment totaling 5.852.629 lei (insurance policy nmb 2470241 of 28.02.2017) .

Interest rate risk

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

	Accounting year ended 31 December 2016 (lei)	**Accounting year ended 31 December 2015 (lei)**
Interest paid	112.593	176.486

Liquidity risk

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

	Accounting year ended	**Accounting year ended**
	31 December 2016	**31 December 2015**
	(lei)	**(lei)**
Cash and availability on demand	1.245.085	3.484.925
Financial investments TS	-	3.874.386
Total Cash and cash equivalents	**1.245.085**	**7.359.311**

Currency risk

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

	Accounting year ended	**Accounting year ended**
	31 December 2016	**31 December 2015**
	(lei)	**(lei)**
Result of foreign exchange differences	278.002	198.820

Market risk

The current global liquidity crisis that began in mid-205 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 " in 2016 were eflected in the company's business by lowering production (low demand), lower revenues, increased stocks of finished products (available to customers for renting) and, not finally, reducing employment costs in percentage of about 8,42 % over the previous year (2015). Most oil companies and drilling operators in domestic and international market and have changed the investment policy (acquisition of equipment and oil) by dividing it due to financial and economic reasons into two components:

- acquisition of new oil equipment and installation with reduced investment budgets;
- oil equipment and installation rental with larger investments budgets

5. EQUITY

Share capital

The share capital of SC UZTEL S.A. is 31 December 2016, amounting to 13.413.648 lei, divided into 5,365,459 shares with a nominal value of 2.50 lei.
According to existing records in SC Central Depository S.A. and the BSE situation of shareholders on 31.12.2016 is as follows:

Shareholder	Nmb. of shares held	Weight in share capital, %
UZTEL Association	4.498.300	83,8381
Legal persons	536.401	9,9973
Natural persons	330.758	6,1646
TOTAL	**5.365.459**	**100,0000**

All shares are common, were subscribed and paid in full on 31 December 2016.

All shares have equal voting rights and a nominal value of 2,50 lei.

Legal reserves
Legal reserves are established under statutory financial statements and may not be distributed. The company transfers to the legal reserve at least 5% of annual profit until the aggregate balance sheet reaches 20% of the share capital. When this level is reached, the company may make additional allocations of net profits only.
At December 31, 2016 Company constitutes legal reserves totaling 1.916.641 lei.

	Accounting year ended 31 December 2016 (lei)	Accounting year ended 31 December 2015 (lei)
Legal reserves	1.916.641	1.916.641

Other reserves

	Accounting year ended 31 December 2016 (lei)	Accounting year ended 31 December 2015 (lei)
Other reserves	631.133	631.133

Revaluation reserve

The revaluation reserve is the amount of 65.159.671,82 lei at December 31, and includes revaluation reserves obtained after revaluation carried out by independent evaluators on:

- construction – revaluation on December 31, 2007 May 31, 2011 and December 31, 2013;
- technological equipment, technical installations, machinery, furniture and office equipment – on 31.12.2007.

	Accounting year ended **31 December 2016** (lei)	Accounting year ended la **31 December 2015** (lei)
Revaluation reserve	65.159.672	66.788.199

The revaluation reserve was diminished in 2016 with a value of 1.628.527 lei through capitalization of the revaluation surplus, as follows:

- Value of 482.009 lei representing capitalization of revaluation surplus from land surface of 6.079,83 square meters balance in 2016;
- Value of 1.146.518 lei representing capitalization revaluation surplus for fixed assets in categories construction, technical equipment, vehicles and office furniture, exit from books in 2016 .

RESULT FOR THE YEAR

Result for the year

At the end of fiscal year 2016 the Company recorded the following results:

- **Gross Operationnal Result** diminished from (2.008.349,00) lei to 31.12.2015 to (18.936.366,00) lei at 31.12.2016 , that means a significant decrease against the same period of 2015;
- **Gross financial result** recorded at 31.12.2015 a gain of +283.230,00 lei , by comparison to 31.12.2016 when the company recorded a lodd of (210.553,00) lei ;
- **Gross profit of financial year** diminished from (1.725.119) lei at 31.12.2015 to (19.146.952) lei at 31.12.2016 , adica o diminuare semnificativa fata de aceeasi perioada a anului 2015;
- **Rezultatul net al exercitiului financiar** s-a diminuat de la (2.037.296) lei la 31.12.2015 la (19.146.952) lei la 31.12.2016 , that means a significant decrease against the same period of 2015;

On 31.12.2016 the company recorded a negative operating result before tax amounting to -18.936.366 lei influenced by the constant decrease in 2015 of demand for oil machinery and equipment with implications in the annual turnover reduction of 9,38 % compared to the same period last year .

