UZTEL S.A.
OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS
243 MIHAI BRAVU St., code 100410, PLOIESTI , PRAHOVA-ROMANIA
Phone: + 40(0)244 / 541399, 523455; 0372441111; Fax: 521181; E-mail: office@uztel.ro
FISCAL CODE RO1352846 , R.C. PLOIESTI NO. J29/48/1991; web site: www.uztel.ro

INDIVIDUAL FINANCIAL STATEMENTS

SC UZTEL S.A. PLOIESTI

AT 31.12. 2017

PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ORDER NO. 881/2012 AND OF ORDER NO. 2844 / 2016 OF MINISTRY OF PUBLIC FINANCE

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Statement of individual financial position

For the year ended on 31 December 2017

in LEI	Nota	31-December 2017	31-December 2016
Long-term Assets			
Tangible assets	10	46.995.454	51.773.835
Intangible assets	10	73.781	109.617
Total long-term assets		**47.069.235**	**51.883.452**
Current assets			
Stocks	11	33.811.683	37.903.801
Trade receivables and other receivables	4	13.693.246	14.607.883
Recoverable Taxes	4	17.857	17.857
Cash and cash equivalents	4	1.771.478	1.245.085
Total current assets		**49.294.264**	**53.774.626**
Total Assets		**96.363.499**	**105.658.078**
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
Reservations	5	40.780.480	67.707.446
Result for the year	6	(13.170.728)	(19.146.952)
Result reported (earnings)	8	3.686.242	(10.069.996)
Total Capital		**61.334.230**	**74.504.958**
Long term loans			
trade payables		2.302.409	5.271.246
Loans	4	4.214.534	6.087.660
Other liabilities	4	396.263	1.585.053
Provisions	9	253.413	246.213
Total long term liabilities	4	**7.166.619**	**13.190.172**
Current liabilities			
Trade payables	4	17.819.320	11.311.105
Loans	4	3.284.264	2.467.306
Other liabilities	4	4.009.368	3.647.565
Income in advance	4	2.749.697	536.971
Total current liabilities		**27.862.649**	**17.962.947**
Total liabilities		**35.029.268**	**31.153.119**
Total equity and liabilities		**96.363.499**	**105.658.078**

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Individual Statement of consolidated income

for the year ended 31 December 2017

in LEI	Note	31-December 2017	31-December 2016
Income	12	44.370.143	41.510.000
Other income	12	428.951	1.132.405
Other gains / (losses) -net	12	(968.190)	(711.594)
Income cost of inventories of finished goods and production in progress	12	3.828.029	5.577.215
Expenses with raw materials and consumables	12	(28.044.533)	(30.070.705)
Asset depreciation and amortization expense	12	(4.743.779)	(6.057.829)
Employee benefits expense	12	(17.211.920)	(14.751.961)
Expenditure on insurance contributions and social security	12	(3.859.370)	(3.323.695)
Expenses with external supply	12	(5.209.735)	(6.591.198)
Other expenses	12	(1.547.381)	(5.649.037)
Operation profit	12	**(12.957.785)**	**(18.936.399)**
Financial income	12	704.431	1.324.412
Financial expenses	12	917.374	1.534.965
Financial costs - net		**(212.943)**	**(210.553)**
Profit / (loss) before tax	6	**(13.170.728)**	**(19.146.952)**
Profit / (loss) for the year - net	6	**(13.170.728)**	**(19.146.952)**
Total consolidated income for the year		**(13.170.728)**	**(19.146.952)**
Earnings per Share	6	**(2,45)**	**(3,57)**
Number of shares	6	**5.365.459**	**5.365.459**

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Individual Statement of changes in equity

For the year ended on 31 December 2017

In 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**
Reclassification From Revaluation At reported Result	**8**	-	-	-	-	-	**1.124.137**	**1.124.137**
Net Profit of period	**6**	-	-	-	-	-	**(19.146.952)**	**(19.146.952)**
Transfer between Equity accounts Transfer between	**5**	-	-	-	**(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**

ion LEI	Equity	Adjustment of equity	Legal reserve	Reserves from revaluation	Other reserves	Result reported	Total equity	Equity
Balance at 01 January **2017**		**13.413.648**	**3.453.860**	**1.916.641**	**65.159.672**	**631.133**	**(10.069.996)**	**74.504.958**
Reclassification From Revaluation at reported Result	**8**	-	-	-	-	-	**26.926.966**	**26.926.966**
Net profit of the period	**6**	-	-	-	-	-	**(13.170.728)**	**(13.170.728)**
Transfer between equity accounts	**5**	-	-	-	**(26.926.966)**	-	-	**(26.926.966)**
Balance at 31 December 2017		**13.413.648**	**3.453.860**	**1.916.641**	**38.232.706**	**631.133**	**3.686.242**	**61.334.230**

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Individual Statement of Cash Flows

For the year ended 31 December 2017

	31-December 2017 lei	31-December 2016 lei	31-December 2015 lei
Net profit for the year	**(13.170.728)**	**(19.146.952)**	**(2.037.296)**
Income tax expenses	-	-	312.177
Amortization / depreciation of long term assets	4.743.779	6.057.829	7.043.308
Expenses with given assets	294.100	-	-
Income from given assets	(98.578)	-	-
Provisions for clients	(816.190)	(730.576)	(4.124.629)
Income / (expenses) related to value adjustments on current assets	1.104.659	6.779.810	-
Provisions for stocks	-	-	(2.669.738)
Interest expenses	(240.349)	(112.593)	(176.486)
Interest income	6.316	71.198	258.873
Gain / loss from exchange rate differences	20.234	278.002	198.820
Movements in working capital	**5.013.971**	**12.343.670**	**842.324**
Increase / (decrease) in trade receivables and other	2.461.019	3.144.665	4.866.322
Increase / (decrease) in other current assets	385	(682)	(342)
Increase / (decrease) in inventories	4.092.118	4.242.138	4.164.653
Increase/decrease trade liabilities	6.289.074	918.711	858.206
Increase / (decrease) another liabilities	(2.412.926)	(1.248.979)	(10.576.377)
Cash used in operating activities	**10.429.670**	**7.055.853**	**(687.538)**
Income tax paid	-	(17.857)	(194.348)
Interest paid	(240.349)	(112.593)	(176.486)
Cash generated from operating activities	**2.032.564**	**122.120**	**(2.253.343)**
Net cash from investing activities	**(99.181)**	**(1.425.341)**	**(2.304.511)**
Cash payment for acquisition of assets	(99.181)	(1.425.341)	(2.304.511)
Net cash from financing activities	**(1.406.990)**	**(4.811.005)**	**(2.757.350)**
Cash repayments of borrowings	(1.404.845)	(4.772.776)	(2.755.871)
Dividends paid	(2.145)	(38.229)	(1.479)
Increase / decrease in net cash and cash equivalents	**526.393**	**(6.114.226)**	**(7.315.203)**
Cash and cash equivalents at beginning of period	**1.245.085**	**7.359.311**	**14.674.514**
Cash and cash equivalents at end of period	**1.771.478**	**1.245.085**	**7.359.311**
Increase / decrease in net cash and cash equivalents	**526.393**	**(6.114.226)**	**(7.315.203)**

The financial statements were approved by CEO and were authorized to be issued on 26.04.2018.

NOTES TO INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED on DECEMBER 2017

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 31.12.2017.
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.

