UZTEL S.A.
OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS
243 MIHAI BRAVU St., code 100410, PLOIESTI , PRAHOVA-ROMANIA
Phone: + 40(0)244 / 541399, 523455; 0372441111; Fax: 544531, 521181; E-mail: office@uztel.ro
FISCAL CODE RO1352846 , R.C. PLOIESTI NO. J29/48/1991; web site: www.uztel.ro

Administrator's Report

On Uztel S.A Company's business in 2016

1. Analysis of the Commercial Company Activity

1.1 a) Description of the Company's core business

The company's core business is Manufacture of machinery for mining, quarrying and construction – NACE classified code 2892.

UZTEL S.A. was founded in 1904 as the Societatea Romano- Americana (Romanian – American Company), which, in 1958, was nationalized and then in 1991 turned into commercial enterprise. The main activity consists in the production and trading of assemblies, parts and oilfield equipment, industrial valves, mud pumps and other spare parts for oil equipment, metal structures and castings and forgings.

The production covers processes of foundry and forge sectors, heat treatment, machining, assembly and testing. Quality control is certified in laboratories fitted with specialized equipment.

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

1.1 b) Specify the date of incorporation of the Company

UZTEL S.A. Ploiesti was organized as a joint stock company under Law no. 15/1990 on the reorganization of state economic units as autonomous holdings and companies and the Government Decision no. 1213/20 November 1990, act published in Official Gazette no. 13a / January 21, 1991, operating under Law no. 31/1990 of the companies and its own statute.

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

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

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

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

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

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

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

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

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

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

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

- **Fixed Assets- Tangibles**

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

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

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

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

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

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

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

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

- **Fixed Assets- Intangibles**

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

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

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

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

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

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

lei

Asset item	31.12.2016	31.12.2015	31.12.2014
Intangible assets	109.617	54.973	52.541
Tangible assets	51.773.835	58.309.744	64.049.643
Total assets	**51.883.452**	**58.364.717**	**64.102.184**

All existing spaces are owned by Uztel S.A.

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

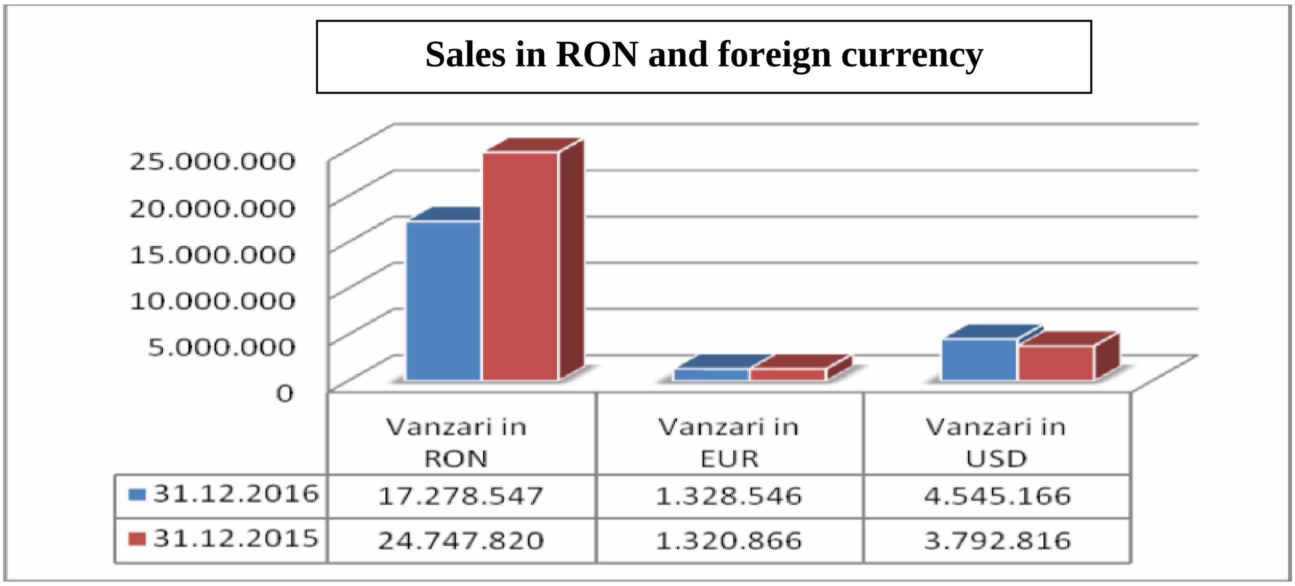
Uztel S.A. knew in 2016 the following trend of sales on domestic and foreign markets:

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

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

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

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



1.1.1 Elements of general assessment:

a) Net profit - 19.146.952 lei

b) Turnover 41.510.000 lei

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

lei

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

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

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

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

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

- domestic trade partners:

- **Clients** - Cameron-Romania SRL Campina , Automobile Dacia SA Mioveni , Drilling Equipment SRL Zalau , OMV Petrom SA , Tehnomet SA Buzau , Multy Products Rom SRL Sighisoara, s.a.
- **Suppliers** - Forja Rotec SRL Buzau , Electrica Furnizare SA Bucuresti , Arva Metals & Steels SRL Cornetu , Mechanic&Hydro Pneumatic Systems SRL Bucuresti , Huttenes Albertus Romania SRL Bucuresti , Engie Romania SA Bucuresti , s.a.

- intra-community trading partners:

- **Clients** - Liberty Driling Equipment Holland, ABB Process Industrie France , Robke Erdol Und Erdgastechnik Germany , Peseco Limited Aberdeenshire UE , Exalo Drilling Poland, Green Control SRL Italy , s.a.
- **Suppliers** - Riganti SPA Italy , GPS Oil Tools Oilfield Equipment & Services GMBH Vechta Germany, Forgital Italy S.P.A. , CF Service SRL Italy, Hartmann Valves GMBH Germany, Ompa SRL Italy , s.a.

- extra-community trading partners:

- **Clients -** Desert Sand Oil & Gas LLC Oman , Omni Valve LLC USA , Manefols Komerz LLP Belfast , Fenton Holding Wordwide USA , Ibemo Industrie Service Germania , IAL Engineering Services Trinidad , s.a.
- **Suppliers -** Optimum LTD Liban, Parker Hannifin Corporation PGI USA, Trelleborg Sealing Solutions Sofia, American Petroleum Institut Washington USA, CF Service SRL Italy, Shabum International LTD Tel Aviv Israel, s.a.

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

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

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

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

lei

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

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

lei

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

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

lei

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

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

lei

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

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

- Account 665 (expenses from exchange rate differences) = 973.656,49 lei
- Account 765 (income from exchange rate differences) = 1.251.658, 04 lei

1.1.2 Evaluation of technical level of the Company

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

lei

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

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

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

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

Revenue from services rendered – internal transport	5.606,65	0,01	0,01
Revenue from services rendered – external transport	52.134,32	0,11	0,13
Income from royalties, management and rental locations	88,68	-	-
Income from rental of oil equipment and installations	36.158,23	0,07	0,09
Revenue from sale of goods	79.606,76	0,16	0,19
Income from different activities - Domestic	25.907,73	0,05	0,06
Income from different activities – Export	10.855,30	0,02	0,03
Trade discount- domestic	(5.000,00)	(0,01)	(0,01)
Trade discount- external	(60.688,52)	(0,12)	(0,15)
Turnover - Total	**41.510.000,12**	**83,78**	**100,00**

1.1.3 Evaluation of technical-material supply (domestic and external suppliers)

The main 10 suppliers of the Company based on purchase volume for the year 2016 are:

Domestic suppliers	Total invoices (lei) Without VAT	Share %
Forja Rotec SRL Buzau	2.962.361,54	11,94
Electrica Furnizare SA Bucuresti	2.038.561,20	8,21
Arva Metals & Steels SRL Cornetu	1.864.277,68	7,51
Mechanic&Hydro Pneumatic Systems SRL Bucuresti	1.079.300,38	4,35
Huttenes Albertus Romania SRL Bucuresti	777.571,21	3,13
Engie Romania SA Bucuresti	765.609,15	3,08
Edenred Romania SRL Bucuresti	661.672,93	2,67
MSD COM SRL Buzau	621.216,20	2,50
Bronic Security Bucuresti	446.284,80	1,80
Sodexo Pass Romania SRL Bucuresti	437.644,63	1,76
TOTAL	**11.654.499,72**	**46.95**

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

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

1.1.4 Evaluation os sales

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

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

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

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

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The effects of manufacturing activity, transactions and events conducted during 2016 in a company vary in stability, risk and predictability, and presentation elements economic - financial helps in understanding the performance achieved and in assessing future results.

