TRANSLATION FROM THE ROMANIAN LANGUAGE

S.C. DAFORA S.A.

SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018

PREPARED IN ACCORDANCE WITH THE ORDER OF THE MINISTRY OF PUBLIC FINANCE NO. 2844/2016
FOR APPROVING THE ACCOUNTING REGULATIONS COMPLIANT WITH THE
INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION

CONTENTS **PAGE**

SEPARATE STATEMENT OF FINANCIAL POSITION on December 31, 2018	3
SEPARATE STATEMENT OF COMPREHENSIVE INCOME on December 31, 2018	4
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY on December 31, 2018	6
SEPARATE STATEMENT OF CASH FLOWS on December 31, 2018	7
NOTES TO THE SEPARATE FINANCIAL STATEMENTS on December 31, 2018	8 - 42

DAFORA S.A.

SEPARATE STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018
(the amounts are expressed in lei, unless otherwise specified)

1. ASSETS	**NOTE**	**31.12.2017**	**31.12.2018**
A. FIXED ASSETS		**61,881,103**	**53,070,501**
1.Tangible assets	**6**	53,602,374	45,057,492
2. Intangible assets		0	0
3. Financial assets at cost	**7**	71,504	61,504
4. Financial assets available for sale	**9**	944,955	773,428
5. Deferred tax assets	**18**	5,976,179	5,837,146
6. Customers and other receivables	**10**	1,286,090	1,340,931
B. CURRENT ASSETS		**59,288,987**	**46,620,731**
7. Fixed assets available for sale	**6**	15,623,734	12,997,490
8. Inventories	**11**	2,986,849	2,814,079
9. Customers and other receivables	**10**	37,270,939	27,099,382
10. Cash and cash equivalents	**12**	3,407,465	3,709,773
C. Prepaid expenses		**21,579**	**3,292**
1. TOTAL ASSETS		**121,191,669**	**99,694,524**
2. EQUITY AND LIABILITIES			
D. LIABILITIES		**136,972,008**	**123,203,744**
D1. Current liabilities		**54,064,403**	**61,220,328**
11. Borrowings	**17**	10,254,060	20,149,133
12. Finance lease liabilities	**17**	4,707,800	3,642,286
13. Suppliers and other liabilities	**16**	34,650,829	33,398,357
14. Provisions for liabilities and expenses	**19**	4,451,715	4,030,551
D2. Non-current liabilities		**82,907,605**	**61,983,416**
15. Borrowings	**17**	45,823,167	28,538,868
16. Finance lease liabilities	**17**	31,384,086	27,962,164
17. Deferred tax liabilities	**18**	2,155,843	2,748,945
18. Suppliers and other liabilities	**16**	3,544,508	2,733,439
E EQUITY		**(15,780,339)**	**(23,509,220)**
19. Share capital	**13**	140,968,822	140,968,822
20. Reserves	**15**	66,364,067	65,950,140
21. Retained earnings		(223,113,228)	(230,428,182)
22. Cumulative conversion adjustments		-	-
F. DEFERRED INCOME		**-**	**-**
II. Total equity and liabilities		**121,191,669**	**99,694,524**

Gheorghe Călburean - Special Administrator
Illegible signature.-/-

Ivan Cosma Melania – Financial Manager
Illegible signature

Gaidarji Stela – on behalf of SC Stela Cont SRL,
Accounting Department
Illegible signature.-/-

These Separate Financial Statements have been signed today, March 27th, 2019

DAFORA S.A.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(the amounts are expressed in lei, unless otherwise specified)

COMPREHENSIVE INCOME	**31.12.2017**	**31.12.2018**
1. Income	74,811,161	112,924,064
2.Other operating income	274,878,007	322,256
3. Changes in finished products and work in progress	-	-
4. Capitalized costs of property, plant and equipment	-	-
5. Raw materials and consumables	(14,715,874)	(11,990,917)
6. Cost of products sold	(583,206)	(5,104,800)
7. Personnel expenses	(22,447,631)	(22,886,511)
8. Third party services	(43,073,754)	(61,619,776)
9. Depreciation and amortization	(7,403,256)	(9,784,746)
10. Adjustments on current assets	2,346,256	(147,943)
11. Other operating expenses	(5,017,559)	(5,694,715)
12. Provisions for other liabilities – net	(274,581)	421,164
13. Other gains/(losses) – net	(3,448,829)	(384,258)
14. Profit/(loss) from operating activity	**255,070,736**	**(3,946,184)**
15. Financial income	684,876	1,629,136
16. Financial costs	(2,988,654)	(3,153,475)
17. Other financial gains/(losses) – net	-	(10,000)
18. Financial costs – net	**(2,303,779)**	**(1,534,338)**
19. Profit/(loss) before taxation	**252,766,957**	**(5,480,522)**
20. Current and deferred income tax expense / income	1,187,714	(813,432)
21. Profit / (loss) for the year	**253,954,671**	**(6,293,954)**
22. Result for the year	**253,954,671**	**(6,293,954)**
23. Profit/(loss) for the year	**253,954,671**	**(6,293,954)**
Other comprehensive income		
24. Gains/ (losses) on the revaluation of land and buildings	(1,644,603)	-
25. Financial assets available for sale	**202,586**	**(171,527)**
26. Impact of deferred tax on revaluation reserves	556,735	81,297
27. Other comprehensive income for the year	**(885,282)**	**(90,230)**
28. Total comprehensive income for the year	**253,069,389**	**(6,384,184)**

Gheorghe Călburean - Special Administrator
Illegible signature.-/-

Ivan Cosma Melania – Financial Manager
Illegible signature

Gaidarji Stela – on behalf of SC Stela Cont SRL,
Accounting Department
Illegible signature.-/-

Earnings per share (Note 26)

	31 12 2017	31 12 2018
Result for company's shareholders	253,954,671	(6,293,954)
The weighted average number of ordinary shares (expressed in K)	1,002,323	1,002,323
	253.37	**(6.28)**

These Separate Financial Statements have been signed today, March 27th, 2019

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT DECEMBER 31, 2018
(the amounts are expressed in RON, unless otherwise specified)

	Share capital	Revaluation reserves	Other reserves	Retained earnings	TOTAL
Balance as at January 01, 2017	**140,968,822**	**7,593,905**	**48,888,969**	**(466,098,356)**	**(268,646,659)**
Corrections recorded in 2017 from previous years	-	-	-	(203,069)	(203,069)
Balance as at January 1, 2017 (recalculated)	**140,968,822**	**7,593,905**	**48,888,969**	**(466,301,425)**	**(268,849,728)**
Profit/(loss) for the year	-	-	-	253,954,671	253,954,671
Other comprehensive income	**-**	**(2,922,863)**	**12,804,055**	**(10,766,474)**	**(885,282)**
Distribution of profit from legal reserves	-	-	-	253,954,671	253,954,671
Profit/(Loss) on revaluation of land and buildings	-	(1,644,603)	-	-	(1,644,603)
Changes in fair value of financial assets available for sale	-	202,586	-	-	202,586
Distribution of retained earnings from reserves	-	(2,037,581)	-	2,037,581	-
Deferred income tax recognised on equity	-	556,735	-	-	556,735
Transactions with shareholders	**-**	**-**	**-**	**-**	**-**
Share capital increase	-	-	-	-	-
Own shares	-	-	-	-	-
Balance as at December 31, 2017	**140,968,822**	**4,671,042**	**61,693,024**	**(223,113,228)**	**(15,780,339)**
Balance as at January 01, 2018	**140,968,822**	**4,671,042**	**61,693,024**	**(223,113,228)**	**(15,780,339)**
Registration corrections in 2018 from previous years	-	-	-	(1,344,697)	(1,344,697)
Balance as at January 1, 2018 (recalculated)	**140,968,822**	**4,671,042**	**61,693,024**	**(224,457,925)**	**(17,125,036)**
Profit / (loss) for the year	**-**	**-**	**-**	(6,293,954)	(6,293,954)
Other comprehensive income	**-**	**(413,927)**	**-**	**323,698**	**(90,230)**
Distribution of profit from legal reserves	**-**	**-**	-	-	-
Profit/(Loss) on revaluation of land and buildings	-	-	-	-	-
Changes in fair value of financial assets available for sale	-	(171,527)	-	-	(171,527)
Distribution of retained earnings from reserves	-	(323,698)	-	323,698	-
Deferred income tax recognised on equity	-	81,297	-	-	81,297
Transactions with shareholders	-	-	-	-	-
Share capital increase	-	-	-	-	-
Own shares	-	-	-	-	-
Balance as at December 31, 2018	**140,968,822**	**4,257,115**	**61,693,024**	**(230,428,182)**	**(23,506,220)**