SC "UZTEL" S.A. Ploiesti was founded in 1904 having an experience of over 113 years in the main activity: designing, manufacturing, repairing, selling on domestic and international market parts, assemblies and oil equipment and manufacture forgings and moulded 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 effect will generate visible and valuable results on short term, such as:

- 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.

Permanent decisions on the optimization of all company processes have had and will have visible and evaluable effects through the values of key company indicators by reducing and streamlining costs and will allow for managerial decisions based on updated real time financial and accounting information.

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. 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 prepared the full 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. 2844/2016 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 2016.

For the 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 and does not uses IFRS 10- Consolidate Financial Statements.

The Board of Directors of the company take responsibility for preparation of financial statements on 31.12.2017 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.

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 2017, 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 and current / long-term debt

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 312017 are as follows :

Currency	31 December 2017
1 Euro	4,6597 lei
1 USD	3,8915 lei

b. Financial instruments

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 does not have short term investment at 31.12.2017.

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, cancelled 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, favourable and unfavourable 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.

The company was founded in 1904 and became the joint stock company under Law no. 15/1990 on the reorganization of the state economic entities as autonomous and commercial societies and on the basis of GD no. 1213/20 November 1990. Throughout this period, the company had an uninterrupted production activity. The UZTEL company operates in a compact perimeter of about 20 ha in the peripheral industrial area of Ploiesti and the industrial buildings and halls it uses within this perimeter are in a connection closely related to the manufacturing process, from buildings - industrial halls intended for the hot sectors (iron, iron and non-ferrous casting, forge building, modular building) to industrial buildings mechanical machining (ex - building for mechanical machining, building for oilfield equipment), buildings for mounting, assembly and test (ex, building for assembly of valves and equipment, dyeing - packing building, warehouse for parts for installation).

The company owns at 31.12.2016 technological equipment, measuring, control and regulation equipment, transport means, furniture and office equipment with a net book value of 10,978,616.31 lei, with a life span between 2-22 years, used for industrial purposes, put into operation since 1970. *"Frequency of revaluation depends on changes in fair values of revalued corporal assets. If the fair value of the revalued asset significantly differs from the book value, a new revaluation is required. Some items of corporate assets incur significant and fluctuating changes in fair value, requiring year revaluations. In case of corporate immobilizations whose fair values do not suffer significant changes, it is not necessary to make such frequent re-evaluations. Instead, it may be necessary to revalued the specific item only once every three or five years.* "

The Company has chosen through the accounting policies for the class of tangible assets - buildings to apply IAS 16.34 on the revaluation of tangible assets once every 5 years.
The company owns, mainly, old buildings, put into operation during the period 1921 - 1999, in which performs production activity (e.g. building of material storehouse - putting into operation in 1921, building for prototypes – put into operation in 1922, machining building - commissioning in 1925, modelling building - put in function in 1933, office building - put in operation in 1935) with life span between 24 – 60 years.
These fixed assets are specific to the manufacturing process, and do not have an active valuation and trading market in the absence of comparison terms.
In accordance with IAS 16.31 and IAS 16.34, the Company has applied professional judgment and accounting guidance for tangible fixed assets used (buildings, technological equipment, measurement facilities, control and regulation equipment, means of transport, furniture and office equipment) given that their nature and destination do not have an active market, representing technological equipment, machine tools purchased on the basis of projects specific to the activity of the company.

– **Buildings and constructions** lei

	Net Book Value	Fair value	Differences
Year 2011	37.848.508,91	33.181.183,00	- 4.667.325,91
year 2013	29.005.259,62	31.448.397,00	+ 2.443.137,38
Year 2017	17.678.131,03	-	-

The net book value of buildings and constructions diminished on the basis of depreciation in 2011-2013 with 8,843,249.29 lei and between 2013 and 2016 with 8,060,017.60 lei, while the fair value of 2013 diminished compared to the fair value of 2011 by ROL 1,732,786.00.

- **Technological equipment, technical installations, cars, furniture and office equipment** lei

	Net Book Value	Fair value	Differences
Year 2007	14.960.673,69	19.580.900,00	+ 4.620.226,31
year 2017	10.172.516,70	-	-

Total net book value of technological equipment, machinery, machinery, furniture and office equipment diminished due to depreciation in 2007 - 2017 with 4.788.156,99 lei.

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:

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	Lifetime (years)
Buildings, constructions and special installations	25 - 60
Machinery and equipment	03 - 28
Measuring and Control	05 - 10
Machines	04 - 10
Other fixed assets	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 book value of an asset is written down immediately to its recoverable amount if the carrying amount exceeds the estimated recoverable amount.

i. 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.

At 31.12.2017 the company does not own assets bought in leasing.

j. Intangibles

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.

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The Company applies the straight-line depreciation method for intangible assets

– Development costs	5 years
– Software licenses	3 years
– Antivirus licenses	1year

The Company applies the straight-line depreciation method for intangible assets.

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. Employees 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. 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 2017 was 16% .

The Company has recognized the deferred tax asset and will recover to the extent that future taxable profit will become probable to allow the deferred tax asset to be recovered.

Amendments to IAS 12 - Income Taxes clarify the accounting for deferred tax on receivables at fair value.
The application of these amendments did not affect the annual financial statements of the company.

s. Rezultatul pe actiune

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 but not yeat adopted by the EU

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:

- *IFRS 14 Deffered Accounts related to the activities ruled* -the standard entering in force for one year period starting with January 1st 2016. The european Commission decided not to adopt tthis interim standard but to wait for the final issue.
- *IFRS 16 Leasing* applicable for one year period starting with January 1st 2019.
- *Amendments to IFRS 2: Pay per share* **-** The classification assessments of transactions– related to share-based payment (with effect from or after 1 January 2018).
- *Amendments to IFRS* 2 Share based payments : The classification assessments of transactions– related to share-based payment (for one year period with effect from 1 January 2018). pending.
- *Amendments to IFRS 4*: *Insurance contracts* Applying IFRS 9 Financial Instruments with one year periods with effect from or after 1 January 2018 when IFRS-9 Financial Instruments begin to be applied.
- *Amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associated entities and association in participation* - Sale or contribution with assets of an investor and its associates or joint ventures and later amendments (with the entry in force was postponed for undetermined period, until end of researc h project on method of equivalence).
- *Amendments to IAS 15 Revenue from contract with clients*- Clarifications to IFRS 15 Revenue from contract with clients (for one year period with or after January 1st 2018). IFRS 15 should identify the contract with client, all the individual performance duties within the contract, to determine the price of contract, to establish the price of performance obligarions, to recognise the revenues whre rthe performance duties are carried out.
- *Amendments to IAS 40 Real Estate Investments* - transfer of real estate investments for one year periods with effect from or after 1 January 2018, adopted by IASB at December 8th 2016.
- *Ammendments to many standardds Inprovement of IFRS (cycle 2014- 2016)* resulting from the project of IFRS improvement (IFRS 1, IFRS 12 and IAS 28) aimed mainly to remove inconsistenciesand to clarification of certain wording (amendments to IFRS 12 are applicable for one year periods with effect from or after 1 January 2017 and amendments to IFRS 1 and IAS 28 for one year periods with effect

from or after 1 January 2018.

- *IFRIC 22 .Foreign currency transactions and Contributions* (applicable for one year periods with effect from or after 1 January 2018).

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.

- For standards issued but not yet in force, the company will not be in a position to apply prospectively none of them.

These are:

- IFRS 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 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 not 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 ITangible assets

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.