Although the global crisis that affected the oil sector had negative repercussions on the company's production Uztel S.A. (Turnover in 2016, 9,38% less than 2015, the company management has made efforts and managed the situation in such a way that reduced operating expenses (operational) in accordance with the volume of production conducted.

	Accounting year ended <u>31 December 2016</u>	**Accounting year ended <u>31 December 2015</u>**
	(lei)	**(lei)**
Net income (lei)	(19.146.952)	(2.037.296)
Ordinary shares	5.365.459	5.365.459
Earnings per share (lei)	(3,57)	(0,38)

Dividends

In 2016 the Company made quarterly payments amounting 38.228,71 lei , representing net dividends due to shareholders for the years 2003 , 2005 , 2006 , 2007 and 2008 , as follows :

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

On 31.12.2016 Uztel SA recorded iin account 457 (Dividends to pay) the amount of 1.624.398,45 lei representing dividends due to sahareholders for 2003 , 2005 , 2006 , 2007 and 2008.
Dividends due to Association Uztel totaling 1.007.874,37 lei will be paid during 01.01.2017 – 31.12.2018, in quarterly instalments of net value 125.984,29 lei , according to the schedule of payments nmb. 3766 din 08.12.2016.
The company did not determined and paid dividends for the years 2011 , 2012 , 2013 , 2014 , 2015 and 2016.

6. PROFIT TAX

	Accounting year ended <u>31 December 2016</u>	**Accounting year ended <u>31 December 2015</u>**
	(lei)	**(lei)**
Gross accounting profit	(19.146.952)	(1.725.119)
Income related items	3.417.908	3.667.906
Legal reserve established	-	-
Non-taxable income	(6.068.216)	(447.345)
Non-deductible expenses	5.711.397	518.163

Profit / (Loss Tax)	**(16.085.862)**	**2.013.605**
Tax on profit result	-	322.177
Sponsorship	(21.375)	(10.000)
Corporation tax payable	**-**	**312.177**
Net profit / (loss)	**(19.146.952)**	**(2.037.296)**

Sistemul de impozitare din România este într-o fază de consolidare şi armonizare cu legislația europeană. The taxation system in Romania is in a phase of consolidation and harmonization with EU legislation. However, there are still different interpretations of tax law.

In some cases, the tax authorities may have different approaches to certain issues, proceeding to the calculation of additional taxes, interest and late payment penalties under the tax regulations in force.

In Romania, tax periods remain open for tax for 7 years. The Company's management believes that tax liabilities included in these financial statements are appropriate.

We propose that the net loss net for the amount of -2.037.296, 35 lei be recorded in the accounting books of Uztel SA Ploiesti as bellow :

1171.01	**=**	**121**	**19.146.951,88 lei**
Result reported – loss			

Accounting loss recorded at end of 2010 , determined by statement of profit tax , namely the difference left amounting 4.550.383,52 lei accrued withe accounting loss ecorded at the end of 2015 totaling 2.037.296,35 lei , will increase with the amount of 19.146.951,88 lei according to the notice shown and will be reovered as follows :

- 4.550.383,52 lei will be recovered from profit subject to tax earned in the next two consecutive years (2017 and2018) or/and from reserves established according to the legal provisions and approval f General Meeting of Shareholders ;

- 2.037.296,35 lei will be recovered from profit subject to tax earned in the next six consecutive years (2017 ; 2018 ; 2019 ; 2020 ; 2021 and 2022) or/and from reserves established according to the legal provisions and approval f General Meeting of Shareholders;

- 19.146.951,88 lei will be recovered from profit subject to tax earned in the next seven consecutive years (2017 ; 2018 ; 2019 ; 2020 ; 2021 , 2022 and 2023) or/and from reserves established according to the legal provisions and approval f General Meeting of Shareholders;

8. RETAINED EARNINGS

Retained earnings are the cumulative result of the Company. At December 31. the Company has recorded retained earnings in the amount of (10.069.996) lei what follow to be covered from earnings of next years, from reserves, from equity according to the decision of GMS.

