



UZTEL S.A.

OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

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

Phone: + 40 / 0372441111 / int :143 ; +40 / 0372441108; E-mail: office@uztel.ro

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

IN INSOLVENTA

IN INSOLVENCY

EN PROCEDURE COLLECTIVE

**INDIVIDUAL FINANCIAL STATEMENTS OF
UZTEL S.A. PLOIESTI
AT 31.12.2023**

**PROVIDED IN ACCORDANCE WITH THE PROVISIONS OF THE ORDER
OF THE MINISTER OF PUBLIC FINANCE NO. 881/2012 AND OF THE
ORDER OF THE MINISTER OF PUBLIC FINANCE NO. 2844/2016**



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**Statement of the Individual Financial Position****For Accounting Reporting at 31 December 2023**

In LEI	Nota	<u>31-December</u> <u>2023</u>	<u>31-December</u> <u>2022</u>
Long-term Assets			
Tangible assets	10	75.233.022	35.462.326
Intangible assets	10	11.891	38.348
Total long-term assets		<u>75.244.913</u>	<u>35.500.674</u>
Current assets			
Stocks	11	38.514.768	37.712.651
Trade receivables and other receivables	4	8.109.489	11.285.249
Cash and cash equivalents	4	639.274	105.728
Total current assets		<u>47.263.531</u>	<u>49.103.628</u>
Total Assets		<u>122.508.444</u>	<u>84.604.302</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Equity	5	13.413.648	13.413.648
Adjustments of equity	5	3.453.860	3.453.860
Reserves	5	73.200.189	32.369.908
Result for the period	6	(9.407.257)	(8.916.275)
Result reported	8	(18.317.119)	(9.024.687)
Total Capital		<u>71.750.578</u>	<u>40.212.729</u>
Long term loans			
Trade payables	4	15.084.376	3.207.735
Loans	4	7.386.225	21.043
Other debts	4	16.226.177	5.537.551
Provisions	9	202.457	214.337
Income in advance	4	774.626	872.964
Total long-term liabilities	4	<u>39.673.861</u>	<u>9.853.630</u>
Current liabilities			
Trade payables	4	1.202.844	12.743.007
Loans	4	0	8.279.953
Other liabilities	4	6.700.168	7.926.247
Income in advance	4	3.180.993	5.588.736
Total current liabilities		<u>11.084.005</u>	<u>34.537.943</u>
Total debts		<u>50.757.866</u>	<u>44.391.573</u>
Total equity and liabilities		<u>122.508.444</u>	<u>84.604.302</u>



Statement of comprehensive income

For Accounting Reporting at 31 December 2023

In LEI	Note	<u>31-December</u> <u>2023</u>	<u>31-December</u> <u>2022</u>
Income	12	28.422.343	43.565.867
Income from operating subsidiaries	12	-	-
Other income	12	1.201.084	235.250
Other gains/ (loss) -net	12	11.880	5.880
Income cost of inventories of finished goods and production in progress	12	(125.317)	(857.046)
Expenses with raw materials and consumables	12	(11.015.752)	(18.791.128)
Asset depreciation and amortization expense	12	(1.656.549)	(1.776.313)
Employee benefits expense	12	(18.574.060)	(23.476.440)
Contributions to Social security and insurance of employees	12	(920.249)	(849.154)
Expenses with external supply	12	(3.209.306)	(3.803.285)
Other expenses	12	(3.154.493)	(2.026.531)
Operating profit /(loss)	12	<u>(9.020.419)</u>	<u>(7.772.900)</u>
Financial income	12	416.476	558.557
Financial expenses	12	803.314	1.701.932
Profit / (loss) financial activity		<u>(386.838)</u>	<u>(1.143.375)</u>
Profit / (loss)before tax	6	<u>(9.407.257)</u>	<u>(8.916.275)</u>
Profit / (loss) of period - net	6	<u>(9.407.257)</u>	<u>(8.916.275)</u>
Total consolidated income for the period		<u>(9.407.257)</u>	<u>(8.916.275)</u>
Earnings per Share	6	<u>(1,75)</u>	<u>(1,66)</u>
Number of shares	6	<u>5.365.459</u>	<u>5.365.459</u>



Statement of Changes in Equity
For Accounting Reporting at 31 December 2023

In LEI	Note	Equity	Adjustment of equity	Legal reserve	Reserves from revaluation	Other reserves	Result reported	Total equity
Balance at 01 January 2022		13.413.648	3.453.860	2.001.592	31.432.792	631.133	(1.422.418)	49.510.607
Reclassification From revaluation at Reported result	8	-	-	-	-	-	1.695.609	1.695.609
Result reported from correction of errors		-	-	-	-	-	(381.603)	(381.603)
Net Profit of period	6	-	-	-	-	-	(8.916.275)	(8.916.275)
Transfer between Equity accounts		-	-	-	(1.695.609)	-	-	(1.695.609)
Balance at 31 December , 2022		13.413.648	3.453.860	2.001.592	29.737.183	631.133	(9.024.687)	40.212.728

În LEI	Note	Equity	Adjustment of equity	Legal reserve	Reserves from revaluation	Other reserves	Result reported	Total equity
Balance at 01 January 2023		13.413.648	3.453.860	2.001.592	29.737.183	631.133	(9.024.687)	40.212.728
Reclassification From revaluation at Reported result	8	-	-	-	-	-	1.102.142	1.102.142
Result reported from correction of errors		-	-	-	-	-	-	-
Net Profit of period	6	-	-	-	-	-	(9.407.257)	(9.407.257)
Transfer between Equity accounts		-	-	-	(1.102.142)	-	-	(1.102.142)
Reclassification		-	-	-	-	-	-	-
Reserves from revaluation of fixed assets- buildings- revaluation report 31.12.2023		-	-	-	41.932.423	-	-	41.932.423
Result reported after calcul of accessories		-	-	-	-	-	(987.317)	(987.317)



budget- credal mass								
Balance at 31 December 2023		13.413.648	3.453.860	2.001.592	70.567.464	631.133	(18.317.119)	71.750.577

Statement of cash flows

For Accounting Reporting at December 31 2023

	<u>31-December</u> <u>2023</u>	<u>31-December</u> <u>2022</u>	<u>31-December</u> <u>2021</u>	<u>31-December</u> <u>2020</u>
lei				
Net profit for the year	(9.407.257)	(8.916.275)	330.324	(11.615.826)
Expenses related to profit tax	-	-	-	-
Depreciation / impairment of long-term assets	1.656.549	1.776.313	2.228.405	2.476.994
Expenses with assigned assets	484.091	285.904	32.000	843.485
Active disposal income	(539.574)	(154.042)	(169.439)	(252.563)
Adjustments for impairment of	-	-	-	1.077.744
Revenue / (expense) related to current value adjustments	-	-	-	2.693.898
Interest expenses	(406.492)	(885.177)	(517.998)	(605.349)
Interest income	7.820	1.536	1.681	2.701
Gain / (loss) from exchange rate	11.656	262.247	170.669	(26.455)
Movements in working capital	1.214.050	1.286.781	1.745.318	6.210.455
Increase / (decrease) in trade receivables and other receivables	(3.172.390)	(475.132)	(5.562.835)	4.130.449
Increase / (decrease) in other current	(3.370)	(202)	(1.492)	(686)
Increase / (decrease) in inventories	802.117	3.256.062	6.379.529	(5.789.020)
Increase / (decrease) in trade payables	(336.478)	(2.990.559)	(10.814.183)	7.008.127
Increase / (decrease) in deferred revenue	(98.338)	(970.153)	1.350	2.500
Increase / (decrease) other liabilities	9.462.547	1.506.809	1.241.026	(6.671.369)
Cash used in operating activities	6.654.088	326.825	(8.756.605)	(1.319.999)
Profit tax paid	-	-	-	-
Interest paid	(406.492)	(885.177)	(517.998)	(605.349)
Cash generated from operating activities	(1.945.611)	(8.187.846)	(7.198.961)	(7.330.719)
Net cash from investing activities	(151.463)	(241.315)	(436.928)	(651.489)
Payment in cash for the purchase of fixed assets	(151.463)	(241.315)	(436.928)	(651.489)
Net Cash from funding activity	2.630.620	8.176.126	6.708.333	7.297.358
Cash repayments of borrowings	(389.070)	(1.005.938)	(1.005.938)	(1.005.938)
Cash collected from loans and credits	3.019.839	9.182.306	7.714.313	7.263.645
Receipts from subsidies for the payment of staff in technical unemployment	-	-	-	1.039.945
Dividends paid	(149)	(242)	(42)	(294)
Net Increase / decrease in cash and cash equivalents	533.546	(253.035)	(927.556)	(684.850)
Cash and cash equivalents at beginning of period	105.728	358.763	1.286.318	1.971.169
Cash and cash equivalents at end of	639.274	105.728	358.763	1.286.319



period				
Increase / decrease in net cash and cash equivalents	533.546	(253.035)	(927.556)	(684.850)

The financial statements were approved by the Special Administrator- General Director and were authorized to be issued on 26.04.2024.

NOTES TO INDIVIDUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2023

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 ended on 31.12.2023.

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 – USA.

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 moulded parts, spare parts for oil equipment, industrial machines, machine tools repair and others.

Since establishment "Company Romano - Americana" was meant to drilling, processing and distribution of petroleum products in Romania. The company was nationalized in 1948 and has expanded its business by embedding business of oilfield equipment repairs.

In 1950 it was renamed "Uzina Teleajen" and became a unit independent of the refinery sector.

In 1958 the company was taken over by the Ministry of Oil and Chemistry and in 1963 became a part of the General Directorate for Construction and Repair Oil Equipment. After 1966 the company was under the Ministry of Petroleum.

The company was founded and registered in the Trade Registry Prahova on 02.15.1991, at no. J29 / 48/1991, with unique registration code RO 1352846 under the name S.C. UZTEL S.A. as a joint stock company, Romanian legal person with unlimited runtime in accordance with Law No.31 / 1990 - Companies Law.