The determination of the fair value of fixed assets in the "Constructions" class was performed on 31.12.2013 by an authorized ANEVAR evaluator, using the net replacement cost method, the method being chosen because of the lack of valid real transaction data in the last 12 months for industrial sites in that area. This is the statistical value of the prices per square meter built area on the market at national level, adjusted after corrections and related depreciations

The establishment of the fair value of the "Technological equipment, measuring, control, adjustment, transport, furniture and office equipment" was performed by an authorized ANEVAR evaluator on 31.12.2007, using the net replacement cost method. There is insufficient information on sales of similar assets on the market, but there is market information on costs and cumulative depreciation. Thus, the recorded value is the highest value between its use value and its fair value minus the selling costs.

IFRS 13 establishes a fair value hierarchy whereby inputs used in fair value measurement techniques are classified into three levels:

Fair values were determined for the purposes of evaluating and disclosing information based on the methods described. Where appropriate, additional information on assumptions used in determining fair value is disclosed in the notes to the asset or liability.

The Company considers that the level at which the valuation of tangible fixed assets is classified at fair value in the hierarchy of fair value is level 2, taking into account the following aspects:

- the condition, location and assets of the asset;
- stimating the physical, functional and external depreciation of the asset and adjusting the gross cost of replacement in order to obtain the net replacement cost.

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.

Accounting policies have been consistently applied by the Company in accordance with IAS 1.134-135.

Under IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*," accounting policies are the principles, rules, conventions, bases, and specific practices applied by that company in the preparation and presentation of financial statements. It stipulates that the voluntary change of an accounting policy is made only if such a change is imposed by a Standard or an Interpretation and results in financial statements that provide more reliable and relevant information about the effects of transactions or other events or position conditions financial.
The Company did not apply IAS 8.28 on Changes in Accounting Policies in 2017.

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.

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 31 December 2017	Accounting year ended at 31 December 2016

	(lei)	(lei)
Trade receivables and other claims	13.693.246	14.607.883

For other types of operations, when the amounts are significant, the creditworthiness references are normally obtained for all new customers, the due date of the receivables is carefully monitored and the amounts not collected at the negotiated terms are subject to the warnings and notifications sent to the internal and external customers of society.

Thus, the following balance sheet items exposed to credit risk were identified and included in the following exposure classes:

- Receivables from local governments: budget receivables;
- Receivables from institutions and financial institutions: bank accounts, guarantee funds;
- Receivables from companies: advance to companies;
- Other items: tangible assets.

The risk exposed value of an asset is represented by its balance sheet value and is identified on the basis of the documents provided by the Accounting Department

- **Trade receivables and other receivables**

On 31 December 2017, the company's trade receivables situation is as follows :

Receivables at 31.12.2017			**lei**
RECEIVABLE	Balance at 31.12.2017	maturity	
		less 1 year	over 1 year
0	1 = 2 + 3	2	3
Total, of which:	**13.693.246**	**11.358.767**	**2.334.479**
Domestic Client	**3.034.429**	3.034.429	-
External Client	**3.516.870**	3.516.870	-
Doubtful client, litigation	**3.881.245**	-	3.881.245
Other receivables (Performance Assurance OMV Petrom	**39.338**	39.338	-
VAT to be recovered	**815.493**	815.493	-
Salary advance	**10.250**	10.250	-
Suppliers borrowers	**383.500**	383.500	-
Debtors	**2.620.465**	2.620.465	-
Other receivables (VAT not due, accrued expenses and settlement systems in operation during clarification)	**938.421**	938.421	-
Adjustments for depreciation of clients- receivables	**(1.546.766)**	-	(1.546.766)

Receivables on current income tax	**17.857**	17.857	-

Amount worth 938.421 lei recorded in "other receivables" account refers to amounts from account 4428 (VAT under settlement) = 926.908 lei ; account 471 (prepayment) = 3.954,86 lei .

In accordance with IFRS 7: B5 (f), Uztel SA establishes and reviews annually at each close of the financial year (including for year 2017) adjustments for impairment of receivables-clients on the basis of the

commercial and legal information it holds and the steps which it undertakes through the legal service for the recovery of overdue claims.
The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of clients;
- The debtor-client is likely to go into bankruptcy or another form of financial reorganization;
- Unfavorable changes in the situation of clients' portfolio payments;
- Economic conditions at national and international level correlated with non-payment.

The general provision for impairment of customer receivables is calculated annually according to the length of the receivables existing in the balance by applying the following criteria regarding the adjustment percentages:

Account	% adjustment
4118 (uncertain clients)	40

Claims are recorded at nominal value and are highlighted for each individual or legal entity. Foreign currency claims were measured using the exchange rate ruling at the year-end, and the exchange differences were recognized as income or expense for the period.

Seniority analysis of trade receivables and other outstanding receivables at the end of the period that are not impaired IFRS 7.37 (a)

lei

Trade receivabbles and other receivables	Balance at 31.12.2017	Of which outstanding		
		31-90 zile	91-120 zile	> 120 zile
1. Internal clients	3.034.429,45	616.132,97	67.855,37	376.571,68
2. External customers	3.516.870,05	-	-	-
3. Uncertain internal clients	3.881.244,71	-	-	3.881.765,98
4. Impairment adjustments	(1.546.765,98)	-	-	-
5. Debtor suppliers	383.499,90	-	-	383.499,90
Net receivables	**9.269.278,13**	**616.132,97**	**67.855,37**	**4.641.837,56**

In accordance with IFRS 7.37 (b), the Company presents an individual analysis of trade receivables found to be impaired at the end of the reporting period (31 December 2017), including the factors that determined their depreciation as follows:

- Clients who have entered into bankruptcy proceedings or in the process of reorganization under Law no.– 85/2014, and which have major financial difficulties linked to the non-payment of claims, namely

- **ALTEX SRL TULCEA** debit written at the debtor 's creditor' s mass of 439.960,00 lei;
- **ARMAX GAZ MEDIAS** debit written at the debtor 's creditor' s mass of 16.750,11 lei;
- **ARPEGA TRADING SRL BLEJOI** for the outstanding debit amounting to 444.504,74 lei, the legal procedure for recovery was started.
- **BAT SERVICE SA BUZAU** debit written at the debtor 's creditor' s mass of 5.138,37 lei;
- **CONDMAG SA BRASOV** debit written at the debtor 's creditor' s mass of 564,20 lei;
- **FEPA SA BARLAD** debit written at the debtor 's creditor' s mass of 41.108,56 lei;
- **FORAJ SA BUZAU** debit written at the debtor 's creditor' s mass of 539.128,14 lei;

- **GRUP ROMET SA BUZAU** debit written at the debtor 's creditor' s mass of 909.87 lei;
- **HIDRAULIC SA MOINESTI** debit written at the debtor 's creditor' s mass of 17.603,42 lei;
- **FORAJ SONDE PLOIESTI** debit written at the debtor 's creditor' s mass of 87.965,13 lei;
- **MARIAN TRANS CONSTRUCT SRL CHIOJDU** debit written at the debtor 's creditor' s mass of 446,40 lei;
- **METAL PROIECT PROSPER** debit written at the debtor 's creditor' s mass of 20.871 lei;
- **STITRANS SA BLEJOI** debit written at the debtor 's creditor' s mass of 442,98 lei;
- **UBEMAR SA PLOIESTI** debit in execution by a court executor in value of 25.112,69 lei;
- **VIPREC COM SRL BAIA MARE** debit written at the debtor 's creditor' s mass of 20.360,80 lei;
- **VULCAN SA BUCURESTI** debit amounting to 43.088,69 lei enrolled in the Preliminary Debt Table.