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	Accounting year ended 31 December 2016	Accounting year ended 31 December 2015
	(lei)	(lei)
Result reported	(10.069.996)	7.952.819
Result reported when applying IFRS	5.365.459	5.365.459
Earnings per share (lei)	(1.78)	1,48

9. PROVISIONS

Statement of provisions made by the company is as follows:

	Accounting year ended 31 December 2016	Accounting year ended 31 December 2015
	(lei)	(lei)
Provisions for litigation	246.213	250.638

10. FIXED ASSETS

	lands	Buildings and constructions	Machines and equipments	Other tangible assets	Tangible assets in progress	Advances for intangible assets	Total
Cost	**Lei**	**Lei**	**Lei**	**Lei**	**Lei**	**Lei**	**Lei**
Balance at 01 January 2016	17.312.865	32.652.252	35.913.429	160.630	2.601.695	123.120	88.763.991
Increases	-	39.650	263.072	-	763.774	-	1.066.496
Outputs	548.765	676.900	318.729	-	402.712	-	1.947.106
Balance at 31 December 2016	16.764.100	32.015.002	35.857.772	160.630	2.962.757	123.120	87.883.381
Accumulated depreciation							
Balance at 01 January 2016	-	7.401.272	22.983.023	69.953	-	-	30.454.248
Depreciation of year	-	3.769.514	2.179.765	12.496	-	-	5.961.775

Depreciation of outputs	-	101.026	205.451	-	-	-	306.477
Balance at 1 December 2016	-	11.069.760	24.957.337	82.449	-	-	36.109.546
Adjustment							
Balabce at 01 January 2016	-	-	-	-	-	-	-
Increase	-	-	-	-	-	-	-
Decraese	-	-	-	-	-	-	-
Balance at 31 December 2016	-	-	-	-	-	-	-
Net book value							
Balance at 01 January 2016	17.312.865	25.250.980	12.930.406	90.677	2.601.695	123.120	58.309.744
Balance at 31 December 2016	16.764.100	20.945.242	10.900.435	78.181	2.962.757	123.120	51.773.835

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 instalation Steel Forging hall (TO1) amounting 108.894 lei;
- LED Lighting instalation Machining sector (P3) totaling 29.101 lei;
- Unit for distributors testing 210 bar totaling 28.836 lei
- LED Lighting instalation sector Assembly (M2) totaling 26.045 lei;
- LED Lighting instalation sector Adjustment totaling 24.544 lei;
- LED Lighting instalation sector Heat Treatment amounting 18.925 lei;
- LED Lighting instalation Steel Forging (TO2) amounting 17.436 lei;
- LED Lighting instalation sector Cromaj in valoare de 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 2187/01.06.2016 entered with Popescu Ana Maria, Popescu Paul Lucian, Caravia Georgeta, Pana Nicolae, Lazar Magdalena, Jianu Florin si Sandu Albertina.

Outflows recorded in the accounting year 2016 to Class “Buildiings” (decrease amounting 676.900 lei) are documented by canceling from books of building Camin C2 worthh 676.900 lei, by sale under sale-purchase agreement nmb.2178 and 2179/01.06.2016 to Gavrila 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) as of external invoice nmb. 16102/07.07.2016 to GENTEN MACHINES LTD SCHOPPEN BELGIA;
- Recission fixed assets of class "Machines and equipment" amounting 57.329 lei as minute of recission nmb. 1/27.04.2016 , 2/14.07.2016(Heat Department) and nmb. 1/16.08.2016 (Oilfield Equipment Department).

	Development expenses	**Other intangible assets**	**Intangible assets in progress**	**Total**
Cost	**Lei**	**Lei**	**Lei**	**Lei**
Balance at 01 January 2016	126.398	429.262	-	555.660
Inputs	66.307	84.391	-	150.698
outputs	-	14.506	-	14.506
Balance at 31 December 2016	192.705	499.147	-	691.852
Acumulated depreciatiohn				
Balance at 01 January 2016	100.003	400.684	-	500.687
Depreciation of year	9.472	86.582	-	96.054
Outputs depreciation	-	14.506	-	14.506
Balance at 31 December 2016	109.475	472.760	-	582.235
Nett book value				
Balance at 01 January 2016	26.395	28.578	-	54.973
Balance at 31 December 2016	83.230	26.387	-	109.617

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 Informatic Integration System SIVECO Applications 2020- for 2016 totaling 52.571 lei, License Oracle Database Standard Edition One- type CPI – Procesor with related technical support totaling 21.585 lei, Licence antivirus ESET ENDPOINT (renewal) totalink 6.580 lei and Software Update License&Support Oracle Database Standard Edition One Processor Perpetual totaling 3.655 lei.

