



UZTEL S.A.

OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

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

Phone: + 40(0)244 / 523455; 0372441111; Fax: 521181; E-mail: office@uztel.ro

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

SEMESTER REPORT AT 30.06.2019

Half-year report according to the financial statement as at 30.06.2019

Date of report: 14.08.2019

Name of the company: UZTEL S.A.

**Headquarters: Str.Mihai Bravu, nr.243, Ploiesti city, zip
100410, Prahova County**

Phone :0040/0244/523455 or 0372441111 –call center

Fax :040/0244/521181

E-mail: office@uztel.ro

Unique Registration Code at the Trade Registry Office: RO1352846

Order number in the Trade Register: J29 / 48/1991

Subscribed and paid-up share capital: 13.413.647,50 lei

The regulated market on which the issued securities are traded:

Bucharest Stock Exchange - Symbol UZT

The Interim Report of the Board of Directors of Uztel SA Ploiesti for the first semester of 2019 presents the significant events and transactions for understanding the changes in the company's position and performance that took place between January 1 and June 30, 2019, prepared according to the provisions of the N.S.C. Rule no. 5/2018 regarding issuers of financial instruments and market operations (Annex nmb. 14).



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1. Economic and financial situation

1.1. Presentation of an analysis of the current economic and financial situation compared to the same period last year, referring at least to:

a) Elements of financial position

lei

Indicators	30.06.2019	31.12.2018	30.06.2018
TOTAL ASSETS, of which:	95.827.561	95.326.242	98.189.065
· Fixed assets	42.067.913	43.722.390	45.341.866
· Current assets	53.756.181	51.601.539	52.842.905
· Other assets	3.467	2.313	4.294

Total Active - recorded a percentage increase of 0,53% on 30.06.2019 compared to 31.12.2018 and a percentage decrease of 2,41% compared to 30.06.2018, due to the following developments:

Fixed assets recorded a percentage decrease of 3,78% on 30.06.2019 compared to 31.12.2018, and a percentage decrease of 7,22% compared to 30.06.2018;

Current assets recorded a percentage increase of 4,18% on 30.06.2019 compared to 31.12.2018 and a percentage increase of 1,73% compared to 30.06.2018;

Other asset items (prepaid expenses) recorded a percentage increase of 49,89% la 30.06.2019 compared to 31.12.2018 and a percentage decrease of 19,26% compared to 30.06.2018.

lei

Indicators	30.06.2019	31.12.2018	30.06.2018
TOTAL LIABILITIES, of which:	95.827.561	95.326.242	98.189.065
• Current liabilities	30.655.824	27.968.147	28.328.172
• Long-term debt	4.471.106	4.373.392	7.364.273
• Equity	60.455.904	62.736.649	62.245.332
• Other liabilities	244.727	248.054	251.288



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Total Liabilities - registered a 0,53% increase on 30.06.2019 compared to 31.12.2018 and a percentage decrease of 2,41% compared to 30.06.2018, due to the following developments:

Current payables (amounts payable over a period of up to one year) recorded a percentage increase of 9,61% on 30.06.2019 compared to 31.12.2018 and a percentage increase of 8,22% compared to 30.06.2018.

Long-term payables (amounts payable over a period of one year) increased with 2,23% percent on 30.06.2019 compared to 31.12.2018 and decreased with 39,28% compared to 30.06.2018.

Shareholders' equity recorded a percentage decrease of 3,64% at 30.06.2019 compared to 31.12.2018 and a percentage decrease of 2,87% compared to 30.06.2018.

Other liabilities (provisions for litigation and guarantees to customers) recorded a decrease of 1,34% at 30.06.2019 compared to 31.12.2018 and a percentage decrease of 2,61% compared to 30.06.2018.

b) Elements of global result

lei

Explanations	01 January - 30 June 2019	01 January - 30 June 2018
TOTAL REVENUE, of which:	36.265.673	38.737.414
· Operational revenues (operation)	35.971.871	38.143.565
· Financial income	293.802	593.849
TOTAL EXPENDITURE of which :	38.546.417	38.445.929
· Operational expenses (exploitation)	37.775.835	37.864.509
· Financial expenses	770.582	581.420
Result of operational activity (exploitation)	(1.803.964)	279.056
Financial result	(476.780)	12.429
GROSS RESULT	(2.280.744)	291.485
NET RESULT	(2.280.744)	291.485

The total revenues - registered a percentage decrease of 6,38% at 30.06.2019 compared to 30.06.2018, i.e. in nominal values from 38.737.414 lei at 30.06.2018 to 36.265.673 lei at 30.06.2019.



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Total expenditures - registered a percentage increase of 0,26 % at 30.06.2019 compared to 30.06.2018, i.e. in nominal values from 38.445.929 lei to 30.06.2018 to 38.546.417 lei at 30.06.2019.

The operating result (operating) recorded a decrease on 30.06.2019 compared to 30.06.2018, i.e. in nominal values from +279.056 lei at 30.06.2018 to -1.803.964 lei at 30.06.2019.

The financial result recorded a decrease on 30.06.2019 compared to 30.06.2018, i.e. in nominal values from +12.429 lei at 30.06.2018 to -476.780 lei at 30.06.2019.

The gross result of the period recorded a decrease on 30.06.2019 compared to 30.06.2018, i.e. in nominal values from +291.485 lei at 30.06.2018 to -2.280.744 lei at 30.06.2019.

c) Cash-flow elements

Explanations	lei	
	01 January -30 June 2019	01 January -30 June 2018
A. Net cash from operating activities	(4.405.052)	4.332.926
B. Net cash derived from investment business	(353.246)	(140.179)
C. Net cash from financing	3.825.864	(5.709.903)
Net increase / (decrease) in cash and cash equivalents (A + B + C)	(932.434)	(1.517.156)
Cash and cash equivalents at the beginning of the period	1.330.657	1.771.478
Cash and cash equivalents at the end of the period	398.223	254.322

The process of commercial, economic and financial profitability of Uztel SA is continued through:

- Maintaining an optimal level of sales on the domestic and international market;
- Optimization of stock levels of raw materials, finished materials and products;
- A more "aggressive" policy of conquering new sales markets;



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- Medium and long-term development of joint ventures;
- More accelerated dynamics in recovering company's outstanding commercial receivables;
- Making investments to improve technological performance and ensure health and safety conditions of work;
- Achieving a balance between revenue and expenditure to maintain the profitability threshold by reducing the direct and indirect costs of the company according to the sales volume.

UZTEL SA intends to fulfill the objectives set out in the revenue and expenditure budget approved for 2019 and to carry out the activity in accordance with the provisions of OMFP 2844/2016 regarding the accounting regulations conforming to the International Financial Reporting Standards.

2. Analysis of the activity of Trading Company

2.1. Compared to the same period last year (semester I 2018), during the first semester of 2019 the following are observed:

- Respecting the principle of continuity of activity by providing financial resources necessary for the commercial development of the company;
- A percentage increase of 113,47% of interest expenses on 30.06.2019 as compared to 30.06.2018, i.e. in nominal values from 149.659 lei at 30.06.2018 to 319.482 lei at 30.06.2019 due to the financing sources attracted - the aforesaid interest are paid for contracted and consumed bank credits;
- A percentage increase of 14,35% of the expenses with personnel at 30.06.2019 compared to 30.06.2018, i.e. in nominal values from 11.240.576 lei to 30.06.2018 at 12.853.322 lei at 30.06.2019.

Due to the nature of its activities, the Company is exposed to various risks, including: interest rate risk, liquidity risk, currency risk, market risk. Management aims to reduce the potential adverse effects associated with these risk factors to the financial performance of the company by maintaining an adequate level of capital and results.



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Interest rate risk

The Company's cash flows are affected by interest rate fluctuations. The Company does not use financial instruments to protect against interest rate fluctuations (ROBOR).

	<u>Accounting reporting at</u> June 30, 2019 (lei)	<u>Accounting reporting at</u> June 30,2018 (lei)
Interest paid	319.482	149.659

Liquidity risk

The prudent management of liquidity risk involves maintaining sufficient cash in current bank accounts in RON and foreign currency.

	<u>Accounting reporting</u> June 30, 2019 (lei)	<u>Accounting reporting at</u> June 30,2018 (lei)
Cash and availability at sight	398.223	254.322

Currency risk

The company is subject to fluctuation in exchange rates due to transactions in foreign currency.

	<u>Accounting reporting</u> June 30, 2019 (lei)	<u>Accounting reporting</u> June 30,2018 (lei)
Net result of exchange rate	(159.095)	159.931

Market risk

Any market study that would be conducted by the company at this time, it cannot provide accurate information about the stock sale of manufactured products.

The demand for products made by UZTEL SA Ploiesti is currently more elastic than stable, as consumer preferences and orientations (internal and external customers), the dramatic increase of the oil price and investment budgets of the big oil companies and the size of the competitors' offer are unpredictable. As a result, the company is currently facing instability in the demand for oil equipment, sales and oil barrel prices, which generated a variation in turnover and, implicitly, of the volume of sales on the domestic and international market and therefore a decrease of the cash flows generated by the



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operating activity.

2.2. Compared to the same period last year, in the first half of 2019 Uztel SA Ploiesti sustained the expenditures of the activity from its own sources and from sources provided through internal and external factoring and credit overdraft intended for work capital.

- Fixed assets decreased in the first half of 2019 compared to the first half of 2018 with 7,22%, from 45.341.866 lei at 30.06.2018 to 42.067.913 lei at 30.06.2019 as a result of the decrease of the net value of tangible assets by 7,14%, from 45.244.918 lei at 30.06.2018 to 42.012.959 lei at 30.06.2019 by calculating and recording the amortization and reduction of the net value of the intangible assets by 43,32%, from 96.948 lei at 30.06.2018 to 54.954 lei at 30.06.2019.
- Current assets increased in the first half of 2019 compared to the– first semester 2018 by 1,73% from 52.842.905 lei at 30.06.2018 to 53.756.181 lei at 30.06.2019.

2.3. The volume of sales of the company in the first half of 2019 was 31.951.218 lei, representing a percentage increase of 7,28% representing a percentage increase of 29.781.663 lei at 30.06.2018 to 31.951.218 lei at 30.06.2019.