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

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

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

These orders / contracts are already underway in manufacturing and are in various stages of technological path and are intended for fabrication and delivery of the company's main products such as: industrial valves, systems and installation and equipment for oil wells blow-out prevention, oilfield equipment repair and manufacturing , services and spare parts, nitriding, packaging, etc.

Concerning the contracts / purchase orders at end-2016, the company is carrying out a series of commercial steps and auctions on domestic and international market that will create the conditions to provide the necessary contracts and orders expected by Income and Expenditure Balance and Cash flows related to 2017, as follows:

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

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

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

People

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

The factory staff is represented as follows:

People

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

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

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

Company runs its business based on the following regulatory acts:

- - Environmental authorization no. PH-619 from 21.12.2009 to 21.12.2019 valid until (it renews ten years) for the activity of production assemblies, parts and oilfield equipment and industrial service, recovery of solid recyclable waste, collection, purification and distribution of water, painting workshop.
- Authorization for water management no. 105 dated 22.06.2015 (is renewed every two years) valid until the date of 15.06.2017;
- Certificate of registration in the register of authorized economic operator performing waste recovery operations no. 0325 issued by the Ministry of Economy - Department of Industrial Policy (renews annually) valid until 31.03.2017.

Environmental factors (water, wastewater, air-emission, air -immission, soil, waste) were monitored as required by law applicable to the activities of SC Uztel S.A. (monthly, quarterly, semi-annually). Comply frequency imposed by environmental permit and no exceeding to maximum limits imposed was found.

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

It was completed an important environmental investment.

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

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

1.1.7 Evaluation of Research and Development

a) The main objectives in the design and assimilation of new products in 2016 were:

Nr. Crt.	PRODUCT DESCRIPTION
1	Preventer pumping rods simple 3 1/8"-2M with threaded connections TBG 3 1/2"EUE
2	Hanger TH7 13 5/8"x4 1/2"VAM TOP (12.6 lb/ft) type ITT SP-HBM5B7122 connector
3	Tubing Hanger TH7 13 5/8"x4 1/2"VAM TOP (12.6 lb/ft)
4	Wellhead dual completion assy. 13 5/8"-3000PSI x 11"-3000PSI Dual 2 7/8"EUE
5	Dual preventer pumping rods 11"-2x2 9/16"-3M
6	Casing head ass. +Christmas tree 13 5/8"x13 3/8"SOWx9 5/8"x13 5/8"x7"SLHCx7 1/16"x2 7/8"TSH Bluex2 9/16"-3M/5M
7	Cutter actuation cylinder
8	Adjustable nozzle 2 1/16"x15M
9	RSL 3 1/8"-5M-RIGANTI
10	RSL 4 1/16"-10M controlled by reductor
11	Testing device BOP flange 11"-3 1/2"IF
12	RSE-HT 3 1/8"-2M, F, FE, RIGANTI
13	Bit nozzle 2 9/16"-10M
14	RSE 3 1/8" x 3M, F, FE
15	Vertical preventer PV 7 1/16-5M
16	Ball preventer UZRSf 7 1/16-5M

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

All targets f engineering was fully completed.

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

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

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

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

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

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

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

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

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

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

b3) Maintaining GOST certification for GOST licenses equivalent to API 6A; 6D; 10D; 16A; 16C and 16D and Recertification ROSTEHNAZOR according to new specification TR CU 10/2011-Russia

Following the audit conducted by TR CU 10/2011-Russia are maintained:

- RU No.0330700 valid until 22.11.2020
- RU No.0330701 valid until 23.11.2020
- RU No.0330702 valid until 24.11.2020

b4) Recertification audit for products licenses API6A;6D;10D;16A;16C;API7-1 ; API 7K and audit under quality standard requirements APIQ1-Ed.9 conducted by American Petroleum Institut Washington USA during 13- 16.12.2016.

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

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

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

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

1.1.8 Evaluation of the Company’s activity on risk management

Interest rate risk

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

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

Liquidity risk

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

	Accounting year ended at 31 December 2016 (lei)	Accounting year ended at 31 December 2015 (lei)
Cash and avalability on demand	1.245.085	3.484.925
Financial investment TS	-	3.874.386
Total cash and cash equivalent	**1.245.085**	**7.359.311**

Currency risk

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

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

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Market risk

Company - customer relationship runs based on contracts or orders.

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

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

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

Given the above were implemented the following measures:

a) selecting potential clients by checking their creditworthiness;

b) negotiate shorter payment terms;

c) for uncertain - bad payers customers continue legal proceedings of recovery of outstanding debt and enforcement of the assets owned by them;

d) for internal and external customers is monitored with priority recovery of amounts outstanding older than 30 days from the contractual payment terms

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

The uncertainties in the international financial markets have led to significant influence and market in Romania. They had a double influence on society: a decrease in assets held and volumes of activity. Currently, the full impact of the current financial crisis is difficult to anticipate or completely guard against.

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

Economic, commercial and financial effects of "oil price crisis" in 2016 were felt in the company's business by lowering production (low demand), lower revenues, increased stocks of finished products (available to customers for renting) and not least, reduce employment costs in percentage of about 8,42 % compared to previous year (2015) . Most oil companies and drilling operators in domestic and international market have shifted the investment policy (acquisition of equipment and oil) by dividing it due to financial and economic reasons into two components:

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

The Company does not hold interests in other entities

1.1.9 Forecasts on Company’s business

1.1.10

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

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

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

2. Tangible Assets of Company

2.1 Specifying the location and characteristics of the main production facilities owned by the Company

The company owns a land area of 187.094,52 mp, din care:

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

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

2.2 Description and analysis of the company's properties wear

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

Some assets have been repaired or upgraded.

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

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

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

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

Machine tools encounter wear of the slides, gearbox, and main axes so that maintenance becomes increasingly difficult to optimum. We intend to buy new equipments as: 5 axis CNC machining centre, CNC Lathe, Carousel Lathe. Classic lighting was changed with LED lighting for energy savings and providing a better lighting in the following halls: Steel Foundry 1, Steel Foundry 2, Adjustment Hall, machining 3, Assembly 2, Chrome Plating

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

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

3. Market of Securities issued by the Company

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

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

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

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

lei

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

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At 31.12.2016 Uztel SA recorded in account 457 (due dividends) sum of 1.624.398,45 lei representing dividends due to shareholders for years 2003 , 2005 , 2006 , 2007 and 2008.
Dividends payable in the amount of 1.007.874,37 lei Uztel Association will be paid during 01.01.2017 - 31.12.2018, in equal quarterly installments in the amount of 125.984,29 lei net, conformity rescheduling agreement no. 3766 of 12/08/2016.
The company has not determined and not paid dividends for the years 2011, 2012, 2013, 2014, 2015 and 2016.

3.3 Description of any activities of the Company to purchase its own shares:
- Company did not bought its own shares in 2016.

3.4 If the company has subsidiaries, specifying the number and nominal value of the shares issued by the parent company owned subsidiaries:

- The Company has no subsidiaries.

3.5 If the company has issued bonds and / or other debt securities, presentation of way in which the company pays its obligations to the holders of such securities:

-In 2016 the company has not issued bonds or other debt securities.