Until 1990 it was called "Oil and Repair Equipment Company Teleajen" and then, based on Law No.15 / 1990,



Law No.31 / 1990 H. G.no. 1213/1990 was reorganized as a company, registered with the name S.C. UZTEL S.A.

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

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

Decisions with immediate effect will generate visible 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 expense 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.

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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 centre 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.

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 API and EC standards. The Department of Environmental Quality S.S.M., using modern laboratories and procedures, ensures compliance with international standards ISO-14001-2015, ISO 9001-2015, ISO 45001/2018 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 ISO 45001, certified by GR EUROCERT SRL Ploiesti, 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 1.112

a. *Statement of compliance with IFRS*

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

IAS 1.16 The Company has prepared the complete set of financial statements in accordance with the Order of the Minister of Public Finance no. 881/2012 and the Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards. These financial statements have been prepared on a going concern basis. The amounts are expressed in lei in all components of the financial statements.

The financial statements have been prepared using the standards and interpretations issued on December 31, 2022, based on the accounting policy manual in effect at that date. As part of the process of transition to IFRS, the Company also prepared the necessary financial statements to provide comparative information for the financial year ended December 31, 2023. For the preparation of the annual financial statements based on IFRS, the Company proceeded to the inventory of the elements

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

Significant adjustments to the statutory financial statements refer to:

- grouping a number of accounts in positions of the more comprehensive financial position situation;
- preparation of the notes to the financial statements, as well as of the other presentation requirements in accordance with IFRS.

These financial statements have been prepared in accordance with the historical cost convention except for those presented below in the accounting policies.

Uztel SA is not part of a group of entities under the control of a parent company, is not in a consolidation perimeter and does not apply IFRS 10 - Consolidated financial statements.

Special Administrator – General Director undertakes his responsibility for elaboration of the financial statements at 31.12.2023 and acknowledges that they are conforming to the applicable accounting rules and the company has a continuous functioning under the provisions of Law concerning the procedures for preventing the insolvency and insolvency, in the current geopolitical context which generates unpredictable commercial and economic events.

b. Basis of valuation

IFRS require that the financial statements prepared on a historical cost basis be adjusted, taking into account the effect of inflation, if it was significant (IAS1.106) to include the revaluation of tangible and adjusted according to International Accounting Standard IAS 29- Financial Reporting in hyperinflationary economies, until 31 December 2003. From 1 January 2004, the Romanian economy is no longer considered hyperinflationary. The Company does not apply hyperinflationary environment accounting as of this date.

The Company does not apply IFRSs issued and not in force on 31.12.2023, cannot estimate the impact of non-application of these provisions on the individual financial statements, but intends to apply these provisions once they enter into force.

c. Ongoing activity

The financial statements have been prepared under ongoing business principle assumption

Through the application filed on 15.03.2023 at the role of Prahova Court at number 1223/105/2023, Uztel S.A. asked the syndic judge to open the general procedure of insolvency based on the Decision of the Board of Directors no. 54/13.03.2023. By the conclusion passed in the session of 13.04.2023 in the cause no. 1223/105/2023 filed on the role of Prahova Court, the syndic judge ordered opening the procedure of general insolvency of Uztel S.A. Through the application entered, Uztel S.A. acknowledged its intention of reorganisation of the activity, taking in account that owns the materia, reliable manufacture technologies , orders and skilled staff , functioning for a long time and it is known as a reference company on national and international environment.

Causes that led to the insolvency were mainly the following:

- The economic crisis and the repeated fiscal changes that affected Romania in the period 2020-2023;
- The evolution of the international epidemiological situation determined by the spread of the SARS-Cov-2 coronavirus, the declaration of the pandemic by the World Health Organization and the establishment of the state of emergency on the territory of Romania and other countries;
- The conflict in Ukraine;
- Negative evolution of macroeconomic indicators (inflation, budget deficit, decrease in foreign investments, increase in unemployment rate, energy crisis, oil crisis, etc.);- Financial causes determined by the above factors, market conditions and the legislative framework led to a major liquidity deficit that determined the company's inability to pay.

The Company's management analyzed the forecasts regarding the future of the operational activity, highlighting, at least for the year 2023, a volume of income ensured by the performance of some existing contracts, but also reasonable certainty of contracting some works. UZTEL S.A. is one of the most important manufacturers of oil equipment, also providing repair services in this field, a field that has an unpredictable perspective in the current conditions in Romania, when large European and global companies will start exploiting oil and natural gas deposits. UZTEL S.A. Ploiesti joins other large national and international oil companies that report unexpected commercial and financial results due to the volatility/instability of the demand for oil in the conditions where the population is facing the effects caused by the post-coronavirus pandemic, the energy crisis and the geopolitical conflict at the border. There is a global surplus of oil reserves for which there is a significantly reduced



demand due to the restrictions generated by the energy crisis and the sanctions imposed following the geo-political conflict.

Based on the analyzes carried out, the Special Administrator - General Director confirms that the company 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 financial statements based on this principle, with the comment that the activity will be resized/compressed according to the requirements of the relevant market..

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 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 1.125.

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 (i.e. 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 adjustments for impairment of uncertain receivables and inventories that have an effect on the values in the individual annual financial statements to change those in previous years.

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.

a. Transactions in foreign currencies

According to IAS 1.51 (d), (e) foreign currency transactions are expressed in RON by applying the exchange rate at the date of the transaction. Monetary assets and liabilities expressed in foreign currency at the end of the period are expressed in RON at the exchange rate from that date. Gains and losses on exchange differences, realized or unrealized, are recorded in the profit and loss account for the respective year, in accordance with IAS 21.

The official exchange rates used to convert foreign currency balances as of December 31, 2023 are as following:

<u>Currency</u>	<u>31 December 2023</u>
1 Euro	4,9746 lei
1 USD	4,4958 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.

Trade receivables

Accounts receivable and similar accounts include invoices issued and uncollected at the date of reporting at face value and estimated receivables related to sales, services provided, which are initially recognized at fair value

plus directly attributable trading costs. Subsequently, customer accounts and similar accounts are stated at amortized cost less impairment losses. Amortized cost approximates the nominal value. Ultimate losses may vary from the current estimates. Due to the inherent lack of information about the financial position of customers, an estimate of probable losses is uncertain. However, the company management made the best estimate of losses and believes that this estimate is reasonable in the circumstances.

Losses of value are analysed 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 cash register, 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 31.12.2023.

c. Non-derivative financial debt

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

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

The company has the following non-derivative financial debts: assignment / discount of invoices, 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.

e. Interest bearing borrowings

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

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

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

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

f. Equity (share capital)

Ordinary shares

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

g. Tangible assets

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

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

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

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

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

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

Tangible fixed assets that are scrapped or sold are removed from the statement of financial position together with the corresponding accumulated depreciation. The gains or losses following the disposal are equal to the net proceeds obtained from the disposal (less the disposal expenses), from which the book value of the asset is deducted. They are recognized as expenses in the profit and loss account.

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 19 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 31.12.2023 technological equipment, measuring, control, and adjustment, transportation, furniture and office equipment with a net book value of 5.559.736,31 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 revalue that item only once every three or five years".

The Company has chosen, through accounting policies for the property, plant and equipment class, to apply IAS 16.34 and to perform the accounting revaluation of property, plant and equipment with sufficient regularity to ensure that the carrying amount does not differ too much from what would have been determined by using the right value at the balance sheet date.

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.

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
An 2011	37.848.508,91	33.181.183,00	- 4.667.325,91
An 2013	29.005.259,62	31.448.397,00	+ 2.443.137,38
An 2022	10.267.592,74	-	-
An 2023	9.460.591,51	53.819.566,25	+44.358.974,74

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 - 2022 by 18.737.666,88 lei, while the fair value in 2013 decreased compared to the fair value in 2011 by 1.732.786,00 lei. On 31.12.2023, the company recorded in the accounting records the



adjusted value entered in the Revaluation Report of the buildings - industrial halls located in the property, report drawn up by ANEVAR member. Following these records, on 31.12.2023, the accounting value of the class of buildings - industrial halls increased compared to the accounting value in the amount of 7,847,000.31 lei (the inventory value from which the calculated depreciation was eliminated) by 41,932,081.69 lei, registering a fair value according to the revaluation report the amount of 49,779,082 lei, an increase that was recorded through the reserve account from revaluation of constructions in the amount of 41,932,423.39 lei and through the expenses regarding the revaluation of tangible assets in the amount of 341,70 lei.

Technological equipment, technical installations, machines, furniture and office

	Book net value	Fair value	lei	
			Difference	
Year 2007	14.960.673,69	19.580.900,00	+ 4.620.226,31	
Year 2022	6.436.927,15	-	-	-
Year 2023	5.559.736,31	-	-	-

The total net book value of the technological equipment, technical installations, cars, furniture and office equipment decreased on account of the depreciation between 2007 – 2023 by 9.400.937,38 lei.

h. Depreciation

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

	<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.

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 by 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 31.12.2023 the Company does not hold assets bought by leasing.

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j. Intangible assets

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 end year .Changes is 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 and loss category operational expenses . In accordance with IAS 38 , intangible assets are presented in the statement of financial position at cost less any accumulated amortization and any accumulated impairment losses . 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 regulation cannot be acquired through exchange of assets , wich are treated as special deliveries .

The company uses the following lifetimes for intangible assets :

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

The company applies for the intangible assets held, the linear amortization method.

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, labour 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 (+ / -).

l. Dividends

Dividends

According to IAS 10, the Company may pay dividends only from the distribution of the statutory profit, taking into account the financial statements prepared according to the Romanian accounting principles. Dividends are recognized as a liability in the period in which their distribution is approved.

m. Employees Benefits

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

n. Provisions

A provision is recognized when, and only when the following conditions are met: the Company has a present obligation (legal or implicit) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation when a reliable estimate can be made regarding the amount of the obligation. Where the effect of the temporary value of money is material, the amount of a provision is the present value of the expenditures is expected to be required to settle the obligation. Provisions are measured at the present value of cash flows using a discount rate that reflects current market situation and the risks specific to the liability.