Income from the core business of the company

Turnover for the period 01.01.2019 - 30.06.2019 is as follows:

Accounting reporting at 30.06.2019	Value (lei)	Share in total revenue (%)	Share in turnover (%)
Income from the sale of finished products - domestic	12.458.638	32,32	38,99
Revenues from the sale of finished products - external	19.305.058	50,08	60,42
Revenue from services rendered - Laboratory benefits	31.275	0,08	0,10
Revenue from rendered services - internal transport	13.898	0,04	0,04
Revenue from rendered services – external transport	109.254	0,28	0,34



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Income from sale of goods	14.958	0,04	0,05
Income from various activities - domestic	367	0,00	0,00
Income from various activities - export	17.770	0,05	0,06
Turnover - Total	31.951.218	82,89	100,00

- The turnover for the period 01.01.2019 - 30.06.2019 per business segments is as follows:

Reporting on operational segments at June 30, 2019	Value (lei)	Share in total revenues (%)
Income from the sale of finished products - domestic	12.458.638	32,32
Revenues from the sale of finished products - external	19.305.058	50,08
Income related to the cost of finished product stocks and production in progress	3.730.245	9,68
Revenue from services rendered	172.563	0,45
Income from sale of goods	14.958	0,04
Total	35.681.463	92,56

lei

For the trade segment the turnover is in the sum of:	14.958
For the service segment the turnover is in the sum of:	172.563
For the production segment the turnover is in the amount of:	31.763.696

The turnover for the period 01.01.2018 – 30.06.2018 is as follows:

Accounting reporting at 30.06.2018	Value (lei)	Share in total revenues (%)	Share in turnover (%)
Income from the sale of finished products - domestic	10.341.049	26,70	34,72
Revenues from the sale of finished products - external	19.219.430	49,61	64,53



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Revenue from services rendered - Laboratory benefits	36.718	0,09	0,12
Revenue from rendered services - internal transport	46.245	0,12	0,16
Revenue from rendered services - external transport	60.171	0,16	0,20
Income from rental of oil equipment and equipment	8.711	0,02	0,03
Income from sale of goods	10.649	0,03	0,04
Income from various activities - domestic	53.240	0,14	0,18
Income from various activities -export	5.451	0,01	0,02
Total Turnover	29.781.663	76,88	100,00

The turnover for the period 01.01.2018 - 30.06.2018 per business segments is as follows:

Reporting on operational segments at June 30, 2018	Value (lei)	Share in Total income (%)
Income from the sale of finished products - domestic	10.341.049	26,70
Revenues from the sale of finished products - external	19.219.430	49,61
Income related to the cost of finished product stocks and production in progress	7.892.423	20,37
Revenue from services rendered	201.824	0,52
Income from royalties, management locations and rents	8.711	0,02
Income from sale of goods	10.649	0,03
Total	37.674.086	97,26

lei

For the trade segment the turnover is in the sum of:	10.649
For the service segment the turnover is in the sum of:	210.536
For the production segment the turnover is in the amount of:	29.560.478



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OPERATING INCOME	<u>6 months 2019</u> <u>lei</u>	<u>6 months 2018</u> <u>lei</u>
Total operating income from what:	35.971.871	38.143.565
Turnover	31.951.218	29.781.663
Income related to the cost of finished product stocks and production in progress	3.730.245	7.892.423
Income from the production of intangible and tangible assets	6.118	5.586
Other operating revenues	284.290	463.893

- **The top sales made to the main internal and external clients** of the company and their weight in total turnover on the domestic / foreign market in the first semester of 2019 is as follows:

Domestic clients	Total bills (lei) VAT excluded	Share %
Cameron-Romania SRL Campina	2.623.325,62	28,72
Automobile Dacia SA Mioveni	1.056.803,51	11,57
Tehnomet SA Buzau	990.753,78	10,85
Multy Products Rom SRL Sighisoara Punct de Lucru Albesti Prahova	790.256,07	8,65
Expert Petroleum Solutions SRL Bucuresti	625.166,02	6,84
Atlantic Prod Impex SRL Ploiesti	500.106,67	5,48
Tacrom Drilling SRL Ploiesti	427.429,06	4,68
Neptun SA Campina	410.867,54	4,50
Amromco Energy SRL Ploiesti	407.193,94	4,46
Stratum Energy Romania LLC Wilmington	342.146,59	3,74
TOTAL	8.174.048,80	89,49

External Clients	Total bills (Euro)	Share %
ABB Process Industrie Aix-Les Bains Cedex Franta (non UE)	492.242,42	41,99
Robke Erdol Und Erdgastechnk Gmbh	179.972,10	15,35
ABB Process Industrie Aix-Les Bains Cedex Franta	116.859,03	9,97



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Saipem SPA San Donato Milanese Italia	101.218,00	8,63
Liberty Drilling Equipment B.V. Olanda	84.256,80	7,19
Eurotech INT Sp zoo Wojska Polonia	37.020,00	3,15
Hartmann Valves GmbH Germania	33.262,70	2,84
Elematic OY AB Toijala Finlanda	30.658,80	2,61
Bordrill Drilling Contractor And Trade Corporation Turcia	28.560,50	2,44
TDE ITS KFT Ungaria	22.580,00	1,93
VT Veres KFT Kecskemet Ungaria	15.031,40	1,09
TOTAL	1.141.661,75	97,19

External Clients	Total bills (USD)	Share %
Desert Sand Oil & Gas LLC Muscat Oman	1.103.276,25	35,92
Technip FMC Canada Ltd	876.181,00	28,53
KAR Construction & Engineering LTD Iraq	456.877,60	14,88
PT Bangun Mitra Sinergi Jakarta Indonesia	213.483,70	6,95
Independent oil Tools Iraq	193.647,00	6,31
IAL Engineering Services LTD. Trinidad	145.521,00	4,74
Peseco Limited Aberdeenshire United Kingdom	53.530,00	1,74
Petrolava Company Iraq	19.112,00	0,62
Manefols Komerz LLP Belfast Irlanda	6.784,00	0,22
Manefols Komerz LLP Belfast Irlanda (non UE)	2.851,00	0,09
TOTAL	3.071.263,55	100

- **Evolution of sales on domestic and foreign markets :**
 - **Sales in RON** increased from 10.547.557 lei at 30.06.2018 to 12.519.136 lei at 30.06.2019, i.e. a percentage increase of 18,69% compared to the same period of the year 2018;
 - **Sales in EUR diminished** from 1.416.438 Eur at 30.06.2018 to 1.143.148 Eur at 30.06.2019, i.e. a percentage decrease of 19,29% compared to the same period of the year 2018;



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- **Sales in USD** increased from 3.285.111 USD at 30.06.2018 to 3.325.813 USD at 30.06.2019, i.e. a percentage increase of 1,24% compared to the same period of year 2018.

Explanations	30.06.2018	30.06.2019	30.06.2019/30.06.2018*100
Sales in RON	10.547.557	12.519.136	118,69
Sales in EUR	1.416.438	1.143.148	80,71
Sales in USD	3.285.111	3.325.813	101,24

3. Changes affecting the capital and management of the company

3.1. From January 1st to June 30th, 2019, the company paid in full all statutory payables and salaries and tries to maintain an acceptable volume of trade debts compared to the volume of sales achieved and the estimated one to be achieved.

3.2. The Company recorded changes regarding the rights of the holders of securities issued by the company as follows:

- According to the existing records at the Central Depository S.A. , the situation of the owners of shares on 30.06.2019 is the following.

Shareholder	Nmb. Of shares	Percent (%)
UZTEL Association	4.498.300	83,8381
Natural persons	447.033	8,3317
Legal entities	420.126	7,8302
TOTAL	5.365.459	100

- According to records of Depozitarul Central S.A. , the situation of shareholders at 30.06.2018 was as bellow:

Shareholder	Nmb. Of shares	Percent (%)
UZTEL Association	4.498.300	83,8381
Natural persons	452.526	8,4341
Legal entities	414.633	7,7278
TOTAL	5.365.459	100



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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.

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

PERIOD 01.01.2019 - 30.06.2019		
Surname, given name	POSITION	PERIOD
Hagiu Neculai	CEO	01.01.2019- 30.06.2019
Popescu Ileana	Member of Board of Directors	01.01.2019- 30.06.2019
Serbaniuc Tudor	Member of Board of Directors	01.01.2019- 30.06.2019
Stan Vasile Armis	Member of Board of Directors	01.01.2019- 30.06.2019
Gheorghiu Mihail Gabriel	Member of Board of Directors	01.01.2019- 18.03.2019
Grigore Victor	Member of Board of Directors	19.03.2019- 30.06.2019

4. Significant transactions

IAS 24 "Affiliated Party Operations" regulates business operations with entities that have cash holdings as associate members of the Uztel Ploiesti Association (the majority shareholder of UZTEL SA - Ploiesti with a total of 4.498.300 shares, representing 83,84% of the share capital of the company).

The following transactions have been made with affiliated parties:

A) Sales of products and services

Description of entity

6 months 2019
lei

6 months 2018
lei

Axon SRL Ploiesti

420,04

773,5013



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Ipsar SRL Valeni de Munte	(19.359,64)	-
Hany Industry SRL Ploiesti	4.165,00	-

B) Achizitii de bunuri si servicii

<u>Description of entity</u>	<u>6 months 2019</u> <u>lei</u>	<u>6 months 2018</u> <u>lei</u>
Aprodem SA Ploiesti	-	51.861,51
Axon SRL Ploiesti	159.512,87	128.469,26
Comis SRL Valeni de Munte	11.552,13	7.972,01
Electro Service Onel & CO SRL Ploiesti	-	-
Ipsar SRL Valeni de Munte	2.808,40	-
Hany Industry SRL Ploiesti	726.227,23	675.126,74
Passion SRL Ploiesti	306,00	273
Platus Com SRL Campina	83.142,48	133.802,97
Romconvert SA Ploiesti	-	-
Titancore SRL Ploiesti	150.913,32	201.126,20
Rikora FLM SRL (Vaspel SRL Focsani)	1.300,61	73.674,11

<u>Description of entity</u>	<u>6 months 2019</u> <u>usd</u>	<u>6 months 2018</u> <u>usd</u>
Shabum International LTD Tel Aviv	32.542,34	22.798,32

<u>Description of entity</u>	<u>6 months 2019</u> <u>eur</u>	<u>6 months 2018</u> <u>eur</u>
Passion SRL Ploiesti	6.162,00	5.301,00

According to IAS 24 (Presentation of the information regarding the affiliated parties), the company considered it appropriate to describe the commercial transactions carried out with the legal entities that hold money funds as associate members of the UZTEL Association.

The legal entities whose transactions were mentioned above do not fall under the provisions of art. 82 paragraph (1) of Law no. 24/2017 due to the fact that the holdings, i.e. the money funds, do not allow them to hold the control.

The company UZTEL SA presents the following additional information regarding the Share of the money funds held, on 30.06.2019, by the legal entities in their capacity as members of the Uztel Association, as follows:



UZTEL S.A.

OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

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

Phone: + 40(0)244 / 523455; 0372441111; Fax: 521181; E-mail: office@uztel.ro

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Description of entity

% money hold in Asociatia UZTEL

Aprodem SA Ploiesti	0,2805
Axon SRL Ploiesti	0,7380
Comis SRL Valeni de Munte	8,2977
Electro Service Onel & Co SNC Ploiesti	4,8555
Iulnicomnic SRL Ploiesti	1,8897
Passion SRL Ploiesti	0,3982
Platus Com SRL Campina	0,6090
Romconvert SA Ploiesti	0,7609
Titancore SRL Ploiesti	4,2191
Rikora Flm SRL Focsani (Vaspel SRL Focsani)	0,5087

Description of entity

Shabum International LTD Tel Aviv	0,2640
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Board of Directors, through,
CEO
Hagiu Neculai

General Director
Eng. Zidaru Ion

Economic Director,
Ec. Popescu Ileana

Head of Gen. Acct. Dept.
Ec. Duta Heroiu
Maria Carmen



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**INTERIM FINANCIAL STATEMENTS AT THE DATE
OF AND FOR 6 MONTH PERIOD ENDED AT JUNE
30, 2019**

**Prepared in accordance with International Financial Reporting
Standards adopted by the European Union**

Interim financial statement are not audited



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Interim statement of the individual financial position For Accounting Reporting on 30.06.2019

In LEI	Note	<u>June 30</u> <u>2019</u>	<u>December 31</u> <u>2018</u>
Long-term Assets			
Tangible assets	9	42.012.959	43.695.215
Intangible assets	9	54.954	27.175
Total long-term assets		<u>42.067.913</u>	<u>43.722.390</u>
Current assets			
Stocks	10	37.215.720	36.287.530
Trade receivables and other receivables	4	16.145.705	13.985.665
Cash and cash equivalents	4	398.223	1.330.657
Total current assets		<u>53.759.648</u>	<u>51.603.852</u>
Total Assets		<u>95.827.561</u>	<u>95.326.242</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	5	13.413.648	13.413.648
Adjustments of equity	5	3.453.860	3.453.860
Reserves	5	37.652.869	38.756.972
Result for the period		(2.280.744)	783.882
Result reported	8	5.935.527	7.112.169
Total Capitals		<u>60.455.904</u>	<u>62.736.649</u>
Long term debts			
Loans	4	3.479.042	2.341.408
Trade debts	4	992.064	2.031.984
Provisions for disputes	8	244.727	248.054
Total long term debts	4	<u>4.715.833</u>	<u>4.621.446</u>
Current liabilities			
Trade payables	4	16.216.207	17.497.212
Loans	4	5.501.158	2.522.940
Income in advance	4	3.570.199	2.690.077
Other liabilities	4	5.368.260	5.257.918
Total current liabilities		<u>30.655.824</u>	<u>27.968.147</u>
Total liabilities		<u>35.371.657</u>	<u>32.589.593</u>
Total equity and liabilities		<u>95.827.561</u>	<u>95.326.242</u>

These interim statements were approved by on 12.08.2019.

General Director
Eng. Zidaru Ion

Economic Director
Ec. Popescu Ileana

Head of Gen. Acct. Dept.
Ec. Duta Heroiu Maria Carmen



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Interim statement of comprehensive income For Accounting Reporting on 30.06.2019

In LEI	Nota	<u>June 30</u> <u>2019</u>	<u>June 30</u> <u>2018</u>
Income	11	31.951.218	29.781.663
Other income	11	290.408	469.479
Other gains / (losses) -net	11	3.327	2.125
Income cost of inventories of finished goods and production in progress	11	3.730.245	7.892.423
Expenses with raw materials and consumables	11	(18.646.034)	(20.702.330)
Asset depreciation and amortization expense	11	(1.592.651)	(1.789.265)
Employee benefits expense	11	(12.480.033)	(10.909.632)
Expenditure on insurance contributions and social security	11	(373.289)	(330.944)
Expenses with external supply	11	(3.875.960)	(3.483.399)
Other expenses	11	(811.195)	(651.064)
Operating profit	11	<u>(1.803.964)</u>	<u>279.056</u>
Financial income	11	293.802	593.849
Financial expenses	11	770.582	581.420
Financial costs - net		<u>(476.780)</u>	<u>12.429</u>
Profit / (loss) before tax		<u>(2.280.744)</u>	<u>291.485</u>
Profit / (loss) of period - net	6	<u>(2.280.744)</u>	<u>291.485</u>
Total consolidated income for the period		<u>(2.280.744)</u>	<u>291.485</u>
Earnings per Share	6	<u>(0,43)</u>	<u>0,05</u>
Number of shares	6	<u>5.365.459</u>	<u>5.365.459</u>

These interim statements were approved by on 12.08.2019.

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Interim Statement of Changes in Equity For Accounting Reporting on 30.06.2019

in LEI	Note	Equity	Adjustment of equity	Legal reserve	Reserves from revaluation	Other reserves	Result reported	Total equity
Balance on January 01, 2019		13.413.648	3.453.860	1.955.836	36.170.003	631.133	7.112.169	62.736.649
Reserve Reclassification From Revaluation At reported Result	5	-	-	-	-	-	1.104.102	1.104.102
Net Profit of period	6	-	-	-	-	-	(2.280.744)	(2.280.744)
Transfer between Equity accounts	5	-	-	-	(1.104.103)	-		(1.104.103)
Balance on June 30, 2019		13.413.648	3.453.860	1.955.836	35.065.900	631.133	5.935.527	60.455.904

in LEI	Note	Equity	Adjustment of equity	Legal reserve	Reserves from revaluation	Other reserves	Result reported	Total equity
Balance at January 01, 2018		13.413.648	3.453.860	1.916.641	38.232.706	631.133	3.686.242	61.334.230
Reserve Reclassification From Revaluation At reported Result	5	-	-	-	-	-	2.062.703	2.062.703
Transfer of period result to legal reserve	7	-	-	39.195	-	-	(39.195)	-



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Continued Interim Statement of Changes in Equity

Reclassification amounts reported result		-	-	-	-	-	618.537	618.537
Net Profit of period	6	-	-	-	-	-	783.882	783.882
Transfer between Equity accounts	5	-	-	-	(2.062.703)	-	-	(2.062.703)
Balance at December 31 , 2018		13.413.648	3.453.860	1.955.836	36.170.003	631.133	7.112.169	62.736.649

As a result of the application of IFRS from the financial year 2012, the financial statements have been restated, resulting in the application of IAS 29, an adjustment of the own funds inflation of ROL 3.453.860..

No deferred tax adjustments for revaluation reserves for the period 01.01.2019 - 30.06.2019 have been calculated.

These interim statements were approved by on 12.08.2019.

General Director
Eng. Zidaru Ion

Economic Director
Ec. Popescu Ileana

Head of Gen. Acct. Dept.
Ec. Duta Heroiu Maria Carmen



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Interim statement of cash flows For Accounting Reporting on 30.06.2019

In LEI	June 30 2019	June 30 2018
Net profit for the year	(2.280.744)	291.485
Amortization / depreciation of long term assets	1.592.651	1.789.265
Gain / loss on sale of fixed assets	(51.079)	(19.987)
Adjustment for depreciation of receivables - clients	1.546.766	1.546.766
Interest expenses	(319.482)	(149.659)
Interest income	1.797	2.323
Gain / loss from exchange rate differences	(159.095)	159.931
Movements in working capital	2.611.558	3.328.639
Increase / (decrease) in trade receivables and other receivables	(2.158.886)	1.232.016
Increase / (decrease) in inventories	(928.190)	102.576
Increase / (decrease) in other current assets	1.154	339
Increase / (decrease) in trade payables	(2.320.925)	551.046
Increase / (decrease) in deferred revenue	880.121	(1.160.168)
Increase / (decrease) another liabilities	110.342	136.652
Cash used in operating activities	(4.416.384)	862.461
Interest paid	(319.482)	(149.659)
Cash generated from operating activities	(4.405.052)	4.332.926
Net cash from investing activities	(353.246)	(140.179)
Cash payment for acquisition of land and assets	(353.246)	(140.179)
Net cash from funding activity	3.825.864	(5.709.903)
Cash repayments of borrowings	-	(5.663.065)
Cash collected from loans and credits	3.826.555	-
Dividends paid	(691)	(46.838)
Increase / decrease in net cash and cash equivalents	(923.434)	(1.517.156)
Cash and cash equivalents at beginning of period	1.330.657	1.771.478
Cash and cash equivalents at end of period	398.223	254.322
Increase / decrease in net cash and cash equivalents	(932.434)	(1.517.156)

These interim statements were approved by on 12.08.2019.

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NOTES TO INTERM INDIVIDUAL FINANCIAL STATEMENTS at June 30,2019

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 31.12.2019.

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

The company is registered in the Trade Register related to Prahova Tribunal under no. J29 / 48/1991 and holds unique registration code - RO1352846.

The Company's core activity is the "Manufacture of machinery for mining, quarrying and construction" NACE classified code 2892.

As of May 22, 2008 the Company was admitted to trading on BSE category II with UZT symbol. Currently shares of UZT are traded.

In 2004, the company was privatized in PSAL I, by transferring shares held by the Romanian state to private shareholders, namely the Authority for State Assets Recovery balance the shareholding in the Company, equivalent to 76,8745% of the share capital at that time, to the consortium formed by association "UZTEL" and company ARRAY PRODUCTS CO.LLC – SUA .

Description of the Company's business.

SC "UZTEL" S.A. Ploiesti was founded in 1904 having an experience of over 115 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.



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In 2004 the company was privatized as a result of the contract of sale of shares No.77 / 2004 signed between A.V.A.S. Bucharest as Seller and the Consortium Association UZTEL Ploiesti and Array Products CO LLC as Buyer.

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

Decisions with immediate effect will generate visible changes on short term as:

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

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

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

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

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

The permanent decisions regarding the optimization of all the processes of the company have had and will have visible and evaluable effects through the values of the key indicators of the company, by reducing and streamlining the costs and will allow the management decisions based on financial information - accounting updated in real time.

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..



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The company UZTEL S.A. it is a viable and mobile economic system, optimally dimensioned, it is a rectifiable enterprise that has the capacity to continue its productive activity.

The company has an integrated production with local design skills, applies high technologies according to the product specifications API6A; 16A; 16C; 16D and European Directive 2014/68 EU. The Department of Environmental Quality S.S.M., using modern laboratories and procedures, ensures compliance with international standards ISO-14001-2015, ISO 9001-2015, OHSAS 18001: 2007 and API Q1 specification. UZTEL continuously maintains and improves the quality management system "SMC" ISO 9001: 2015 and API Spec. Q1, integrated with the environmental management system according to ISO 14001 and the occupational health and safety system according to OHSAS18001, certified by DNV-Germanischer Lloyd, to ensure the quality of the products against the background of the environment and to create a safe and healthy working climate at work.

2. BASIS OF PREPARATION OF INDIVIDUAL FINANCIAL STATEMENTS IAS 1.12

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 no. 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.

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

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:

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.



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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.

The Board of Directors take responsibility for preparation of financial statements on 30.06.2019 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.

c. Continued activity

These financial statements have been prepared under ongoing business principle assumption

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

The Management of the Company analyzed the forecasts regarding the future of the operational activity, highlighting, at least for the period 01.01.2019 - 30.06.2019, a volume of entries insured both by the execution of some existing contracts, but also by the reasonable certainty of contracting new works.

SC 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 the analyzes made, the Company's Directors confirm that it will be able to continue its activity in the foreseeable future and therefore the application of the principle of continuity of activity is justified and appropriate for the preparation of the 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 accordance 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



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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 (eg equipment), determine the recoverable amount of tangible assets involving a lease, the estimated provisions for doubtful debts , for depreciation of old stocks and stocks without movement, provisions for risks and charges.

3. ACCOUNTING POLICIES

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 of quantitative data;
- any changes from the previous period on qualitative and quantitative information.

The Company relies on information provided internally by the key management personnel according to 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 current / fixed assets and current/long term debt

Society presents current and fixed 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.



UZTEL S.A.

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

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a. Transactions in foreign currencies

Under IAS 1.51 (d), (e) foreign currency transactions are expressed in RON by applying the exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency recorded between 01.01.2019 - 30.06.2019 are denominated in RON at the exchange rate at that date. Foreign exchange gains and losses, whether realized or not, are recorded in the income statement for that year, in accordance with IAS 21.