4. <u>Company's management</u>

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

a) In 2016 the company was managed as follows:

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

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

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

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

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

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

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

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

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

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

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

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

b) Any agreement, understanding or family connection between the person and another and another person who caused that person is appointed member of the executive management:

- Not applicable.

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

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

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

4.4 Corporate governance

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

5.Finance –accounting Statement

a) Elements of Financial Statement

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

lei

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

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

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

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

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

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

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

Clients

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

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

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

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

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

Inventories of raw materials, semi-finished and finished products

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

lei

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

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

lei

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

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

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

lei

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

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

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

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

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

b) Statement of global income

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

lei

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Current liquidity - provide the guarantee to cover current liabilities from current assets, accepted value is about 2.

Indebtedness - Expresses credit risk management effectiveness. The lower the value resulting from the calculation of indebtedness ratio, the smaller risk associated and less sensitive with changing interest rates.

Rotation speed debts – clients - Express effectiveness of the company in collecting its receivables, namely the number of days until the debtors pay their debt to society. The average number of days in which the company claims back in 2016 was 129 days.

Rotation speed of fixed assets - Express effectiveness of business assets by examining the turnover generated by a certain amount of assets. The value obtained was 0,80 expresses assets management effectiveness by achieving a turnover of 41.510.000 lei generated by an amount of fixed assets amounting to 51.883.452 lei.

c) Cash-flow :

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

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

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

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

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

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

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

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

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INDIVIDUAL FINANCIAL STATEMENTS

SC UZTEL S.A. PLOIESTI

31.12. 2016

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

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CONTENT:

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Statement of individual financial position

For the year ended on 31 December 2016

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

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Continued **Individual financial position**

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

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Individual Statement of consolidated income

for the year ended 31 December 2016

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

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Individual Statement of changes in equity

For the year ended on 31 December 2016

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

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Continued Individual statement of changes in equity

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

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Individual Statement of Cash Flows

For the year ended 31 December 2016

	31-December 2016 lei	31-December 2015 lei	31-December 2014 lei
Net profit for the year	**(19.146.952)**	**(2.037.296)**	**2.403.349**
Income tax expenses	-	312.177	1.119.193
Amortization / depreciation of long term assets	6.057.829	7.043.308	7.513.542
Gain /(loss) on sale of fixed assets	-	-	-
Provisions for clients	(730.576)	(4.124.629)	(4.169.862)
Income / (expenses) related to value adjustments on current assets	6.779.810	-	-
Provisions for stocks	-	(2.669.738)	(3.068.951)
Interest expenses	(112.593)	(176.486)	(361.280)
Interest income	71.198	258.873	688.688
Dividends income	-	-	-
Gain / (loss) from exchange rate differences	278.002	198.820	276.423
Movements in working capital	**12.343.670**	**842.324**	**1.997.754**
Increase / decrease in trade receivables and other receivables	3.144.665	4.866.322	(1.234.716)
Increase / decrease in other current assets	(682)	(342)	(604.506)
Increase / decrease in inventories	4.242.138	4.164.653	(2.891.152)
Increase / decrease in trade payables	918.711	858.206	(6.078.814)
Increase / decrease in deferred revenue	-	-	794.900
Increase / decrease another liabilities	(1.248.979)	(10.576.377)	12.050.431
Cash used in operating activities	**7.055.853**	**-687.538**	**2.036.143**
Income tax paid	(17.857)	(194.348)	(576.375)
Interest paid	(112.593)	(176.486)	(361.280)
Cash generated from operating activities	**122.120**	**(2.253.343)**	**5.499.591**
Net cash from investing activities	**(1.425.341)**	**(2.304.511)**	**(4.269.428)**
Cash payment for acquisition of land and assets	(1.425.341)	(2.304.511)	(4.269.428)
Net cash from financing activities	**(4.811.005)**	**(2.757.350)**	**(3.693.608)**
Cash repayments of borrowings	(4.772.776)	(2.755.871)	(3.658.177)
Dividends paid	(38.229)	(1.479)	(35.431)

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

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

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

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

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

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

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

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

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

Decisions with immediate

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

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

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

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

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

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

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

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

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

UZTEL S.A.
OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS
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2. BASIS OF PREPARATION OF INDIVIDUALFINANCIAL STATEMENTS IAS 1.112

a. Statement of compliance with IFRS

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

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

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

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

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

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

Significant adjustments to the statutory financial statements refer to:

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

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

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

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

b. Basis of valuation

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

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

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

c. Continued activity

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

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

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

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

d. Functional and presentation currency

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

e. Use of estimates and judgments

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

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

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

In order to comply with IAS1.134 Society presents:

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

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

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

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

Distinction assets / fixed or current debt / long-term

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

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

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

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

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

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

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

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

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

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

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

Trade receivables

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

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

Cash and cash equivalents

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

Short-term investments

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

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

c. *Non-derivative financial debt*

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

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

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

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

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

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

d. Trade payables

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

e. Interest Bearing Borrowings

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

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

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

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

f. ***Equity (Share Capital)***

Ordinary shares

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

g. Tangible assets

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

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

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

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

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

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

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

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

h. Depreciation

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

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

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

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

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

Assets acquired under leasing

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

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

j. Intangible

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

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

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

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

k. Stocks

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

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

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

l. Dividends

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

m. Employee Benefits

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

n. Provisions

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

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

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

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

o. Income

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

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

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

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

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

p. Leasing

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

r. Income tax

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

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

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

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

s. Earnings per share

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New internationastandards not applied by the Company

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

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

Reconciliation between IFRS and the accounting policies of previous years

31.12.2012, Uztel SA has made reconciliation between IFRS and local accounting policies applicable to previous years.

Financial statements for 2012 represent the first financial statements that the company was prepared in accordance with IFRS adopted by the EU, as provided OMPF 1286/2012.
For the year ended 31.12.2010 and 31.12.2011, the company separate financial statements according to OMPF 3055/2009.
The Company prepared financial statements in accordance with IFRS as adopted by the EU applicable for financial years ending 31.12.2012 and comparative data on the conclusion of 2011, respectively 31.12.2011.
For preparing these financial statements was drawn opening situation of financial position at January 1, 2011, transition date.
There were performed reconciler comprehensive income under IFRS 1 the overall outcome determined by OMPF 3055/2009, as there were no differences identified between the overall result determined in accordance with local accounting principles applied for accounting periods preceding and comprehensive income determined in accordance with IFRS.

u. ***Determining the fair value***

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

1 Trade receivables and other resources

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

2 Interest bearing loans

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

3 Property and equipment

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

Comparative Statements

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

Correction of accounting errors IAS 8.

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

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

Events after the balance sheet

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

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

4. RISK MANAGEMENT

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

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

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

Credit risk

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

	Accounting year ended at 31 December 2016 (lei)	**Accounting year ended at 31 December 2015 (lei)**
Receivables	14.625.740	17.769.723

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

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

- claims on local government: budgetary claims:
- claims on institutions and financial institutions: bank accounts, guarantee funds;

– claim against the company: Payment in advance companies;

– Other items: petty cash, property and equipment.