Gheorghe Călburean - Special Administrator
Illegible signature.-/-

Ivan Cosma Melania – Financial Manager
Illegible signature.-/-

Gaidarji Stela – on behalf of SC Stela Cont SRL,
Accounting Department
Illegible signature.-/-

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(the amounts are expressed in RON, unless otherwise specified)

	NOTE		December 31, 2017		December 31, 2018
Cash flows from operating activities					
Cash generated from operations	**27**		1,257,684		11,609,082
Interest paid			(396,258)		(1,159,478)
Income tax paid			-		-
Net cash generated by operating activities			**879,400**		**10,449,604**
Cash flows from investing activities					
Purchase of property, plant and equipment			(3,040,583)		(1,239,864)
Fixed assets available for sale			7,610,168		2,241,978
Net proceeds from disposal of property, plant and equipment			955,739		-
Loans to related parties			0		-
Repayments from related parties			-		-
Share purchase in associates			-		-
Sale of shares available for sale			(16,504)		10,000
Interest received			5,724		7,104
Dividends received			238,571		-
Net cash (used) in investing activities			**5,753,115**		**1,019,217**
Cash flow from financing activities					
Proceeds from share issuance			-		-
Proceeds from borrowings			-		0
Repayment of borrowings			(6,938,830)		(6,587,433)
Payments to lease suppliers			(2,436,702)		(4,579,081)
Net cash (used) in financing activities			**(9,375,532)**		**(11,166,514)**
Net increase in cash and cash equivalents			**(2,743,017)**		**302,308**
Cash and cash equivalents at beginning of the year	**12**		**6,150,482**		**3,407,465**
Cash and cash equivalents at the end of the year	**12**		**3,407,465**		**3,709,773**

Gheorghe Călburean - Special Administrator
Illegible signature.-/-

Ivan Cosma Melania – Financial Manager
Illegible signature.-/-

Gaidarji Stela – on behalf of SC Stela Cont SRL,
Accounting Department
Illegible signature.-/-

These Separate Financial Statements are signed today, March 27th, 2019

1. GENERAL INFORMATION

DAFORA SA (the “Company”) carries out services in drilling and construction (the construction activity is reduced and carried out only to finalise the ongoing projects on the insolvency date and to cover the execution post-guarantee). The Company’s core activity consists of onshore drilling services for oil, natural gas and geothermal water, well testing and workover, transport and maintenance for drilling equipment. Due to its extensive experience in drilling activities, the Company expanded to foreign markets. In addition, the Company has experience in civil and industrial engineering, airports and infrastructure works.

Dafora S.A. was established based on the Government Decision no. 690/1994 through the reorganization of the Autonomous Company Romgaz in Medias. From 1902 until 1989 it operated as a subsidiary of the National Gas Company. After a series of changes specific to that period and after a privatization process started in 1995, Dafora became a joint stock company.

The Company is a joint stock company, listed on the Bucharest Stock Exchang. It has been established and is located in Romania. The address of the registered office is Piața Regele Ferdinand I, nr. 15, Mediaș.

Dafora S.A. is member of I.A.D.C. (International Association of Drilling Contractors) and of the Association of the Romanian – Iraqi Chamber of Commerce and Industry (C.C.I.R.I.).

According to the certifications obtained, the activity is carried out based on the standards ISO 9001, ISO 14001 and OHSAS 18001.

2. THE SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies used in the preparation of these financial statements are presented below. Such policies were consistently applied throughout all the years presented, unless otherwise specified.

2.1 DECLARATION OF CONFORMITY

The separate financial statements of Dafora SA have been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union (“EU”), according to Ministry of Public Finance Order no. 2844/2016, as subsequently amended.

2.2 BASES OF PREPARATION

The Separate Financial Statements of Dafora SA have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) and the IFRIC interpretations, as adopted by the European Union. The Separate Financial Statements have been prepared at historical cost, as amended by the revaluation of property, plant and equipment and the financial assets available for sale at fair value in equity.

The preparation of the Separate Financial Statements in accordance with the IFRS requires the use of critical accounting estimates. Also, the management must use its judgment in applying the Company’s accounting policies. The fields which involve a higher degree of complexity and a more thorough use of such judgments or those in which the assumptions and estimates significantly affect the financial statements are presented in Note 5.

2.2.1 Going concern

As at 31st December 2018, the Company recorded negative net assets in amount of 23.509.220 RON (at 31st December 2017 the negative net assets were in amount of 15.780.339 RON) and the loss for the year ended at 31 December 2018 was in amount of 6.293.954 RON (at 31st of December 2017 the loss was in amount of 253.954.671 RON).

At the date of the Financial Statements, Dafora SA is in the reorganization period within the general insolvency procedure opened on 19.06.2015, file No. 1747/85/2015 at the Sibiu Court.

In accordance to Law no. 85/2014 on procedures to prevent bankruptcy and insolvency, the insolvency administrator, CITR Filiala (Branch) Cluj SPRL, has prepared the Final Creditors' List, which was published in the Insolvency Bulletin no. 22312 on December 7, 2016.

For continuing the activity, the insolvency administrator, CITR Filiala Cluj SPRL, filed on December 9, 2016 the Company's Reorganisation Plan, which was approved by Dafora Creditors' Assembly on December 30, 2016, according to the Meeting minutes no. 992/30.12.2016 with 4 out of 5 creditors' categories votes, and published in the Insolvency Bulletin no. 105/04.01.2017.

The Reorganisation Plan for the activity was confirmed by the Civil Decision no. 250/30.03.2017 pronounced by the Sibiu Court in the case no. 1747/85/2015. The decision for the confirmation of Dafora's Reorganization Plan remained final.

The Company started the implementation of the Reorganization Plan starting with April 2017, and until now, the Creditors' Assembly approved with no objection the Financial Reports for the I-VII quarters, which have been covered since the implementation of the Reorganization Plan.

Dafora fulfilled the obligation towards its creditors to make the payments according to the Reorganization Plan both from the operational activity and valuation of assets and made anticipated payments to creditors by the valuation of the surplus assets. No delays in implementing the Reorganization Plan. No delays in implementing the Reorganization Plan are expected.

According to the INSOLVENCY ADMINISTRATOR's report on the evolution of the company in the VIIth quarter of the Reorganization Plan (October - December 2018):

✓ the operational revenues obtained during the first seven quarters of reorganization amount to 172,41 million lei, exceeding the expected revenues by 36% (46 million lei);

✓ the direct margin obtained from the executed works exceeded the estimated level by 8%. Its value in the first seven quarters of reorganization amounts to 30.66 million lei.

✓ the operational result obtained during the first seven quarters of reorganization quantifies a profit of 11,79 million lei. The registered result is 19% below the estimated level due to the indirect costs that could not be estimated at the time of the reorganization plan.

✓ as far as the distribution section is concerned, we show that during the reorganization period, distributions amounted to 13,21 million lei out of which: 3,62 million lei from the operational activity; 9,17 million lei from asset capitalization; RON 0,42 million from the release of good execution guarantees.

The Company implemented management measures particular for achieving its objectives and for satisfying the clients' demands. The personnel structure was adapted to the actual number of drilling projects, as the company is simultaneously working with 4 drilling rigs for traditional clients, one of them being present abroad. Furthermore, efforts are underway to extend the Company's activity abroad.

The Company continues to implement the Reorganization Plan under the supervision of the insolvency administrator and the syndic judge.

Therefore, the Company continues to apply the going concern principle to the preparation of its separate financial statements.

2.2.2. Changes in accounting policies and disclosures

(a) Standards and Interpretations effective in the current period

The following standards and amendments to the existing standards, issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current period:

- Adoption of IFRS 9 "Financial Instruments" (applicable to annual periods beginning on 1st of January 2018) with the amendments of the International Accounting Standards in accordance with IFRS 9. The Standard replaces IAS 39 "Financial Instruments" and introduces new requirements on classification, measurement and disclosure of financial assets and liabilities.