Company's top 10 clients based on volume of transactions for 2017 are shown in the table below:

Domestic Clients	**Total Invoices (lei) without VAT**	**share %**
Cameron-Romania SRL Campina	4.476.443,23	20,88
Drilling Equipment SRL Zalau	2.166.618,01	10,1
Vulcan SA Bucuresti	1.866.014,29	8,71
Automobile Dacia Mioveni	1.643.679,17	7,67
Tehnomet SA Buzau	1.162.643,98	5,24
Bleck Sea Oil&Gas SRL Bucuresti	978.764,37	4,53
Atlantic Prod Impex SRL Ploiesti	956.217,56	4,46
Multy Products Rom SRL Sighisoara- Punct de lucru Albesti Prahova	760.131,94	3,55
Expert Petroleum Solutions SRL Bucuresti	600.111,81	2,8
Neptun SA Campina	476.950,50	2,23
TOTAL	**15.087.574,86**	**70,17**

External Clients	**Total Invoices (Euro)**	**share %**
ABB Process Industrie Aix-Les Bains Cedex France	1.005.114,50	40,37
Robke Erdol UND Erdgastechnik GmbH Germania	327.844,00	13,17
Magyar Horizont Energia Kft Budapesta Ungaria	228.803,00	9,19
Peseco Limited Aberdeenshire U.K.	204.542,00	8,22
Manefols Komerz LLP Belfast Irlanda	179.680,00	7,22
Liberty Drillyng Equipment B.V. Olanda	168.178,00	6,76
Green Control SRL Italia	70.518,00	2,83
Nis j.s.c. Novi Sad Serbia	48.550,55	1,95
TDE Field Services ZRT Ungaria	43.387,00	1,74
Hartmann Valves GmbH Germania	42.135,00	1,69
TOTAL	**2.318.752,05**	**93,14**

External Clients	**Total Invoices (USD**	**share %**
Omni Valve LLC USA	1.773.573,00	51,99
Desert Sand Oil&Gas LLC Muscat Oman	701.176,00	20,55
Bahar Energy Operating Company Limited Azerbaijan	313.265,00	9,18

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Ibemo Industrie Service Germania	311.395,00	9,13
PT Bangun Mitra Sinergi Jakarta Indonezia	257.283,20	7,54
Fenton Holding Worldwide Singapore	36.500,00	1,07
Array Holdings Inc USA	17.864,00	0,52
IAL Engineering Services LTD Trinidad	420	0,01
TOTAL	**3.411.476,20**	**100**

	Accounting year ended at 31 December 2017 (lei)	**Accounting year ended at 31 December 2016 (lei)**
Debts	32.026.158	30.369.935
Provisions for risk and expenses	253.413	246.213
Income recorded in advance	2.749.697	536.971
Total debts	**35.029.268**	**31.153.119**

- **Commercial debts and other debts**

At 31 December 2017, the debts of the company are as follows:

Debts at 31.12.2017				lei
DEBTS	Balance at 31.12.2017	Maturity term		
		Less 1 year	1-5 years	over 5 years
0	1 = 2 + 3 + 4	2	3	4
Total, of which:	**35.029.268**	**27.862.649**	**7.166.619**	-
Amounts owed to credit institutions	**7.498.798**	3.284.264	4.214.534	-
Advances collected for orders	**2.749.697**	2.749.697	-	-
Trade payables - suppliers	**20.121.729**	17.819.320	2.302.409	-
Income tax	-	-	-	-
Other creditors including tax and social security	**4.405.631**	4.009.368	396.263	-
Provisions and deferred income	**253.413**	-	253.413	-

The amount of 4.405.631 lei recorded in the account "Other debts, including tax and social security liabilities" refers to:

- amounts from the account 462 (various creditors - rescheduling agreements) = 1.835.114 lei ;
- account 457 (dividends) = 1.622.553,09 lei , of which – rescheduling agreements 1.007.874,37 lei;

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- current budget debts = 481,484 lei;
- Current salary debts = 458,957 lei;
- non-chargeable VAT = 7.523

lei

Trade receivabbles and other receivables	Balance at 31.12.2017	Of which overdue		
		31-90 zile	91-120 zile	> 120 zile
1. Interna; suppliers	16.084.408,83	1.931.161,87	244.685,93	1.769.269,40
2. External suppliers	2.463.208,20	406.940,72	10.480,63	566.207,69
3. Customers creditors	2.749.697,47	-	-	-
Net debts	**21.297.314,50**	**2.338.102,59**	**255.166,56**	**2.335.477,09**

Company's top 10 suppliers based on volume of transactions for 2017 are shown in the table below:

Internal suppliers	Total Invoices (lei) without VAT	share %
Forja Rotec SRL Buzau	2.804.299,30	11,80
Electrica Furnizare SA Bucuresti	2.061.461,67	8,68
Sodexo Pass Romania SRL Bucuresti	1.260.802,28	5,31
Arva Metals & Steels SRL Cornetu	981.657,49	4,13
Huttenes Albertus Romania SRL Bucuresti	969.145,81	4,08
MSD COM SRL Buzau	930.915,58	3,92
Hany Industry SRL Ploiesti	723.902,18	3,05
Engie Romania SA Bucuresti	674.366,70	2,84
Metarex SRL Bucuresti	573.387,98	2,41
Bronic Security Bucuresti	517.966,00	2,18
TOTAL	**11.497.904,99**	**48,40**

External Suppliers	Total Invoices (Euro)	share %
Riganti SPA Italia	104.140,00	20,19
Special Quality Alloys LTD England	100.476,65	19,48
Danco Industry LTD Bulgaria	87.394,79	16,95
GPS Oil Tools Gmbh Germania	87.118,75	16,89
Nov Completion & Production Solutions Vechta	41.582,37	8,06
Forgital Italy S.P.A.	14.400,00	2,79
Passion SRL Ploiesti	12.475,00	2,42
Peseco Limited Aberdeenshire United Kingdom	11.215,48	2,17
CF Service SRL Italia	9.539,18	1,85
Ibemo Industrie Service Germania	9.440,00	1,83
TOTAL	**477.782,22**	**92,63**

External Suppliers	Total Invoices (USD)	share %
Parker Hannifin Corporation PGI USA	60.220,12	29,06
American Petroleum Institut Washington USA	45.530,81	21,97

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Omni Valve LLC USA	36.126,48	17,44
Optimum LTD Liban	27.436,56	13,24
Shabum International LTD Tel Aviv Israel	26.385,59	12,73
Gebruder Wess SRL Bucuresti	6.600,00	3,19
Trelleborg Sealing Solutions Sofia	1.697,75	0,82
Hub Dacia SRL Bucuresti	1.345,00	0,65
Thomson Ruters (Scientific) LLC New York	661,50	0,32
Turkmennebit Ashgabat - Turkmenistan	575,00	0,28
TOTAL	**206.578,81**	**99,70**

Bank loans are secured by:

- real estate mortgages totaling 29.434.935 lei (insurance policy nmb. 2487024 valid from 25.05.2017 until 24.05.2018). The last valuation report was conducted for banking purposes in August 2017 by Neoconsult Valuation SRL Bucharest, an authorized valuer, an accredited member of ANEVAR, the value of the valued property market being 24.728.166 lei;