The official exchange rates used to convert foreign currency balances to June 30, 2019 are as follows:

<u>Currency</u>	<u>June 30, 2019</u>
1 Euro	4,7351 lei
1 USD	4,1587 lei

b. Financial instruments

Non-derivative financial receivables

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

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

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

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

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

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

Trade receivables

Customer accounts and similar accounts include invoices and unpaid at the reporting date at face value and estimated claims related to sales, services, which are recognized initially at fair value plus directly attributable transaction costs. Subsequently, customer accounts and similar accounts are stated at amortized cost less impairment losses. Amortized cost approximates the nominal value. Ultimate



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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 available includes the house, current accounts and other cash equivalents. The cash provisions in the currency are revalued at the exchange rate at the end of the period. Financing through internal and external factoring without regress is an integral part of the management of the Company's money funds, and is included as a component of the cash availabilities in order to present the cash flow situation.

Short-term investments

The Company does not own short term financial investment at 30.06.2019.

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 debts: internal and external factoring without regression, bank loans, commercial debts and other debts.

Such financial liabilities are initially recognized at fair value plus any directly attributable trading costs. Subsequent to the 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.



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e. Interest bearing borrowings

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

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

Interest income is recognized in profit or loss in the year they occur, using the effective interest rate method. Dividend income is recognized in profit or loss on the date the Company's right to receive dividends is recognized.

f. Equity (share capital)

Ordinary shares

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

g. Tangible assets

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

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Tangible assets include land, buildings, construction, machinery and equipment and other tangible assets and tangible assets in progress.

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

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

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

When parts of a tangible asset have different service lives, they are considered separate asset.



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

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

The company was founded in 1904 and became the joint stock company under Law no. 15/1990 regarding the reorganization of state economic units as autonomous kings and commercial companies and based on GD no. 1213/20 November 1990. During all this period the company had an uninterrupted production activity. The company UZTEL operates in a compact perimeter of approximately 20 ha in the peripheral industrial area of the city of Ploiesti, and the industrial buildings and halls they use within this perimeter are in a close connection with the manufacturing process, from the buildings - industrial halls intended for the hot sectors (ex-steel foundry, cast iron and non-ferrous buildings, forge building, model building) to industrial halls mechanical processing (ex-building for mechanical processing, building of oil equipment) to buildings - assembly halls, assembling, assembly tests, tests (ex - building of valves and machines, building of paint - packaging, warehouse hall for assembly).

The company owns on 30.06.2019 technological equipment, measuring, control, and adjustment, transportation, furniture and office equipment with a net book value of 8,514,143 lei, with a life span between 2 - 22 years, used in industrial purpose, put into operation since 1970.

"The frequency of revaluations depends on the changes in the fair values of the revalued tangible assets. If the fair value of a revalued asset is significantly different from the carrying amount, a new revaluation is required. Some elements of property, plant and equipment are subject to significant and fluctuating changes in fair value, requiring annual revaluation. In the case of tangible fixed assets whose fair values do not undergo significant changes, it is not necessary to make such frequent revaluations. Instead, it may be necessary to reevaluate that item only once every three or five years. "

The company chose through the accounting policies for the class of tangible assets - buildings to apply IAS 16.34 regarding the revaluation of the tangible assets once every 5 years.

The company owns, in particular, old buildings, put into operation between 1921 - 1999, in which production activity is carried out (i.e. building warehouse materials - commissioning in 1921, building prototypes - commissioning in 1922, factory building - commissioning in 1925, model building - commissioning in 1933, office building - commissioning in 1935) with lifetimes ranging from 24 to 60 years.

These tangible assets are specific to the manufacturing process, not having an active market for their evaluation and trading, in the absence of the comparison terms.



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In accordance with the provisions of IAS 16.31 and IAS 16.34, the company applied the professional rationing and accounting treatment for the tangible assets used (buildings, technological equipment, measuring, control and adjustment facilities, means of transport, furniture and office equipment), considering that through their nature and destination do not have an active market, representing technological equipment, machine tools purchased on the basis of projects specific to the company's activity.

- Buildings and constructions

lei

	Book net value	Fair value	Difference
Year 2011	37.848.508,91	33.181.183,00	- 4.667.325,91
Year 2013	29.005.259,62	31.448.397,00	+ 2.443.137,38
Year 2018	15.409.052,79	-	-
June 30, 2019	14.419.362,96	-	-

The total net book value of buildings and constructions decreased by the amount of depreciation in 2011 - 2013 by 8.843,249,29 lei, in 2013 - 2018 by 13.596,206,83 lei and in the period 2018 - June 2019 by 989.689,83 lei while the fair value in 2013 decreased compared to the fair value in 2011 by 1.732.786,00 lei.

- Technological equipment, technical installations, machines, furniture and office Lei

	Net book value	Fair value	Diference
Year 2007	14.960.673,69	19.580.900,00	+ 4.620.226,31
Year 2018	9.142.744,15	-	-
June 30, 2019	8.514.142,82	-	-

The total net book value of the technological equipment, technical installations, cars, furniture and office equipment decreased on account of the depreciation between December 31, 2007 - June 30, 2019 by RON 6.446.530,87.

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:

	<u>Service life (years)</u>
Buildings, constructions and special installations	25 - 60
Machinery and equipment	03 - 28
Measuring and Control	05 - 10
Machines	04 - 10
Other tangible assets	03 - 20

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



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

i. Assets acquired under leasing

IFRS 1 does not include any 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.

On 30.06.2019 the Company does not hold assets bought under leasing.

j. Intangible

Intangible assets with determined service 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.

The company uses the following lifetimes for intangible assets:



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- Development expenses	5 years
- Licenses for programs	3 years
- Antivirus licenses	1 an

The company applies for the intangible assets held the linear amortization method pentru imobilizarile necorporale detinute metoda de amortizare liniara

k. Inventory

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.

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

l. Dividends

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

m. Employees Benefits

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

n. Provisions

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



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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



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payment.

Income tax rate used to calculate the current and deferred income tax at June 30, 2019 was 16% .

The company has recognized the deferred tax debt, and it will be recovered to the extent that it is likely that the future taxable profit will allow the deferred tax debt to be recovered.

Amendments to IAS- Profit tax clarifies the accounting method for deferred tax related to receivables valued at fair value.

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. Implications of the new International Financial Reporting Standards (IFRS)

New standards and amendments to the existing standards issued by the IASB, but not yet adopted by the U.E.

Currently, IFRS as adopted by the European Union does not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards, amendments to existing standards and new interpretations, which have not been approved for use. in the EU the date of publication of the financial statements (the entry into force mentioned below are for the IFRS standards issued by the IASB):

- *IFRS 14 Deferred accounts related to the regulated activities* - the standard enters into force for annual periods starting on or after January 1, 2016. The European Commission has decided not to issue the approval process for this interim standard and to wait for the final standard to be issued,

– *IFRS 16 Leasing Contracts* - adopted by the EU on October 31, 2017 (applicable for annual periods beginning on or after January 1, 2019),

– *IFRS 17 Insurance contracts* - applicable for annual periods beginning on or after January 1, 2021,

– *Amendments to IFRS 3 Business combinations - Definition of an enterprise* - applicable to business combinations whose acquisition date starts with or after the first annual reporting period starting with or after January 1, 2020 and of asset purchases taking place with or after that period,–

- *Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures* - Sale of or contribution with assets between an investor and its associates or its joint ventures and subsequent amendments (effective date has been deferred on the



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indefinite period, until the research project regarding the method of equivalence will be completed),

- *Amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors* - Definition of materiality - applicable for annual periods starting on or after January 1, 2020,
- *Amendments to IAS 19 Employee benefits* - Modification, reduction or settlement of the plan - applicable for annual periods beginning with or after January 1, 2019,
- *Amendments to IAS 28 Investments in associates and joint ventures* - Long-term interests in associates and joint ventures - applicable for annual periods beginning on or after January 1, 2019,
- *Amendments to IFRS 9 Financial Instruments - Prepayment Features through Negative Compensation* - adopted by the EU on March 22, 2018 - applicable for annual periods beginning on or after January 1, 2019,
- *Amendments to various standards due to IFRS Improvements (2015-2017 cycle) resulting from the annual IFRS Improvement Project (IFRS 3, IFRS 11, IAS 12 and IAS 23)* with the main purpose of eliminating inconsistencies and clarifying certain applicable forms for annual periods beginning on or after January 1, 2019,
- *Amendments to the References to the Conceptual Framework of IFRS Standards* - applicable for annual periods beginning on or after January 1, 2020,
- *IFRIC 23 Uncertainty regarding the treatments applied for the income tax* - adopted by the EU on October 23, 2018 (applicable for annual periods starting on or after January 1, 2019).

The company anticipates that the adoption of these new standards and amendments to the existing standards will not have a significant impact on the individual financial statements of the company during the initial application period.

Initial application of the new amendments to the existing standards in force for the current reporting period

In force, for the current reporting period were the following amendments to the existing standards and new interpretations issued by the International Accounting Standards Board (IAS) and adopted by the EU:

- IFRS 9 Financial Instruments - adopted by the EU on November 22, 2016 - applicable for annual periods beginning on or after January 1, 2018,
- IFRS 15 Revenue from contracts with clients and amendments from IFRS 15 - adopted by the EU on September 22, 2016 - applicable for annual periods beginning with or after January 1, 2018,
- Amendments to IFRS 2 Share-based payment - Classification and evaluation of share-based payment transactions - adopted by the EU on February 27, 2018 - applicable for annual periods beginning on or after January 1, 2018,
- Amendments to IFRS 4 Insurance contracts - application of IFRS 9 Financial instruments together with IFRS 4 Insurance contracts - adopted by the EU on November 3, 2017 - applicable for annual periods beginning with or after January 1, 2018 or for the first time application of IFRS 9 Financial instruments,
- Amendments to IFRS 15 Income from customer contracts - Clarifications to IFRS 15 -



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adopted by the EU on October 31, 2017 - applicable for annual periods beginning on or after January 1, 2018,

- Amendments to IAS 40 Real Estate Investments - Real Estate Investment Transfers - adopted by the EU on March 14, 2018 - applicable for annual periods beginning on or after January 1, 2018,

- Amendments to IFRS 1 and IAS 28 due to IFRS Improvements (2014 - 2016 cycle) resulting from the annual IFRS Improvement Project (IFRS 1, IFRS 12 and IAS 28) with the main purpose of eliminating inconsistencies.

Reconciliation between IFRS and accounting policies related to previous financial years

On 31.12.2012, Uztel SA carried out the reconciliation between IFRS and the local accounting policies applicable to the previous financial years.

The financial statements for 2012 represent the first financial statements that the company has prepared according to IFRS, adopted by the EU, as stipulated by OMFP 1286/2012.

For the year ended 31.12.2010 and 31.12.2011, the company prepared individual financial statements according to OMFP 3055/2009.

The company prepared financial statements in accordance with IFRS, adopted by the EU, applicable for the financial years ended on 31.12.2012, as well as the comparative data at the end of 2011, respectively 31.12.2011. For the preparation of these financial statements was prepared the situation of opening the financial position on January 1, 2011, the date of transition.

There was no reconciliation of the global result according to IFRS 1 with the global result determined by OMFP 3055/2009, as no differences were identified between the global result determined according to the local accounting principles applied for the previous accounting periods and the global result determined according to 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 Tangible assets

The fair value of these elements was established following the reassessment carried out by one independent evaluator, member ANEVAR, using the comparison method for land and the



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capitalization method for buildings and constructions.