- Adoption of IFRS 15 "Revenues from contracts with customers", that replaces the Standards IAS11; IAS 18 and Interpretations IFRIC13; IFRIC15; IFRIC18 and SIC31. IFRS15 is applicable to annual periods beginning on 1st of January 2018, together with amendments of the International Accounting Standards correlate to IFRS 15;

-Amendments to IFRS 15 "Revenues from contracts with customers" effective from January 1, 2018. The Standard establishes a new revenue recognition model for five-step customer contracts. The regulations also apply to the recognition and measurement of gains and losses on sales of non-financial assets. They include new requirements for more detailed classification and disclosure of contracts with customers, including execution obligations, changes to asset and liability account balances, used ratios and estimates. The company has adopted the new standard for accounting reporting for the financial year 2018 without the need to restate the financial statements for the year 2017.
- Amendments to IFRS 4: "Insurance Contracts" applicable for annual periods beginning on 1st of January 2018;
- Amendments to IAS 28 "Investments in associates and joint ventures" IFRS 1
First Adoption of International Financial Reporting Standards and IFRS 12 "Disclosure of Interests in Other Entities", effective as of the financial year 2018;
- Amendments to IFRS 2 "Share-based payment" effective from the financial year 2018;
- Amendments to IAS 40 – "Real estate investments" applicable to annual periods beginning on 1st of January 2018);
- A new interpretation introduced at IFRIC 22 "Foreign currency transactions and prepayments" with effect for the financial year 2018.

b) Amendments to standards issued by IASB and adopted by the EU but not yet in force

At the time of issue of the separate financial statements, the following standards were adopted by the EU, but did not come into force:

- Adoption of IFRS 16 "Financial Leasing" (applicable for annual periods beginning on January 2019) with the amendments of the International Accounting Standards, in accordance with IFRS 16.
- Adoption of IFRIC 23 "Uncertainty over Income Tax Treatments" of the Standards Committee applicable to annual periods beginning on 1st of January 2019).
  The Company assesses the potential effects of the new Standards and amendments to International Financial Reporting Standards and, according to initial estimates, provides that they will not have a significant impact on its financial statements.

2.3 CONSOLIDATION

These are the Company's Separate Financial Statements. The Company also prepares consolidated financial statements for the same period in accordance with the International Financial Reporting Standards, as adopted by the European Union. The consolidated financial statements for the year ended December 31, 2018 will be issued in the legal term.

2.4 SEGMENT REPORTING

Segment reporting is conducted consistently with the internal reporting to the main operations decision-maker. The main operations decision-maker, in charge of allocating resources and assessing the performance of activity segments, is the Special Administrator, who makes the strategic decisions. The activity of the company is managed under the supervision of the Insolvency Administrator.

2.5 FOREIGN CURRENCY CONVERSION

a) Functional and presentation currency

The elements included in the financial statements of the Company are measured in the currency of the main business environment where it carries out its activity ("functional currency"). The Separate financial statements are presented in "Romanian Lei" ("RON"), which is the Company's functional and presentation currency.

b) Transactions and balances

Transactions in foreign currencies are translated to the functional currency by applying the exchange rates prevailing at the date of the transaction. Exchange gains and losses on the conclusion of such transactions and the translation at year end, at the exchange rate prevailing at year end, of monetary assets and liabilities denominated in foreign currency are reflected in the income statements, except if recorded in equity as cash flow and net investment hedge instruments.

Exchange gains and losses on borrowings and cash and cash equivalents are recorded in the income statement under "financial income or expenses". All the other exchange gains and losses are recorded in the income statement under "other (losses)/gains – net".

2.6 TANGIBLE ASSETS

Land and buildings are stated at fair value, based on periodic valuations conducted at least once every three years by external independent valuators, less subsequent depreciation and impairment in case of buildings. Any cumulated depreciation as at the revaluation date is written off from the asset's gross carrying amount and the net amount is recorded as revalued amount of the asset. All the other tangible assets are stated at historical cost less depreciation. The historical cost includes expenses that may be directly attributed to the purchase of such items.

Subsequent expenses are included in the carrying amount of an item of property, plant and equipment or recognised as Individual asset, as applicable, only if it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured.

Any revaluation increase arising on the revaluation of land and buildings is credited to "revaluation reserves" in equity. Decreases that compensate the increases of the same asset are recorded along with other reserves directly in equity; all the other decreases are recorded in profit or loss. Amounts recorded in revaluation reserves are transferred to retained earnings at the end of the useful life of the asset or when the asset if derecognised.

Expenses with repairs and maintenance are recorded in the statement of profit or loss in the period when they are incurred. Costs with replacing major components of items of tangible assets and equipment are capitalized when the parts are replaced or retired.

Gains or losses on write-offs resulting from comparing amounts received with the carrying amounts are recognised in the income statement.

Land is not depreciated. Other items of property, plant and equipment items are depreciated using the straight-line method, in order to decrease the revalued amount of each asset up to its residual value throughout its entire useful life, as follows:

Buildings	25 – 60 years
Machinery and equipment	3 – 18 years
Vehicles	3 – 5 years
Office equipment	5 – 16 years

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company estimates that the asset can be used until the end of its life. The residual values of assets and their useful lives are reviewed and adjusted accordingly as at each balance sheet date.

2.7 INTANGIBLE ASSETS

Software

Licenses acquired to hold the rights to use software are capitalized based on the costs recorded with purchasing and putting such software into operation. Such costs are amortized over their estimated useful life (three to four years). Costs with the development and maintenance of software are recognised as expenses in the period they are incurred.

2.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets with an undefined useful life are not amortised and are revised annually to identify any impairment losses. Assets that are amortized are revised to identify impairment losses anytime events or changes in circumstances occur, which indicate that the carrying amount can no longer be recovered. Impairment loss is the difference between the carrying amount and the recoverable amount of such asset. Recoverable amount is the higher of the fair value of the asset less cost of disposal and value in use. To assess impairment, assets are grouped up to the smallest details where independent cash flows can be identified (cash generating units). Non-financial assets other than goodwill, which were impaired, are revised to perform a possible reversal of the impairment as at each reporting date.

2.9 NON-CURRENT ASSETS (OF GROUPS INTENDED FOR DISPOSAL) HELD FOR SALE

Non-current assets (or Groups intended for disposal) are classified as held for sale when the carrying amount is to be recovered primarily from sale, and the sale is deemed highly possible. They are recorded at the lowest of the carrying amount and the fair value less selling costs, is the carrying amount will be recovered primarily from sale and not through its further use.
The Company recorded in 2017 the transfer of non-core assets subject to capitalization through the reorganization plan from the category of fixed assets in the stock category as fixed assets held for sale.

2.10 FINANCIAL ASSETS

2.10.1 Classification

The Company classifies its financial assets into the following categories: stated at fair value through profit or loss, loans and receivables, and available for sale. The classification is made according to the purpose for which the financial assets were purchased. The management determines how to classify such financial assets upon initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets stated at fair value through profit or loss are assets held for trading. A financial asset is classified as such if it is acquired primarily for short-term trading. Derivatives are also classified as held for trading, except if they are classified as hedge instruments. Assets in such category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment, which are not quoted on an active market. They are included in current assets, except those with a due date over 12 months from the end of the reporting period. They are classified as non-current assets. Borrowings and receivables are classified as “cash and cash equivalents”, and “customers and other receivables” in the balance sheet.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative instruments that are either specifically designated as such or are not classified in any of the other categories. They are included in non-current assets, except when the management intends to dispose the investments within 12 months from the end of the reporting period.

2.10.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the transaction date – the date when the Company undertakes to buy or to sell such asset. Investments are initially recognised at fair value plus trading expenses for all financial assets not recorded at fair value through profit or loss. Financial assets stated at fair value through profit or loss are initially recognised at fair value, and trading costs are charged to expenses in profit or loss. Financial assets are no longer recognised when the right to receive cash from investments expires or is transferred, and the Company transfers all the risks and rewards of ownership.

Available-for-sale financial assets are subsequently stated at fair value. Loans and receivables are recorded at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When the securities classified as available for sale are sold or impaired, the cumulated adjustments of fair value recognised in equity are included in the statement of profit or loss under “gains and losses on investments”.

Dividends on available-for-sale financial assets are recognised in the statement of profit or loss as other income when the Company’s right to receive them is acknowledged.

2.11 OFFSET OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net value is reported in the balance sheet only when there is a legal enforceable right to offset the amounts recognised and the Company intends to offset on a net basis or to value the asset and at the same time offset the liability.