- Pledge on rquipment totaling 5.852.629 lei (insurance policy nmb. 2470241 valid from 01.03.2017 until 28.02.2018);

- Pledge Stocks of raw materials, inventory items and finished products totaling RON 24.651.575 (insurance policy No. 2493798 valid from 23.11.2017 until 22.11.2018)

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 2017	**Accounting year ended 31 December 2016**
	(lei)	**(lei)**
Interest paid	240.349	112.593

Liquidity risk

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

	Accounting year ended 31 December 2017	**Accounting year ended 31 December 2016**
	(lei)	**(lei)**
Cash and availability on demand	1.771.478	1.245.085
Total Cash and cash equivalents	**1.771.478**	**1.245.085**

Currency risk

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

	Accounting year ended	**Accounting year ended**
	31 December 2017	**31 December 2016**
	(lei)	**(lei)**
Result of foreign exchange differences	20.234	278.002

Market risk

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

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

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

Economic, commercial and financial effects of " oil prices crisis " begun in 2016 were eflected in the company's business on the first months of 2017 by lowering production (low demand), lower revenues, increased stocks of finished products (available to customers for renting). Most oil companies and drilling operators in domestic and international market and have changed the investment policy (acquisition of equipment and oil) by dividing it due to financial and economic reasons into two components:

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

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. as of letter nmb. 9234 from 15.03.2018 and at BSE , situation of shareholders on 31.12.2017 is as follows:

Shareholder	Nmb. of shares held	Weight in share capital, %
UZTEL Association	4.498.300	83,8381
Legal persons	448.526	8,3595
Natural persons	418.633	7,8024
TOTAL	**5.365.459**	**100,0000**

All shares are common, were subscribed and paid in full on 31 December 2017.

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 2017 (lei)	Accounting year ended 31 December 2016 (lei)
Legal reserves	1.916.641	1.916.641

The Company did not constitute the legal reserve on 31.12.2017 because it recorded a loss.

Other reserves

	Accounting year ended 31 December 2017 (lei)	Accounting year ended 31 December 2016 (lei)
Other reserves	631.133	631.133

According to IAS 1.79 (b), the Company recorded in the individual situation the changes in equity for the "**Other reserves**" chapter, the amount of 631,133 lei representing the fiscal profit tax facility according to the legal provisions in force at the date of its constitution (31.05.2004) - Law 416 / June 26, 2002.

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Revaluation reserve

The revaluation reserve is the amount of 38.232.706,22 lei at 31 December 2017 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 2017	Accounting year ended 31 December 2016
	(lei)	(lei)
Revaluation reserves	38.232.706	65.159.672

The revaluation reserve was diminished in 2017 with a value of 26.926.965,40 lei by covering the accounting loss from previous years, the capitalization of the surplus from the revaluation and the reserves highlighted in the fiscal register, as follows

- amount of 20.908.041,70 lei covering the accounting loss as of decision of AGOA Nmb 1 of 24.04.2017;

- Value of 141.687,63 lei representing capitalization of revaluation surplus from land surface of din 604 mp teren sold in 2017;

- Value of 10.722,71 lei representing capitalization revaluation surplus for fixed assets in categories construction exit from books in 2017;

- Value of 119.998,66 lei representing capitalization revaluation surplus for fixed assets in categories equipment, installations and machines cancelled from books following the inventory record in 2017;

- Value of– 1,092.45 lei representing the revaluation surplus capitalization for fixed assets in the category of office furniture, which is out of evidence by scrapping as a result of inventory of the company's patrimony in 2017;

- Value of 2,300,235.79 lei representing revaluation reserves highlighted in the tax register at Quarter-I-2017;

- Value of 1,192,421.48 lei representing revaluation reserves highlighted in the fiscal register at Quarter-II-2017;

- Value of 1,184,068.97 lei representing revaluation reserves highlighted in the tax register on Quarter-III-2017;

- the amount of 1,068,696.01 lei representing revaluation reserves highlighted in the fiscal register at Quarter -IV-2017.

6. RESULT FOR THE YEAR

Result for the year

At the end of fiscal year 2017 the Company recorded the following results:

- **Gross Operationnal Result** increased from (18.936.399,00) lei to 31.12.2016 at (12.957.785,00) lei at 31.12.2017 , that means a significant increase against the same period of 2016;
- **The gross result of the financial activity** decreased from (210.553) lei at 31.12.2016 to (212.943) lei at 31.12.2017, meaning a significant decrease compared to the same period of 2016;
- **Gross profit for the financial year** increased from (19.146.952) lei on 31.12.2016 to (13.170.728) MDL at 31.12.2017, meaning a significant increase compared to the same period of 2016;
- **The net result of the financial year** increased from (19.146.952) lei at 31.12.2016 to (13.170.728) lei at 31.12.2017, meaning a significant increase compared to the same period of 2016.

Although the global crisis that affected the oil sector had negative repercussions on the company's production Uztel S.A. (Turnover in 2017 higher than 2016 vith 6,89 %) , , 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 2017</u>** **(lei)**	**Accounting year ended** **<u>31 December 2016</u>** **(lei)**
Net income (lei)	(13.170.728)	(19.146.952)
Ordinary shares	5.365.459	5.365.459
Earnings per share (lei)	(2,45)	(3,57)

Dividends

In 2017 the Company made quarterly payments amounting 2.145,36 lei , , representing net dividends due to shareholders for the years 2003 , 2005 , 2006 , 2007 and 2008 , as follows l :

		lei
a)	Payments 1st quarter	1.089,12
b)	Payments 2nd quarter	260,76
c)	Payments 3rd quarter	130,70
d)	Payments 4th quarter	664,78

On 31.12.2017 Uztel SA recorded in account 457 (Dividends to pay) the amount of 1.622.553,09 lei representing dividends due to sahareholders for 2003 , 2005 , 2006 , 2007 and 2008.

The Company did not set up and paid dividends for the period 2011-2017.

7. PROFIT TAX

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	Accounting year ended 31 December 2017 (lei)	Accounting year ended 31 December 2016 (lei)
Gross book value	(13.170.728)	(19.146.952)
Items assimilated to revenue	-	3.417.908
Legal reserve established	-	-
Non-taxable income	(161.733)	(6.068.216)
Non-deductible expenses	10.937.897	5.711.397
Profit / (Fiscal Loss)	**(2.394.564)**	**(16.085.862)**
Tax on profit result	-	-
Sponsorship	-	(21.375)
Corporation tax payable	-	-
Net profit / (loss)	**(13.170.728)**	**(19.146.952)**

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 13.170.728,39 lei be recorded in the accounting books of Uztel SA Ploiesti as bellow :

1171.01 = **121** **13.170.728,39**

Result reported – loss

The result carried forward from previous years is an accounting loss amounting of (RON 3,480,181.87), representing a loss related to 2016, a loss which will increase by the amount of (13,170,728.39) lei according to the above mentioned accounting note.

In conclusion, after the approval of the carrying out of these accounting operations, the net loss of the company will be in the amount of (16,650,910.26) lei, to be recovered according to Art. 19 par. (4) of the Accounting Law no. 82/1991 with subsequent modifications and completions:

- "*The retained carrying amount is accounted for in the profit and loss for the period, the reserves, capital and share capital, according to the decision of the general meeting of the shareholders*".

The fiscal loss registered at the end of 2016, determined by the profit tax statement, net of -16,085,862 lei, will be increased with the fiscal loss registered on 31.12.2017 in net value of -2,394,564 lei.