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

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

o. Income

Revenue recognition

Revenues are assessed according to IFRS 15 - "Revenues from contracts with customers".

Revenues include the fair value of the amount received or to be received following the sale of goods and services in the normal course of the company's activity. Revenues are presented net of value added tax, rebates and discounts.

The company recognizes revenues when their value can be reliably assessed, when it is likely to produce future economic benefits for the entity, and when specific criteria have been met for each of the company's activities.

The company bases its estimates on historical results, taking into account the type of client, the type of transaction and the specific elements of each contract / order.

- IFRS 15 establishes a five-step model to record revenue from contracts with customers:
- Step 1: Identifying the contract with a client
- Step 2: Identification of payment obligations from the contract
- Step 3: Determination of the transaction price
- Step 4: Allocation of the transaction price for the performance obligations in the contract
- Step 5: Recognition of income as the company fulfils a performance obligation.

In accordance with IFRS 15, revenues are recognized in the amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods or services to a customer.

Revenues from contracts with clients must describe the transfer of goods and services to the client, and their valuation must reflect the consideration to which the entity is expected to be entitled in exchange for these goods and services.

Revenue recognition is done through the following five stages:

1. Identification of the contract with a customer The requirements of IFRS 15 apply to contracts with customers who meet certain conditions. A contract is defined by the Standard as an agreement between two or more parties that gives rise to enforceable rights and obligations. An entity records a contract with a customer only if the following conditions are met:

- a) the parties have approved the contract and agree to honor their obligations,
- b) the entity can identify the rights of each party regarding the goods and services transferred,
- c) the entity can identify the payment terms regarding the goods and services transferred,
- d) the contract has a commercial substance (that is, it modifies the risk, the moment of occurrence and the amount of the entity's future treasury flows),
- e) it is likely that the entity will collect the consideration to which it is entitled in exchange for the goods and services transferred to the client.

The consideration received by the entity from a customer can be recognized as income only if one of the following events occurs:

- a) the entity no longer has outstanding obligations to transfer goods or services to the client and all or most of the consideration promised by the client has been received and is not returnable
- b) the contract has been executed and the consideration received from the client is not returnable.

Any consideration received from a customer is recognized as a debt until the above conditions are met. The modification of the contract is treated as a separate contract (only if it gives rise to an additional obligation, and its price reflects its price at the time of modification) or as an adjustment of the initial contract, accounted for according to the cumulative income adjustment method or the prospective income adjustment method, depending of circumstances.

2. Identification of payment obligations from the contract / order A contract / order includes obligations to transfer goods or services to a customer. An obligation to transfer a good or service is severable if it cumulatively meets the following conditions:

- a) the client can benefit from the good or service transferred separately or in combination with other resources at his disposal and
- b) the entity's promise to transfer the good or service to the client is identifiable separately from other promises stipulated in the contract / order.

In the case of contracts with clients in which the sale of goods (mainly sub-assemblies, assemblies, petroleum machinery and installations, cast and molded parts, spare parts for petroleum machinery) is generally estimated

to be the only performance obligation, it is estimated that the adoption of IFRS 15 will not have any impact on the Company's income and profit or loss.

The company expects the revenue recognition to take place at a point in time, when control of the asset is transferred to the customer, namely upon delivery of the goods. Some contracts / orders assume commercial price reductions or the right of return for quality defects. Currently, the revenues obtained from these sales are recognized based on the price specified in the contract, net of returns and decreases in revenues and commercial discounts recorded on the basis of accrual accounting when a reasonable estimate of the adjustment can be made.

However, since the contractual periods for most of the contracts coincide with the calendar years for which the annual financial statements are prepared and due to the fact that the Company currently reports the annual revenues from contracts / orders with clients net of adjustments, such as financial discounts, the impact on the result carried over from the treatment of variable income as a result of the adoption of IFRS 15 is not material. At the same time, the cases of complaints regarding the quality (rights of return) are isolated, so the Company cannot make a reasonable estimate of such reversal of revenues at the reporting date.

The company has the capacity of principal in all sales contractual relations, because it is the main provider in all revenue contracts, has the right to negotiate the price and is exposed to risks related to stocks and credit risk.

In accordance with IFRS 15, the evaluation will be based on the criterion according to which the Company controls the specific goods before transferring them to the end customer, rather than whether they have exposure to significant risks and rewards associated with the sale of goods.

3. Determination of the transaction price

The entity must determine the amount of consideration to which it expects to be entitled in exchange for the goods and services promised in the contract in order to recognize the income. The price may be a fixed amount or may vary due to discounts or other similar elements. The transaction price is adjusted for the effect of the time value of money if the respective contract contains a currency quote component.

The company provides various services such as sandblasting parts, chroming or heat treatment of various landmarks as occasional activities. Income is assessed at the fair value of the consideration received or to be received. In accordance with IFRS 15, the total consideration from service contracts will be allocated to all services based on their individually negotiated selling prices.

4. Allocation of the transaction price for the performance obligations from the contract / order

If a contract / order contains several separate obligations, the entity allocates the transaction price to each obligation in proportion to its individual price. Sales of goods are recognized when the Company delivers products to customers.

Delivery is considered to take place when the products have been shipped to the specified location, the risks of wear and tear have been transferred and the customer has accepted the products in accordance with the sales contract / order.

5. Recognition of income as the company fulfills a performance obligation The entity must determine for each performance obligation identified at the beginning of the contract / order if it will be fulfilled in time or if it will be fulfilled at a specific time.

Execution obligations fulfilled in time

Uztel SA transfers control over a good or service in time and, therefore, fulfills a performance obligation and recognizes income in time if one of the following criteria is met:

- a) the client simultaneously receives and consumes the benefits offered by the execution by the entity as the entity executes,
- b) execution by the entity creates or improves an asset (for example, production in progress) that the customer controls as the asset is created or improved.

Performance obligations fulfilled at a specific time

If Uztel SA fulfills the performance obligation at a specific time (such as the supply of goods with a clause of assembly, testing or commissioning at a given time), to determine the specific time when the customer obtains control over a promised asset and Uztel fulfils an execution obligation, both the provisions regarding the transfer of control and the indicators of the transfer of control are analyzed, in particular the acceptance of the asset by the client which can be certified by signing the commissioning report or explicit acceptance of payment.

In the case of agreements with invoicing before delivery, in addition to the conditions mentioned above, for a customer to obtain control over a product in an agreement with invoicing before delivery, all the following criteria must be met:

- the reason for the agreement with invoicing before delivery must be substantial (there must be a written request from the customer)
- the product must be ready for the physical transfer to the customer in the current mode
- the entity that delivers the product cannot have the ability to use the product or assign it to another customer.

If there is an acceptance clause in the contract / order concluded with a customer, then the moment when a customer obtains control over a good or service is evaluated according to this clause.

Evaluation of the progress of fulfilling an obligation of execution in full

For each performance obligation fulfilled in time, the Company recognizes the revenues over time by evaluating the progress of the full fulfilment of that performance obligation. The purpose of the progress evaluation is to present the performance of the transfer of control over the goods or services promised to a customer (i.e., the fulfilment of the performance obligation by the supplier).

The recognition and valuation requirements of IFRS 15 are also applicable for the recognition and valuation of any gains or losses resulting from the disposal of non-financial assets (such as fixed assets and intangible assets), when this disposal is not in the normal course of business. However, upon transaction, the effect of these changes is not expected to be significant for the Company.

p. Leasing

The objective of IFRS 16 - "**Leasing contracts**" is **to report information that:**

- a) faithfully represents leasing transactions;
- b) provides a basis for users of financial statements to evaluate the value, timing and uncertainty of cash flows arising from leasing contracts.

To fulfil this objective, the lessor must recognize the assets and liabilities arising from a lease.

Leasing contracts in which a significant part of the risks and benefits associated with the property are assumed by the lessor are classified as operational leasing. Payments related to operational leasing contracts (net of

discounts granted by the lessor) are recorded in the profit and loss account according to a straight-line method during the leasing period.

Leasing contracts for tangible assets in which the company assumes all the risks and benefits related to the property are classified as financial leasing contracts. Financial leases are capitalized at the beginning of the lease at the lower of the fair value of the leased property and the discounted value of the minimum lease payments. Each payment is divided between the capital element and the interest to obtain a constant interest rate during the repayment period. Obligations related to rent, net of financing costs, are included in other long-term / short-term debts, the division being made after maturity (over 1 year / under 1 year). The interest element related to financing costs is entered in the profit and loss account for the duration of the contract, so as to obtain a constant periodic interest rate on the remaining balance of the obligation for each period. Tangible fixed assets purchased through financial leasing are depreciated over the useful life of the asset.

On 31.12.2023 the Company does not own assets related to the rights to use the leased assets

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 payment.

Income tax rate used to calculate the current and deferred income tax at December 31, 2023 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 12 - Profit tax clarifies the accounting method for deferred tax related to receivables valued at fair value.

Application of these amendments had no effect upon the annual statements of the company *Income tax*.