During 2016 Class "Other lte imobilizari necorporale" a inregistrat descrestere in valoare de 14.506 lei prin scoatere din evidenta Licenta antivirus ESET Endpoint pentru anii 2014-2015, integral amortizata.

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11. STOCK

By comparison, the stocks are presented as follows:

În LEI	31-December 2016	31-December 2015
Raw material	1.662.408	2.090.109
Additional material	777.531	960.452
Fuels	20.208	47.024
Packaging materials	2.725	13.702
Spare parts	4.533.464	5.931.062
Other consumables	223.587	635.747
Other consumables- protocol	133	36
Inventory items	345.736	718.462
Products in progress	6.614.360	10.618.705
Semi- manufactured	1.368.908	2.145.746
Finished product	8.517.014	10.598.500
Difference of price of semi-finished products	672.183	706.454
Difference of price of finished products	12.892.109	10.021.995
Packing	8.064	5.087
Residual products	68.366	70.644
Adjustment for depreciation of raw material	-	(337.327)
Adjustment for depreciation of consumables	-	(1.624.422)
Adjustment for depreciation of other material	-	(234.870)
Adjustment for depreciation of semi-finished product	-	(287.521)
Adjustment for depreciation of finished product	-	(185.599)
Total	**37.706.796**	**41.893.988**
Advances to purchases assets such as stocks	197.005	251.951
Total General Inventory	**37.903.801**	**42.145.939**

12. INCOME FROM THE MAIN COMPANY'S BUSINESS

Turnover in 2016 totaling 41.510.000,12 lei was made by the following segments of activity :

	lei
- turnover for production activity is in the amount of	41.224.332,45
– turnover for the service activity is in the amount of	206.060,91
– turnover for trade activity is in the amount of	79.606,76

lei

OPERATION INCOME	31-December 2016	31-December 2015
Total operating expenses, of which:	**48.219.620**	**62.009.982**
Turnover	41.510.000	45.806.332
Income related to cost of inventories of products	5.577.215	15.164.297
Revenues from production of tangible and intangible assets	309.972	278.865
Income from revaluation of tangible and intangible assets	-	-
Other operation income	822.433	760.488

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OPERATION EXPENSES	31-December 2016	lei 31-December 2015
Total operating expenses, of which:	**67.156.019**	**64.018.331**
Raw material and consumables costs	26.439.270	26.498.849
Other material expenses	746.631	938.594
Other external expenses	2.868.167	2.920.979
The expenditures on goods	33.792	72.012
Trade discounts received	(17.155)	-
Staff costs	18.075.656	19.738.549
Value adjustment concerning tangible, intamgible assets, real estate investment, and biological assets evlauted at cost	6.057.829	7.043.300
Value adjustments on assets	716.019	(444.437)
Other operating expenses	12.240.235	7.253.385
Expenses with tangible and intangible revaluation	-	-
Adjustment for provisions	(4.425)	(2.900)

FINANCIAL INCOME	31-December 2016	lei 31-December 2015
Total financial income, of which:	**1.324.412**	**1.754.570**
Income from exchange rate differences	1.251.658	1.493.584
Interest income	71.198	258.873
Other financial income	1.556	2.113

FINANCIAL EXPENSES	31-December 2016	lei 31-December 2015
Total financial expenses , of which:	**1.534.965**	**1.471.340**
Interest charges	112.593	176.486
Other financial expenses	1.422.372	1.294.854

CASH GENERATED FROM OPERATING ACTIVITIES	31-December 2016	lei 31-December 2015	31-December 2014
Net profit for the year	**(19.146.952)**	**(2.037.296)**	**2.403.349**
Income tax expense	-	312.177	1.119.193
Amortization / depreciation of long term assets	6.057.829	7.043.308	7.513.542
Gain / (loss) on sale of fixed assets	-	-	-
Provisions for clients	(730.576)	(4.124.629)	(4.169.862)
Income/(expense) related to value adjustment of current assets	6.779.810	-	-
Provisions for stocks	-	(2.669.738)	(3.068.951)
Interest expenses	(112.593)	(176.486)	(361.280)
Interest income	71.198	258.873	688.688
Dividends income	-	-	-