The total fiscal loss recorded on 31.12.2017 by Uztel SA Ploiesti will be -18,480,426.35 lei.

8. RETAINED EARNINGGS

Retained earnings are the cumulative result of the Company. At December 31 2017 the Company has recorded retained earnings in the amount of 3.686.242 lei .

	Accounting year ended 31 December 2017	Accounting year ended 31 December 2016
	(lei)	(lei)
Result reported	3.686.242	(10.069.996)
Result reported when applying IFRS	5.365.459	5.365.459
Earnings per share (lei)	0.68	(1,78)

9. PROVISIONS

Statement of provisions made by the company is as follows:

	Accounting year ended 31 December 2017	Accounting year ended 31 December 2016
	(lei)	(lei)
Provisions for litigation	241.113	246.213
Provisions for guarantees granted to clients	12.301	-

The Company recorded in the financial year 2017 "Provisions for guarantees granted to clients" amounting to 12,301 lei, based on the contract no. 99003203 / 21.05.2017 concluded with OMV PETROM Bucharest..

10. FIXED ASSETS

– **Tangible 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 2017	16.764.100	32.015.002	35.857.772	160.630	2.962.757	123.120	87.883.381
Increases	-	-	715.024	7.247	155.999	-	878.270
Outputs	161.311	11.300	142.111	2.100	699.859	-	1.016.681

Balance at 31 December 2017	16.602.789	32.003.702	36.430.685	165.777	2.418.897	123.120	87.744.970
Accumulated depreciation							
Balance at 01 January 2017	-	11.069.760	24.957.337	82.449	-	-	36.109.546
Depreciation of year	-	3.263.727	1.378.025	13.024	-	-	4.654.776
Depreciation of outputs	-	7.916	5.990	900	-	-	14.806
Balance at 1 December 2017	-	14.325.571	26.329.372	94.573	-	-	40.749.516
Adjustment							
Balance at 01 January 2017	-	-	-	-	-	-	-
Increase	-	-	-	-	-	-	-
Decraese	-	-	-	-	-	-	-
Balance at 31 December 2017	-	-	-	-	-	-	-
Net book value							
Balance at 01 January 2017	16.764.100	20.945.242	10.900.435	78.181	2.962.757	123.120	51.773.835
Balance at 31 December 2017	16.602.789	17.678.131	10.101.313	71.204	2.418.897	123.120	46.995.454

Between 01 January and 31 December 2017, the total value of the increases recorded in the accounting records for the "*Machinery and Equipment*" class was 715.024 lei representing:

- double beam overhead crane 16 To / 6,3 To, worth 256.311 lei;
- Noxious exhaust system, worth 229.170 lei
- Main and secondary feather molds 2 1/16, 2 9/16, 3 1/8, 4 1/16 (eight mold sets), worth 94.243 lei;
- Modernization of CH 50KF hydraulic heads test stand , worth 53.707 lei;
- LED lighting installation - SDV sector, worth 36.766 lei;
- LED lighting installation - central store, worth 16.216 lei;
- Bore support for nitrate parts, worth 6.199 lei;
- Adjustment between the accounts 2131.01 - Technological Equipment and 2133.01 - Means of Transport amounting to RON 22.411.

Between 1 January and 31 December 2017, the total value of the increases recorded in the accounting records for the class "*Furniture, office equipment, fixed assets*" was 7.247 lei representing

- DS-7616NI-I2 NVR Video Surveillance System.

Tangible fixed assets registered an increase of 155.999 lei between January 1 and December 31, 2017, representing:

- Main and secondary feather molds 2 1/16, 2 9/16, 3 1/8, 4 1/16 (eight mold sets), worth 94.243 lei;
- LED lighting installation - SDV sector, worth 36.766 lei
- LED lighting installation - central store, worth 16.216 lei;
- DS-7616NI-I2 NVR video surveillance system, worth 7.247 lei;
- Works for installation of double beam overhead crane 16 To / 6,3 To, amounting to 1.527 lei.

Between 1 January and 31 December 2017, the "Land" class registered a decrease of 161.311 lei by selling the surface of 604 sqm of land within the city, according to the sale contracts with authentication no .: 1758 and 1759 / 04.05.2017 to individuals .

Between 1 January and 31 December 2017, the Buildings and Construction class recorded a decrease of 11.300 lei, representing the exit from the evidence by scrapping of fixed assets (decanter of oil products) following the annual inventory of the patrimony.

Between 1 January and 31 December 2017, the " *Machinery and Equipment*" Class recorded a decrease of 142.111 lei, representing:

- Output of fixed assets by scrapping after annual inventory of the patrimony, worth 119.700 lei (transformer TFM 1500kVA in value of 9.500 lei, installation CIF 135KW in value of 27.200 lei, installation CIF in value 32.700 lei, free blasting installation CLEMCO worth 6.200 lei, two pieces of WIWA AIRLESS painting plant worth 13.100 lei / piece, wagon platform 20T worth 17.500 lei and GRUNDFOS pump worth 400 lei);
- adjusting an analytical account amounting to RON 22,410.

Between 1 January and 31 December 2017, *other tangible assets* - *"Furniture, office equipment, fixed assets*" recorded a decrease of 2.100 lei, representing the output from books by scrapping fixed assets (AGFA 110/120 copier in value 900 lei and AGFAx520 copier worth 1,200 lei) following the annual inventory of the patrimony.

Tangible fixed assets registered in the period January 1 - December 31, 2017 decreases amounting to 699,859 lei, representing fixed assets put into operation:

- double beam overhead crane 16 To / 6,3 To, worth 256.311 lei;
- Noxious exhaust system, worth 229.170 lei;
- Main and secondary feather molds 2 1/16, 2 9/16, 3 1/8, 4 1/16 (eight mold sets), worth 94.242 lei;
- Modernization of CH 50KF hydraulic heads test stand , worth 53.708 lei;
- LED lighting installation - SDV sector, worth 36.766 lei;
- LED lighting installation - central store, worth 16.216 lei;
- DS-7616NI-I2 NVR video surveillance system, worth 7.247 lei;
- Bore support for nitrate parts, worth 6.199 lei.

– **Intangible assets**

	Development expenses	**Other intangible assets**	**Intangible assets in progress**	**Total**
Cost	**Lei**	**Lei**	**Lei**	**Lei**
Balance at 01 January 2017	192.705	499.147	-	691.852
Inputs	5.245	62.416	-	67.661
outputs	20.615	-	-	20.615
Balance at 31 December 2017	177.335	561.563	-	738.898
Acumulated depreciatiohn				
Balance at 01 January 2017	109.475	472.760	-	582.235
Depreciation of year	11.574	77.427	-	89.001
Outputs depreciation	6.119	-	-	6.119
Balance at 31 December 2017	114.930	550.187	-	665.117
Cost				
Balance at 01 January 2017	83.230	26.387	-	109.617
Inputs	62.405	11.376	-	73.781

Between 1st January and 31st December 2017, *development expenditures* increased by 5.245 lei, representing:

- expenses for fitting the hydraulic drift preventer equipped with type SH 7 1/16x210/70bar with gasket and key worth de 2.257 lei;
- expenses for casting , thermal treatment and performed the operation I for body 21 / 16X3 / 5M in value of 2.452 lei;
- expenses for casting , thermal treatment and performed the operation I for body 41/16X5M worth 536 lei.