2.12 IMPAIRMENT OF FINANCIAL ASSETS

a) **Assets measured at amortized cost**

The Company estimates at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if and only if there is objective evidence of impairment from one or more events that occurred following the initial recognition of the asset (a “loss generating event”) and if such loss generating event (or events) has (have) an impact on the future estimated cash flows related to the financial asset or the group of financial assets, which can be reliably estimated.

The criteria used by the Company to determine whether there is objective evidence of impairment loss include:

- significant financial distress of the issuer or debtor;

- a breach of contract, such as default or delays in the payment of the interest or the loan;
- the Company, for economic or legal reasons related to the debtor's financial distress, makes a concession to the debtor, which the creditor would not have otherwise considered;
- the probability that the debtor enters bankruptcy or financial reorganization;
- the closing down of the active market for such financial asset because of financial difficulties; or
- observable data indicate that there has been a measurable decrease of future estimated cash flows in a portfolio of financial assets from the initial recognition of such assets, even if the decrease cannot be correlated yet to the individual financial assets in the portfolio, including:
  (ii) national or local economic circumstances, correlated with the breach of the initial conditions of the assets in the portfolio.

First, the Company estimates whether there is objective evidence of impairment.

The value of the loss is measured as difference between the carrying amount of the asset and the present value of future estimated cash flows (excluding future credit losses, not yet recorded) discounted at the initial effective interest rate of the financial asset.

The carrying amount of the asset is discounted and the value of the loss is recognised in the consolidated statement of profit or loss. If a loan or an investment held to maturity has a variable interest rate, then the discount rate to measure any impairment loss is the present effective interest rate determined under the contract. As a practical solution, the Company can measure impairment based on the fair value of the instrument, using an observable market price.

If, subsequently the impairment loss decreased and the decrease may be objectively related to an event occurring after the recognition of the impairment (such as an improvement of the debtor's credit rating), then impairment losses previously recognised are reversed to profit or loss.

The impairment of trade receivables is tested as described in Note 2.14.

b) **Assets classified as available for sale**

The Company estimates at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debentures, the Company uses the criteria mentioned under letter (a) above. In case of investments classified as available for sale, a significant or extended decrease in the fair value of the security below cost is also proof of asset impairment. If there is such evidence for available-for-sale financial assets, the cumulated loss – as difference between the acquisition cost and the present fair value, less any impairment loss related to such financial asset, recognised previously to profit or loss – is written off from equity and recognised in profit or loss. Impairment losses recognised in profit or loss for equity instruments are not reversed to profit or loss. If, subsequently, the fair value of a liability classified as available for sale increases and such increase may be objectively related to an event that occurred after the impairment was recognised in profit or loss, then the impairment loss is reversed to profit or loss.

2.13 INVENTORIES

Inventories are recorded at the lower of cost and net realisable value. Cost is determined based on the first in-first out method (FIFO). The cost of finished products and work in progress includes raw materials, direct labour, other direct costs and indirect related production costs (based on the normal operating capacity), but it excludes borrowings costs. In the normal course of business, the net realizable value is estimated based on the selling price less marketing expenses. Where necessary, allowances are recognized for the impairment of slowly moving, worn out or obsolete inventories.
Thus, the Company calculated: a 50% provision for non-moving stocks older than 365 days and a 100% provision for non-moving stocks older than 720 days.

2.14 TRADE RECEIVABLES

Trade receivables are initially stated at fair value and then are stated at amortised cost using the effective interest method, less impairment allowance.

Trade receivables are amounts due from customers for goods sold or services delivered in the normal course of business. If they may be collected within or in less than, one year (or later, in the normal course of business), then the receivables will be classified as current assets. Otherwise, they are disclosed as non-current assets.

Impairment allowances for trade receivables are created when there is objective evidence that the Company will not be able to collect all the amounts due to it under the initial terms of the receivables. The significant difficulties faced by the debtor, the probability that the debtor enters bankruptcy or financial reorganisation, default or failure to observe the payment conditions are deemed indicative of the impairment of trade receivables.

Impairment allowance is calculated as difference between the value recorded in accounting and the present value of future estimated cash flows, discounted based on the initial effective interest rate. The carrying amount of the asset is discounted by using an allowance account and the loss value is recognised in profit or loss under “other gains/(losses) – net” in the income statement. When a trade receivable cannot be recovered, the receivable is recorded as expense, and the impairment allowance is reversed accordingly. Subsequent recoveries of the amounts previously amortised are credited to profit or loss.

Thus, the Company calculated: 50% impairment allowances for receivables with an age between 366 days and 559 days and 100% impairment allowances for receivables older than 560 days.

2.15 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalent comprise petty cash, sight bank accounts, other highly liquid short-term financial investments with initial maturities of three months or less, overdrafts and the short and long-term share of restricted bank accounts. In the balance sheet, the overdraft is recorded as borrowing, under current liabilities.
The amounts in the company’s bank accounts for the good performance bonds but available to clients are shown at non-current assets (under maturity of more than one year) and at current assets (under maturity of less than one year).

2.16 SHARE CAPITAL

Shares are classified as equity. Preferred shares that are mandatorily redeemed are classified as liabilities.
Incremental costs directly attributable to the issuance of new shares or options are presented as discount, net of tax, in equity from amounts received.

2.17 TRADE LIABILITIES

Trade liabilities are obligations to pay for the goods or services purchased from suppliers in the normal course of business. The Company has individually evidenced the debts accumulated from the date of insolvency up to 31.12.2018, in relation to debts accumulated before the insolvency.

The supplier accounts are classified as current accounts if the payment must be performed within or in less than one year, in the normal course of business. Otherwise, they will be presented as non-current liabilities.

At the date of publication in Insolvency Bulletin no. 22312, on 7.12.2016, the Company has recorded the trade debts at the level approved in the Final Creditors’ Table, the differences being recognized as income/expense in the Separate Statement of Comprehensive Income. The Company records analytically the trade payables for which there are distributions in the reorganization plan, presented in the financial statements on the long-term and short-term portion as it results from the payment plan, and analytically in the off-balance sheet the trade payables as resulting from the Final Creditors' Table for which there are no distributions in the reorganization plan.

2.18 BORROWINGS

Borrowings are initially stated at the fair value of the amount received, net of trading costs.

Borrowings are classified as current liabilities, except if the Company holds an unconditional right to postpone the payment of the debt for minimum 12 months as of the balance sheet date. The current share of non-current borrowings is included in current liabilities. Accrued interest as at the balance sheet date is included in "Borrowings", under current liabilities, if is not repayable within 12 months.

The fees paid when the loan facilities are arranged are recognised as trading costs of the loan to the extent it is probable that the facilities will be used. In this case, the fee is postponed until the amounts are drawn. If there is not any evidence of the probability of using some of or all the facilities, then the fee will be capitalised as advance payment for financing services and depreciated over the term of the corresponding facility. Preferred shares, which must be redeemed at a certain date, are classified as liabilities. Dividends for such preferred shares are recognised in the income statement as interest expenses.

At the date of publication in Insolvency Bulletin no. 22312, on 7.12.2016, the Company has recorded the borrowings at the level approved in the Final creditors' table, the differences being recognized as income/ expense in the Separate Statement of Comprehensive Income. The Company records analytically the borrowings for which there are distributions in the reorganization plan, presented in the financial statements on the long-term and short-term portion as it results from the payment plan, and analytically in the off-balance sheet the borrowings as resulting from the Final Creditors' Table for which there are no distributions in the reorganization plan.

2.19 UNCERTAIN TAX POSITIONS

The uncertain tax positions of the Company are analysed by the management on each balance sheet date. Liabilities are recorded for tax positions for which the management deems that it is probable to incur additional taxes should such positions be verified by the tax authorities. The evaluation is based on the interpretation of the tax laws adopted on the date of the balance sheet. Liabilities with penalties, interest and taxes other than income tax, are recognised based on the management's best estimate required to settle the liabilities as at the balance sheet date.

2.20 CURRENT AND DEFERRED INCOME TAX

The Company registers current income tax at 16% of the tax result determined in accordance with the Romanian Tax Code and the related regulations.

The tax liability for the year includes current and deferred tax. Tax is recognised in the income statement, except if it relates to items recognised in other items of comprehensive income or directly to equity. In such case, the related tax is recognised in other comprehensive income or directly to equity.

The current income tax liability is calculated according to the tax regulations in force as at the balance sheet date in the countries where the company's subsidiaries and related parties operate and generate taxable profit.

The management periodically measures the positions in the tax statements as regards the situations where applicable tax regulations are subject to interpretation. The management creates provisions, where applicable, based on the amounts estimated as payable to the tax authorities.