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

- **Trade receivables and other receivables**

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

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

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

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

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

Domestic Client	**Total Invoices (RON) without VAT**	**Share %**
Cameron-Romania SRL Campina	1.939.827,58	10,90
Automobile Dacia SA Mioveni	1.633.084,99	9,18
Drilling Equipment SRL Zalau	1.562.253,47	8,78
Servicii si Operatiuni Speciale S.A Medias	1.332.754,00	7,49
OMV Petrom SA	1.079.451,89	6,07

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Tehnomet SA Buzau	1.078.610,32	3,87
Montana M.G.Campulung	991.609,28	5,57
Multy Products Rom SRL Sighisoara	979.905,00	5,51
Altex SRL Tulcea	766.116,76	4,31
Weatherford Eastern Europe	664.499,04	3,74
TOTAL	**12.028.112,33**	**65,42**

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

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

	Accounting year ended 31 December 2016 (lei)	Accounting year ended 31 December 2015 (lei)
Liabilities	30.369.935	29.613.868
Provisions for risks and expenditures	246.213	250.638

Income in advance	536.971	1.618.884
Total liabilities	**31.153.119**	**31.483.390**

- **Trade payables and other payables**

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

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

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

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

Domestic Suppliers	**Total Invoices (lei) without VAT**	**share %**
Forja Rotec SRL Buzau	2.962.361,54	11,94
Electrica Furnizare SA Bucuresti	2.038.561,20	8,21
Arva Metals & Steels SRL Cornetu	1.864.277,68	7,51
Mechanic&Hydro Pneumatic Systems SRL Bucuresti	1.079.300,38	4,35
Huttenes Albertus Romania SRL Bucuresti	777.571,21	3,13
Engie Romania SA Bucuresti	765.609,15	3,08
Edenred Romania SRL Bucuresti	661.672,93	2,67
MSD COM SRL Buzau	621.216,20	2,50
Bronic Security Bucuresti	446.284,80	1,80
Sodexo Pass Romania SRL Bucuresti	437.644,63	1,76
TOTAL	**11.654.499,72**	**46.95**

External Suppliers	**Total Invoices (Euro)**	**share %**
Riganti SPA Italia	216.872,75	31,70
GPS Oil Tools Oilfield Equipment & Services GMBH Vechta	116.577,20	17,04
Forgital Italy S.P.A.	87.242,00	12,75

CF Service SRL Italia	66.325,38	9,70
Hartmann Valves GMBH Germania	25.496,20	3,73
Ompa SRL Italia	25.281,00	3,70
Schreier Metall GMBH Dusseldorf	16.733,29	2,45
Continental Logistics SRL Otopeni	16.621,00	2,43
Passion SRL Ploiesti	15.848,00	2,32
Green Control SRL Italia	15.297,81	2,24
TOTAL	**602.294,63**	**88,06**

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

Bank loans are secured by :

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

Interest rate risk

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

	Accounting year ended 31 December 2016	Accounting year ended 31 December 2015
	(lei)	**(lei)**

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Interest paid	112.593	176.486

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

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

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

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

Market risk

The current global liquidity crisis that began in mid-205 resulted in, among other things, a low level of capital market funding, lower liquidity levels in the banking sector and occasionally higher interbank lending rates and volatility very high stock exchanges.

The uncertainties in the global financial markets have led to significant and influential market in Romania.

They had a double influence on society: a decrease in assets held and volumes of activity. Currently, the full impact of the current financial crisis is impossible to predict and totally preventable.

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

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

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

5. EQUITY

Share capital

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

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

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

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

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

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

Other reserves

	Accounting year ended 31 December 2016	Accounting year ended 31 December 2015

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	(lei)	(lei)
Other reserves	631.133	631.133

Revaluation reserve

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

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

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

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

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

RESULT FOR THE YEAR

Result for the year

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

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

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

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

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

Dividends

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

		lei
e)	Payments 1st quarter – 4th year reorganization	12.647,86
f)	Payments 2nd quarter – 4th year reorganization	8.455,36
g)	Payments 3rd quarter – 4th year reorganization	9.229,90
h)	Payments 4th quarter – 4th year reorganization	7.895,59

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

6. PROFIT TAX

	Accounting year ended 31 December 2016	**Accounting year ended 31 December 2015**
	(lei)	**(lei)**
Gross accounting profit	(19.146.952)	(1.725.119)
Income related items	3.417.908	3.667.906

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Legal reserve established	-	-
Non-taxable income	(6.068.216)	(447.345)
Non-deductible expenses	5.711.397	518.163
Profit / (Loss Tax)	**(16.085.862)**	**2.013.605**
Tax on profit result	-	322.177
Sponsorship	(21.375)	(10.000)
Corporation tax payable	**-**	**312.177**
Net profit / (loss)	**(19.146.952)**	**(2.037.296)**

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

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

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

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

1171.01	=	**121**	**19.146.951,88 lei**

Result reported – loss

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

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

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

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

8. RETAINED EARNINGS

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

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

9. PROVISIONS

Statement of provisions made by the company is as follows:

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

10. FIXED ASSETS

	lands	**Buildings and constructions**	**Machines and equipments**	**Other tangible assets**	**Tangible assets in progress**	**Advances for intangibl e assets**	**Total**
Cost	**Lei**	**Lei**	**Lei**	**Lei**	**Lei**	**Lei**	**Lei**
Balance at 01 January 2016	17.312.865	32.652.252	35.913.429	160.630	2.601.695	123.120	88.763.991
Increases	-	39.650	263.072	-	763.774	-	1.066.496
Outputs	548.765	676.900	318.729	-	402.712	-	1.947.106
Balance at 31 December 2016	16.764.100	32.015.002	35.857.772	160.630	2.962.757	123.120	87.883.381
Accumulated depreciation							

Balance at 01 January 2016	-	7.401.272	22.983.023	69.953	-	-	30.454.248
Depreciation of year	-	3.769.514	2.179.765	12.496	-	-	5.961.775
Depreciation of outputs	-	101.026	205.451	-	-	-	306.477
Balance at 1 December 2016	-	11.069.760	24.957.337	82.449	-	-	36.109.546
Adjustment							
Balabce at 01 January 2016	-	-	-	-	-	-	-
Increase	-	-	-	-	-	-	-
Decraese	-	-	-	-	-	-	-
Balance at 31 December 2016	-	-	-	-	-	-	-
Net book value							
Balance at 01 January 2016	17.312.865	25.250.980	12.930.406	90.677	2.601.695	123.120	58.309.744
Balance at 31 December 2016	16.764.100	20.945.242	10.900.435	78.181	2.962.757	123.120	51.773.835

In 2016, class “"Buildings and constructions" registered an increase of 39.650 lei, meaning commissioning concrete platform to1.

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

- LED Lighting instalation Steel Forging hall (TO1) amounting 108.894 lei;
- LED Lighting instalation Machining sector (P3) totaling 29.101 lei;
- Unit for distributors testing 210 bar totaling 28.836 lei
- LED Lighting instalation sector Assembly (M2) totaling 26.045 lei;
- LED Lighting instalation sector Adjustment totaling 24.544 lei;
- LED Lighting instalation sector Heat Treatment amounting 18.925 lei;
- LED Lighting instalation Steel Forging (TO2) amounting 17.436 lei;
- LED Lighting instalation sector Cromaj in valoare de 5.375 lei;
- Laptop ASUS totaling 3.916 lei.

Outflows recorded in the accounts in 2016 to Class “Land” (decrease with 548.765 lei) are documented by sale of area of 6.079,83 mp land, according to sale—purchase agreement with authentication closure nmb. 2175,2176,2180,2182,2185 and 2187/01.06.2016 entered with Popescu Ana Maria, Popescu Paul Lucian, Caravia Georgeta, Pana Nicolae, Lazar Magdalena, Jianu Florin si Sandu Albertina.