The Company acquired intangible assets amounting to 62,416 lei representing:

- Suport tehnic pentru sistemul informatic integrat SIVECO pentru anul 2017, in valoare de 52.130 lei;
- Licenta antivirus ESET ENDPOINT in valoare de 6.521 lei;
- Software Update License&Support Oracle Database Standard Edition One Procesor Perpetual in valoare de 3.765 lei.

Between 1 January and 31 December 2017, the *development expenses* recorded a decrease of 20,615 lei by removing by sale of the SH 7 1 / 16x210 / 70bar hydraulic drift preventer equipped with the gasket and key to the Expert Petroleum SRL Bucharest.

11. STOCKS

By comparison, the stocks are presented as follows:

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In LEI	**31-December 2017**	**31-December 2016**
Raw material	1.876.772	1.662.408
Additional material	829.196	777.531
Fuels	60.335	20.208
Packaging materials	2.729	2.725
Spare parts	3.777.611	4.533.464
Other consumables	207.008	223.587
Other consumables- protocol	23	133
Inventory items	379.477	345.736
Products in progress	6.944.754	6.614.360
Semi- manufactured	1.350.955	1.368.908
Finished product	8.944.209	8.517.014
Difference of price of semi-finished products	-	672.183
Difference of price of finished products	9.010.016	12.892.109
Packing	9.260	8.064
Residual products	-	68.366
Total	**33.392.345**	**37.706.796**
Advances to purchases assets such as stocks	419.338	197.005
Total General Inventory	**33.811.683**	**37.903.801**

12. INCOME FROM THE MAIN COMPANY'S BUSINESS

Turnover in 2017 totalling 44.370.142,75 lei was made by the following segments of activity:

	lei
- turnover for production activity is in the amount of	43.706.942,36
– turnover for the services activity is in the amount of	407.576,52
– turnover for trade activity is in the amount of	255.623,87

Turnover in 2016 totaling 41.510.00,12 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 services activity is in the amount of	206.060,91
– turnover for trade activity is in the amount of	79.606,76

OPERATING INCOME	**31-December**	**31-December**

	2017	2016
Total operating expenses, of which:	**48.627.123**	**48.219.620**
Turnover	44.370.143	41.510.000
Income related to cost of inventories of products and production in progress	3.828.029	5.577.215
Revenues from production of tangible and intangible assets	59.755	309.972
Other operation income	369.196	822.433

OPERATION EXPENSES	**31-December 2017**	**31-December 2016**
Total operating expenses, of which:	**61.584.908**	**67.156.019**
Raw material and consumables costs	24.388.266	26.439.270
Other material expenses	740.035	746.631
Other external expenses	2.760.022	2.868.167
The expenditures on goods	156.210	33.792
Trade discounts received	-	17.155
Staff costs	21.071.290	18.075.656
Value adjustment concerning tangible, intamgible assets, real estate investment, and biological assets evlauted at cost	4.743.779	6.057.829
Value adjustments on assets	960.990	716.019
Other operating expenses	6.757.116	12.240.235
Expenses with tangible and intangible revaluation	7.200	(4.425)

FINANCIAL INCOME	**31-December 2017**	**31-December 2016**
Total financial income, of which:	**704.431**	**1.324.412**
Income from exchange rate differences	697.253	1.251.658
Interest income	6.316	71.198
Other financial income	862	1.556

FINANCIAL EXPENSES	**31-December 2017**	**31-December 2016**
Total financial expenses , of which:	**917.374**	**1.534.965**
Interest charges	240.349	112.593
Other financial expenses	677.025	1.422.372

CASH GENERATED FROM OPERATING ACTIVITIES

	31-December 2017 lei	31-December 2016 lei	31-December 2015 lei
Net profit for the year	**(13.170.728)**	**(19.146.952)**	**(2.037.296)**
Income tax expense	-	-	312.177
Amortization / depreciation of long term assets	4.743.779	6.057.829	7.043.308
Expenses with disposed assets	294.100	-	-
Revenue with disposed assets	(98.578)	-	-
Provisions for clients	(816.190)	(730.576)	(4.124.629)
Income/expense related to value adjustment of current assets	1.104.659	6.779.810	-
Provisions for stocks	-	-	(2.669.738)
Interest expenses	(240.349)	(112.593)	(176.486)
Interest income	6.316	71.198	258.873
Gain / loss from exchange rate differences	20.234	278.002	198.820
Movements in working capital	**5.013.971**	**12.343.670**	**842.324**
Increase / (decrease) in trade receivables and other	2.461.019	3.144.665	4.866.322
Increase / (decrease) in other current assets	385	(682)	(342)
Increase / (decrease) in inventories	4.092.118	4.242.138	4.164.653
Increase / (decrease) in trade payables	6.289.074	918.711	858.206
Increase / (decrease) in other liabilities	(2.412.926)	(1.248.979)	(10.576.377)
Cash used in operating activities	**10.429.670**	**7.055.853**	**(687.538)**
Income tax paid	-	(17.857)	(194.348)
Interest paid	(240.349)	(112.593)	(176.486)
Cash generated from operating activities	**2.032.564**	**122.120**	**(2.253.343)**

13. INFORMATION ON SEGMENTS

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 2017	**Amount (lei)**	**Share Of total income %**
Revenue from the sale of finished products - internal	21.024.336,55	42,62
Revenue from the sale of finished products - external	22.682.605,81	45,98
Income stocks of finished goods and production in progress	3.828.029,54	7,76
Revenue from services rendered	259.620,23	0,53
Income from royalties, management and rental locations	147.956,29	0,30
Revenue from sale of goods	255.623,87	0,52
Total	**48.198.172,29**	**97,71**

Information on segments for year ended at December 31 December 2016 are:

Report on operating segment at 31 December 2016	**Value (lei)**	**Share of Total income %**
Revenue from the sale of finished products - domestic	17.058.263,31	34,43
Revenue from the sale of finished products - abroad	24.166.069,14	48,78
Income stocks of finished goods and production in progress	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**

The investment property valuation at initial recognition was carried at cost, in accordance with IAS 40 "Investment property". The cost of a real estate investment consists of the purchase price plus any directly attributable costs. At the date of adoption of the IFRS, the company chose to use the waiver of the expected cost, ie to evaluate the investment property at the cost assumed, given that the revaluation was comparable to the fair value (Amendment to IFRS 1 adopted by the EU on 12 December 2012).

After recognition, the company chose the fair value model for the presentation of real estate investments in the financial statements. In the accounting, no depreciation is recorded, but the loss (by account 612.01) or the gain (through account 706.01) from the valuation at the fair value of the real estate investments is registered.

Rental income in the amount of 147.956.29 lei registered by the company in 2017 through account 706.01 is represented by:

- Rental of products manufactured by the company - VH 13 5 / 8X5M vertical preventer with 10M flange worth 24.382,63 lei to Foraj Sonde SA Mures, according to order 3560 / 12.12.2016;
- Rental of products manufactured by the company - Horizontal double preventer 11x10000 PSI and vertical preventer 11Sx5000 PSI - to OMV PETROM SA - E & P Bucharest DIVISION in the amount of 99.971,66 lei, according to contract no. 99003203 / 16.12.2015;
- Rental of products manufactured by the company - coupon pipe 3 1 / 16x10K-6m length - to Dosco Petroservice Romania SRL Bucharest in value of 15.002,77 lei, according to order no. DP-PO 1395 / 22.12.2016;
- Rental of products manufactured by the company - set of threaded fittings 6 5/8 FH LH - to Cameron Romania SRL Campina amounting to 4.364,45 lei, according to orders no. 4511412972, 4511430762 and 4511588733/2017;
- Rental of products manufactured by the company - CH 125 TO - to Weatherford Atlas Gip SA Ploiesti in the amount of 4.234,78 lei, according to order no. 14085732/2017.