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 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), According to IFRS 16, the lessee recognizes a right of use and a lease liability. The right of use is treated similarly to other non-financial assets and depreciated accordingly. The lease debt is initially measured at the amount of the lease payments due under the terms of the lease, reduced to the default rate in the contract, if this can be easily determined. If that interest cannot be determined, the tenant will use his interest on the loan. As with its predecessor IFRS 16, IAS 17, the parties classify leases as operating or financial. A lease is classified as a finance lease if it transfers all the risks and rewards of ownership. Otherwise, a lease is classified as an operating lease. For financial leasing contracts, the lessor recognizes the income during the contract period based on a model that reflects a constant periodic rate of return on net investment. A lessor recognizes operating lease payments as linear income or, if deemed more representative, depending on how the benefits from the use of the asset diminish. IFRS 16 is valid for annual periods beginning on or after 1 January 2019. IFRS 16 replaces existing leasing instructions, including IAS 17 Leasing, IFRIC 4 *Determining the extent to which a commitment contains a lease*, SIC-15 Operating leasing - Incentives and SIC-27 Assessing the economic value of transactions involving the legal form of a contract leasing. Earlier adoption of the standard is permitted for entities that apply IFRS 15 on or before the initial application of IFRS 16. The standard eliminates the current dual accounting model for tenants and requires companies to bring most leases into balance sheets in a single model, eliminating the distinction between operational and financial leases. In accordance with IFRS 16, a contract is or contains a lease where it confers the right to control the use of an identified asset for a period of time in exchange for compensation. For such contracts, the new model requires the lessee to recognize a right to use the asset and a right to lease. Assets with the right to use are depreciated and the debt generates interest. This will result in higher expenses at the beginning of the lease, even if the tenant pays constant rents. The tenant's accounting remains largely unaffected by the introduction of the new standard, and the distinction between operational and financial leasing contracts will be maintained.

The company does not have ongoing leases and there are no implications for the application of this standard.

- *IFRS 17 Insurance contracts* - applicable for annual periods beginning on or after January 1, 2021,
- *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 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 must use the updated assumptions from this revaluation to determine the cost of current services and net interest for the remainder of the reporting period after the plan amendment.
- *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 - Long-term interest in associates and joint ventures - Amendments have been introduced to clarify that an entity applies IFRS 9 including its impairment requirements, term interest in a partnership or joint venture, but to which the method does not apply. equivalence. The amendments also delete paragraph 41 because the Board considered that it had repeatedly reiterated the requirements of IFRS 9 and created confusion regarding long-term interest accounting.
- *Amendments to IFRS 9 Financial Instruments - Changes in the basis for determining contractual cash flows as a result of the reform of the interest rate benchmark - adopted by the EU on 13 January 2021* - applicable for annual periods beginning on or after 1 January 2021

- *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. The amendments clarify that: an enterprise re-evaluates its previous interest in a joint operation when it gains control of the business (IFRS 3); a company does not revalue its previous interest in a joint operation when it obtains joint control over the enterprise (IFRS 11); a company accounts for all taxable consequences of dividend income in the same way (IAS 12); and an enterprise treats, in general loans, any initial loan made to develop an asset when the asset is ready for its intended
- *Amendments to IAS 39 Financial Instruments: Recognition and Measurement* - adopted by the EU on 13 January 2021 - applicable for annual periods beginning on or after 1 January 2021.
- *Amendments to IFRS 7 Financial Instruments: Additional information to be provided regarding the reform of the EU interest rate benchmark* - adopted by the EU on January 13, 2021. An entity shall apply these amendments to IFRS 9, IAS 39, IFRS 4 or IFRS 16.
- *Amendments to IFRS 4 Insurance Contracts* - adopted by the EU on January 13, 2021 - applicable for annual periods beginning on or after January 1, 2021.
- *Amendamente la IFRS 16 Contracte de leasing* – aplicabil pentru perioadele anuale incepand cu sau dupa 1 ianuarie 2021.
- *IFRIC 23 Uncertainty about the treatments applied for corporate income tax* - adopted by the EU on October 23, 2018 (applicable for annual periods beginning on or after January 1, 2019). It may be unclear how the tax law applies to a particular transaction or circumstance or whether a tax authority will accept a company's tax treatment. IAS 12 Income tax specifies how current and deferred tax is accounted for, but not how it reflects the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements of IAS 12 specifying how to reflect the effects of uncertainty in accounting for income taxes.
- *IFRS 13 Valuation at fair value* – The standard defines fair value, provides guidance on how to determine fair value and requires the presentation of information related to it – with applicability from January 1, 2013.
- *IFRIC 20 Costs to be discovered in the production stage of a surface mine* - applicable from January 1, 2023

The adoption of these new standards, amendments and interpretations of existing standards did not lead to significant changes in the Company's financial statements.

Reconciliation between IFRS and accounting policies for previous financial years

On 31.12.2012, Uztel SA reconciled between IFRS and local accounting policies applicable to 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 provided 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 has prepared financial statements in accordance with IFRS, adopted by the EU, applicable for the financial years ended 31.12.2012, as well as the comparative data at the end of 2011 and 31.12.2011, respectively. For the preparation of these financial statements, the opening position of the financial position was prepared on January 1, 2011, the date of transition.

No reconciliation of the comprehensive income under IFRS 1 with the overall result determined by OMFP 3055/2009 was not identified, as no differences were identified between the overall result determined according

to the local accounting principles applied for previous accounting periods and the overall result determined according to IFRS.

ESEF application for issuers listed on the regulated market in Romania

The Board of the Financial Supervisory Authority decided on March 17, 2021, to approve the Regulation on the obligation to issue by issuers whose securities are admitted to trading on a regulated market of annual financial statements in the single electronic reporting format, as a result of completion of the public consultation period and taking into account the publication in the Official Journal of the EU no. L68 of 26.02.2021 of Regulation (EU) 2021/337 of the European Parliament and of the Council of 16 February 2021 amending Regulation (EU) 2017/1129 regarding the EU prospectus for recovery and specific adjustments for financial intermediaries and the Directive 2004/109 / EC on the use of the single electronic reporting format for annual financial statements, in order to support the recovery from the Covid-19 crisis.

ii. 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 capitalization method for buildings and constructions.

The determination of the fair value of the "Construction" class assets was carried out on 31.12.2023 by an ANEVAR authorized appraiser, using the cost approach, the method being chosen in accordance with SEV 430 - Valuations for financial reporting. For purposes other than that of use in financial situations, the adjusted value may be different from the market value. Considering the physical characteristics, the degree of specialization, the technical condition, the age and other aspects regarding the buildings/constructions, it was not possible to identify the necessary and sufficient data for the real estate market similar to the goods evaluated by the report..

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

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 2023 the provisions of IAS 8.28 regarding changes in accounting policies..

4. RISK MANAGEMENT

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

Credit risk

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

Accounting report

Accounting report

Ended ar

ended at

31 December 2023

31 December 2022



	(lei)	(lei)
Trade and other receivables	8.109.489	11.285.249

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 the amounts not collected at the negotiated terms are the subject of warnings and notifications sent to the company's internal and external clients.

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;
- 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.

▪ **Trade receivables and other receivables**

At December 31, 2023, the company's trade receivables situation is as follows:

Receivables at 31.12.2023			lei	
RECEIVABLES	Balance at 31.12.2023	Maturity		
		Less 1 year	Over 1 year	
0	1 = 2 + 3	2	3	
Total, of which:	8.109.489	7.968.437		141.052
Domestic Client	4.424.691	4.424.691		-
External Client	2.064.779	2.064.779		-
Doubtful client, litigation	610.074	-		610.074
Salary advance	-	-		-
Suppliers' borrowers	378.140	378.140		-
Debtors	464.248	464.248		-
Other receivables (VAT not due, accrued expenses and settlement systems in operation during clarification)	636.579	636.579		-
Adjustments for impairment of client receivables	(469.022)	-		(469.022)

The amount 636.579 lei in the "other receivables" account refers to the amounts from account 4428 (VAT not due) = 340.050 lei ; account 4382 (other receivables – medical leave) = 286.999 lei; cont 471 (expenses in advance) = 1.973 lei and account 4412 (deferred profit tax) = 7.557 lei.

Analysis of trade receivables and other receivables at the end of the period, which are not impaired IFRS 7.37 (a)

Trade receivables and other receivables	Balance at 31.12.2023	din care restante		
		31-90 days	91-120	91-120 days



			days	
1. Internal clients	4.424.691,17	255.256,63	28.176,43	2.555.387,09
2. External clients	2.064.779,19	-	-	2.064.779,19
3. Internal doubtful clients	610.073,86	-	-	610.073,86
4. Adjustment for depreciation	(469.022,17)	-	-	(469.022,17)
5. Debtor Suppliers	378.140,47	378.140,47	-	-
Net receivables	7.008.662,52	633.397,10	28.176,43	4.761.217,97

From the annual volume of sales made in 2023, amounting to 28.422.343 lei, the company's internal and external customers represent:

- internal clients amounting to 18.677.345 lei, a share of 65,71 % in turnover;
- external clients (USD) amounting to 2.397.665 lei, a share of 8,44 % in turnover;
- external clients (EURO) amounting to 7.347.333 lei, a share of 25,85 % in turnover.

	Accounting report at	accounting report at
	<u>31 December 2023</u>	<u>31 December 2022</u>
	(lei)	(lei)
Debts	46.599.790	37.715.536
Provisions for risks and debentures	202.457	214.337
Income recorded in advance	3.955.619	6.461.700
Total debts	50.757.866	44.391.573

• **Trade debts and other debts**

At 31 December 2023, the company's debts are as follows :

Liabilities at 31.12.2023				lei
LIABILITIES	Balance at 31.12.2023	Maturity		
		Less 1 year	1-5 years	Over 5 years
0	1 = 2 + 3 + 4	2	3	4
Total, of which:	49.884.901	10.985.666	38.899.235	-
Amounts owed to credit institutions	7.386.225	-	7.386.225	-
Advances received on account of orders	3.082.654	3.082.654	-	-
Trade debts - suppliers	16.287.220	1.202.844	15.084.376	-
Other liabilities, including tax liabilities and social security liabilities	22.926.345	6.700.168	16.226.177	-
Provisions and income recorded in advance	202.457	-	202.457	-



The amount in the amount of 22.926.345 lei recorded in the account "Other debts, including fiscal debts and debts regarding social insurances" refers to:

- the amounts from account 462 (various creditors - rescheduling agreements) = 529.113 lei;
- account 457 dividends = 1.007.874 lei;
- total current salary debts = 1.752.976 lei , of which pending salary debts included in the preliminary table of receivables published in BPI no. 10429/19.06.2023 in sum of 403.500 lei ;
- total budget debts = 19.636.372 lei, of which pending budget debts in sum of 14.297.742 lei, included in the preliminary table of receivables published in BPI nr. 10429/19.06.2023.