The determination of the fair value of the assets in the "Constructions" class was performed on 31.12.2013 by an ANEVAR authorized evaluator, using the net replacement cost method, the method being chosen due to the lack of valid information regarding the actual transactions concluded in the last 12 months for industrial objectives in the respective area. This represents the statistical value of the prices per sqm built on the market at national level, value adjusted after applying the corresponding corrections and depreciations.

The establishment of the fair value of the fixed assets of nature "Technological equipment, measuring, control, adjustment, means of transport, furniture and office equipment" was performed by an authorized evaluator ANEVAR on 31.12.2007, using the cost method of net replacement. In the market there is not enough information about sales of similar assets, but there is market information regarding costs and accumulated depreciation. Thus, the recorded value is the highest value between its use value and its fair value minus the selling costs.

IFRS 13 establishes a fair value hierarchy whereby the input data used in fair value assessment techniques is classified on three levels.

Fair values have been determined for the purpose of evaluating and presenting information based on the described methods. When appropriate, additional information regarding the assumptions used in determining the fair value is presented in the notes specific to the respective asset or debt.

The company considers that the level at which the valuations regarding the tangible assets at the fair value in the fair value hierarchy are classified are level 2, taking into account the following aspects:

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

Comparative situations

For each item on the balance sheet, profit and loss account and where appropriate, for the situation of changes in equity and the cash flow statement, for the comparability the value of the corresponding item for the preceding financial period is presented.

Correction of accounting errors IAS 8

If the company notices errors made in accordance with the generally accepted accounting principles, the reconciliations made must highlight the correction of those errors by the accounting policies. When registering operations related to the correction of accounting errors, the provisions of IAS 8 apply.

The accounting policies have been consistently applied by the company in accordance with IAS 1.134-135.

According to IAS 8 "*Accounting policies, changes in accounting estimates and errors*", accounting policies represent the specific principles, rules, conventions, bases and practices applied by this company when preparing and presenting the financial statements. It provides that the voluntary change of an accounting policy is to be made only if such change is required by a Standard or an interpretation and results in financial statements that provide more reliable and relevant information about the effects of transactions, other events or conditions regarding the financial position.

The company did not apply in the first half of 2019 (January - June) the provisions of IAS 8.28 regarding changes in accounting policies.



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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.

	<u>Accounting reporting at</u> <u>June 30, 2019</u> (lei)	<u>Accounting reporting at</u> <u>June 30, 2018</u> (lei)
Receivables	16.145.705	15.840.245

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: tangible assets

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.



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Trade receivables and other receivables

On June 30,2019 the company's trade receivables situation is as follows:

Receivables at 30.06.2019			lei	
RECEIVABLES	Balance at 30.06.2019	maturity		
		Less 1 year	Over 1 year	
0	1 = 2 + 3	2	3	
Total, of which:	16.142.238	13.831.728	2.313.977	
Domestic Client	3.071.753	3.071.753	-	
External Client	5.904.553	5.904.553	-	
Doubtful client, litigation	3.853.186	-	3.853.186	
Other receivables (Performance Assurance OMV Petrom Bucharest)	23.718	23.718	-	
VAT to be recovered	2.322.543	2.322.543	-	
Salary advance	9.441	9.441	-	
Suppliers borrowers	388.331	388.331	-	
Debtors	1.336.981	1.336.981	-	
Other social debts- sick leaves	538.266	538.266	-	
Other receivables (VAT not due, accrued expenses and settlement systems in operation during clarification)	232.675	232.675	-	
Adjustments for impairment of client receivables	1.546.766	-	1.546.766	
Receivables on current income tax	7.557	-	7.557	

Claims are recorded at face value and are evidenced on each natural or legal person. The receivables in foreign currency were evaluated on the basis of the exchange rate valid at the end of the financial year, and the differences in the exchange rate were recognized as income or expenses of the period.

Seniority analysis of Trade receivables and Other receivables outstanding at the end of the period, which are not impaired IFRS 7.37 (a)

lei

Trade receivables and other receivables	balance at 30.06.2019	from which overdue		
		31-90 days	91-120 days	> 120 days
1. Internal clients	3.071.753,35	778.281,61	175.845,97	794.821,02
2. External clients	5.904.553,29	1.511.401,35	0,00	411.954,07



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3.Internal doubtful clients	3.853.185,88	0,00	0,00	3.853.185,88
4. Ajustment for depreciation	(1.546.765,98)	0,00	0,00	0,00
5.Debtor Suppliers	747.414,40	0,00	0,00	672.103,26
Net receivables	12.030.140,94	2.289.682,96	175.845,97	5.732.064,23

In accordance with the provisions of IFRS 7.37 (b), the company presents an individual analysis of the commercial receivables found to be impaired at the end of the reporting period (30.06.2019), including the factors that determined their impairment, as follows:

- Debt clients who have entered the bankruptcy procedure or in the reorganization procedure according to Law no. 85/2014, which has major financial difficulties related to non-payment of receivables, namely:

- **ALTEX SRL TULCEA** debit registered at the creditor's table in the amount of 651.867,52 lei (including contractual penalties);
- **ARMAX GAZ MEDIAS** debit registered at the debtor's credit card amounting to 16.750,11 lei;
- **ARPEGA TRADING SRL BLEJOI** for the outstanding debit amounting to 444.504,74 lei (including contractual penalties) the legal recovery procedure was started.
- **BAT SERVICE SA BUZAU** debit registered at the debtor's credit card amounting to 5.138,37 lei;
- **CONDMAG SA BRASOV** debit registered at the creditor's table of the amount of 564,20 lei;
- **FEPA SA BARLAD** debit registered at the debtor's credit card amounting to 41.108,56 lei;
- **FORAJ SA BUZAU** debit registered at the creditor's table in the amount of 539.128,14 lei;
- **GRUP ROMET SA BUZAU** debit registered at the creditor's table in the amount of 909,87 lei;
- **HIDRAULIC SA MOINESTI** debit registered at the debtor's credit card amounting to 17.603,42 lei (including contractual penalties);
- **DRILLING PLOIESTI SONDES** debit registered at the debtor's credit card amounting to 87,965.13 lei;
- **MARIAN TRANS CONSTRUCT SRL CHIOJDU** debit registered at the creditor's table in the amount of 446,40 lei;
- **METAL PROJECT PROSPER** debit registered at the debtor's credit card amounting to 20.871 lei;
- **UBEMAR SA PLOIESTI** debit in execution by judicial executor in the amount of 25.112,69 lei;
- **VIPREC COM SRL BAIA MARE** debit registered at the creditor's table in the amount of 20.360,80 lei.



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Main Customers, Depending on Volume of Transactions during 01.01.2019 - 30.06.2019:

Domestic clients	Total bills (lei) VAT excluded	Share %
Cameron-Romania SRL Campina	2.623.325,62	28,72
Automobile Dacia SA Mioveni	1.056.803,51	11,57
Tehnomet SA Buzau	990.753,78	10,85
Multy Products Rom SRL Sighisoara Punct de Lucru Albesti Prahova	790.256,07	8,65
Expert Petroleum Solutions SRL Bucuresti	625.166,02	6,84
Atlantic Prod Impex SRL Ploiesti	500.106,67	5,48
Tacrom Drilling SRL Ploiesti	427.429,06	4,68
Neptun SA Campina	410.867,54	4,50
Amromco Energy SRL Ploiesti	407.193,94	4,46
Stratum Energy Romania LLC Wilmington sucursala Bucuresti	342.146,59	3,74
TOTAL	8.174.048,80	89,49

Foreign clients	Total bills (EUR)	Share %
ABB Process Industrie Aix-Les Bains Cedex Franta (non UE)	492.242,42	41,99
Robke Erdol Und Erdgastechnk Gmbh Germania	179.972,10	15,35
ABB Process Industrie Aix-Les Bains Cedex Franta	116.859,03	9,97
Saipem SPA San Donato Milanese Italia	101.218,00	8,63
Liberty Drilling Equipment B.V. Olanda	84.256,80	7,19
Eurotech INT Sp zoo Wojska Polonia	37.020,00	3,15
Hartmann Valves GmbH Germania	33.262,70	2,84
Elematic OY AB Toijala Finlanda	30.658,80	2,61
Bordrill Drilling Contractor And Trade Corporation Turcia	28.560,50	2,44
TDE ITS KFT Ungaria	22.580,00	1,93
VT Veres KFT Kecskemet Ungaria	15.031,40	1,09
TOTAL	1.141.661,75	97,19

Foreign clients	Total bills (USD)	Share %
Desert Sand Oil & Gas LLC Muscat Oman	1.103.276,25	35,92
Technip FMC Canada Ltd	876.181,00	28,53
KAR Construction & Engineering LTD Iraq	456.877,60	14,88



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PT Bangun Mitra Sinergi Jakarta Indonesia	213.483,70	6,95
Independent oil Tools Iraq	193.647,00	6,31
IAL Engineering Services LTD. Trinidad	145.521,00	4,74
Peseco Limited Aberdeenshire United Kingdom (non UE)	53.530,00	1,74
Petrolava Company Iraq	19.112,00	0,62
Manefols Komerz LLP Belfast Irlanda	6.784,00	0,22
Manefols Komerz LLP Belfast Irlanda (non UE)	2.851,00	0,09
TOTAL	3.071.263,55	100

▪ **Trade payables and other payables**

At June 30, 2019, the company's debts are the following:

Debt situation at 30.06.2019				lei
DEBTS	balance at 30.06.2019	Maturity		
		less 1 year	less 1-5 years	less 5 years
0	1 = 2 + 3 + 4	2	3	4
Total, of which:	35.371.657	30.655.824	4.715.833	-
Amounts owed to credit institutions	8.980.200	5.501.158	3.479.042	-
Advances collected for orders	3.570.199	3.570.199	-	-
Trade payables - suppliers	17.208.271	16.216.207	992.064	-
Income tax	-	-	-	-
Other creditors including tax and social security	5.368.260	5.368.260	-	-
Provisions and deferred income	244.727	-	244.727	-

The amount of RON 5.368.260 registered in the account "Other debts, including tax liabilities and social security debts" refers to:

- the amounts from the account 462 (various creditors - rescheduling agreements) = 1.180.348 lei;
- account for 457 dividends = 1.574.088 lei, of which resale agreements 1.007.874 lei;
- current budgetary debts = 1.790.630 lei;
- current salary debt = 820.052 lei;
- operations under clarification = 3.142 lei.