Deferred income tax is determined on the basis of the tax rates (and laws) that have entered into force by the balance sheet date and are to be applied in the period in which the deferred tax to be recovered will be capitalized or deferred tax will be paid.

Deferred income tax is recognised using the balance sheet liability method, on temporary differences between the tax bases of assets and liabilities and the carrying amounts thereof in the consolidated financial statements. However, deferred income tax resulting from the initial recognition of an asset or liability in a transaction other than a business combination and which at the time of the transaction affects neither the accounting profit or taxable profit is not recognised.

Deferred tax asset is recognised only if it is probable to obtain taxable income in the future for deducting the temporary differences.

Deferred income assets and liabilities are offset when there is a legal enforceable right to offset current tax receivables against current tax liabilities, and when they are levied by the same taxation authority either to the same taxable entity, or to different taxable entities, and the Company intends to settle its current tax assets and liabilities on a net basis.

2.21 EMPLOYEE BENEFITS

In the normal course of business, the Company makes payments to the State budget for social insurance, pension and unemployment benefits. All Company employees are members of the Romanian State pension plan.

Indemnities, salaries, contributions to the pension and social insurance funds of the Romanian State, annual vacations and paid medical leaves, bonuses and non-monetary benefits are cumulated during the year in which the related services are rendered by the Company's employees.

According to the Company's Collective Employment Contract, the company pays a pension benefit equal to 1 gross salary on the last worked month to each employee upon retirement. For the employees having worked more than 15 years in the company, the pension benefit equals to 1.5 gross salary on the last worked month. The Company does not have any other pension obligation to its employees based on Romanian laws, and does not contribute to any other pension plan. The pension benefit on medical grounds is granted only if the pension decision is final.

Employees who are dismissed for reasons not ascribable to them will benefit from active measures to fight unemployment and the benefits provided by law and applicable to the collective employment contract. Such benefits are granted depending on the employees' seniority in the Company:

-	Seniority between 0 – 5 years	no benefit
-	Seniority between 5 – 15 years	1,0 gross base salary at date of leaving
-	more than 15 years seniority	1,5 gross base salaries at date of leaving

The Company registered a provision for retirement benefits on December 31, 2018 and December 31, 2017 (see Note 19). Also, based on the Collective Labour Agreement, on the occasion of special events in the life of the employee, the Company will grant the following:

- a marriage material support for employees with indefinite Contracts at the date of event and those that have at least 1-year experience in the Company, equivalent to at least 1 gross average salary, computed in the month of the event (this allowance is granted once for each employee). This entitlement also benefits employees with a contract of employment concluded for a determined period at the date of event and whose contract is finalized, but no earlier than one year;
- the birth or adoption of each child, based on the birth certificate(s) or adoption certificates, a material support for employees with an employment contract for an indefinite period at the date of event, equivalent to one gross average salary, computed in the month of the event. This entitlement also benefits workers with a fixed-term contract at the date of event and whose contract is finalized, but no earlier than one year. If both parents are employees of the Company, the child's mother benefits of the benefit.
- In case of death of one of DAFORA's employees, the Company will pay his family, in addition to the stated social security death allowance also an allowance equivalent to two base salaries for the deceased. This benefit will be paid in the month of the event. If more children of the deceased are employees of the same unit, the aid will be received by the person entitled to receive the funeral aid from social security.

2.22 PROVISIONS

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events, when an outflow of resources is required to settle the obligation, and a reliable estimate of the amount can be made. Restructuring provisions include penalties for termination of the lease contract and penalties for termination of employment contracts. No provision for future operating losses is recognized.

Where there are similar liabilities, the probability that an outflow of resources is required for settlement is determined by taking into account the entire category of liabilities. The provision is recognised even if the probability related to any of the elements included in the same category of liabilities is small.

Based on contracts concluded with customers, the Company grants good performance bonds to its customers between 5% and 10% of the total value of the invoiced construction works.

The Company has calculated:
- provisions of 10% of the total value of the good performance bonds in order to cover the defects throughout the warranty period until final acceptance based on the experience gained over the years;
- provisions of 100% of the total value of the good performance bonds for those that it is estimated they cannot be recovered after the expiration of the guarantee period.

2.23 INCOME RECOGNITION

Income includes the fair value of the amount received or to be received from the sale of goods and services in the Company’s normal course of business. Income is presented net of value added tax, rebates and discounts and after deducting Company sales.

The Company recognises income only when the value thereof may be reliably measured, when it is probable that the economic benefits associated with the contract will flow to the entity, and when specific criteria for each of the Company’s activities have been fulfilled as described below. The Company bases its estimates on historical results, considering the type of customer, the type of transaction and the specific elements of each contract.

(a) **Construction contracts**

The Company provides drilling and construction services to various customers. Such services are rendered on a material basis or under fixed price contracts, with a contractual term regularly ranging from 1 to 3 years.

Revenue recognition under IFRS 15 "Revenue from contracts with customers" should describe the transfer of goods and services to clients, and their assessment must reflect the consideration to which the entity expects to be entitled in exchange for these goods and services.
Revenue recognition is made through the following five steps:
1. Identifying the contract with a client
The requirements of IFRS 15 apply to contracts with customers that meet certain conditions. A contract is defined by the Standard as an agreement between two or more with enforceable rights and obligations. An entity accounts for a contract with a client only if the following conditions are met:
a) the parties have approved the contract and agree to fulfil their obligations,
b) the entity may identify the rights of each party in respect of the goods and services transferred,
c) the entity may identify the terms of payment for the goods and services transferred,
d) the contract has commercial substance (i.e. it changes the risk, the moment of occurrence and the sum of the entity's future cash flows)
e) the entity is likely to collect the consideration to which it is entitled in exchange for the goods and services transferred to the customer.

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

a) the entity has no longer outstanding obligations to transfer goods or services to the customer and all or most of the consideration promised by the customer has been received and is not refundable
b) the contract was executed and the consideration received from the customer is not refundable.
Any consideration received from a customer is recognized as a debt until the above conditions are met. The amendment of the contract is treated as a separate contract (only if it gives rise to an additional obligation and its price reflects the price or the moment of the amendment) or as an adjustment of the initial contract, accounted for by the cumulative income adjustment method or the prospective income adjustment method, depending on the circumstances.

2. Identification of enforcement obligations
A contract includes obligations to transfer goods or services to a client. An obligation to transfer a good or service is separable if it fulfils both of the following conditions:
a) the customer may benefit from the good or service transferred separately or in combination with other resources available to it, and
b) the entity's promise to transfer the good or service to the client is identifiable separately from other promises provided in the contract.

3. Fulfilment of the execution obligations
The entity must determine for each execution obligation identified at the beginning of the contract, if it is met in time or if it is fulfilled at a specific time.

4. Determination of the transaction price
The entity must determine the amount of the consideration expected to be entitled to receive in exchange for the goods and services promised in the contract to recognize the income. The price may be a fixed amount or may vary due to discounts, incentives, bonuses, or similar items. The transaction price is adjusted for the effect of time value of money if the contract contains a significant financing component. If the price includes a variable component, the amount of the consideration is estimated using either the expected value technique or the most probable value.

5. Allocation of transaction price for execution obligations
If a contract contains several separate obligations, the entity assigns the transaction price of each obligation proportionate to its individual price.

As of January 1, 2018, the Company applies IFRS 15 "Income from contracts with customers". By analysing the impact of applying IFRS 15 on different types of income achieved, the Company concluded the following:
- Revenue from construction contracts (drilling works): the cost-to-cost method will be used to calculate the stage in which the drilling performance is met, taking into account the paragraph 35 (a) of IFRS 15. For the recognition of loss on onerous construction contacts, the Company will apply the provisions of IAS 37.
- Revenues from drilling operations based on an hourly rate.
- Other Income (Deliveries of Goods, etc.):

(b) **Income from sale of goods**

The company also owned a restaurant until November 2017, the main activity being drilling, and the other two segments are to be reduced. Sales of goods are recognized when the Company delivers products to customers. The delivery is deemed to be effective when the products were sent to the specified location, when the risks of wear and tear and loss have been transferred, and the customer has accepted the products in accordance with the sale contract.

(c) **Interest income**

Interest income is recognised based on the effective interest method. Interest income on impaired loans and receivables are recognised based on the initial effective interest rate.

(d) **Rental income**

Rental income is recognised on accrual basis, in accordance with the economic substance of the related contracts.