Gain /(loss) from exchange rate differences	278.002	198.820	276.423
Movements in working capital	**12.343.669**	**842.324**	**1.997.754**
Increase / decrease in trade receivables and other 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 trade payables	918.711	858.206	(6.078.814)
Increase / decrease in deferred revenue	-	-	794.900
Increase / decrease in other liabilities	(1.248.979)	(10.576.377)	12.050.431
Cash used in operating activities	**7.055.853**	**(687.538)**	**2.036.143**
Income tax paid	(17.857)	(194.348)	(576.375)
Interest paid	(112.593)	(176.486)	(361.280)
Cash generated from operating activities	**122.120**	**(2.253.343)**	**5.499.591**
Net cash from investing activities	**(1.425.341)**	**(2.304.511)**	**(4.269.428)**
Cash payment for acquisition of land and assets	(1.425.341)	(2.304.511)	(4.269.428)
Net cash from financing activities	**(4.811.005)**	**(2.757.350)**	**(3.693.608)**
Cash repayments of borrowings	(4.772.776)	(2.755.871)	(3.658.177)
Dividends paid	(38.229)	(1.479)	(35.431)
Increase / decrease in net cash and cash equivalents	(6.114.226)	(7.315.203)	(2.463.445)
Cash and cash equivalents at beginning of period	**7.359.311**	**14.674.514**	**17.137.959**
Cash and cash equivalents at end of period	**1.245.085**	**7.359.311**	**14.674.514**
Increase / decrease in net cash and cash equivalents	**(6.114.226)**	**(7.315.203)**	**(2.463.445)**

13. SEGMENT INFORMATION

IFRS 8 establishes principles for information reporting on operational segment, referring to information on the economic activity of the entity where from generating income and expenses. Reportable operating segment is determined by the activity of production of products that generate revenue and expenditure such as reported income, including sales to external customers or sales or transfers between segments of the same entity, to represent 10% or more of the combined income of all internal and external operating segments.

If total revenue from customers for all segments combined is less than 75% of total revenues entity, additional reportable segments should be identified until reaching the 75% level.

The company is registered in Romania and operates all its activities in headquarters in Ploiesti, str. Mihai Bravu. 243 and does not have subsidiaries, branches or outlets.

Its activity is analyzed in terms of the main object of activity, namely: manufacturing and selling on domestic and external markets, assemblies, oilfield parts and equipment, industrial valves, mud pumps and other spare parts for oilfield equipment.

The company management has established operating segments based on the volume of revenue from the sale of finished products in domestic and foreign markets and the benefits of services.

Segments identified are:

- revenue from the sale of finished products - domestic market;
- revenue from the sale of finished goods - external market;
- income from stocks of finished products and production in progress;
- income from services rendered;
- income from royalties, management and rental locations;
- revenues from commodities

Segment information for the year ended 31 December 2016 are bellow:

Report on operating segment at 31 December 2016	Amount (lei)	Share Of total income %
Revenue from the sale of finished products - internal	17.058.263,31	34,43
Revenue from the sale of finished products - external	24.166.069,14	48,78
Income stocks of finished goods	5.577.215,00	11,26
Revenue from services rendered	169.814,00	0,34
Income from royalties, management and rental locations	36.246,91	0,07
Revenue from sale of goods	79.606,76	0,16
Total	**47.087.215,12**	**95,04**

Information on segments for year ended at December 2015 are:

Report on operating segment at 31 December 2015	Amount (lei)	Share of Total income %
Revenue from the sale of finished products - domestic market	24.285.062,41	38,09
Revenue from the sale of finished products - abroad	20.790.936,59	32,61
Income stocks of finished goods	15.164.297,00	23,78
Revenue from services rendered	612.013,17	0,96
Income from royalties, management and rental locations	29.233,02	0,05
Revenue from sale of goods	89.086,53	0,14
Total	**60.970.628,72**	**95,63**

14. TRANSACTIONS WITH AFFILIATED PARTIES

IAS 24 "Transactions with related parties" regulates commercial operations with entities that hold cash funds in their capacity as Associate Members of the Association Uztel Ploiesti (majority shareholder of UZTEL - Ploiesti a total of 4.498.300 shares, representing 83,84 % of share capital of the company).

During fiscal year 2016 have performed the following transactions with related parties:

a) **Sales of finished products and services**:

Entity name	**Sales year 2016** **lei**	**Sales year 2015** **lei**
Comis SRL Valeni de Munte	-	1.449,56
Ipsar SRL Valeni de Munte	-	24.987,67

b) Purchase of goods and services:

Entity name	**Purchase year 2016** **lei**	**Purchase year 2015** **lei**
Aprodem SA Ploiesti	28.371,16	9.163,70
Axon SRL Ploiesti	483.514,15	659.611,20
Comis SRL Valeni de Munte	154.476,00	71.177,24
Ipromet Focsani	-	16.752,40
Passion SRL Ploiesti	72.173,11	69.834,27
Platus Com SRL Campina	110.121,15	108.186,07
Romconvert SA Ploiesti	121.704,00	34.100,00
Titancore SRL Ploiesti	254.726,64	188.879,02
Vaspet SRL Focsani	58.620,80	317.740,80

Entity name	**Purchase year 2016** **usd**	**Purchase year 2015** **usd**
Shabum International LTD Tel Aviv	22.370,18	25.805,89

c) Compensations for key management staff::

Key management personnel include executives, senior management of the production units (department heads) and key management personnel of the company's functional services (technical, design, human resources, quality assurance, commercial, economic, administrative, production, IT) .