The international financial crisis that was also felt in Romania, the pandemic caused by the SARS-CoV.2 coronavirus and the restrictions imposed by the European Union, Russia and Belarus, as a result of the war in Ukraine, had a negative impact on the energy system and economic chains, implicitly leading to affecting the normal functioning of economic and financial activities, with a direct impact on financial mechanisms, all of which represent social, commercial, economic and financial phenomena and aspects independent of society and which cannot be controlled by it.

Through the application registered on 15.03.2023 before the Prahova Court under no. 1223/105/2023, the company Uztel S.A. requested the judge-syndicate to open the general insolvency procedure, as a result of the Decision of the Board of Directors of Uztel S.A. no. 54/13.03.2023.

Through the request, the company Uztel S.A. , expressed his intention to reorganize the activity, considering that he has the entire material basis necessary for the reorganization of the activity, having in this sense the necessary experience, reliable manufacturing technologies, orders, as well as qualified personnel, having been carrying out his activity for a long time of time, being in this sense known nationally and internationally.

By the Conclusion pronounced in the meeting dated 13.04.2023 in file no. 1223/105/2023 pending at the Prahova Court, the syndic judge ordered the opening of general insolvency proceedings against the company Uztel S.A. Ploiesti

lei

Trade debts and other debts	Balance at	from which overdue		
	31.12.2023	31-90 zile	91-120 zile	> 120 zile
1. Internal suppliers	14.371.968,48	774.332,39	19.786,66	13.246.707,53
2. External suppliers	1.916.683,82	79.014,86	-	1.837.668,96
3. Customer creditors	3.082.653,59	-	-	-
Net liabilities	19.371.305,89	853.347,25	19.786,66	15.084.376,49

From the total amount of 15.084.376,49 lei representing commercial debts, overdue commercial debts in the amount of 14.423.364,05 lei were entered in the preliminary table of claims published in B.P.I no. 10429/19.06.2023 in the unsecured claims category

From the annual volume of acquisitions made in 2023, amounting to 20.225.691,72 lei the company's internal and external suppliers represent:

- internal suppliers amounting to 19.445.851,98 lei, a share of 96,14 % in total purchase;



- external suppliers (USD) amounting to 590.099,70 lei, oa share of 2,92 % in total purchase;
- external suppliers (EURO) amounting to 189.740,04 lei, a share of 0,94 % in total purchase.

Guarantee of bank loans:

Bank loans granted through contracts no. 7793/4 and 7793/5 dated 23.01.2019 are guaranteed with real estate mortgages. The most recent valuation for banking purposes was performed in April 2023 by the company Terraval Valuation and Property Management SRL, authorized appraiser, accredited member of ANEVAR, the market value of the mortgaged real estate being 31.337.661 lei.

For these mortgaged buildings, the insurance policy CCPJ series, no 23062234736 of 19.06.2023, valid from 23.06.2023 until 22.06.2024 (for the insured amount of 23.445.571 lei).

In June 2019, the real estate guarantees were supplemented by real estate mortgage contracts authenticated with the conclusion no. 2431 and no. 2433 of 27.06.2019, with the following lands / access roads:

- land located in the municipality of Ploiesti, str. Mihai Bravu, no. 243, Prahova county, with an area of 10.451 square meters, having cadastral number 125199, registered in the Land Register no. 125199;
- land located in the municipality of Ploiesti, str. Mihai Bravu, no. 243, Prahova county, with an area of 8.131 square meters, having cadastral number 125189, registered in the Land Registry no. 125189.

This addition to the guarantees granted to the bank stemmed from the increase in the working capital ceiling granted to the company by Additional Act no. 1 / 27.06.2019 to contract no. 7993/5 of 23.01.2019.

Interest rate risk

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

Accounting report at Accounting report at

	<u>31 December 2023</u>	<u>31 December 2022</u>
	(lei)	(lei)
Inyterest paid	406.492	885.177

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank deposits in lei and hard currency.

	<u>Accounting report at</u>	<u>Accounting report</u>
	<u>31 December 2023</u>	<u>31 December 2022</u>
	(lei)	(lei)
Cash and availability on demand	639.274	105.728
Total cash and equivalent	639.724	105.728



The liquidity of the bank system was not sufficient for the economic needs, the national currency depreciated , the intra- bank interest rate the market risk and the liquidity risk has an impressive ascendant evolution over 2020 – 2023 , and impeded the company's business.

Devises risk

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

	Accounting report at	Accounting report at
	<u>31 December 2023</u>	<u>31 December 2022</u>
	(lei)	(lei)
Result from exchange rate variation	11.656	(262.246)

Market risk

The current global liquidity crisis, which began in mid-2019, has resulted in, among other things, a low level of capital market financing, low levels of liquidity in the banking sector and, occasionally, higher rates on interbank lending and very high volatility. high stock market.

Uncertainties in the international financial markets have determined significant influences in the Romanian market as well. These had a double influence on the company: a decrease in the assets held and the volumes of activity. At present, the full impact of the current financial crisis is impossible to fully anticipate and prevent.

The management cannot reliably estimate the effects on the Company's financial position, further decline in the liquidity of financial markets and increased volatility of the national currency exchange rate and market indices.

The economic, commercial and financial effects of the "energy crisis" and the geo-political conflict were felt in the company's activity in 2023 by decreasing production (low demand), decreasing revenues and increasing stocks of finished products (available to customers for renting). Most of the oil companies and drilling operators in the domestic and international market have reoriented their investment policy (purchases of oil equipment and machinery) by dividing it for economic and financial reasons into two components:

- Acquisitions of new oil equipment and machinery with diminished investment budgets;
- Rental of oil equipment and machinery with reduced investment budgets.

The decrease in sales volume was determined by the reduction of the volume of contracts and orders at the company level on the background of the evolution of the international and national epidemiological situation of the spread of SARS-CoV-2 coronavirus, corroborated with the sudden decrease of the oil barrel price.

The evolution of the international epidemiological situation determined by the spread of SARS-CoV-2 coronavirus in more than 150 countries, as well as the declaration of the pandemic by the World Health Organization on 11.03.2020 and Presidential Decrees on the establishment of a state of emergency and alert on the Romanian territory, as well as the prolongation of the state of alert throughout 2023 have determined phenomena and social, commercial, economic and financial phenomena independent of society and which cannot be controlled by it, which have led and will inevitably lead to a unavoidable negative impact regarding the volume of orders and commercial contracts related to the year 2023, of the achievement of the provided budgetary indicators.

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, because the preferences and orientations of consumers (internal and external customers), fluctuations in the price of a barrel



of oil and the investment budgets of large oil companies and the size of competitors' offer are unpredictable. As a result, the company is currently experiencing instability in demand for oil equipment, sales and the price of a barrel of oil, which have generated fluctuations in domestic and international sales volume and, consequently, in cash flows generated by exploitation activity.

The management of the Company analysed the forecasts regarding the future of the operational activity, highlighting, at least for the period 01.01.2023 - 31.12.2023, a volume of entries ensured both by the development of existing contracts, but also by the reasonable certainty of contracting new works.

During 2023, the company faced difficulties in securing the volume of orders needed to operate in the context in which the international and domestic market was severely affected by the possible worst crisis in the last 100 years. The effects of the crisis have created difficulties in the chain in terms of:

- management of the situation caused by the coronavirus pandemic and isolation measures;
- variation of crude oil prices;
- the drastic decrease of the demand for oil equipment;

- the commercial activity of selling / bidding the company is hampered by: travel bans, global cessation of oil equipment auctions, volatile oil price exchange rates, price reductions requested by major national and international drilling companies, breaking supply chains - sale of national and international companies.

All this has led to a drastic reduction in investment spending in the mining and drilling sector and has had a negative impact on the activity of equipment companies, leading to a significant decrease in turnover.

Operational risk

Operational risk is the risk of direct or indirect losses arising from a wide range of causes associated with the company's processes, personnel, technology and infrastructure, as well as external factors, such as those arising from the company's customer requirements to increase the quality of products and services offered.

The operational risks come from all the operations carried out by the company. The main responsibility for managing operational risks lies with the company's management, which has identified and controlled a number of operational risks in order not to affect the company's ability to achieve its objectives, namely:

- providing products and services according to the explicit and implicit quality requirements of the clients through the organization, planning and permanent monitoring of the commercial orders / contracts;

- improving the management of human resources by reducing the risks regarding the lack of qualified personnel and by maintaining and developing the professional competencies of all employees.

The company cannot control all the risks, nor is it possible, from the perspective of the costs / resources involved, but it has managed and controlled, which is really a priority, the significant / strategic risks

EQUITY

Share capital

The share capital of SC UZTEL S.A. at 31 December 2023 worth 13.413.647,50 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 letter no. 7084 dated 06.03.2024, the situation of shareholders at 31.12.2023 is as follows:



Shareholder	Nmb. of shares held	share %
UZTEL Association	4.498.300	83,8381
Legal Entities	447.203	8,3349
Natural Person	419.956	7,8270
TOTAL	5.365.459	100,0000

All shares are common, were subscribed and paid in full at 31 December 2023

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. Once this level has been reached, the company can make additional allocations only from the net profit.

At 31 December 2023 the Company establishes legal reserve amounting to 2.001.592 lei.

	accounting report at <u>31 December 2023</u> (lei)	accounting report at <u>31 December 2022</u> (lei)
Legal reserves	2.001.592	2.001.592

At 31.12.2023 the company did not established a legal reserve. .

Other reserves

	Accounting report at <u>31 December 2023</u> (lei)	Accounting report at <u>31 December 2022</u> (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.