(e) **Dividend income**

Income from dividends is recognized when the shareholders' right to receive such amounts is established.

2.24 LEASE CONTRACTS

Lease contracts where a significant part of the risks and rewards of ownership are assumed by the lessor are classified as operating leases. Operating lease payments (net of discounts granted by lessor) are recorded in the income statement on a straight line basis over the lease term.

Lease contracts for tangible assets are classified as finance leases whenever the Company assumes all the risks and rewards of ownership. Finance leases are capitalised at the beginning of the lease at the lower of the fair value of the leased property and the discounted value of minimum lease payments.

Each payment is divided into capital and interest so as to achieve a constant interest rate during the repayment period. Rental liabilities, net of financing costs, are included in other long/short-term liabilities, with the maturity being spread over 1 year / under 1 year. The interest on financing costs is recorded in the income statement over the contract term, so as to achieve a constant periodic interest rate on the balance of the liability for each period. Tangible assets purchased under a finance lease are depreciated over the the useful life of the asset.

As of January 1, 2019, the Company analysed and reviewed all the lease and rental contracts to ensure compliance with the standard IFRS 16 "Leasing".

Thus, according to this standard, the first effect will be the recognition of use rights and of a lease liability on the company's balance sheet, as a lessee. Also, in the profit and loss account of the company, in its capacity of lessee, the depreciation of use rights and interest on the lease liability will occur. Thus, instead of a lease payment under IAS 17, the cost of the lease will be recognized in accordance with IFRS 16 through a straight-line depreciation and a declining interest rate over time.

Another effect of the standard will be a positive impact on EBITDA (Profit before interest, tax, depreciation and amortization).

2.25 DIVIDEND DISTRIBUTION

Dividend distribution is recognised as liability in the Company's financial statements when the dividends are approved by the Company's shareholders.

2.26 COMPARATIVES

For each item of the separate statement of comprehensive income, the Company presents, for comparability purposes, the value corresponding to such item in the previous year, and for each item of the financial position, and where applicable, for the Separate statement of changes in shareholders' equity and Separate statement of cash flows, the Company presents, for comparability purposes, the value corresponding to such item for the beginning of the reporting year. In addition, the Company presents a separate statement of the financial position at the beginning of the most recent period in case of a retrospective application of an accounting policy, of a retrospective correction or reclassifications of items of Separate financial statements, if the effect on the Company is significant.

3 MANAGEMENT OF FINANCIAL RISK

3.1 FINANCIAL RISK FACTORS

By the nature of the activities carried out, the Company is exposed to various risks which include: market risk (including monetary risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's risk management program focuses on the unpredictability of financial markets and seeks to mitigate any adverse effects on the Company's financial performances. The Company does not use derivative financial instruments to hedge certain risks.

Risk management is the responsibility of the management of Dafora SA, based on the recommendations of the Special Administrator. The management of Dafora SA identifies and assesses financial risks in close cooperation with the operations units. The Special Administrator, together with the other management members and under the supervision of the legal administrator, offers the fundamental principles for risk management, and recommendations for specific areas such as currency risk, interest rate risk, credit risk and excessive liquidity investment.

The Company operates primarily in Romania and is exposed to the currency risk resulting in particular from the Euro. Currency risk results in particular from borrowings and finance leases of the Company.

(a) **Market risk**

(i) **Currency risk**

The Company does not hedge currency risk. The Company's operations are carried out in particular on the domestic market, but in 2018 they generated also significant income in USD, the same currency as borrowings and finance lease liabilities are contracted. However, the management is provided on a regular basis with forecasts regarding the evolution of the RON/EUR and RON/USD exchange rate and uses such information in its pricing strategy. The management will consider developing strategies to protect the Company against currency risk in the future, and therefore intends to cooperate with a specialized foreign exchange company to protect it from exchange fluctuations related to the activity of projects abroad and foreign currency purchases.

(ii) **Price risk**

The Company is exposed to the price risk related to participation titles further to the Company's investments and recorded in the Separate balance sheet as available for sale. A portion of the participation titles are traded on the Bucharest Stock Exchange, of which only the Transgaz SA shares are regularly traded. The market value of quoted participating shares is insignificant and no risk management policies have been developed.

(iii) **The cash flow and fair value interest rate risk**

The Company's interest rate risk arises from short and long-term borrowings. Contracted variable interest rate borrowings expose the Company to the cash flow interest rate risk, which is partly offset by the cash held at variable rates. Fixed interest rate borrowings expose the Company to the fair value interest rate risk.

The Company assesses its interest rate exposure in an active manner. Different scenarios are simulated considering refinancing, renewal of existing positions and alternative financing. Based on such scenarios, the Company calculates the impact of changes in interest rate on profit and loss. For each simulation, the Company uses the same percentage of interest rate fluctuation for all currencies. The scenarios apply only in the case of liabilities that constitute major interest bearing positions.

(b) **Credit risk**

The credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as crediting exposures of the drilling and construction services, including amounts receivable and transactions undertaken.

In case of banks and financial institutions, only those independently rated at least “BB” are accepted.

There is no independent assessment of customers, the management assesses the financial creditworthiness of the customer given by its financial position, past experience and other factors. Individual risk limits are established based on internal ratings, according to the limits laid down by the special administrator and under the supervision of the insolvency administrator. Please see Note 17 for additional disclosures regarding the credit risk.

(c) **Liquidity risk**

Forecasts regarding cash flows are made by the Company’s operations units and agreed by the Company’s management. The Company’s management monitors the forecasts regarding the Company’s required liquidities, to make sure there is sufficient cash to meet the operating requirements, so that the Company does not breach the limits of the loans or the lending arrangements (if applicable) for all loan facilities. Such forecasts consider the payments made to the creditors through the reorganization plan, the financing plan of the Company’s debt, the need to comply with arrangements, and to meet the internal objectives as to the balance sheet indicators.

The Company’s management invests the cash surplus in interest bearing current accounts, term deposits, selecting instruments with proper maturities or sufficient liquidity to offer a proper margin, as established based on the above mentioned forecasts.
The table below presents the financial debts of the Company by relevant due dates, depending on the remaining period between on the balance sheet date until the date of the contractual maturity. The values presented in the table represent the undiscounted nominal values as at the balance sheet date:

As at December 31, 2018	Less than 1 year	From 2 to 5 years	More than 5 years	TOTAL
Borrowings (exclusive finance lease liabilities)	20,149,133	28,538,868	-	**48,688,002**
Finance lease liabilities	3,642,286	27,962,164	-	**31,604,450**
Suppliers and other liabilities	37,428,909	5,482,384	-	**42,911,292**
TOTAL	**61,220,328**	**61,983,416**	**-**	**123,203,744**

As at December 31, 2017	Less than 1 year	From 2 to 5 years	More than 5 years	TOTAL
Borrowings (exclusive finance lease liabilities)	10,254,060	45,823,167	-	**56,077,227**
Finance lease liabilities	4,707,800	31,384,086	-	**36,091,886**
Suppliers and other liabilities	39,102,544	5,700,352	-	**44,802,895**
TOTAL	**54,064,403**	**82,907,605**	**-**	**136,972,008**

3.2 MANAGEMENT OF CAPITAL RISK

The Company’s objectives as to capital management are to protect the Company’s capacity to operate as a going concern, to meet its obligations under the reorganization plan, to yield benefits to the involved parties, and to maintain an optimum capital structure to reduce capital expenses.

To maintain or adjust the capital structure, the Company may adjust the value of the dividends granted to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Like other entities operating in the same field, the Company monitors its capital based on the gearing ratio. The net liability is calculated by subtracting cash and cash equivalents from total borrowings (including "short- and long-term borrowings" in the Separate balance sheet). Total capital is calculated by adding net liability to "equity" in the Separate balance sheet.

	December 31, 2017	**December 31, 2018**
Total borrowings (note 17)	92,169,113	80,292,452
Less: cash and cash equivalents (note 12)	3,407,465	3,709,773
Net liability	**88,761,648**	**76,582,679**
Total equity	(15,780,339)	(23,509220)
Total capital	**72,981,308)**	**(53,073,459)**
Gearing ratio	122%	144%

3.3 FAIR VALUE ESTIMATE

Fair value measurements follow the below hierarchy of fair value measurement:

- Quoted (unadjusted) prices on active markets for identical assets or liabilities – level 1.
- Data, other than quoted prices, which are observable for assets or liabilities, either directly (namely, prices) or indirectly (namely, price derivatives) – level 2.
- Asset and liability data, which do not rely on observable market data (namely, unobservable inserted data) – level 3.