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

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

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

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

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

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

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

11. STOCK

By comparison, the stocks are presented as follows:

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

12. INCOME FROM THE MAIN COMPANY'S BUSINESS

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

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

OPERATION INCOME	31-December	**lei** 31-December

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

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

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

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

CASH GENERATED FROM OPERATING ACTIVITIES		**lei**	
	31-December 2016	**31-December 2015**	**31-December 2014**
Net profit for the year	**(19.146.952)**	**(2.037.296)**	**2.403.349**
Income tax expense	-	312.177	1.119.193
Amortization / depreciation of long term assets	6.057.829	7.043.308	7.513.542
Gain / (loss) on sale of fixed assets	-	-	-

Provisions for clients	(730.576)	(4.124.629)	(4.169.862)
Income/(expense) related to value adjustment of current assets	6.779.810	-	-
Provisions for stocks	-	(2.669.738)	(3.068.951)
Interest expenses	(112.593)	(176.486)	(361.280)
Interest income	71.198	258.873	688.688
Dividends income	-	-	-
Gain /(loss) from exchange rate differences	278.002	198.820	276.423
Movements in working capital	**12.343.669**	**842.324**	**1.997.754**
Increase / decrease in trade receivables and other receivables	3.144.665	4.866.322	(1.234.716)
Increase / decrease in other current assets	(682)	(342)	(604.506)
Increase / decrease in inventories	4.242.138	4.164.653	(2.891.152)
Increase / decrease in trade payables	918.711	858.206	(6.078.814)
Increase / decrease in deferred revenue	-	-	794.900
Increase / decrease in other liabilities	(1.248.979)	(10.576.377)	12.050.431
Cash used in operating activities	**7.055.853**	**(687.538)**	**2.036.143**
Income tax paid	(17.857)	(194.348)	(576.375)
Interest paid	(112.593)	(176.486)	(361.280)
Cash generated from operating activities	**122.120**	**(2.253.343)**	**5.499.591**
Net cash from investing activities	**(1.425.341)**	**(2.304.511)**	**(4.269.428)**
Cash payment for acquisition of land and assets	(1.425.341)	(2.304.511)	(4.269.428)
Net cash from financing activities	**(4.811.005)**	**(2.757.350)**	**(3.693.608)**
Cash repayments of borrowings	(4.772.776)	(2.755.871)	(3.658.177)
Dividends paid	(38.229)	(1.479)	(35.431)
Increase / decrease in net cash and cash equivalents	(6.114.226)	(7.315.203)	(2.463.445)
Cash and cash equivalents at beginning of period	**7.359.311**	**14.674.514**	**17.137.959**
Cash and cash equivalents at end of period	**1.245.085**	**7.359.311**	**14.674.514**
Increase / decrease in net cash and cash equivalents	**(6.114.226)**	**(7.315.203)**	**(2.463.445)**

13. SEGMENT INFORMATION

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

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

The company is registered in Romania and operates all its activities in headquarters in Ploiesti, str. Mihai Bravu. 243 and does not have subsidiaries, branches or outlets.
Its activity is analyzed in terms of the main object of activity, namely: manufacturing and selling on domestic and external markets, assemblies, oilfield parts and equipment, industrial valves, mud pumps and other spare parts for oilfield equipment.
The company management has established operating segments based on the volume of revenue from the sale of finished products in domestic and foreign markets and the benefits of services.
Segments identified are:

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

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

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

Information on segments for year ended at December 2015 are:

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

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14. TRANSACTIONS WITH AFFILIATED PARTIES

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

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

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

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

b) Purchase of goods and services:

Entity name	**Purchase year 2016 lei**	**Purchase year 2015 lei**
Aprodem SA Ploiesti	28.371,16	9.163,70
Axon SRL Ploiesti	483.514,15	659.611,20
Comis SRL Valeni de Munte	154.476,00	71.177,24
Ipromet Focsani	-	16.752,40
Passion SRL Ploiesti	72.173,11	69.834,27
Platus Com SRL Campina	110.121,15	108.186,07
Romconvert SA Ploiesti	121.704,00	34.100,00
Titancore SRL Ploiesti	254.726,64	188.879,02
Vaspet SRL Focsani	58.620,80	317.740,80
Entity name	**Purchase year 2016 usd**	**Purchase year 2015 usd**
Shabum International LTD Tel Aviv	22.370,18	25.805,89

c) Compensations for key management staff::

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

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

15. OTHER INFORMATION

(1) Fees paid to auditors

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

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

Auditors of quality management systems certification and product (license)	**lei**
- DNV-GL Business Assurance SRL Bucuresti Romania	20.533,07
- Germanischer Lloyd Romania SRL Constanta	12.293,88
- GR Eurocert SRL Ploiesti Romania	7.376,49
- Pavel VS Stefan Onesti	6.000,00
	eur
- Constand Certification Center Moscova Rusia	3.500,00
	usd
- American Petroleum Institut Washington USA	20.500,00
- Thomson Ruters (Scientific) LLC New York USA	398,90

(2) Expenses with wages for personnel

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

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

(3) Average number of employees at 31 December :

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

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

Financial guarantees granted

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

1. Performance bond	14.500 euro	maturity	02.02.2017

These guarantees are recorded in treasury accounts and have been established at the request of the company's clients in the negotiation of contracts of sale of oilfield assemblies, parts and equipment, industrial valves, mud pumps and other spare parts for oil equipment, metal structures and castings and foundrys.
The Company has established performance guarantees totaling 314.366,22 lei recording it in trade accounts receivables with limited term of these amounts (ranging between 12 to 19 months), according to contractual terms negotiated with internal and external customers of the company.

Financial guarantees received
UZTEL Ploiesti has requested and received performance guarantees from suppliers for the investments that the company has negotiated with them.
These are guarantees totaling 10.854 lei and are recognized in investment accounts payable (commercial debt) with limited expiry date (12 months) by contract negotiated with domestic suppliers of the company.

(1) Insurance policies held by the company

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

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

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

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

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

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

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

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

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

It was made a significant investment for environmental protection :

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

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

(3) Aspects of legal disputes of company

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

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

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

16. COMPANY MANAGEMENT

TAX LEGAL FRAMEWORK

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

Economic environment

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

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

Trading partners of the company, may also be affected by the liquidity crisis situations that might affect the ability to meet their current liabilities. The deterioration of operating conditions may affect creditors and

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managing cash flow forecasts and assessment of the impairment of financial assets and financial assets. To the extent that information is available, management has reflected revised estimates of future cash flows in its impairment.

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

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

Labor Framework

Although part of the European Union on 1 January 2007, Romania's economy still shows characteristics of an emerging market such as high current account deficit, a relatively undeveloped financial market and foreign exchange fluctuations.
Currently, international financial markets are feeling the global financial crisis triggered in 2015, these effects were felt on the Romanian market as lowering prices and liquidity of capital markets, and by increasing interest rates on financing medium term due to the global liquidity crisis. Significant losses experienced in the global financial market could affect the Company's ability to obtain new loans in conditions similar to those applied to earlier transactions.
The Company's management believes that the application of the ongoing business assumption in preparing the financial statements of financial position description is correct, given the dominant position on the market and oil and natural gas in the national economic system.

17. THROUGHOUT THE INSOLVENCY - REORGANIZATION PROCEEDINGS

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

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

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

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

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

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

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

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

- Approval of Reorganization Plan amendment and payment of receivables program was passed, approved and registered by Minutes no. 500 of 11.26.2015 of the Assembly of Creditors. No verdict by the bankruptcy judge. 1186 dated 15.12.2015 Reorganization Plan confirm the change of Uztel SA Ploiesti

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

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

Installment 1st quarter 2016 (09.01.2016) iin total amount of 2.311.504,42 lei , from what:

		lei
c)	Secured claim	2.298.856,56
d)	Subordinated debt	12.647,86
	Instalment 2nd quarter 2016 (09.04.2016) totaling 1.101.618,36 lei, from what	lei
c)	Secured claim	1.093.163,00
d)	Subordinated debt	8.455,36
	Instalment 3rd quarter 2016 (09.07.2016) totaling 1.102.392,00 lei from what:	lei
c)	Secured claim	1.093.162,50
d)	Subordinated debt	9.229,50
	Instalment 4th quarter 2016 (24.11.2016) totaling 8.006.010,21 lei, from what:	lei
d)	Secured claim	4.660.243,64
e)	Unsecured claims	3.337.870,98
f)	Subordinated debt	7.895,59

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

Resumption of the Company's shares trading symbol UZT

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

lei

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

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

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

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

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

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NOTE DOCUMENTING

The proposal to cover books losses at 31.12.2016

In accounting year ended at December 31, 2016 was recorded a net accounting loss of l9.146.951, 88 lei.

