



**UZTEL S.A.**

**OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS**

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## **SUBSTANTIATION NOTE** **of the proposal to cover accounting losses** **on 31.12.2020**

In the financial year ended December 31, 2020 was recorded a net book value loss of 11.615.826,38 lei.

The result carried forward from the previous years is an accounting loss in the amount of (15.350.654,63) lei, representing:

- loss related to 2016 in the amount of (2.179.926,24) lei;
- loss related to 2017 in the amount of (13.170.728,39) lei.

According to the provisions of art. 19 para. 4 of the Accounting Law no. 82/1991 republished and updated, art. 176 para. (1) and (2) dim OMFP no. 2844/2016, normative act taken into account when preparing the financial statements, the coverage of the accounting loss from the reserve arising from the revaluation is allowed as follows:

*„Art. 176. - (1) The carried forward accounting loss is covered from the profit of the financial year and the carried forward one, from reserves, capital premiums and share capital, according to the decision of the general meeting of shareholders or associates, observing the legal provisions.*

*(2) In the absence of express legal provisions, the order of the sources from which the accounting loss is covered is within the competence of the general meeting of shareholders or associates, respectively of the board of directors. ”*

The use of the revaluation reserve is regulated by art. 210 para. (3) of Law no. 31/1990 regarding the commercial companies as follows:

*" (3) - The favorable differences from the revaluation of the patrimony will be included in the reserves, without increasing the share capital."*

From the analysis of the normative text, we notice that there is a prohibition for using the favorable difference from revaluation as a source of increase of the share capital, but the revaluation surplus can be used to: cover accounting losses from previous years, distribution to shareholders when earning condition, retention on account of reserves within equity.

On 31.12.2020, the company has registered in account 1175 *“The carried forward result representing the surplus realized from revaluation reserves”*, the amount of 15.925.737,84 lei, composed as follows:

- Reserves related to the surplus from the revaluation of tangible fixed assets (constructions), removed from the record by sale in the period 2016 - 2020, in the amount of 2.002.791,31 lei, the amount that was included in the tax base as an element similar to income;



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- Reserves related to the surplus from the revaluation of tangible fixed assets (land), removed from the record by sale in the period 2017 - 2020, in the amount of 369.934,75 lei, the amount that was included in the tax base as an element similar to income
- Reserves related to the surplus from the revaluation of tangible assets (industrial equipment and machinery, office equipment) removed from the record in the period 2017 - 2020, in the amount of 291.028,91 lei, the amount that was included in the tax base as an element similar to income;
- Reserves related to the surplus from the revaluation of tangible assets (constructions, equipment and industrial machinery, office equipment) in the amount of 13.261.982,87 lei highlighted in the fiscal register by the quarterly transfer from the revaluation reserve accounts as depreciation as non-deductible expenses.

It is proposed to the General Meeting of Shareholders that the net accounting loss in the amount of (11.615.826,38) lei be recorded in the accounting records of Uztel SA Ploiesti, as follows:

<b>1171.01</b>	=	<b>121</b>	<b>(11.615.826,38) lei</b>
<b>Rezultat reportat-pierdere</b>		<b>Profit sau Pierdere</b>	

Coverage of the loss from the carried forward result representing the surplus realized from revaluation reserves:

<b>1175</b>	=	<b>1171.01</b>	<b>2.663.754,97 lei</b>
<b>Coverage of the loss from the carried forward result representing the surplus realized from revaluation reserves</b>		<b>Reported result - loss</b>	

In conclusion, after the approval of performing these accounting operations, the net accounting loss of the company will be in the amount of (24.302.726,04) lei, (loss in 2017: (12.686.899,66) lei and loss in 2020 (11.615.826,38) lei) to be recovered according to Art. 19 par. (4) of the Accounting Law no. 82/1991 with subsequent amendments and completions:

- „*The carried forward accounting loss is covered from the profit of the financial year and the carried forward one, from reserves, capital premiums and share capital, according to the decision of the general meeting of shareholders*”.

General Director

Economic Director

Head og Gen.Acct. Dept.

Eng. Anghel George Marinelo

Ec. Popescu Ileana

Ec. Duta Heroiu Maria Carmen