The following table presents the Company's assets measured at fair value as at December 31, 2018.

31.12.2018	**Level 1**	**Level 2**	**Level 3**	**TOTAL**
Asset				
Financial assets for sale, out of which:	753,191	-	20,237	773,428
- **Investments**	753,191	-	20,237	773,428

The fair value of financial instruments included in Level 1 is based on the quotations of the Bucharest Stock Exchange.
Equity included in Level 3 is not based on observable market data and has not been impaired.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are permanently assessed and are based on the historical experience and other factors, including forecasts on future events not considered reasonable under the given circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions regarding the future. Resulting accounting estimates are by definition rarely consistent with actual results. Estimates and assumptions involving a high degree of risk or which trigger significant adjustments of the carrying amount of the asset and liability in the following year are settled herein below.

(a) **Income tax**

The Company pays income tax. Significant considerations are required to determine the income tax provision. There are more transactions and calculations for which the income tax determined is uncertain. The Company recognises liabilities for anticipated tax audits, estimating whether additional taxes are required. If the tax outcome of such operations is different from the amounts initially recorded, the differences will influence the income tax and deferred tax provisions in the period when the estimate is made.

(b) **Fair value of available-for-sale financial assets**

The fair value of financial assets not traded on an active market is determined based on certain assessment techniques. The Company makes considerations to select different methods and make assumptions based on the existing market conditions and on the financial statements of the issuer, existing at the end of each reporting period.

(c) **Construction contracts**

As of January 1, 2018, the Company applies IFRS 15 "Income from contracts with customers". By analysing the impact of applying IFRS 15 on different types of income achieved, the Company concluded the following:
- Revenue from construction contracts (drilling works): the cost-to-cost method will be used to calculate the stage in which the drilling performance is met, taking into account the paragraph 35 (a) of IFRS 15. For the recognition of loss on onerous construction contacts, the Company will apply the provisions of IAS 37.
- Revenues from drilling operations based on an hourly rate.
- Other Income (Deliveries of Goods, etc.):

(d) **Impairment of available-for-sale participation titles**

The Company follows the recommendations of IAS 39 to determine whether an available-for-sale participation title is impaired. To determine impairment, the Company must make significant judgments. When performing such estimate, the Company considers among other factors, the duration and extent to which the fair value of an investment is lower than its cost; and the financial stability and short-term perspective of the issuing entity, including factors such as the performance of the industry and the branch, technological developments and operating and financing cash flows.

5 SEGMENT INFORMATION

The management established the segments of activity based on the reports revised by the Special Administrator, which are used in making strategic decisions.
Starting with the first quarter in the reorganization plan, the reports prepared by the management of the company will follow the fulfilment of the indicators assumed through the reorganization plan in terms of revenues, direct expenses, indirect costs, operational margin, EBITDA.
The activity is analysed from the standpoint of the type of services delivered. From a geographical stand point, about 5,24% of the turnover was based on services provided in Israel, with the rest of the services being carried out on the domestic market.
The activity segments identified are: drilling and constructions.
The management of the company assesses the performance of activity segments based on profit before tax, financial expenses and depreciation and impairment ("EBITDA"). The results of discontinued operations are not included in the EBITDA assessment.
The Company is registered in Romania and carries out its activity both on the domestic and on the foreign market.
In 2018, the company earned 5,24% of its turnover abroad.

Segment information for the year ended December 31, 2018 is the following:

As at December 31, 2018:	**0.09%** **Constructions**	**99.86%** **Drilling**	**0.05%** **Other**	**100%** **TOTAL**
Total segment income	101,562	113,083,758	61,000	113,246,320
Inter-segment income	-	-	-	-
Income	**101,562**	**113,083,758**	**61,000**	**113,246,320**
Operational expenditure	**(101,721)**	**(107,251,458)**	**(54,578)**	**(107,407,757)**
Operating profit/(loss) by segment	**(160)**	**5,832,300**	**6,422**	**5,838,563**
Expense with depreciation	(105)	(9,777,042)	(7,600)	**(9,784,746)**
Finance costs – net	-	(1,534,338)	-	**(1,534,338)**
Profit/(loss) before income tax	**(264)**	**(5,470,080)**	**(1,178)**	**(5,480,522)**
Expenses/ Revenues with current and deferred income tax	-	(813,432)	-	**(813,432)**
Profit / (loss) for the year:	**(264)**	**(6,292,512)**	**(1,178)**	**253,954,671**

At December 31, 2018, costs include both direct (operational) and indirect and / or general administration costs.
In detail, their structure is:
- costs directly attributable to projects of lei 96,196,411
- general administration and indirect costs lei 11.100.306

Segment information for the year ended December 31, 2017 is the following:

As at December 31, 2017:	**0.11%** **Constructions**	**21.12%** **Drilling**	**78.77%** **Other**	**100%** **Total**
Total segment income	390,789	73,841,390	275,456,990	**349,689,169**
Inter-segment income	-	-	-	-
Income	**390,789**	**73,841,390**	**275,456,990**	**349,689,169**
Operational expenditure	**(325,280)**	**(81,335,176)**	**(5,554,721)**	**(87,215,178)**
Operating profit/(loss) by segment	**65,509**	**(7,493,786)**	**269,902,269**	**262,473,991**
Expense with depreciation	(2,803)	(7,281,605)	(118,848)	**(7,403,256)**
Finance costs – net	(473)	(2,036,759)	(266,547)	**(2,303,779)**
Profit/(loss) before income tax	**62,234**	**(16,812,151)**	**269,516,874**	**252,766,957**
Expenses/ Revenues with current and deferred income tax	-	-	1,187,714	**1,187,714**
Profit / (loss) for the year:	**62,234**	**(16,812,151)**	**270,704,588**	**253,954,671**

6 PROPERTY, PLANT AND EQUIPMENT

The net book value on **December 31, 2018** as well as its changes in the reporting year are presented below:

December 31, 2018	Land and buildings	Installations and machinery	Fixtures, plant and equipment	Assets in progress	TOTAL
Initial net book value recalculated	5,329,690	48,244,003	28,681	(0)	**53,602,374**
Increases	-	1,610,560	6,792	-	**1,617,352**
Revaluation differences	-	-	-	-	**-**
Non-core decreases	-	(325,246)	-	-	**(325,246)**
Core decreases	(14,815)	(40,656)	-		**(55,471)**
Depreciation and impairment	(176,317)	(9,594,528)	(10,673)	-	**(9,781,518)**
Closing net book value	**5,138,558**	**39,894,134**	**24,801**	**(0)**	**45,057,492**
Cost or valuation	5,509,096	99,613,648	394,879	(0)	**105,517,623**
Cumulated depreciation	(370,539)	(59,719,515)	(370,078)	-	**(60,460,131)**
Net book value	**5,138,558**	**39,894,134**	**24,801**	**(0)**	**45,057,492**

The net book value on December 31, 2017 as well as its changes in the reporting year are presented below:

	Land and buildings	Installations and machinery	Fixtures, plant and equipment	Assets in progress	TOTAL
December 31, 2017					
Initial net book value recalculated	24,445,735	17,337,109	69,274	(0)	**41,852,118**
Increases	0	39,590,671	-	-	**39,590,671**
Revaluation differences	-	-	-	-	**-**
Non-core decreases	(17,853,290)	(1,668,134)	(5,173)	-	**(19,526,597)**
Core decreases	(933,437)	-	(3,116)		**(936,553)**
Depreciation and impairment	(329,318)	(7,015,644)	(32,303)	-	**(7,377,265)**
Closing net book value	**5,329,690**	**48,244,003**	**28,681**	**(0)**	**53,602,374**
Cost or valuation	5,524,996	99,992,755	394,206	(0)	**105,911,957**
Cumulated depreciation	(195,306)	(51,748,752)	(365,525)	-	**(52,309,583)**
Net book value	**5,329,690**	**48,244,003**	**28,681**	**(0)**	53,602,374

The Company's land and buildings were last revaluated as at December 31, 2016 by independent valuators. As at December 31, 2008, the Company also revaluated the other classes of property, plant and equipment. The valuations were performed based on market information.

Starting with June 2017, the company began to capitalize the non-core assets as a result of promoting and publishing them for sale under the asset revaluation strategy as part of the reorganization plan.

Interest in fixed asset cost was not capitalized in 2018.