Result reported from previous years is an accounting loss totaling 6.587.679, 87 lei, as follows:

– Loss from 2010 (difference)	4.550.383,52 lei
– Loss from 2015	2.037.296,35 lei

According to provisions of art. 19 par. 4 of Accounting Law nmb. 82/1991

republished and updated, art.176 par (1) and (2) of OMFP no. 2844 / 2016 ruling the preparation of financial statements for 2016 by economic entities , coverage of loss from reserve established from revaluation is allowed as follows:

Art. 176. – (1) Accounting loss reported shall be covered from the profit of year and the reported one , from reserves , capital premiums and share capital, according to the resolution of general meeting of shareholders, in compliance with legal regulations.

(2) If no express legal regulations, the sequence of sources of coverage of accounting loss will be established by the general meeting of shareholders or associates, and board of directors.

The manner of using the reserve from revaluation is set by art. 210 par. (3) of Law nmb. 31/1990 concerning companies as follows:

“ (3) –Favorable differences from revaluation of assets will be included in the reserves without increase of share capital.”

An analyze of ruling norm shows that is forbidden to use this difference from revaluation as source to increase the share capital. Consequently, other accounting destinations of this amount coming from revaluation may be: coverage of accounting loss from previous years, distribution to shareholders when it is about profit, keeping it as reserve within equity.

As reserves, the company recorded at 31.12.2016 the sum of 65.159.671, 82 lei representing a plus from revaluation of tangible assets, including:

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Phone: + 40(0)244 / 541399, 523455; 0372441111; Fax: 544531, 521181; E-mail: office@uztel.ro
FISCAL CODE RO1352846 , R.C. PLOIESTI NO. J29/48/1991; web site: www.uztel.ro

- reserves related to addition from revaluation of tangible assets (buildings, equipment and installation) totaling 20.908.041,40 lei, sum which was included in category of tax not-deductible expenses concerning depreciation of tangible assets over 2010 – 2016 and what influenced (increased) the annual tax base in compliance with legal provisions.
- Reserves from addition from revaluation of tangible assets (buildings, equipment and installation) totaling 28.078.200,03 lei, sum which will be included beginning with 01.01.2017, in the category of tax not-deductible expenses depending upon depreciation of tangible assets.
- reserves related to addition from revaluation of land owned by the company in amount of 16.173.430, 39 lei.

Based on the aforesaid, according to art. 19 par. 4 of Accounting Law nmb. 82/1991 republished and updated, art. 26 par. (6) of (7) of Law nmb. 227/2015 with later changes and IAS 16 tangible assets, we propose to cover in part the accounting loss recorded at 31.12.2016 totaling 22.254.449,88 lei as follows:

- from reserves related to plus from revaluation of tangible assets (buildings, equipment and installations) in sum of 20.908.041,70 lei;
- From the result reported related to revaluation of tangible assets derecognized in books by rescission and sale in sum of 1.346.408,48 lei.

Therefore, after approval of these fiscal and accounting operations, the net accounting loss of the company will amount to 3.480.181,87 lei.

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

UZTEL S.A.
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STATEMENT

In accordance with Articles 29 and 30 of the Accounting Law no.82 / 1991 republished

They have prepared the annual financial statements at 12.31.2016 of:
Entity: UZTEL
County: 29-Prahova
Address: town of Ploiesti, Str.Mihai BRAVU, NO. 243, tel.0372441111
Trade register number: J29 / 48/1991
Ownership: 34 Joint stock companies
Core business (NACE code and class name): 2892 - Manufacture of machinery for mining, quarrying and construction.
Unique Registration Code: RO 1352846

The undersigned Ing. Zidaru Ion under Article 10 (1) of the Accounting Law no. 82/1991, with the capacity of CEO, assumes responsibility for preparing annual financial statements to 12.31.2016 and acknowledges the following:

a) The accounting policies used in preparing the annual financial statements are in accordance with applicable accounting regulations.

b) The financial statements present fairly the financial position, financial performance and other information related to the work.

c) businesses operating in conditions of continuity.

CEO,
Ing. Zidaru Ion

UZTEL SA Statement on Compliance with the Corporate Governance Code - 2016

<table>
<tr><th>Provisions of Corporate Governance Code</th><th>conformity</th><th>Partial or total non-conformity</th><th>Reason of non-conformity</th></tr>
<tr><td>A.1 All companies must have an internal regulation of Board of Directors that includes the terms of reference and responsibilities of the Board and the key management functions of the company, and which applies inter alia the general principles in Section A.</td><td></td><td>X</td><td rowspan="6">Starting with the date when the insolvency procedure was started (06.09.2010), the activity of the company is carried out according to the procedures regulated by the provisions of Law no. 85/2006 on the insolvency procedure.

Management of the company is ensured by the consortium of legal administrators made up of EURO INSOL SPRL, represented by a coordinating practitioner av. Dr. Borza Remus Adrian, and EUROINSOL CONSULTING SPRL, represented by associate coordinator av. Maer Alina Mariana as established by the Contract concluded by the syndic judge on 30.06.2011, file no. 4732/105/2010 in charge of the Prahova Tribunal, the Commercial and Administrative Contentious Division - Bankruptcy Office.

The mandate of the members of the Board of Directors ceased on November 5, 2010, following the Conclusion pronounced by the syndic judge, file no. 4732/105/2010, whereby the right of administration of S.C. UZTEL S.A. Ploiesti

The company is in the process of judicial reorganization.
On 09.10.2012, the Dolj Tribunal - Civil Division II issued in the file no.</td></tr>
<tr><td>A.2 Provisions for managing conflict of interest should be included in the Board Regulation. In any case, Board members must notify the Board of any conflicts of interest that have arisen or may arise and refrain from participating in the discussions (including through non-attendance, unless the failure would impede the formation of the quorum) and to the vote for a decision on the issue giving rise to the conflict of interest.</td><td></td><td>X</td></tr>
<tr><td>A.3 The Board of Directors must be composed of at least five members.</td><td></td><td>X</td></tr>
<tr><td>A.4 Most members of the Board of Directors should not have an executive function. At least one member of the Board of Directors must be independent in the case of Standard Category companies. Each independent member of the Board of Directors must file a statement at the time of his nomination for election or re-election, as well as when any change of status occurs, indicating the elements on the basis of which he is considered to be independent in terms of his character and judgment.</td><td></td><td>X</td></tr>
<tr><td>A.5 Other relatively permanent professional engagements and obligations of a member of the Board, including executive and non-executive positions in the Board of Non-Profit Societies and Companies, must be disclosed to potential shareholders and investors prior to nomination and during their term of office</td><td></td><td>X</td></tr>
<tr><td>A.6 Any member of the Board must report the Board any relationship with a shareholder owning directly or indirectly shares representing more than 5% of all voting rights. This</td><td></td><td>X</td></tr>
</table>

<table>
<tr><td>obligation refers to any kind of relationship that may affect the member's position on matters decided by the board.</td><td></td><td></td><td rowspan="7">4732/105/2010 the Sentence no.1282 confirming the Reorganization Plan of S.C. UZTEL S.A., a plan proposed by the debtor through the Special Administrator and, implicitly, has the reorganization of the company's activity properly for a period of 3 years.

On 28.01.2014, the Court of Dolj - the 2nd Civil Division, in the file no. 4732/105/2010, pronounced Sentence no.112 confirming the modification and extension of the reorganization plan of S.C. UZTEL S.A., proposed by the debtor by the Judicial Administrator and the Special Administrator.