	2016	**2015**
Gross wages paid	1.547.053 lei	1.436.149 lei

15. OTHER INFORMATION

(1) Fees paid to auditors

In 2016 the Company's expenses on fees paid to auditors were worth 180.241,11 lei , consisting of :

Statutory Auditor	**lei**
- Ecoteh Expert SRL Bucharest, Romania	31.235,54

Auditors of quality management systems certification and product (license)	**lei**
- DNV-GL Business Assurance SRL Bucuresti Romania	20.533,07
- Germanischer Lloyd Romania SRL Constanta	12.293,88
- GR Eurocert SRL Ploiesti Romania	7.376,49
- Pavel VS Stefan Onesti	6.000,00

	eur
- Constand Certification Center Moscova Rusia	3.500,00

	usd
- American Petroleum Institut Washington USA	20.500,00
- Thomson Ruters (Scientific) LLC New York USA	398,90

(2) Expenses with wages for personnel

	Exercițiul financiar încheiat la 31 December 2016 (lei)	**Exercițiul financiar încheiat la 31 December 2015 (lei)**
Expenses with wages for personnel	14.751.961	15.892.809

The Company did not grant advances or loans to directors or managers.

(3) Average number of employees at 31 December :

	Accounting year ended 31 December 2016	**Accounting year ended 31 December 2015**
Average number of employees	525	517

(4) Financial guarantees given / received by the company .

Financial guarantees granted

UZTEL Ploiesti has established performance guarantees totaling 14.500 eur by issuing letters of guarantee with cash collateral with limited expiry time, namely:

1. Performance bond	14.500 euro	maturity	02.02.2017

These guarantees are recorded in treasury accounts and have been established at the request of the company's clients in the negotiation of contracts of sale of oilfield assemblies, parts and equipment, industrial valves, mud pumps and other spare parts for oil equipment, metal structures and castings and foundrys.

The Company has established performance guarantees totaling 314.366,22 lei recording it in trade accounts receivables with limited term of these amounts (ranging between 12 to 19 months), according to contractual terms negotiated with internal and external customers of the company.

Financial guarantees received

UZTEL Ploiesti has requested and received performance guarantees from suppliers for the investments that the company has negotiated with them.

These are guarantees totaling 10.854 lei and are recognized in investment accounts payable (commercial debt) with limited expiry date (12 months) by contract negotiated with domestic suppliers of the company.

(1) Insurance policies held by the company

The company holds insurance policy OMNIASIG, G Series no . 922152 over a period of 12 months, namely dated 27.09.2016 untill 26.09.2017 (renew annually) representing the producer's liability insurance with limits of liability under the insurance policy in the amount of EUR 4,000,000 with territoriality: Romania and Europe.

The Company holds insurance policy OMNIASIG Series F No. 2452267 for a period of 12 months, namely since 25.05.2016 till date 24/05/2017 (renews annually) representing fire insurance and other risks (risks packages) for a declared value of 29,434,935 lei a total of 26 production buildings and warehouses owned company.

The Company holds insurance policy OMNIASIG Series F No. 2470188 for a period of 12 months, namely since 23.11.2016 till date 11/22/2017 (renews annually) representing fire insurance and other risks (risks packages) for inventory (raw materials, inventory, finished products) with a declared value of 24,651,575 lei.

All insurance policies that the company has signed generated financial costs (cash outflows), operating income through product sales and complex services, and mainly ensured shareholders, directors company and trading partners stability and confidence in commercial activities and financial present and future of society.

(2) Assessment on the impact of the activity of the society on the environment

The company's activity is conducted according to the following regulatory acts:

- Environmental authorization no.– PH-619 from 21.12.2009 valid until 12/21/2019 for the activity of production assemblies, parts and equipment and servicing industrial oil, recovery of recyclable industrial waste, capture, water treatment and distribution, painting workshop.
- Water Management Authorization no.– 105 of 06.22.2015 valid until the 15/06/2017;
- certificate of enrollment in the register of authorized economic operators that carry out waste recovery operations no.– 0325 issued by the Ministry of Economy - Department for Industrial Policy valid until 31.03.2016.