Revaluation reserve

The revaluation reserve is the amount of 70.567.464 lei at 31 December 2023 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;
- construction – industrial buildings – revaluation on December 31 , 2023 ;
- technological equipment, technical installations, machinery, furniture and office equipment - revaluation on 31.12.2007.

	Accounting report at	Accounting report at
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	<u>31 December 2023</u>	<u>31 December 2022</u>
	(lei)	(lei)
Reserves from revaluation	70.567.464	29.737.183

The revaluation reserve decreased in 2023 by the amount of 1.102.141,67 lei capitalizing the revaluation surplus and reserves highlighted in the fiscal register, as follows:

- Value of 481.319,27 lei representing capitalization surplus from revaluation for tangible fixed assets out of the record by scrapping or sale during the year 2023;
- Value of 620.822,40 lei representing revaluation reserves highlighted in the fiscal register in 2023;

The revaluation reserve increased in 2023 cby the value of 41.932.423,39 lei worth the difference between the net book value and the fair value according to the revaluation report of buildings – industry halls issued on 31.12.2023.

6. RESULT FOR THE PERIOD

Result for the period

At the end of period of 2023 the Company recorded the following results:

- **Gross result from operational activity** decreased from (7.772.900) lei at 31.12.2022 to (9.020.419) lei at 31.12.2023, that means a significant decrease compared to the same period of 2022;
- **The gross result from the financial activity** increased from (1.143.375) lei at 31.12.2022 lto(386.838) lei at 31.12.2023 , that means a significant increase compared to the same period of 2022;
- **The gross / net result of the financial year** decreased from (8.916.275) lei at 31.12.2022 to (9.407.257) lei at 31.12.2023, that means a significant increase compared to the same period of 2022.

Although the global crisis that affected the oil field had a negative impact on the production of Uztel S.A. (turnover in 2023 decreased against 2022 by 34,76 %), the company's management made efforts to carry out the activity in conditions of continuity.

	<u>Accounting report at</u> <u>31 December 2023</u>	<u>accounting report at</u> <u>31 December 2022</u>
	(lei)	(lei)
Net result (lei)	(9.407.257)	(8.916.275)
Common shares	5.365.459	5.365.459
Earnings per share (lei)	(1,75)	(1,66)

Dividends

In 2023 the Company made payments amounting to 148,93 lei, representing net dividends due to shareholders for the years 2003, 2005, 2006, 2007 and 2008, as follows:

	lei
a) Pay 1st quarter	126,18
b) Pay 2nd quarter	22,75

On 31.12.2023 Uztel SA has registered in account 457 (Dividends to be paid) the amount of 1.007.874,37 lei representing dividends due to shareholders for the years 2003 - 2008.

The company did not set up and did not pay dividends for the period 2011 – 2023



7. PROFIT TAX

	Accounting report at	Accounting report at
	<u>31 December 2023</u>	<u>31 December 2022</u>
	(lei)	(lei)
Gross book value	(9.407.257)	(8.916.184)
Items assimilated to revenue	481.319	845.421
Established legal reserve	-	-
Non-taxable Income	(12.155)	(6.298)
Non-deductible expenses	1.684.954	1.743.019
Profit / (Fiscal Loss)	(7.253.139)	(6.334.042)
Profit tax on result	-	-
Profit tax due	-	-
Net profit / (Net loss)	(9.407.257)	(8.916.184)

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.

The accounting result on 31.12.2023, in the amount of (9.407.257,09) lei, highlighted in account 121 - "Profit or loss" is transferred in January 2024 to account 1171.01 - "Carried forward result - loss".

Thus, the accounting loss highlighted in account 1171.01 - "Retained earnings - loss" will be 42.242.011,81 lei.

In the course of 2023, fixed assets were removed from the accounting records through scrapping or sale, for which the surplus from the revaluation was transferred from "Reserves from revaluation" to the "Result carried forward representing surplus realized from reserves from revaluation" account, in the amount of 481.319,27 lei.

We propose that after the approval by the General Meeting of Shareholders of the Note of substantiation of the proposal regarding the partial coverage of the accounting loss from the carried forward result representing the surplus from revaluation reserves for fixed assets (equipment) sold / scrapped during 2022-2023, in the amount of 1.326.740,14 lei. Thus, after carrying out this accounting operation, the net accounting loss of the company will be in the amount of (40.915.271,67) lei, (loss for 2017: (10.975.913,42) lei, loss in 2020 (11.615.826,38) lei) , loss in 2022 (8.916.274,78) lei) and loss in 2023 (9.407.257,09) lei), to be recovered according to Art. 19 para. (4) from the Accounting Law no. 82 / 1991 with subsequent amendments and additions



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

The fiscal loss recorded at the end of 2023, established by the annual profit tax declaration, in the net amount of (7.253.139,28) lei, will be accumulated with the fiscal loss recorded on 31.12.2022 in the net amount of (23.309.800) lei .

The total fiscal loss recorded on 31.12.2023 by Uztel SA Ploiesti will be (30.562.939,28) lei.

8. REPORTED RESULT

The result carried forward represents the cumulative result of the Company. As of December 31, 2023, the Company has a deferred result recorded in the amount of (18.317.119) lei.

	<u>Accounting report at 31 December 2023</u>	<u>Accounting report at 31 December 2022</u>
	(lei)	(lei)
Reported result	(18.317.119)	(9.024.687)
Common shares	5.365.459	5.365.459
Earnings per share (lei)	(3,41)	(1,68)

9. PROVISIONS

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

	<u>Accounting report at 31 December 2023</u>	<u>Accounting report at 31 December 2022</u>
	(lei)	(lei)
Provisions for disputes	202.457	214.337

10. FIXED ASSETS

	land	Buildings and constructions	Machines and equipment	Other tangible assets	Tangible assets in progress	Advances for intangible assets	Total
Cost	Lei	Lei	Lei	Lei	Lei	Lei	Lei



	IN INSOLVENTA		IN INSOLVENCY			EN PROCEDURE COLLECTIVE	
Balance at 01 January 2023	16.217.332	30.954.447	36.809.890	166.042	2.520.113	20.363	86.688.187
Increases	-	41.932.423	-	-	-	-	41.932.423
Outputs	423.051	19.067.304	765.219	-	54.144	-	20.309.718
Balance at 31 December 2023	15.794.281	53.819.566	36.044.671	166.042	2.465.969	20.363	108.310.892
Accrued depreciation							
Balance at 01 January 2023	-	20.686.855	30.408.635	130.371	-	-	51.225.861
Depreciation of period	-	807.000	809.313	7.178	-	-	1.623.491
Outputs (depreciation)	-	19.066.962	704.520	-	-	-	19.771.482
Balance at 31 December 2023	-	2.426.893	30.513.428	137.549	-	-	33.077.870
Adjustments							
Balance at 01 January 2023	-	-	-	-	-	-	-
Increases	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-
Balance at 31 December 2023	-	-	-	-	-	-	-
Net book value							
Balance at 01 January 2023	16.217.332	10.267.592	6.401.255	35.671	2.520.113	20.363	35.462.326
Balance at 31 December 2023	15.794.281	51.392.673	5.531.243	28.493	2.465.969	20.363	75.233.022

In the period January 1 - December 31, 2023, the total value of the increases recorded in the accounting records for the "Buildings and constructions" class was 41.932.423,39 lei representing: the difference between the net book value at 31.12.2023 and the fair value according to the Valuation Report no . 18/februarie 2024 for buildings – industrial halls.

In the period January 1 - December 31, 2023, the total value of the decreases recorded in the accounting records for the "Land" class was 423.048,62 lei representing the sale ov intra city land with a total area of 4.687 mp .

In the period January 1 - December 31, 2023, the total value of the decreases recorded in the accounting records for the "Buildings and constructions" class was 19.067.303,91 lei representing value of depreciation removed at 31.12.2023 for the category buildings- infustrial halls, scrap and reduction of value for records for fair value according to Revaluation report no. 18/februarie 2024.



In the period January 1 - December 31, 2023, the total value of the decreases recorded in the accounting records for the "Machines and equipment" class was 765.218,94 lei, representing Output of fixed assets by scrapping and sale.

– Intangible assets

	Development expenditures	Other intangible assets	Intangible assets in progress	Total
Cost	Lei	Lei	Lei	Lei
Balance at 01 January 2023	186.892	875.757	-	1.062.649
Inputs	-	6.600	-	6.600
Outputs	-	-	-	-
Balance at 31 December 2023	186.892	882.357	-	1.069.249
Accrued depreciation				
Balance at 01 January 2023	164.764	859.537	-	1.024.301
Depreciation of year	15.562	17.495	-	33.057
Dereciation of outputs	-	-	-	-
Balance at 31 December 2023	180.326	877.032	-	1.057.358
Balance at 01 January 2023	22.128	16.220	-	38.348
Balance at 31 December 2023	6.566	5.325	-	11.891

Between January 1 and December 31, 2023, the company acquired intangible assets worth 6.599,39 lei, representing:

- ESET Endpoint antivirus license, worth 1.700 lei ;
- Software Update License&Support Oracle Database Standard Edition One Processor Perpetual nov 2022-nov 2023, worth 4.899,39 lei .