On December 15, 2015, the Tribunal Dolj - Civil Division II issued, in the file no. 4732/105/2010, the Sentence no.1186 confirming the modification of the reorganization plan of S.C. UZTEL S.A., proposed by the debtor by the Judicial Administrator</td></tr>
<tr><td>A.7 The Society shall designate a Board Secretary responsible for supporting the work of the Board.</td><td></td><td>X</td></tr>
<tr><td>A.8 The Corporate Governance Statement will inform whether an evaluation of the Board has taken place under the direction of the President or the nomination committee and, if so, summarize the key measures and the resulting changes. The company must have a policy / guidance on the Board's assessment of the scope, criteria and frequency of the evaluation process.</td><td></td><td>X</td></tr>
<tr><td>A.9 The Corporate Governance Statement should contain information on the number of meetings of the Board and committees over the past year, the administrators' participation, and a report by the Board and committees on their activities.</td><td></td><td>X</td></tr>
<tr><td>A10 The corporate governance statement should contain information about the exact number of independent members of the Board of Directors or the Supervisory Board.</td><td></td><td></td></tr>
<tr><td>A.11 The Board of Premium Companies must establish a nomination committee consisting of non-executive members, who will direct the nomination of new members to the Board and make recommendations to the Board. Most members of the nomination committee must be independent.</td><td></td><td>X</td></tr>
<tr><td>B. 1 The Board should set up an audit committee in which at least one member should be an independent non-executive administrator. Most members, including the President, must have proven that they have adequate qualifications relevant to the functions and responsibilities of the Committee. At least one member of the audit committee must have proven and appropriate audit or accounting experience.</td><td></td><td>X</td></tr>
<tr><td>B.2 The Audit Committee Chairman must be an independent non-executive member.</td><td></td><td>X</td><td rowspan="2"></td></tr>
<tr><td>B.3 In its responsibilities, the audit committee must conduct an annual review of the internal control system.</td><td></td><td>X</td></tr>
</table>

B.4 The assessment should take into account the effectiveness and scope of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Board by the audit committee, the promptness and effectiveness with which executive management addresses the identified weaknesses or weaknesses Following internal control and submission of relevant reports to the Board's attention.		X	
B.5 The Audit Committee shall assess the conflicts of interest in relation to the transactions of the company and its subsidiaries with affiliated parties.		X	
B.6 The audit committee should assess the effectiveness of the internal control system and risk management system.		X	
B.7 The Audit Committee should monitor the application of generally accepted legal standards and internal audit standards. The audit committee must receive and evaluate audit team reports.		X	
B.8 Whenever the Code mentions reports or analyzes initiated by the Audit Committee, they should be followed by periodic reports (at least annually) or ad hoc reports to be submitted to the Board.		X	
B.9 No shareholder may be granted preferential treatment over other shareholders in respect of transactions and agreements and concluded by the Company with its affiliated shareholders.	X		
B.10 The Board must adopt a policy to ensure that any company transaction with any of the Companies with which it has close relationships with a value equal to or greater than 5% of the company's net assets (according to the latest financial report) is approved by the Board following a mandatory opinion of the Board's audit committee and fairly disclosed to shareholders and potential investors, to the extent that these transactions fall within the category of events subject to reporting requirements.		X	
B.11 Internal audits should be performed by a structurally separate division (internal audit department) within the	X		

company or by hiring an independent third party.			
B.12 In order to ensure the main functions of the internal audit department, it must report functionally to the Board via the audit committee. For administrative purposes and within management's responsibilities to monitor and mitigate risks, it must report directly to the General Director.	X		The internal auditor shall report from the functional point of view to the Judicial Administrator and operational to the General Director
C.1 The company must publish the remuneration policy on its website and include a statement on the implementation of the remuneration policy in the annual report during the annual period under review.		X	Being in the process of reorganizing UZTEL S.A. does not have a remuneration policy implemented
D.1 The company must organize an Investor Relations Service - indicating to the general public the person or persons responsible or the organizational unit. In addition to information required by law, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all relevant information of interest to investors, including:		X	The company will comply with the year 2017.
D1.1. The main corporate regulations: the constitutive act, the procedures regarding the general meetings of the shareholders;		X	The company will comply with 2017.
D1.2 Professional CVs of members of the company's governing bodies, other professional engagements of Members of the Board, including executive and non-executive positions on board of directors in companies or non-profit institutions.		X	The company will comply with 2017.
D1.3. Current reports and periodic reports (quarterly, half-yearly and yearly) at least those under D.8 - including current reports including detailed information on non-compliance with the Code;	X		
D1.4. Information on general shareholders meetings: agenda and informative materials; The procedure for electing the members of the Board; The arguments supporting the nomination of candidates for the Board, together with their professional CVs; Shareholders' questions about the items on the agenda and the responses of the company, including the adopted decisions;	X		
D1.5. Information on corporate events, such as the payment of		X	

dividends and other distributions to shareholders, or other events that lead to the acquisition or limitation of the rights of a shareholder, including the deadlines and principles applied to such operations. Such information will be published within a timeframe that will allow investors to make investment decisions;			
D1.6. . The name and contact details of a person who will be able to provide relevant information upon request;	X		
D1.7. Presentations of the company (eg, investor presentations, quarterly results, etc.), financial statements (quarterly, hal-year, annual), audit reports and annual reports.	X		
D.2 The Company will have a policy on the annual distribution of dividends or other benefits to shareholders proposed by the Director General and adopted by the Board in the form of a set of guidelines that the company intends to follow on the distribution of net profit. The principles of the annual distribution policy to shareholders will be published on the company's website.		X	
D.3 The company will adopt a policy on forecasts, whether they are made public or not. The forecasts refer to quantified conclusions of studies aimed at determining the global impact of a number of factors for the upcoming period (the so-called hypotheses): by its nature, this projection has a high level of uncertainty; the actual results may differ materially from projections originally presented. The forecast policy will determine the frequency, timing and content of the forecasts. If published, the forecasts can only be included in the annual, half-yearly or quarterly reports. The forecasting policy will be published on the company's website.		X	
D.4 The rules of general shareholders' meetings should not limit the participation of shareholders in general meetings and the exercise of their rights. Changes to the rules will take effect at the earliest, starting with the next shareholders' meeting.	X		
D.5 External auditors will be present at the shareholders' general meeting when their rapporteurs are present at these	X		

meetings.			
D.6 The Board will present to the Annual General Meeting of the Shareholders a brief assessment of the internal control and management systems of significant risks, as well as opinions on matters subject to the decision of the general meeting.		X	It is not applicable in the reorganization procedure
D.7 Any specialist, consultant, expert or financial analyst may attend the shareholders' meeting on the basis of a prior invitation from the Board. Accredited journalists may, also to participate in the general meeting of the shareholders, unless the President of the Board decides otherwise.		X	The company will comply with 2017
D. 8 Quarterly and half-yearly financial reports will include information in both Romanian and English on key factors that influence changes in sales, operating profit, net profit and other relevant financial ratios, both quarterly To another, and from one year to another.	**X**		
D.9 A company will hold at least two meetings / teleconferences with analysts and investors each year. The information presented on these occasions will be published in the investor relations section of the company's website at the date of the meetings / teleconferences.		X	The company will comply with 2017.
D.10 If a company supports different forms of artistic and cultural expression, sporting activities, educational or scientific activities and believes that their impact on the innate character and the competitiveness of society is part of its mission and development strategy, it will publish the policy with of its activity in this field.		X	It is not applicable in the reorganization procedure

Chairman of Board of Directors of UZTEL SA,
Ec. Popescu Ileana

ECHO EXPERT SRL
BUCHAREST

Accounting and legal expertise, internal and external audit, tax, accounting CAFR Authorization no. 120/2001

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AUDIT REPORT

on the financial statements ended 31.12.2016

To shareholders of SC UZTEL SA PLOIESTI

Opinion

1. SC ECOTEH EXPERT SRL, as a financial auditor, carried out auditing financial statements for the year ended 31.12.2016 of SC UZTEL SA (The Company) which comprise: (i) the individual situation of financial position as at 31.12.2016, (ii) the individual situation of overall result at 31.12.2016, (iii) the individual statement of cash flows, (iv) the individual situation of changes in equity (v) notes and a summary of the significant accounting policies;

Such financial statements refer to:

o total equity	74,504,958 lei
o individual net result - loss	(19,146,952) lei
o total revenues	49,544,032 lei
o total assets	105 658 078 lei

2. In our opinion, the individual financial statements UZTEL SA provides afairly view of the financial position, financial performance and cash flow of the Company at December 31, 2016, in accordance with Law No.82 / 1991, LawAccounting republished, amended and supplemented, of Order Public Nr.881 / 2012 on the application by the companies whose securities are admitted to trading on a regulated market of IFRS and of Order of Ministry of Finance no. 2844/2016 for approval of Accounting Regulations in accordance with International Financial Reporting Standards as later amended and supplemented. Our opinion is without restraint.