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lei

Trade receivables and other receivables	balance at	of which overdue		
	30.06.2019	31-90 zile	91-120 zile	> 120 zile
1. Domestic suppliers	14.586.002,74	4.155.431,34	1.393.363,16	3.118.744,74
2. Foreign suppliers	2.622.268,72	574.571,17	257.504,20	351.736,54
3. Creditor Clients	3.570.198,67	-	-	-
Net debts e	20.778.470,13	4.730.002,51	1.650.867,36	3.470.481,28

Main Suppliers, depending on volume of transactions during 01.01.2019 - 30.06.2019 :

Domestic suppliers	Total bills (lei) VAT excluded	Share %
Forja Rotec SRL Buzau	2.380.355,09	13,93
Arva Metals & Steels SRL Cornetu-Ilfov	1.552.321,37	9,09
Electrica Furnizare SA Bucuresti	1.493.909,31	8,74
Sodexo Pass Romania SRL Bucuresti	881.587,34	5,16
Hany Industry SRL Ploiesti	610.274,87	3,57
Engie Romania SA Bucuresti	586.532,85	3,43
MSD Com SRL Buzau	572.737,80	3,35
Pas Technologies Romania SRL Campina	551.602,23	3,23
Metarex SRL Bucuresti	448.481,60	2,63
Forja Neptun SRL Baicoi	390.973,49	2,29
TOTAL	9.468.775,95	55,42

Foreign suppliers	Total bills (EUR)	Share %
Riganti SPA Italia	279.428,00	44,65
Forgital Italy S.P.A. Italia	91.729,00	14,66
Ompa SRL Italia	57.980,00	9,26
Danco Industry LTD Bulgaria	57.832,59	9,24
Siderforgerossi Group SPA Italia	55.260,00	8,83
Quattro Intersped SRL Pitesti	28.287,00	4,52
CF Service SRL Italia	14.227,80	2,27
Hunting Energy Services BV OlandaTechnology		
INC Israel	8.374,00	1,34
IGP Engineers PVT LTD	7.877,60	1,26
Passion SRL Ploiesti	6.162,00	0,98
TOTAL	607.157,99	97,01



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Foreign suppliers	Total bills (USD)	Share %
Optimum LTD Liban	64.608,12	34,44
Parker Hannifin Corporation PGI USA	51.720,00	27,57
Shabum International LTD Tel Aviv Israel	32.542,34	17,35
American Petroleum INST. Washington	28.318,18	15,09
Quattro Intersped SRL Pitesti	4.100,00	2,19
Techstreet – Clarivate Analytics LLC Canada	3.034,62	1,62
Hub Dacia Limited Cipru Bucuresti	2.925,00	1,56
Easycnc LTD China	360,00	0,18
TOTAL	187.608,26	100,00

Total Debts of which :	Amount - lei	Percent of total amount of debts (%)
Budgetary debts	1.790.630	5,06
Commercial debt	17.208.271	48,65
Bank credits	8.980.200	25,39
Other debts (various creditors)	1.180.348	3,34
Dividends	1.574.088	4,45
Customer creditors	3.570.199	10,09
Salary debts	824.977	2,33
Provisions and earnings recorded in advance	244.727	0,69
Total debts	35.373.441	100,00

Bank loans are secured by:

Bank loans are guaranteed with real estate mortgages with a total value of 29,434,935 lei (insurance policy no. 2509660 from 25.05.2018 valid from 25.05.2018 until 24.05.2019 and insurance policy no. 2533615 from 24.05.2019 valid from May 25, 2019 until May 24, 2010). The last evaluation report was made for banking purpose in December 2018, by the company Mirva Revalcon Invest SRL Ploiesti, authorized evaluator, accredited member ANEVAR, the market value of the real estate evaluated being 32,633,150 lei.

Considering that the increase of bank financing for working capital was obtained through Credit Agreement no.7793 / 4 and 7793/5 from 23.01.2019, according to authenticated Mortgage Contracts authenticated with closing no. 2431 and no. 2433 from 27.06.2019, it was requested to supplement their guarantee with the following buildings:

- land located in the municipality of Ploiesti, str. Mihai Bravu, no. 243, Prahova county, with an area of 10,451 sqm, with cadastral number 125199, registered in the Land Book no.125199;
- land located in the municipality of Ploiesti, str. Mihai Bravu, no. 243, Prahova county, with an area of 8,131 square meters, with cadastral number 125189, registered in the Land Book no. 125189.



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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 (ROBOR).

	<u>Accounting reporting at</u> <u>June 30, 2019</u>	<u>Accounting reporting at</u> <u>June 30, 2018</u>
Interest paid	(lei) 319.482	(lei) 149.659

Liquidity risk

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

	<u>Accounting reporting at</u> <u>June 30, 2019</u>	<u>Accounting reporting at</u> <u>June 30, 2018</u>
Cash and availability on demand	(lei) 398.223	(lei) 254.322

Currency risk

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

	<u>Accounting reporting at</u> <u>June 30, 2019</u>	<u>Accounting reporting at</u> <u>June 30, 2018</u>
Result of exchange rate differences	(lei) (159.095)	(lei) 159.931

Market risk

Any market study that would be conducted by the company at this time, it cannot provide accurate information about the stock sale of manufactured products.

The demand for products made by UZTEL SA Ploiesti is currently more elastic than stable, as consumer preferences and orientations (internal and external customers), the dramatic reduction of the oil price and investment budgets of the big oil companies and the size of the competitors' offer are unpredictable. As a result, the company is currently facing instability (decrease) in the demand for oil equipment, sales and oil barrel prices, which generated a reduction in turnover and, implicitly, of the volume of sales on the domestic and international market and consequently a decrease of the cash flows generated by the operating activity.



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5. EQUITY

Share capital

The share capital of SC UZTEL S.A. at June 30, 2019 worth 13.413.648 lei, divided in 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 30.06.2019 is as follows:

Shareholder	Nmb. of shares	Weight in share
UZTEL Association	4.498.300	83,8381
Natural persons	452.526	8,4341
Legal entities	414.633	7,7278
TOTAL	5.365.459	100

All shares are common, were subscribed and paid in full on June 30,2019

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.

At June 30, 2019 the Company establishes legal reserve amounting to 1.955.836 lei.

	<u>Accounting reporting at</u> <u>June 30, 2019</u>	<u>Accounting reporting at</u> <u>June 30, 2018</u>
	(lei)	(lei)
Legal reserves	1.955.836	1.916.641

On June 30, 2019, the Company did not establish the legal reserve.

Other reserves

	<u>Accounting reporting at</u> <u>June 30, 2019</u>	<u>Accounting reporting at</u> <u>June 30, 2018</u>
	(lei)	(lei)
Other reserves	631.133	631.133

According to IAS 1.79 (b) the company has registered in the individual situation of the modifications of the own capitals to the chapter "Other reserves" the amount of 631.133 lei representing fiscal facility to the profit tax according to the legal provisions in force on the date of establishment (31.05.2004) - Law 416 / June 26, 2002.



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Revaluation reserve

The revaluation reserve is the amount of 35.065.900 lei at June 30, 2019 and includes revaluation reserves obtained after revaluation carried out by independent evaluators upon:

- 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.

	<u>Accounting reporting at</u> <u>June 30, 2019</u>	<u>Accounting reporting at</u> <u>June 30, 2018</u>
Reserves from revaluation	(lei) 35.065.900	(lei) 37.009.866

The revaluation reserve decreased during the period January - June 2019 with the value of 1.104.102 lei by capitalizing the surplus from the revaluation and reserves highlighted in the fiscal register.

6. RESULT FOR THE PERIOD

Result for the period

At the end of period of January- June 2019 the Company recorded the following results:

- **The result from the operational activity (exploitation)** registered a decrease on 30.06.2019 compared to 30.06.2018, i.e. in nominal values from +279.056 lei to 30.06.2018 to -1.803.964 lei on 30.06.2019.

- **The financial result** registered a decrease on 30.06.2019 compared to 30.06.2018, i.e. in nominal values from +12.429 lei to 30.06.2018 to -476.780 lei on 30.06.2019.

- **The gross / net result of the period** registered a decrease on 30.06.2019 compared to 30.06.2018, ie in nominal values from +291.485 lei to 30.06.2018 to -2.280.744 lei on 30.06.2019.

The turnover registered in the first semester of 2019 a percentage increase by 7,28% compared to the same period of the previous year (first semester 2018), namely from 29.781.663 lei to 30.06.2018 to 31.951.218 lei to 30.06. 2019.

The operating expenses registered in the first semester of 2019 a percentage decrease by 0,23% compared to the same period of the previous year (first semester 2018), namely from 37.864.509 lei to 30.06.2018 to 37.775.835 lei to 30.06. 2019.



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	<u>Accounting reporting at</u> <u>30 June, 2019</u> (lei)	<u>Accounting reporting at</u> <u>30 June, 2018</u> (lei)
Net result net-profit / (loss)	(2.280.744)	291.485

Dividends

During January 1st - June 30, 2019 the Company made payments of 690,65 lei , meaning the net dividends due to shareholders for 2003, 2005, 2006, 2007 and 2008, such as:

	lei
1 st quarter I – year 2019	304,14
2 nd quarter – year 2019	386,51

7. PROFIT TAX

	<u>Accounting reporting at</u> <u>30.06.2019</u> (lei)	<u>Accounting reporting at</u> <u>30.06.2018</u> (lei)
Gross book value	(2.280.744,10)	291.485,00
Non-taxable Income	(3.327,00)	(2.125,00)
Items assimilated to revenue	-	-
Non-deductible expenses	1.226.996,57	1.436.044,01
Established legal reserve	-	-
Tax Profit / (Fiscal Loss)	(1.057.074,53)	1.725.404,01
Fiscal loss from previous years recorded in statement 101	(14.553.837,27)	(18.480.426,35)
Registered Fiscal Loss	(15.610.911,80)	(16.755.022,34)
Profit tax on result	-	-
Sponsorship	-	-
Profit tax due	-	-
Net profit / (Net loss)	(2.280.744,10)	291.485,00

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.



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8. PROVISIONS

The statement of provisions made by the company is presented below:

	<u>Accounting reporting</u>	<u>Accounting reporting</u>
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	(lei)	(lei)
Provisions for disputes	232.426	238.987
Provisions for guarantees to suppliers	12.301	12.301
Total Provisions	244.727	244.087

9. FIXED ASSETS

– Tangible assets

	lands	Buildings and constructions	Machines and equipments	Other tangible assets	Tangible assets in progress	Advances for intangible assets	Total
Cost	Lei	Lei	Lei	Lei	Lei	Lei	Lei
Balance at 01 January 2018	16.602.789	32.003.702	36.430.685	165.777	2.418.897	123.120	87.744.970
Increases	-	-	-	-	15.629	14.750	30.379
Outputs	30.087	-	-	-	-	-	30.087
balance at June 30, 2018	16.572.702	32.003.702	36.430.685	165.777	2.434.526	137.870	87.745.262
Balance at 01 January 2018	-	14.325.571	26.329.372	94.573	-	-	40.749.516
Depreciation of period	-	1.200.397	543.925	6.506	-	-	1.750.828
Outputs depreciation	-	-	-	-	-	-	-
Balance at June 30, 2018	-	15.525.968	26.873.297	101.079	-	-	42.500.344
Adjustments							
Balance at 01 January 2018	-	-	-	-	-	-	-
Increases	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-
Balance at June 30, 2018	-	-	-	-	-	-	-



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Continued Fixed assets

Book net value

balance at 01 January 2018	16.602.789	17.678.131	10.101.313	71.204	2.418.897	123.120	46.995.454
Balance at June 30, 2018	16.572.702	16.477.734	9.557.388	64.698	2.434.526	137.870	45.244.918

	lands	Buildings and constructions	Machines and equipments	Other tangible assets	Tangible assets in progress	Advances for intangible assets	Total
Cost	Lei	Lei	Lei	Lei	Lei	Lei	Lei
Balance at 01 January 2019	16.537.802	32.061.723	36.504.395	165.777	2.467.747	137.870	87.875.314
Increases	0	0	80.292	11.422	42.498	0	134.212
Decreases	0	0	277.738	0	91.713	14.750	384.201
Balance at 30 June 2019	16.537.802	32.061.723	36.306.949	177.199	2.418.532	123.120	87.625.325

Accrued depreciation

Balance at 01 January 2019	0	16.652.671	27.420.038	107.390	0	0	44.180.099
Depreciation of period	0	989.690	556.728	6.787	0	0	1.553.205
Outputs depreciation	0	0	120.938	0	0	0	120.938
Balance at June 30 2019	0	17.642.361	27.855.828	114.177	0	0	45.612.366

Adjustments

Balance at 01 January 2019	0	0	0	0	0	0	0
Increases	0	0	0	0	0	0	0
Decreases	0	0	0	0	0	0	0
Balance at June 30 2019	0	0	0	0	0	0	0



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Continued fixed assets

Net book value

Balance at 01 January 2019	16.537.802	15.409.052	9.084.357	58.387	2.467.747	137.870	43.695.215
Balance at June 30 2019	16.537.802	14.419.362	8.451.121	63.022	2.418.532	123.120	42.012.959

Between January 1 and June 30, 2019, the total value of the increases recorded in the accounting records for the "Machines and equipment" class was 80.292 lei representing:

- Heating System for Oil Equipment Section, in value of 53.587 lei;
- Modernization of drilling machines in coordinates, worth 22.000 lei;
- Lenovo ThinkPad L580 laptop, worth 4.705 lei.