Environmental factors (drinking water, wastewater, air-emission-imission air, soil, waste) were monitored as required by applicable legal activities within Uztel S.A. (Monthly, quarterly, semi-annually). It has been observed frequency imposed by the environment authority and no exceeding the maximum levels imposed was found.

Program of action for 2016 was achieved 100%. Proposed actions aimed at waste management, emissions and immissions, water and wastewater.

It was made a significant investment for environmental protection :

- mounting Filtering Station Puls Jet with screw and rotary valve ALWO-SFPJ 2.4 / 200 * 3.5 / 352 to electric arc furnaces of 1.5 tons of foundry workshop TO1..

Dangerous chemical substances and preparations were purchased, stored, handled and used incompliance with current legislation, according to safety data sheets.

(3) Aspects of legal disputes of company

Company, as the lender has taken all legal steps necessary to recover trade receivables outstanding from legal entities and individuals having in progress during financial year 2016 a number of commercial cases through the courts, cases in various stages of judgment and execution and is part civil (no material implications) in files on groups of workers (labor disputes) with former employees.

Debt recovery	15 files
Enforcement	16 files
Insolvency proceedings	16 files
Labor Disputes (labor groups, special conditions, claims, dismissal appeal)	234 files

The Company regularly monitors trade receivables outstanding and apply best estimates in recording and accounting for them

16. COMPANY MANAGEMENT

TAX LEGAL FRAMEWORK
The legislative and fiscal frame of Romania and its implementation in practice changes frequently and is subject to different interpretations from various control bodies. Tax declarations are subject to revision and correction by tax authorities generally for a period of five years after their completion. Management believes that properly registered tax liabilities in the accompanying financial statements. However, there is a risk that the tax authorities adopt different positions in connection with the interpretation of these issues. Their impact could not be determined at this time.

Economic environment

The adjustment values in risk-held on international financial markets beginning with 2008 affected their performance, including financial and banking market in Romania, leading to increased uncertainty about future economic developments.

The current crisis of liquidity and credit that began in mid 2015 led among other things low and difficult access to capital market funds, low levels of liquidity in the Romanian banking sector and higher interbank lending rates. Significant losses experienced in the global financial market could affect the Company's ability to obtain new loans and refinance its existing conditions similar to those applied to earlier transactions.

Trading partners of the company, may also be affected by the liquidity crisis situations that might affect the ability to meet their current liabilities. The deterioration of operating conditions may affect creditors and managing cash flow forecasts and assessment of the impairment of financial assets and financial assets. To the extent that information is available, management has reflected revised estimates of future cash flows in its impairment.

Current concerns that the deteriorating financial conditions contribute in a later stage to a further decrease of confidence led to l efforts coordinated by governments and central banks in the adoption of special measures aimed at countering growing aversion to risk and restore normal operation of the market.

The Company's management cannot predict events that could have an effect on the banking sector in Romania and then what effect would have on the company's business.

Labor Framework

Although part of the European Union on 1 January 2007, Romania's economy still shows characteristics of an emerging market such as high current account deficit, a relatively undeveloped financial market and foreign exchange fluctuations.

Currently, international financial markets are feeling the global financial crisis triggered in 2015, these effects were felt on the Romanian market as lowering prices and liquidity of capital markets, and by increasing interest rates on financing medium term due to the global liquidity crisis. Significant losses experienced in the global financial market could affect the Company's ability to obtain new loans in conditions similar to those applied to earlier transactions.

The Company's management believes that the application of the ongoing business assumption in preparing the financial statements of financial position description is correct, given the dominant position on the market and oil and natural gas in the national economic system.

17. THROUGHOUT THE INSOLVENCY - REORGANIZATION PROCEEDINGS

In 2010, under Law no. 85/2006 regarding the insolvency procedure, as amended and supplemented, Prahova County Court, Commercial Division and Administrative Contentious accepted the request of the debtor SC UZTEL S.A. Ploiesti of opening of insolvency proceedings by concluding session of the Chamber pronounced by the Council on 06 September 2010 in 4732/105/2010 file naming trustee EUROINSOL CONSULTING SPRL.