Basis for opinion

3. Our responsibility as independent auditor is, that based on audit conducted, we express an opinion on the financial statements. We conducted our audit in compliance with the International Auditing Standards developed by the International Federation of Accountants (IFAC) adopted by the Chamber of Financial Auditors of Romania (CAFR) which require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of significant material misstatement.

We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our audit opinion

Key audit issues

4. Key issues in the audit are those issues what through our professional judgment, were the most significant in audit of the financial statements of the current period. These issues were addressed as a whole in forming our opinion on the financial statements of the company's audit consideration so as not to issue a separate opinion on these issues.

I) The recognition of revenue

Revenue is recognized only when it is probable that the economic benefits associated with the transaction to enter in entity. Anyway, when an uncertainty arises regarding the collection of an amount already included in revenue, the amount that cannot be collected or the value that seems to not be able to collect will be recognized as an expense rather than as an adjustment of the amount of revenue originally recognized. Risks of material misstatement may exist as they are not recognized by the Company's management according to the applicable accounting regulations. In our response to these risks, we performed audit procedures aimed to contract analysis, testing how to recognize revenue in contractual terms, revenue recognition correlation to signature of documents delivery receipt of goods.

ii) Debt rating

Customer accounts and similar accounts include invoices issued and unpaid at the reporting date at their nominal 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 recognized at amortized cost less impairment losses. Company management estimates the valuation of receivables at the time of reporting. Because of the inherent lack of information about the financial position of customers, estimate of probable losses is uncertain. Our answer about the risk of material misstatement regarding valuation of receivables by the Company's management at the reporting date, consisted in performing audit procedures aimed to test the recognition of bad debts whose maturity exceeding one year or claims in dispute.

iii) *Measurement of inventories*
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 costs of sale. Company's management may cause a material misstatement in the sense of not applying the provisions of accounting regulations on stock assessments. We conducted our audit procedures by what we tested that there are no significant misstatement on assessment of inventories according to the accounting evaluation of inventory at reporting date at the lower of cost and net value.

iv) *The threshold for significance*
Materiality is determined by the auditor subject to the application of professional judgment, as established by the International Standards on Auditing. In designing the audit plan, the auditor sets an acceptable level of materiality so that it can detect from quantitative point of view, the significant misstatements. The item used in setting the threshold for significance was the total assets. Risk analysis has shown that they are at a low level.

v) *Continuity of activity*
With regard to business continuity, we said that during the current period, the Company is in insolvency proceedings to pursue the reorganization plan approved by the General Assembly of creditors and confirmed by the bankruptcy judge. By the sentence no.129 dated 03.03,2017 pronounced in the file 4732/105/2010 by Court Dolj; A Department of Civil -II-, was ordered closing reorganization proceedings of company Uztel SA, following the fulfillment of payment obligations assumed in the plan confirmed by sentence no. 1282 October 9, 2012 and reinsertion of Uztel SA in the economic flow with continued economic activity.
Management is responsible for evaluating and assessing the principle of further activity.
Based on the analyzes performed in the Notes to financial statements at December 31, 2016, Administrators of Company that it will be able to continue operations in the foreseeable future and therefore, application of the going concern assumption is justified and appropriate for preparing the financial basis of this principle.

In understanding the risks of material misstatement related to assertions related business continuity principle, we performed audit procedures , we tested aspects developments related to the company that came out of insolvency through the implementation of the Plan of Reorganization, tracking of revenue and expenses, contracts committed for 2017, work sessions of the Company management, they have yielded the appreciation that presumption of continuity of activity presented in financial statements Notes to financial statements by management is adequate and there are no uncertainties in the near future the Company will not continue its work.

Other issues

5. The independent auditors' report is made solely to the Company's shareholders, in whole. Our audit work has been undertaken to report the Company's shareholders those issues that must be included in an audit report and for no other purposes. To the extent permitted by law, we do not accept or assume other responsibility than to the Company and its shareholders, for our audit work, for the report on the financial statements or for the opinions we have formed.

Responsibility of SC UZTEL S.A. top management for financial statements

6. The Company's management is responsible for preparation and fair presentation of the financial statements prepared in accordance with Law No.82 / 1991, the Accounting Act republished as amended and supplemented, of Order Nr.881 / 2012 on the application by the companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and the of Order nr.2844 / 2016 for approval of Accounting Regulations in accordance with International Financial Reporting Standards as subsequently amended and supplemented.

This responsibility includes:
a) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
b) selecting and applying appropriate accounting policies;
c) making accounting estimates that are reasonable in the circumstances.

7. In preparing financial statements, management is responsible for the evaluation company's ability to continue its activity, showing where appropriate, issues of principle of activity's continuity and its implementation, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. 's management Company is responsible for overseeing the financial reporting.
As part of an audit conducted in accordance with ISAs, we apply professional judgment and we kept in audit the professional skepticism. The auditor also performs the following procedures:

- identify and assess the risks of material misstatement of the financial statements, due to fraud or error, planning and implementation of audit procedures address these risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting significant distortions of fraud is higher than that resulting from error, fraud, may involve collusion, forgery, deliberate omissions, misrepresentations or override internal control;
- obtain an understanding of internal control relevant to the audit, in order to develop appropriate audit procedures under the circumstances, but not for the purpose of

expressing any
views on the effectiveness of internal controls of the Company;

- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclusion on the appropriateness of management's use concept based on the going concern and, based on audit evidence obtained, if there is uncertainty significant related to events or conditions that may cast significant doubt the company's ability going concern. Where was
concluded that there is significant uncertainty, we are obliged to draw attention in our report on the financial statements and related disclosures, for where such information is insufficient, it moves to change the audit opinion. Our conclusions are based on the audit evidence obtained to date of our report. However, future events or conditions may cause the company to cease to continue work.
- evaluates the overall presentation, structure and content of financial statements, including presentations information and whether the financial statements reflect transactions and events underlying
them in a way to certify the accuracy of the financial statements. Communicate the Company's management regarding, among other things, the audit plan and program audit and audit significant findings, including any significant deficiencies internal control that we identified during the audit. We also offer those charged with management of the company a statement which shows that we respected ethical principles on auditor independence, all relationships and other matters that may affect independence and, as appropriate, the related collateral. In matters communicated to Company management we determine those aspects that were most
important in auditing financial statements of the current period and are therefore key issues of audit. We describe these issues in the audit report, unless the law or regulations preclude public disclosure on this issue.

Report on compliance with the financial management report

7. Administrators are responsible for the preparation and submission of the report as required by Order no. 2844/2016 for approval Accounting Regulations in accordance with International Financial Reporting Standards, Chapter III, points 15 to 20 that are free from material misstatement and those internal controls that management considers necessary to enable the preparation of the management report that are free from material misstatement, whether due to fraud or error. Directors' Report is presented on page 1-36 and is not part of the financial statements.
Our opinion on the individual financial statements , does not cover management report in connection with our audit of the individual financial statements, we have read the management report attached to individual financial statements and shown on pages 1-36 and we report that:

a) in the directors' report we did not found information that is not consistent in all material respects with disclosures in the individual financial statements attached;

b) the directors' report identified above includes, in all material respects, the information required by OMPF no. 2844/2016 for the approval of accounting regulations compliant with International Financial Reporting Standards (Accounting Regulations on individual annual financial statements).

c) based on our knowledge and understanding acquired during the audit of individual financial statements for the year ended on December 31, 2016 on your company and its environment, we have not identified any information contained in the report administrator to be significantly error.

For and on behalf of SC ECOTEH SRL, authorized CAFR under no. 120/2001

Bucharest, Romania

24.03.2017
Olguta CODESCU, Finance auditor certified CAFR under nmb. 947/2001.
Accountant Expert
Tax Consultant

illegible signature, round stamp