Between January 1 - June 30, 2019 the total value of the increases recorded in the accounting records for the class "Other tangible fixed assets" was 11.422 lei, representing Monitoring System stand tests at the Oil Utility Section.

The tangible fixed assets in progress registered between January 1 and June 30, 2019 an increase of 42.498 lei, representing:

- Monitoring system stand tests at the Oil Equipment Section, worth 11.422 lei;
- Lenovo ThinkPad L580 laptop, worth 4.705 lei;
- Modernization works for rolling bridges (mounting radios), in the amount of 26.371 lei.

Between January 1st and June 30th, 2019 the total value of the deductions recorded in the accounting records for the class "*Machines and equipment*" was 277.738 lei representing:

- Disposal of technological equipment, measuring and control equipment and installations and means of transport with an inventory value of 181.938 lei, according to the Minutes of disposal no. 1 / 01.10.2018, approved in the Board of Directors meeting from 05.02.2019;
- Sale of technological equipment (Strung carousel SC 35), with an inventor value of 95.800 lei, according to Contract for sale - purchase no. 2 / 28.01.2019.

The tangible fixed assets in progress registered during the period January 1 - June 30, 2019 a decrease in value of 91.713 lei, representing:

- Heating System for Oil Equipment Section, in value of 53.586 lei;
- Monitoring system stand tests at the Oil Equipment Section, worth 11.422 lei;
- Modernization of drilling machines in coordinates, worth 22.000 lei;
- Lenovo ThinkPad L580 laptop, worth 4.705 lei.



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- Intangible assets

	Development expenditures	Other intangible assets	Intangible assets in progress	Total
Cost	Lei	Lei	Lei	Lei
Balance at 01 Jan. 2018	177.335	561.563	-	738.898
Inputs	1.365	60.239	-	61.604
Outputs	-	-	-	-
balance at June 30, 2018	178.700	621.802	-	800.502
Accrued depreciation				
Balance at 01 Jan 2018	114.930	550.187	-	665.117
Depreciation of period	4.869	33.568	-	38.437
Outputs depreciation	-	-	-	-
Balance at June 2018	119.799	583.755	-	703.554
Net book value				
Balance at 01 Jan 2018	62.405	11.376	-	73.781
Balance at June 2018	58.901	38.047	-	96.948

	Development expenses	Other intangible assets	Intangible assets in progress	Total
Cost	Lei	Lei	Lei	Lei
Balance at 01 Jan 2019	130.375	625.680	-	756.055
Inputs	6.118	61.109	-	67.227
Outputs	-	-	-	-
Balance at June 2019	136.493	686.789	-	823.282
Accumulated depreciation				
Balance at 01 Jan 2019	112.538	616.342	-	728.880
Depreciation of period	2.522	36.926	-	39.448
Outputs depreciation	-	-	-	-
Balance at June 2019	115.060	653.268	-	768.328
Net book value				
Balance at 01 Jan 2019	17.837	9.338	-	27.175
Balance at June 2019	21.433	33.521	-	54.954

Between January 1 and June 30, 2019, the development expenses registered an increase of 6.118 lei, representing expenses for the realization of the SSV 3 1/8 X5m valve, hydraulically operated, equipped with an automation system delivered by VT VERES Hungary.

Between January 1 - June 30, 2019 the company purchased intangible assets worth 61.109 lei, representing Technical Support for the integrated SIVECO program, worth 54.411 lei and the ESET Endpoint antivirus license, worth 6.698 lei.



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10. INVENTORY

By comparison, the stocks are presented as follows:

	<u>June 30 2019</u>	<u>December 31 2018</u>
	lei	lei
Raw material	1.529.039	1.381.978
Additional material	797.245	756.172
Fuels	23.864	18.352
Packaging materials	1.767	1.395
Spare parts	3.191.361	3.593.159
Other consumables	198.605	201.901
Inventory items	370.896	353.614
Products in progress	8.299.105	10.470.881
Semi- manufactured	3.345.376	1.692.376
Finished product	9.339.223	8.603.221
Difference of price of finished products	9.852.492	8.970.838
Packing	4.123	5.251
Residual products	26.660	22.864
Total	36.979.756	36.072.002
Advances to purchases assets such as stocks	235.964	215.528
Total General Inventory	37.215.720	36.287.530

11. SHARE OF THE INCOME FROM THE COMPANY'S BASIC ACTIVITY :

The turnover for the period 01.01.2019 – 30.06.2019 is as follows:

Accounting reporting at 30.06.2019	Value (lei)	Shar in total income (%)	Share in turnover (%)
Income from the sale of finished products - internal	12.458.638	32,32	38,99
Income from the sale of finished products - external	19.305.058	50,08	60,42
Income from services rendered - Laboratory	31.275	0,08	0,10
Income from rendered services - internal transport	13.898	0,04	0,04
Income from rendered services – external transport	109.254	0,28	0,34
Income from sale of goods	14.958	0,04	0,05



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Income from various activities - domestic	367	0,00	0,00
Income from various activities - export	17.770	0,05	0,06
Turnover - total	31.951.218	82,89	100,00

Turnover for the period 01.01.2018 – 30.06.2018 is as bellow:

Accounting reporting at 30.06.2018	Value (lei)	Share in total income (%)	Share in turnover (%)
Income from the sale of finished products - internal	10.341.049	26,70	34,72
Income from the sale of finished products - external	19.219.430	49,61	64,53
Income from services rendered - Laboratory	36.718	0,09	0,12
Income from rendered services - internal transport	46.245	0,12	0,16
Income from rendered services – external transport	60.171	0,16	0,20
Income from rental of oil equipment and equipment	8.711	0,02	0,03
Income from sale of goods	10.649	0,03	0,04
Income from various activities - domestic	53.240	0,14	0,18
Income from various activities - export	5.451	0,01	0,02
Turnover - total	29.781.663	76,88	100,00

INCOME FROM OPERATION

	<u>6 months</u> lei	<u>6 months</u> lei
Total operating income, of which:	35.971.871	38.143.565
Turnover	31.951.218	29.781.663
Income related to the cost of finished product stocks and production in progress	3.730.245	7.892.423
Income from the production of intangible and tangible assets	6.118	5.586
Other operating revenues	284.290	463.893

OPERATING EXPENSES

	<u>6 months</u> lei	<u>6 months</u> lei
Total operating expenses, of which:	37.775.835	37.864.509
Expenditure on raw materials and consumables	15.897.828	18.415.332
Other material expenses	691.420	560.920
Other external costs	2.055.550	1.719.375
Goods Expenses	1.236	6.703
Staff costs	12.853.322	11.240.576
Value adjustments on intangible assets, tangible assets, real estate investments and biological assets at cost	1.592.651	1.789.265



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Value adjustments for current assets	-	-
Other operating expense	4.687.155	4.134.463
Adjustments for provisions	(3.327)	(2.125)

FINANCIAL REVENUE

	<u>6 months</u> lei	<u>6 months</u> lei
Total financial revenue, of which:	293.802	593.849
Income from exchange rate fluctuations	292.005	591.524
Interest income	1.797	2.323
Other financial income	-	2

FINANCIAL XPENSES

	<u>6 months</u> lei	<u>6 months</u> lei
Total financial expenses, of which:	770.582	581.420
Interest expenses	319.482	149.659
Other expenses	451.100	431.761

CASH FROM OPERATION

in LEI	30-iunie 2019	30-iunie 2018
Net result of period	(2.280.744)	291.485
Depreciation / depreciation of long-term assets	1.592.651	1.789.265
Gain / (loss) on the sale of fixed assets	(51.079)	(19.987)
Adjustments for impairment of receivables - clients	1.546.766	1.546.766
Interest Expenses	(319.482)	(149.659)
Interest Income	1.797	2.323
Gain / (loss) of course differences	(159.095)	159.931
Movements in working capital	2.611.558	3.328.639
Increase / (decrease) of trade receivables and other receivables	(2.158.886)	1.232.016
Increase / (decrease) of inventory	(928.190)	102.576
Increase / (decrease) in other current assets	1.154	339
Increase / (Decrease) Commercial Debt	(2.320.925)	551.046
Increase / (Decrease) Revenue Received in Advance	880.121	(1.160.168)
Increase / (Decrease) of other debts	110.342	136.652
Cash used from operation	(4.416.384)	862.461
Interest paid	(319.482)	(149.659)
Cash generated from exploitation activities	(4.405.052)	4.332.926



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12. 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

Report on operation segments for the period 01.01.2019 – 30.06.2019 is bellow:

Report on operating segment at June 30, 2019	Value (lei)	Share of total income (%)
Income from the sale of finished products - internal	12.458.638	32,32
Income from the sale of finished products - external	19.305.058	50,08
Income from finished products and products in progress	3.730.245	9,68
Income from services rendered	172.563	0,45
Income from sale of goods	14.958	0,04
Total	35.681.463	92,57



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lei

For the trade segment the turnover is totaling :	14.958
For the segment of services , turnover amounts to :	172.563
For the production segment the turnover is totaling :	31.763.696

Reporting by operational segments for the period 01.01.2018 – 30.06.2018 is bellow:

Report on operating segment at June 30, 2018	Value (lei)	Share in total income (%)
Income from the sale of finished products - internal	10.341.049	26,70
Income from the sale of finished products - external	19.219.430	49,61
Income from finished products and products in progress	7.892.423	20,37
Income from services rendered	201.824	0,52
Income from royalties, rental and locations	8.711	0,02
Income from sale	10.649	0,03
Total	37.674.086	97,26

For the trade segment the turnover is totaling :	10.649
For the segment of services , turnover amounts to :	210.536
For the production segment the turnover is totaling :	29.560.478

13. 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).