11. INVENTORY

By comparison, the stocks are presented as follows:

INVENTORY	<u>31-December</u>	<u>31-December</u>
În LEI	<u>2023</u>	<u>2022</u>
Raw material	861.144	935.646
Additional material	282.676	270.865
Fuels	216	5.082
Packaging materials	1.395	1.395
Spare parts	2.350.403	2.224.139
Other consumables	160.107	160.404



Inventory items	220.591	234.679
Products in progress	9.256.669	12.916.350
Semi- manufactured	2.992.265	2.316.741
Finished product	5.344.081	4.536.936
Difference of price of finished products	16.052.027	13.927.255
Packing	825	730
Residual products	248	15.360
Total	37.522.647	37.545.582
Advances to purchases assets such as stocks	992.121	167.069
Total General Inventory	38.514.768	37.712.651

12. INCOME FROM THE COMPANY'S BASIC ACTIVITY

The turnover for the year 2023 in the amount of 28.422.343 lei was obtained from the following business segments:

- the turnover for the production activity is in the amount of 27.691.945,17
- the turnover for the service activity is in the amount of 375.247,17
- the turnover for the trade activity is in the amount of 355.150,74

The turnover for the year 2022 amounting to 43.565.867 lei was obtained from the following business segments:

- the turnover for the production activity is in the amount of 42.992.649,43
- the turnover for the service activity is in the amount of 283.590,15
- the turnover for the trade activity is in the amount of 289.626,99

OPERATING INCOME	<u>31-December</u> 2023	<u>31-December</u> 2022
Total operating income, of which:	29.498.110	42.944.071
Turnover	28.422.343	43.565.867
Income related to the cost of finished product stocks and production in progress	(125.317)	(857.046)
Other operation revenues	1.201.084	235.250

OPERATING EXPENSES	<u>31-December</u> 2023	<u>31-December</u> 2022
Total operating expenses, of which:	38.518.529	50.716.971
Expenditure on raw materials and consumables	6.999.468	14.042.447
Other material expenses	409.486	607.362
Other external expenses	3.471.009	4.034.362
Goods Expenses	135.789	107.270
Trade discounts received	0	313
Staff cost	19.494.309	24.325.594



Value adjustments on intangible assets, tangible assets, real estate investments and biological assets at cost	1.656.549	1.776.313
Other operating expense	6.363.799	5.829.816
Adjustments for provisions	(11.880)	(5.880)

FINANCIAL REVENUE

31-December
2023

31-December
2022

Total financial revenue, of which:	416.476	558.557
Income from exchange rate fluctuations	405.426	553.617
Interest income	7.820	1.536
Other financial income	3.230	3.404

FINANCIAL EXPENSES

31-December
2023

31-December
2022

Total financial expenses, of which:	803.314	1.701.932
Interest expenses	406.492	885.177
Other expenses	396.822	816.755

CASH FROM OPERATING ACTIVITY

31-December
2023
lei

31-December
2022
lei

31-December
2021
lei

31-December
2020
lei

Net result of year	(9.407.257)	(8.916.275)	330.324	(11.615.826)
Profit tax cost	-	-	-	-
Depreciation / impairment of long-term assets	1.656.549	1.776.313	2.228.405	2.476.994
Expenses with assigned assets	484.091	285.904	32.000	843.485
Active disposal income	(539.574)	(154.042)	(169.439)	(252.563)
Adjustments for impairment of receivables	-	-	-	1.077.744
Revenue / (expense) related to value adjustments in respect of current assets	-	-	-	2.693.898
Interest expenses	(406.492)	(885.177)	(517.998)	(605.349)
Interest income	7.820	1.536	1.681	2.701
Gain / (loss) from exchange rate differences	11.656	262.247	170.669	(26.455)
Movements in working capital	1.214.050	1.286.781	1.745.318	6.210.455
Increase / (decrease) of trade receivables and other receivables	(3.172.390)	(475.132)	(5.562.835)	4.130.449
Increase / (decrease) in other current assets	(3.370)	(202)	(1.492)	(686)
Increase / (decrease) of inventory	802.117	3.256.062	6.379.529	(5.789.020)
Increase / (Decrease) of trade receivables	(336.478)	(2.990.559)	(10.814.183)	7.008.127
Increase / (Decrease) Revenue Received in Advance	(98.338)	(970.153)	1.350	2.500
Increase / (Decrease) of other debts	9.462.547	1.506.809	1.241.026	(6.671.369)
Cash used for operation	6.654.088	326.825	(8.756.605)	(1.319.999)



Profit tax paid	-	-	-	-
Interest paid	(406.492)	(885.177)	(517.998)	(605.349)
Cash generated by operating activity	(1.945.611)	(8.187.846)	(7.198.961)	(7.330.719)

13. INFORMATION ON SEGMENTS

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

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

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

Its activity is analysed 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 rental locations;
- Income din sale of goods

Report on operation segments at the end of 31 December 2023:

Report on operating segment at 31 December 2023	Valoue (lei)	Share of total income %
Income from the sale of finished products - internal	18.033.992,41	58,25
Income from the sale of finished products - external	9.657.952,76	40,58
Income from finished products and products in progress	(125.317,00)	(1,97)
Income from services rendered	360.432,44	0,30
Income from rental	14.814,73	0,35
Income from sale of goods	355.150,74	0,67
Total	28.297.026,08	98,18

Report on operation segments at the end of 2022 is as follows:

Report on operating segment at 31 December 2022	Value (lei)	Share of total income %
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Income from the sale of finished products - internal	25.338.377,66	58,25
Income from the sale of finished products - external	17.654.271,77	40,58
Income from finished products and products in progress	(857.046,00)	(1,97)
Income from services rendered	132.664,35	0,30
Income from rent	150.925,80	0,35
Income from sale of goods	289.626,99	0,67
Total	42.708.820,57	98,18

14. TRANSACTIONS WITH AFFILIATED PARTIES

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

During the financial year 2023, the following commercial transactions were carried out in the nature of acquisitions of goods and services with independent legal entities (companies) that did not influence the position and financial performance of the company and were concluded under normal market conditions.

a) Sales of finished products and services:

<u>Entity name</u>	<u>Sales in 2023</u>	<u>Sales in 2022</u>
	<u>lei</u>	<u>lei</u>
Axon SRL Ploiesti	85.174,96	12.402,31
Ipsar SRL Valeni de Munte	21.991,20	65.870,78

b) Acquisition of goods and service:

<u>Denumire Entitate</u>	<u>Acquisitions 2023</u>	<u>Acquisitions 2022</u>
	<u>lei</u>	<u>lei</u>
Axon SRL Ploiesti	195.949,67	528.884,52
Platus Com SRL Campina	34.814,06	51.863,70
Romconvert SA Ploiesti	-	36.604,40
Titancore SRL Ploiesti	-	305.402,91

<u>Entity name</u>	<u>Acquisitions 2023</u>	<u>Acquisitions 2022</u>
	<u>usd</u>	<u>usd</u>
Shabum International LTD Tel Aviv	-	1.023,70

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 weight of the money



funds held, on 31.12.2023, by the legal entities in their capacity as members of the Uztel Association, as follows:

<u>Legal entity name</u>	<u>% money fund owned in Asociatia UZTEL</u>
Axon SRL Ploiesti	0,7380
Ipsar SRL Valeni de Munte	0,3255
Platus Com SRL Campina	0,6090
Titancore SRL Ploiesti	4,2191
<u>Legal entity name</u>	
Shabum International LTD Tel Aviv	0,2640

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, production and IT).

	<u>2023</u>	<u>2022</u>
Gross salary paid	2.625.893 lei	4.455.755 lei

15. OTHER INFORMATION

(1) Fees of auditors

In 2023, the Company's expenses related to the fees paid to auditors amounted to 222.854 lei , with the following component:

Statutory Auditor	lei
- Lexexpert Audit SRL Galati	30.833,00
Internal auditor	
- Fin Consult Audit SRL Ploiesti	30.000,00
Audit of ESEF application situations	
- Unit Vision SRL Bucuresti	17.614,38
Auditors for certification of quality management systems and products (lei
- GR Eurocert SRL Ploiesti Romania	19.490,09
- ND U Test SRL Buzau	4.394,08
	usd
- American Petroleum Institut Washington USA	25.558,71
- Techstreet – Clarivate Analytics LLC Canada	551,00

(2)Expenses with wages for personnel

	<u>Accounting report at</u> <u>31 December 2023</u>	<u>Accounting report at</u> <u>31 December 2022</u>
	(lei)	(lei)
Expenses with wages for personnel	18.574.060	23.476.440



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

(3) Average number of employees at December 3, 2023 , developed as bellow:

	<u>Accounting report at 31 December 2023</u>	<u>Accounting report at 31 December 2022</u>
Average number of employees	217	293

(4) Financial guarantees granted / received by the company

In 2023, the company did not grant or receive financial guarantees

(5) Insurance policies held by the company

The company holds on 31.12.2023 the insurance police SIGNAL IDUNA Asigurari series CCPJ nr. 23062234736 for 12 months, valid from 23.06.2023 until 22.06.2024, representing fire and other risks insurance for a declared value of 23.445.571 lei a a number of 26 buildings and industrial production halls owned by the company.

The insurance policies that the company has concluded have generated financial costs (cash outflows), operating revenues through sales of complex products and services and, mainly, ensure shareholders, company administrators and business partners stability and confidence in commercial and financial activities. present and future of society.

(6) The evaluation of the aspects related to the impact of the basic activity of the society on the environment

The company's activity is carried out on the basis of the following regulatory acts:

- Environmental authorization no. PH-259 of 02.10.2019, reviewed in 17.12.2021, valid with annual visa for the production of assemblies, subassemblies, oil machinery and installations and industrial service, recovery of recyclable industrial waste, water collection, treatment and distribution, painting.
- Water management authorization no.. 143 from 17.08.2022 valid until 01.09.2025.

Company constantly and sustainably pays special attention to the protection of the environment, especially considering: compliance with the legislation in force regarding environmental protection;

- saving natural resources;
- identifying potential risks, anticipating the consequences and taking them into account;
- Uztel SA has implemented the Environmental Management System according to ISO 14001-2015,

ISO 9001-2015, ISO 45001:2018 and API specifications.

The activities regulated by this system are maintained and continuously improved, being systematically supervised by internal audit, but also by the certification authority. Environmental factors (drinking water, wastewater, air emissions, air emissions, soil, waste) were monitored according to the legal requirements applicable to the activities of Uztel S.A. (monthly, quarterly, half-yearly, annually). The frequency imposed by the Environmental Permit was observed and no exceedances were registered compared to the maximum imposed limits.