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 2017 have performed the following transactions with related parties

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

In financial year 01.01.2017 – 31.12.2017 the Company did carry out transactions in the nature of sales of

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finished goods and services with affiliated parties.

b) Aquisition of goods and services :

Entity	Acquisitions 2017 lei	Acquisitions 2016 lei
Aprodem SA Ploiesti	61.950,49	28.371,16
Axon SRL Ploiesti	553.387,67	483.514,15
Comis SRL Valeni de Munte	126.951,77	154.476,00
Electro Service Onel & Co SNC Ploiesti	30.048,69	-
Passion SRL Ploiesti	57.556,39	72.173,11
Platus Com SRL Campina	156.109,96	110.121,15
Romconvert SA Ploiesti	51.877,99	121.704,00
Titancore SRL Ploiesti	253.983,44	254.726,64
Rikora Flm SRL Focsani (Vaspet SRL Focsani)	152.485,51	58.620,80

Entity	Acquisition 2017 usd	Acquisition 2016 usd
Shabum International LTD Tel Aviv	26.385,62	22.370,18

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,) .

	2017	2016
Gross salary paid	2.350.203 lei	1.547.053 lei

15. OTHER INFORMATION

(1) Fees paid to auditors

In 2017 the Company's expenses on fees paid to auditors were worth 279.864,24 lei , including :

Statutory Auditor	**lei**
- Ecoteh Expert SRL Bucuresti Romania	29.676,95

Auditors of quality management systems certification and product (license)	**lei**
- DNV-GL Business Assurance SRL Bucuresti Romania	43.149,09
- GR Eurocert SRL Ploiesti Romania	6.095,52
- Hansa Flex Romania SRL Ilfov	9.609,92

	usd
- American Petroleum Institut Washington USA	45.530,81
- Thomson Ruters (Scientific) LLC New York USA	581,00

(2) Expenses with salaries

	Accounting year ended <u>31 December 2017</u>	**Accounting year ended <u>31 December 2016</u>**
	(lei)	**(lei)**
Expenses with wages for personnel	17.211.920	14.751.961

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

(3) Average number of employees at 31 December :

	Accounting year ended	**Accounting year ended**
	31 December 2017	**31 December 2016**
Average number of employees	471	525

(4) Garantiile Financiare acordate / primite de societate.

Financial guarantees established

Uztel SA Ploiesti established a good performance guarantees at the request of OMV PETROM BUCURESTI client in lei and NAFTAGAS-OILFIELD SERVICES in foreign currency based on the contracts concluded between the parties broken down as follows:
The amount of EUR 7,043.37 constituted by the issuance of bank guarantee letters with collateral with limited expiry dates, namely:

1. Performance bond	2.188,32 eur	maturity	12.10.2018
1. Performance bond	4.855,05 eur	maturity	09.10.2018

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 amount of 39,338.20 lei representing good execution receivables was made available to the client and

is registered in the account "*other non-current receivables*".

Financial guarantees received

In the finanacial year 2017, the company has no performance guarantee from suppliers.

(1) Insurance policies held by the company

The company holds insurance policy OMNIASIG, G Series no. 2487024 or a period of 12 months, namely from 25.05.2017 to 24.05.2018 (renewed annually) representing fire insurance and other risks (risk packages) for a declared value of 29.434.935 lei of a number of 26 buildings and industrial production halls owned by the company.

The company owns OMNIASIG F Series F no. 2493798 for a period of 12 months, namely from 23.11.2017 to 22.11.2018 (renewed annually) representing fire insurance and other risks (risk packages) for stocks (raw materials, inventory items, finished products) with a declared value of 24.651.575 lei.

The company owns OMNIASIG F Series F no. 2470241 for a period of 12 months, namely from 01.03.2017 to 28.02.2018 representing bank security for technological equipment with a total value of 5.852.629 lei.

All the insurance policies the company has concluded have generated financial costs (cash outflows) and have ensured shareholders, company managers, commercial and banking partners stable and trustworthy in the current and future business and financial activities of the company.

(1) 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. 107 of 16.06.2017 valid until 15.06.2019;
- 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 31.03.2018 .

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 2017 was achieved 100%. Proposed actions aimed at waste management, emissions and immissions, water and wastewater.

Was put in operation made a significant investment for environmental protection :

- 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.

(1) 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 2017 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 dosare
Enforcement	16 dosare
Insolvency proceedings	17 dosare
Labor Disputes (labor groups, special conditions, claims, dismissal appeal)	182 dosare

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 2016 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 succeded in 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 businessun efect asupra sectorului bancar din România si ulterior ce efect ar putea avea asupra activității societății.

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 2008, 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

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.

BOARD OF DIRECTORS

In accordance with the legal provisions in force, namely amended and updated Law 31/1990, UZTEL SA proceeded to the election of a Board of Directors with a four-year term of office, consisting of five members with full powers:

PERIOD 01.01.2017 - 31.12.2017		
NUME PRENUME	**FUNCTIA**	**PERIOADA**
Popescu Ileana	Presedinte C.A.	14.03.2017-30.06.2017
Maer Alina Mariana	Membru C.A.	14.03.2017-30.06.2017
Hagiu Neculai	Membru C.A.	14.03.2017-30.06.2017
Persoana Juridica COMIS SRL prin reprezentant conventional Badea Florian	Membru C.A.	14.03.2017-30.06.2017
Gheorghiu Mihail Gabriel	Membru C.A.	24.04.2017-30.06.2017

On 01.06.2017, by the decision of the Board of Directors of Uztel SA Mr. Ing. Purcarea Constantin was appointed as General Manager of the company.
For the period 14.03.2017 - 31.12.2017 the total remunerations of the Board of Directors of the Company represented 1,69% of the salary fund.

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THE EXECUTIVE MANAGEMENT OF THE COMPANY - during the period 01.01.2017 - 31.12.2017 recorded fluctuations in the exercise of the managerial duties, thus:

PERIOD 01.01.2017 - 31.12.2017			
SURNAME, GIVEN NAME	**POSITION**	**PERIOD**	**DECISION / DATE OD DECISION**
Zidaru Ion	General Director	01.01.2017-31.05.2017	Decision 44 / 23.04.2013
Purcarea Constantin	General Director	01.06.2017-31.12.2017	Decision 68 / 16.05.2017
Gruescu Serban Gheorghe	Tehnical Director	01.01.2017-20.10.2017	Decision 194 / 28.11.2012
Anghel George Marinelo	Tehnical Director	20.10.2017-31.12.2017	Decision 170 / 16.10.2017
Gheorghiu Mihail Gabriel	Commercial Director	01.01.2017-31.12.2017	CIM 238 / 31.01.2013
Popescu Ileana	Economic Director	01.01.2017-31.12.2017	Decision 592 / 30.11.2010
Savin Dan Viorel	Manager Quality Management System	12.04.2017-15.12.2017	CIM 848 / 11.04.2017

For the period 01.01.2017 - 31.12.2017 total remuneration of the executive management of the Company accounted for a share of 8,43 % of wages fund.

General Director	Economic Director ,	Head of Gen,Acct. Serv.
Ing. Zidaru Ion	Ec. Popescu Ileana	Ec. Ilie Marian Eduard