Transactions with affiliated parties are:

A) Sales of finished products and services

<u>Entity name</u>	<u>6 months 2019</u>	<u>6 months 2018</u>
	<u>lei</u>	<u>lei</u>
Axon SRL Ploiesti	420,04	773,50
Ipsar SRL Valeni de Munte	(19.359,64)	-
Hany Industry SRL Ploiesti	4.165,00	-



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B) Achizitii de bunuri si servicii

<u>Entity name</u>	<u>6 months 2019</u> <u>lei</u>	<u>6 months 2018</u> <u>lei</u>
Aprodem SA Ploiesti	-	51.861,51
Axon SRL Ploiesti	159.512,87	128.469,26
Comis SRL Valeni de Munte	11.552,13	7.972,01
Electro Service Onel & CO SRL Ploiesti	-	-
Ipsar SRL Valeni de Munte	2.808,40	-
Hany Industry SRL Ploiesti	726.227,23	675.126,74
Passion SRL Ploiesti	306,00	273
Platus Com SRL Campina	83.142,48	133.802,97
Romconvert SA Ploiesti	-	-
Titancore SRL Ploiesti	150.913,32	201.126,20
Rikora FLM SRL (Vaspel SRL Focsani)	1.300,61	73.674,11

<u>Entity name</u>	<u>6 months 2019</u> <u>usd</u>	<u>6 months 2018</u> <u>usd</u>
Shabum International LTD Tel Aviv	32.542,34	22.798,32

<u>Entity name</u>	<u>6 months 2019</u> <u>eur</u>	<u>6 months 2018</u> <u>eur</u>
Passion SRL Ploiesti	6.162,00	5.301,00

According to IAS 24 (Presentation of the information regarding the affiliated parties), the company considered it appropriate to describe the commercial transactions carried out with the legal entities that hold money funds as associate members of the UZTEL Association.

The legal entities whose transactions were mentioned above do not fall under the provisions of art. 82 paragraph (1) of Law no. 24/2017 due to the fact that the holdings, ie the money funds, do not allow them to hold the control.

The company UZTEL SA presents the following additional information regarding the weight of the money funds held, on 30.06.2019, by the legal entities in their capacity as members of the Uztel Association, as follows:

<u>Legal Entity name</u>	<u>% money fund owned</u> <u>in Asociatia UZTEL</u>
Aprodem SA Ploiesti	0,2805
Axon SRL Ploiesti	0,7380
Comis SRL Valeni de Munte	8,2977
Electro Service Onel & Co SNC Ploiesti	4,8555
Iulnicomnic SRL Ploiesti	1,8897



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Passion SRL Ploiesti	0,3982
Platus Com SRL Campina	0,6090
Romconvert SA Ploiesti	0,7609
Titancore SRL Ploiesti	4,2191
Rikora Flm SRL Focsani (Vaspet SRL Focsani)	0,5087

Legal Entity name

Shabum International LTD Tel Aviv	0,2640
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C) Compensation granted to key management personnel:

The key management staff includes executive directors, the management personnel of the production units (section heads) and the management staff of the main functional services of the company (technical, design, human resources, quality assurance, commercial, economic, administrative)..

	<u>6 months 2019</u>	<u>6 months 2018</u>
Gross salary	1.628.827 lei	1.485.386 lei

14. OTHER INFORMATION

(1) Fees paid to auditors

For the period January 1 – June 30 , 2019 the Company's expenses on fees paid to auditors worth 206.799,82 lei VAT excluded , consisting of:

a) Financial Audit

	lei
- Ecoteh Expert SRL Bucuresti Romania – statutory auditor	11.889,50
- Fin Consult Audit SRL Ploiesti – internal auditor	33.000,00

a) Audits for certification of quality management systems and products (license)

	lei
- American Petroleum Institut Washington - USA	117.563,18
- Certification Center Constand Moscova	2.378,20
- DNV-GL Business Assurance Romania SRL	23.358,36
- Techstreet-Clarivate Analytistics LLC Canada	12.021,38
- Intertek Industry Services Romania - Bucuresti	1.189,20
- Pavel VS Stefan Onesti	5.400,00



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(2) Expenses with wages for personnel

	<u>Accounting Reporting at</u> <u>June 30, 2019</u> (lei)	<u>Accounting Reporting at</u> <u>June 30, 2018</u> (lei)
Expenses with wages for personnel	12.480.033	10.909.632

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

Average number of employees in the period January - June 2019, compared to the same period of the previous year, developed as bellow:

	<u>Accounting Reporting at</u> <u>June 30, 2019</u>	<u>Accounting Reporting at</u> <u>June 30, 2018</u>
Average number of employees (persons)	494	476

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

Financial guarantees granted

Uztel SA Ploiesti has established a guarantee of good execution at the request of the client OMV PETROM BUCURESTI in the amount of 23.717,43 lei by withholding from the tax invoices issued by SC UZTEL S.A. of a percentage of 10% of their final value.

This guarantee is registered in account 2678 - "Fixed receivables" and was constituted at the request of the company client when negotiating contracts for the sale of oil assemblies, subassemblies, machinery and installations, industrial fittings, mud pumps, other spare parts for oil equipment , metal constructions and castings and forged parts.

The company has guarantees of good execution in the total amount of 23.717,43 lei (OMV client PETROM BUCURESTI) by registering in the account of fixed assets of these amounts with limited term (between 12 and 19 months), according to the negotiated contractual provisions.

Financial guarantees received

Uztel SA Ploiesti requested and benefited from January - June 2019 guarantees of good execution from the suppliers for the repair works that the company negotiated with them.

These guarantees are in the total amount of 456,98 lei and are evidenced in the accounts of suppliers (commercial debts) with a limited expiration term (12 months) according to the contractual provisions negotiated with the company's suppliers.

(4) The insurance policy held by the company

The company owns the OMNIASIG insurance policy series F no. 2509660 for a period of 12 months,



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valid from 25.05.2018 until 24.05.2019 and OMNIASIG insurance policy series F no. 2533615 for a period of 12 months, valid from 25.05.2019 until 24.05.2020, representing fire insurance and other risks for a declared value of 28.165.350 lei of a number of 26 buildings and industrial production halls owned by the company.

The insurance policy that the company concluded generated financial costs (cash outflows), operating revenues through sales of complex products and services and, mainly, it provides the shareholders, company administrators and trading partners with stability and trust in commercial and financial activities. present and future of the company.

(5) Evaluation of the aspects related to the impact of the basic activity of the company on the environment

The activity of the company is based on the following regulatory acts:

- The environmental authorization no. PH-619 of 21.12.2009 rev. on 24.09.2015, valid until 21.12.2019 for the development of the activity of production of assemblies, subassemblies, petroleum machinery and installations and industrial service, capitalization of recyclable industrial waste, collection, treatment and distribution of water, painting workshop.
- Authorization for water management no. 109 from 14.06.2019 valid until 15.06.2022;
- Registration certificate in the register of the authorized Economic Operators carrying out waste recovery operations no. 0325 issued by the Ministry of Economy - Industrial Policy and Competitiveness Directorate, with no. Registration 220538 / 12.03.2019, valid until 31.03.2020.

The company Uztel S.A. pays constant and sustained special care to the environment, taking into account in particular for this:

- respecting the legislation in force regarding the protection of the environment;
- saving natural resources;
- identifying potential risks, anticipating consequences and considering them.

Uztel SA has implemented the Environmental Management System according to the ISO 14001-2015 standard. The activities regulated by this system are maintained and continuously improved being systematically supervised through internal audit, but also by the certification authority.

The environmental factors (drinking water, waste water, air emissions, air emissions, noise, soil, waste) were monitored according to the legal requirements applicable to the activities of Uztel S.A. (monthly, quarterly, semi-annually, annually). The frequency imposed by the Environmental Authorization was respected and there were no exceedances against the imposed limits.

Hazardous chemical substances and preparations have been purchased, stored, handled and used in compliance with the legislation in force, according to the safety data sheets.

(6) 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 01.01.2019 – 30.06.2019 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.



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Debt recovery	21 files
Enforcement	14 files
Insolvency proceedings	16 files
Labor Disputes (labor groups, special conditions, claims, dismissal appeal)	110 files

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

15. COMPANY MANAGEMENT

TAX LEGAL FRAMEWORK

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

Economic environment

The adjustment values in risk-held on international financial markets beginning with 2016 affected their performance, including financial and banking market in Romania, leading to increased uncertainty about future economic developments.

The current crisis of liquidity and credit 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 earlier transactions.

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

Current concerns that the deteriorating financial conditions contribute in a later stage to a further decrease of confidence led to 1 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.



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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 found 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.

16. THROUGHOUT THE INSOLVENCY - REORGANIZATION PROCEEDINGS

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

COMPANY'S BOARD OF DIRECTORS

In accordance with the legal provisions in force, respectively Law 31/1990 amended and updated, UZTEL SA proceeded to elect a Board of Directors, consisting of five members with full powers:

PERIOD 01.01.2019 - 30.06.2019		
SURNAME ,GIVEN NAME	POSITION	PERIOD
Hagiu Neculai	CEO.	01.01.2019-30.06.2019
Popescu Ileana	Member of Board of Directors	01.01.2019-30.06.2019
Serbaniuc Tudor	Member of Board of Directors	01.01.2019-30.06.2019
Stan Vasile Armis	Member of Board of Directors	01.01.2019-30.06.2019
Gheorghiu Mihail Gabriel	Member of Board of Directors	01.01.2019-18.03.2019
Grigore Victor	CEO.	19.03.2019-30.06.2019



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For the period 01.01.2019 - 30.06.2019 the total remuneration of the Board of Directors of the Company represented 2,17% of the salary fund.

THE EXECUTIVE MANAGEMENT OF THE COMPANY - during 01.01.2019 - 30.06.2019 was provided by

PERIOD 01.01.2019 - 30.06.2019			
SURNAME,GIVEN NAME	POSITION	PERIOD	DECISION/DATE OF ISSUE
Zidaru Ion	Director General	01.01.2019-30.06.2019	C.M 6 / 05.01.2018
Popescu Ileana	Economic Director	01.01.2019-30.06.2019	C.M 2 / 14.05.2017
Anghel George Marinelo	Technical Director	01.01.2019-30.06.2019	Decizia 170 / 16.10.2017
Gheorghiu Mihail Gabriel	Commercial Director	01.01.2019-30.06.2019	C.I.M. 812 / 05.12.2016
Ristoiu Mariana	Manager of Quality Management System	01.01.2019-30.06.2019	Decizia 64 / 05.04.2018

For the period 01.01.2019 - 30.06.2019 the total remuneration of the executive management of the Company represented a percentage of 6,24% of the salary fund.

General Director
Eng. Zidaru Ion

Economic Director
Ec. Popescu Ileana

Head of Gen. Acct. Dept.
Ec. Duta Heroiu Maria Carmen



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Management statement

According to the best available information, we confirm that the simplified unaudited interim financial statements prepared for the six-month period ended June 30, 2019 offer a fair and consistent picture of the reality of the assets, obligations, financial position and the statement of revenues and expenses of Uztel SA, as provided by the applicable accounting standards, and that the Report of the Board of Directors provides a correct and consistent picture of the important events that occurred during the first six months of the financial year 2019 and their impact on the interim financial statements simplified, as well as a description of the main risks specific to the activity carried out.

Ploiesti, August 14, 2019

General Director,
Eng. Zidaru Ion

Economic Director,
Ec. Popescu Ileana