The program of measures for the year 2023 has been 100% completed.

The proposed actions focused on waste management, emissions and immissions, drinking and wastewater, noise and soil.

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

(7) 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 2023 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 (labour disputes) with former employees.

Insolvency proceedings

8 files

Labor Disputes (labor groups, special conditions, claims, dismissal appeal)

64 dosare

In order to recover the receivables from legal or natural persons, the company proceeded to issue notifications, summonses or amicable settlement in order to settle the dispute.

The company periodically monitors the outstanding commercial receivables and applies the best estimates in highlighting and accounting them.

16. COMPANY MANAGEMENT

TAX LEGAL FRAMEWORK

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

Economic environment

The process of adjusting the values according to risk that took place on the international financial markets starting with 2020 affected their performance, including the financial-banking market in Romania, leading to an increased uncertainty regarding the economic evolution in the future.

The current liquidity and lending crisis has led, among other things, to low levels and difficult access to funds in the capital market, low levels of liquidity in the Romanian banking sector and high interbank loan rates.

Significant losses suffered by the international financial market could affect the company's ability to obtain new loans and refinancing of existing facilities under conditions similar to previous 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 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.

Labour Framework

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

Currently, international financial markets are feeling the global financial crisis triggered in 2008. These effects were 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.

UZTEL S.A. Ploiesti joins other large national and international oil companies that report commercial and financial results due to the instability/fluctuations in oil demand in the conditions where the population is affected by the effects of the pandemic, and the companies' activity was/is being resized due to the energy crisis and the geo conflict - political from the border of the country.

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

17. THROUGHOUT THE INSOLVENCY PROCEEDINGS

Through the application registered on 15.03.2023 before the Prahova Court under no. 1223/105/2023, the company Uztel S.A. requested the judge-syndicate to open the general insolvency procedure, as a result of the Decision of the Board of Directors of Uztel S.A. no. 54/13.03.2023.

Through the request, the company Uztel S.A. , expressed his intention to reorganize the activity, considering that he has the entire material basis necessary for the reorganization of the activity, having in this sense the necessary experience, reliable manufacturing technologies, orders, as well as qualified personnel, having been carrying out his activity for a long time of time, being in this sense known nationally and internationally.

The causes that determined the emergence of the state of insolvency were, mainly, the following: The economic crisis and the repeated fiscal changes that affected Romania in the period 2020-2023;

- The evolution of the international epidemiological situation determined by the spread of the SARS-Cov-2 coronavirus, the declaration of the pandemic by the World Health Organization and the establishment of the state of emergency on the territory of Romania and other countries
- The conflict in Ukraine;
- Negative evolution of macroeconomic indicators (inflation, budget deficit, decrease in foreign investments, increase in unemployment rate, energy crisis, oil crisis, etc.);
- Financial causes determined by the above factors, market conditions and the legislative framework led to a major liquidity deficit that determined the company's inability to pay .

By Decision no. 2/25.05.2023 adopted by the Ordinary General Meeting of Shareholders of Uztel S.A. Mr. Dumitru Paul George was appointed as Special Administrator of the company for a period of 4 years starting on 25.05.2023, who will manage the company under the supervision of the Judicial Administrator Andrei Ioan IPURL Ploiesti.

COMPANY'S BOARD OF DIRECTORS

In accordance with the legal provisions in force, respectively Law 31/1990 amended and updated, the management of the company was provided during 01.01.2023 – 25.05.2023 dby the Board of Directors, consisting of five members with full powers:



PERIOD 01.01.2023 - 25.05.2023		
SURNAME, GIVEN NAME	POSITION	PERIOD
Hagiu Neculai	CEO	01.01.2023-25.05.2023
Popescu Ileana	Member of Board of Directors	01.01.2023-25.05.2023
Serbaniuc Tudor	Member of Board of Directors	01.01.2023-02.04.2023
Stan Vasile Armis	Member of Board of Directors	01.01.2023-25.05.2023
Grigore Victor	Member of Board of Directors	01.01.2023-25.05.2023

By Decision no. 2/25.05.2023 adopted by the Ordinary General Meeting of Shareholders of Uztel S.A. Mr. Dumitru Paul George was appointed as Special Administrator of the company for a period of 4 years starting on 25.05.2023, who will lead the company under the supervision of the Judicial Administrator

For the period 01.01.2023 – 31.12.2023, the total remunerations of the Board of Directors of the Company represented a percentage of 1.20% of the salary fund, specifying that these allowances were accounted for in the period 01.01 – 25.05.2023 because the Board of Directors was suspended according to the provisions of law no. 85/2014 on the insolvency procedure..

THE EXECUTIVE MANAGEMENT OF THE COMPANY - during 01.01.2023 – 31.12.2023 recorded the following component in the exercise of management duties, as follows:

PERIOD 01.01.2023 - 31.12.2023			
SURNAME,GIVEN NAME	POSITION	PERIOD	DECISION/DATE OF ISSUE
Dumitru Paul – George	General Director	26.05.2023 – 31.12.2023	C.I.M. nr. 1387/25.05.2023
Anghel George Marinelo	General Director General, Head of Commercial Dept.	01.01.2023-25.05.2023	C.M. 02/09.01.2020
		01.08.2023 – 31.10.2023	Additional Act / 07.2023
Sighiartau Dan Petru	Commercial Director, Head of Commercial Dept.	01.01.2023-25.05.2023	Decizia nr. 49/09.02.2021
		26.05.2023 – 31.07.2023	Additional Act / 05.2023
Voica Alin Marian	Technical Director, Head of Technical Dept.	01.01.2023-25.05.2023	Decision 184 / 12.12.2019
		26.05.2023 – 31.12.2023	Additional Act / 05.2023
Popescu Ileana	Economic Director , Head of Economic Dept.	01.01.2023-25.05.2023	Decision 592 / 30.11.2010
		26.05.2023 – 31.12.2023	Additional Act /05.2023



Voicu Mariana	Manager of SSM, Head of SSM Dept.	01.01.2023-25.05.2023	Decision 64/05.04.2018
		26.05.2023 – 31.12.2023	Additional Act / 05.2023

For the period 01.01.2023 - 31.12.2023 the total remuneration of the executive management of the Company represented a percentage of 6,46 % of salary fund.

Events after the balance sheet date

Based on the information that the company holds so far, the shareholding structure has not changed until the date of issuance of these financial statements. S

ocietatea Uztel a identificat evenimente care au aparut intre data bilantului contabil incheiat la 31.12.2023 si data la care situatiile financiare sunt autorizate pentru depunere. Aceste evenimente furnizeaza informatii aditionale cu privire la conditii care existau la data bilantului sau cu privire la anumite conditii aparute dupa inchiderea bilantului anului 2023, dupa cum urmeaza:

1. Uztel has identified events that occurred between the balance sheet date ended 31.12.2023 and the date on which the financial statements are authorized for submission. These events provide additional information regarding the conditions that existed at the balance sheet date or regarding certain conditions that appeared after the closing of the 2022 balance sheet, as follows:

1. In 2023, UZTEL SA carried out its activity in conditions of continuity in accordance with the provisions of OMFP 2844/2016 regarding the accounting regulations compliant with the International Financial Reporting Standards and the provisions of the Law 85/2014 related to the insolvency proceedings.

The decrease in the volume of orders and contracts negatively influenced the cash flow and generated the accumulation of budget and trade debts.

After the closing date of the financial year on 31.12.2023, the uncertainties and risks in the economic, commercial and financial environment remain high nationally and internationally. Even if the impact of the pandemic on economic activity has diminished over time, further application of measures to limit the spread of the disease and the prolonged shortage of staff could affect economic activity. These measures could also affect the operation of supply and sales chains for a longer period than expected.

- Starting with 01.01.2023, the inflation forecasts have been revised considerably upwards compared to the forecasts for the fourth quarter of 2022. They reflect the effects of very high energy and gas prices which will lead to a significant and unpredictable increase in energy costs. utilities in total operating expenses of the company.
- The outbreak in February 2022 of the geo-political conflict on the border of Romania and the energy crisis led to major imbalances in the purchase and sales chains with immediate unfavorable consequences in treasury flows and, implicitly, in the accumulation of salary and commercial debts and the non-fulfillment budgetary indicators provided for the year 2023.
- The economic (commercial and financial) instability of the company determined by the reduced volume of sales on the internal and external market, delays in the collection of receivables, resulted in delays in paying the commercial debts of suppliers of raw materials, materials, utilities and services.
- The challenges of 2024: continuously increasing prices for raw materials and materials, higher bank interest rates, high utility bills (energy and gas) will affect the pressure on salary increases and on maintaining a high volume of sales in physical and value units in order to achieve the performance objectives estimated by the budget of revenues and expenses.



UZTEL S.A.

OILFIELD EQUIPMENT MANUFACTURING AND REPAIRS

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IN INSOLVENTA

IN INSOLVENCY

EN PROCEDURE COLLECTIVE

The Uztel company makes every effort to continue the production activity under conditions of its reorganization/restructuring in accordance with the provisions of Law no. 85/2014 regarding the procedures for preventing insolvency and insolvency and resizing the number of employed personnel depending on the volume of orders and commercial contracts negotiated with internal and external clients and the winning of internal and international auctions in the oil equipment market.

Special Administrator – General Director,

Dumitru Paul – George

Economic Departament,

Popescu Ileana

Undersigned, Maria Coman, sworn interpreter and translator for the English and French languages under the license no. 5886/2001 of 11 December 2001 issued by the Ministry of Justice of Romania, certify the accuracy of the translation done from Romanian to English language that the text presented has been fully translated, without omissions, and that the translation did not distorted document content and meaning.

The document whose translation is required in full was issued by SC UZTEL SA , Ploiesti city, Romania and presented me completely .

SWORN INTERPRETER AND TRANSLATOR