According to the notice published in the Bulletin of insolvency proceedings, other events related to the conduct of insolvency proceedings in File 4732/105/2010 that are considered relevant to the audit engagement are:

- By the Conclusion of a public hearing by the 27.05.2011, the bankruptcy judge notes the designation by the Committee of Creditors of the second trustee EURO INSOL SPRL;

-By sentence no. 1282/1209 October 2012, Dolj County Court, Civil Division II confirmed the reorganization plan proposed by the debtor and orders reorganization of the Company over a 3-year plan that fully engage the payment of claims submitted in the final table of the date of preparation plan;

- Submission of Adjusted Claims Table on 19.02.2013 (BPI no. 3824 / 03.04.2013).

- By Resolution no. 10/10/2013 1 of the Extraordinary General Meeting of Shareholders UZTEL 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 revoke the mandate of the Special Administrator Radulescu N Dan PFA and appointment of a new Special Administrator in the person of Mr. Eng. Zidaru Ion - CEO of UZTEL.

- By application of registration of mentions no. 61 793 / 10.23.2013, the Extraordinary General Meeting of Shareholders Resolution No.1 / 10.10.2013, pursuant to resolution. 19127 of 10/25/2013 were entered in the Trade Register on 10.25.2013, disposing registration mentions about people empowered and publication of the Official Gazette of Romania, Part -IV has.

- Approval of Reorganization Plan extension and modification of the payment of debts was voted, approved and registered by Minutes no. 38 of 16.01.2014 of the Assembly of Creditors. Bankruptcy judge by Order no. 112 of 28/01/2014 confirms the modification and extension of the Reorganization Plan Uztel SA Ploiesti another year.

- Approval of Reorganization Plan amendment and payment of receivables program was passed, approved and registered by Minutes no. 500 of 11.26.2015 of the Assembly of Creditors. No verdict by the bankruptcy judge. 1186 dated 15.12.2015 Reorganization Plan confirm the change of Uztel SA 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 9 October 2012 and the Uztel SA Company's reintegration into the economic circuit with continued activity.

In 2016 the company carried out according to the schedule of payments quarterly payments of Reorganization Plan totaling 12.521.524,99 lei , as follows :

Installment 1st quarter 2016 (09.01.2016) iin total amount of 2.311.504,42 lei , from what:		lei
a)	Secured claim	2.298.856,56
b)	Subordinated debt	12.647,86
	Instalment 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
	Instalment 3rd quarter 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
	Instalment 4th quarter 2016 (24.11.2016) totaling 8.006.010,21 lei, from what:	lei
a)	Secured claim	4.660.243,64
b)	Unsecured claims	3.337.870,98
c)	Subordinated debt	7.895,59

In 2016 the Company's management was provided by the consortium of Euro INSOL SPRL, headquartered in Bucharest, Str. Costache Negri no. 1-5 Opera Center building, represented by lawyer PhD Remus Borza and Euroinsol Consulting SPRL, headquartered in Ploiesti, Bd. Republic no. 21, represented by lawyer Alina Mariana Maer.

<u>Resumption of the Company's shares trading symbol UZT</u>

For the period 01.01.2016 – 31.12.2016 the total amount of fees paid to Consortium was 2.066.880,30 lei (VAT excluded) , recorded as follows:

lei

Judicial Administrator	Invoices (less VAT)	Pay in 2016 (less VAT)	the remaining difference will be paid according to the rescheduling agreement no. 299 of 03.02.2017
Euro Insol SPRL Bucuresti	1.662.217,69	84.849,44	1.577.368,25
Euroinsol Consulting SPRL Ploiesti	404.662.61	189.641,38	215.021,23

COMPANY'S EXECUTIVE MANAGEMENT - in the period 01.01.2016 - 31.12.2016 has not fluctuated in exercising leadership:

PERIOD 01.01.2015 - 31.12.2015			
SURNAME, GIVEN NAME	**POSITION**	**PERIOD**	**DECISION / DATE OF ISSUE**
Zidaru Ion	General Director	01.01.2015-31.12.2015	Decizia 44 / 23.04.2013
Gruescu Serban Gheorghe	Technical Director	01.01.2015-31.12.2015	Decision 194 / 28.11.2012
Gheorghiu Mihail Gabriel	Commercial Director	01.01.2015-31.12.2015	CIM 238 / 31.01.2013
Popescu Ileana	Economic Director	01.01.2015-31.12.2015	Decision 592 / 30.11.2010

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 the wages fund.

CEO	Economic Director	Head of General Acct. Depart
Eng. Zidaru Ion	Ec. Popescu Ileana	Ec. Ilie Marian Eduard