Bank loans, overdrafts and guarantee letters are secured by non-current assets at a net book value of: RON 57,927,588 (on December 31, 2017: RON 68,928,732).

Vehicles and equipment include the following amounts for which the Company is lessee under a finance lease:

	December 31, 2017	December 31, 2018
Cost – capitalized finance leases	38,789,279	38,789,279
Cumulated depreciation	2,790,438	6,110,539
Net book value	**35,998,841**	**32,678,739**

Assets for sale

December 31, 2018	Assets for sale	TOTAL
Initial net book value recalculated	15,623,734	**15,623,734**
Transfers from fixed assets	0	**-**
Sales	2,626,236	**2,626,236**
Net book value	**12,997,498**	**12,997,498**

7. **FINANCIAL ASSETS**

The net financial assets are as follows:

	December 31, 2017	December 31, 2018
Participation titles	71,504	61,504
Guarantees for services delivered to third parties	1,286,090	1,340,931
Other long-term investments	944,955	773,428
Total	**2,302,550**	**2,175,863**

Participation titles and other net investments:

	December 31, 2017	December 31, 2016
Investments in subsidiaries	71,504	61,504
Investment in associates	-	0
Other long-term investments	944,955	773,428
Total	**1,016,460**	**834,932**

As at December 31, 2018, the Company had the following subsidiaries:

	(%)	December 31, 2017	December 31, 2018
Măcelăriile Mediaş SRL	80.03	9,060,130	(0)
Ecocostruct SRL	71.09	1,031,719	1,031,719
Dafora Ukraina SRL	100.00	19,908	19,908
Discret SRL	100.00	10,000	-
Dafora Drilling SRL	99.78	45,000	45,000
Dafora Rus SRL	95.00	16,504	16,504
		10,183,261	**1,113,131**

Impairment allowances for investments in:

	December 31, 2017	December 31, 2018
Macelariile Medias SRL	9,060,130	-
Ecoconstruct SRL	1,031,719	1,031,719
Dafora Ukraina SRL	19,908	19,908
	10,111,757	**1,051,627**
Net investment in subsidiaries	**71,504**	**61,504**

As at December 31, 2017, the Company was holding participation titles in the following entities:

	(%)	December 31, 2017	December 31, 2018
CONDMAG SA	45.82	77,967,265	77,967,265

As at December 31, 2018, the Company recorded impairment allowances for investments:

	December 31, 2017	December 31, 2018
CONDMAG SA	77,967,265	77,967,265
Net investment in associates	**-**	**-**

8 FINANCIAL INSTRUMENTS BY CATEGORIES

December 31, 2018 **Assets as per balance sheet**	**Loans and receivables**	**Available for sale**	**TOTAL**
Customers and other receivables except for advances to suppliers and tax receivables	26,338,948		**26,338,948**
Financial assets available for sale		773,428	**773,428**
Cash and cash equivalents	3,709,773		**3,709,773**
TOTAL	**30,048,721**	**773,428**	**30,822,149**

December 31, 2017	Loans and receivables	Available for sale	TOTAL
Assets as per balance sheet			
Customers and other receivables except for advances to suppliers and tax receivables	36,091,890		**36,091,890**
Financial assets available for sale		944,955	**944,955**
Cash and cash equivalents	3,407,465		**3,407,465**
Total	**39,499,356**	**944,955**	**40,444,311**

Loans to related parties	**31.12.2017**	**31.12.2018**
Loans to related parties	5,355,348	5,250,348
Interest from related parties	1,133,694	1,133,694
Provision for impairment allowance for loans to related parties	(6,489,042)	(6,384,042)
	-	-

See Note 10 for impairment allowance for loans to related parties.

9 AVAILABLE-FOR-SALE FINANCIAL ASSET

All the financial assets available for sale are on long-term and include as follows:

	31.12.2017	**31.12.2018**
Quoted securities		
Transgaz SA	888,966	729,645
VES SA	32,952	21,130
SIF MOLDOVA	2,800	2,416
	924,718	**753,191**
Unquoted securities		
Transgex SA	20,237	20,237
	20,237	**20,237**
	944,955	**773,428**

10. CUSTOMERS AND OTHER RECEIVABLES

	31.12.2017	31.12.2018
Trade receivables	24,634,043	13,174,397
less: impairment allowances	(5,178,446)	(4,642,178)
Trade receivables – net	**19,455,597**	**8,532,219**
Amounts due from customers for contract works	3,179,824	3,281,324
less: impairment allowances	(593,721)	(593,721)
Amounts due to customers for works – net	**2,586,103**	**2,687,603**
Other amounts not invoiced to customers	**6,063,591**	**3,043,354**
Advances to suppliers	2,094,871	1,609,449
less: impairment allowances	(1,195,099)	(1,118,915)
Receivables from advances to suppliers	**899,772**	**490,534**
Other receivables	653,456	1,594,947
Less: adjustment of impairment of receivables	(206,771)	(919,480)
Other receivables	**446,684**	**675,467**
Receivables from related parties	14,055,990	14,119,595
less: impairment allowances	(13,811,150)	(13,146,114)
Receivables from related parties – net	**244,840**	**973,482**
Loans to related parties	6,489,042	6,384,042
less: impairment allowances	(6,489,042)	(6,384,042)
Loans to related parties – net (Note 29)	**-**	-
Guarantees	8,860,443	12,037,655
Less long-term share: guarantees	(1,286,090)	(1,340,931)
Current share	**7,574,353**	**10,696,724**
Total CLIENTS AND OTHER RECEIVABLES	**37,270,939**	**27,099,382**

The carrying amount of all current receivables approximates their fair value. There are no significant differences between the carrying amount and the fair value of guarantees.

Overdue, but not impaired trade receivables are as follows by age:

	December 31, 2017	December 31, 2018
Less than 1 month	15,458,896	8,335,167
Between 1 and 3 months	2,450,691	9,480
Between 3 and 6 months	-	29,288
Between 6 and 12 months	906,181	139,518
More than 12 months	639,829	18,766
TOTAL	**19,455,597**	**8,532,219**

The net values of customers and other receivables of the Company are expressed in the following currencies:

	December 31, 2017	December 31, 2016
RON	27,346,610	27,040,018
USD	9,923,569	13,121
EURO	760	46,243
TOTAL	**37,270,939**	**27,099,382**

Changes in the Company's impairment allowances are the following:

As at January 1	31.12.2017	31.12.2018
Impairment allowance	7,185,180	7,174,563
Amounts not used and reversed	1,111,080	1,784,114
Receivables impaired during the year	1,100,463	1,972,408
As at December 31	**7,174,563**	**7,362,857**

Changes in impairment allowances were included in "net impairment allowance from current assets" in the income statement (note 20). The amounts recorded in the Impairment Adjustment Accounts are generally removed from the balance sheet when there is no provision for the possibility of recovering other amounts.

Changes in the Company's **impairment allowances for related party debts** are as follows:

As at January 1	31.12.2017	31.12.2018
Impairment allowance for related parties debts	16,017,440	13,810,625
Amounts not used and reversed	2,758,265	840,566
Impaired receivables during the year	551,450	87,492
As at December 31	**13,810,625**	**13,057,551**

Changes in impairment allowances related to receivables were included in "Net impairment allowance from current assets" in the income statement.

Changes in the Company's **impairment allowances for related party loans** are as follows:

As at January 1	31.12.2017	31.12.2018
Impairment allowance for related party loans	8,724,774	6,489,042
Amounts not used and reversed	2,235,732	105,000
Impaired receivables during the year	-	-
As at December 31	**6,489,042**	**6,384,042**

Changes in impairment allowances for related parties' loans have been included in the "net impairment allowance from current assets" in the income statement. Impairment allowances for related parties debts and loans are influenced by the revaluation of receivables and loans in foreign currency.

11 INVENTORIES

	31.12.2017	31.12.2018
Raw materials and consumables	6,260,286	5,996,431
Work in progress	1,529,026	1,529,026
Commodities	0	0
Finished products	329,831	328,359
Other inventories	292,886	607,428
Impairment allowances	(5,425,179)	(5,647,165)
TOTAL	**2,986,849**	**2,814,079**

During the reporting year, the Company set impairment allowances on slow movement or inactive inventories for 50% for those between 361 – 720 days and 100% for those older than 720 days.

12 CASH AND CASH EQUIVALENTS

	31.12.2017	31.12.2018
Petty cash	20,706	6,495
Bank accounts	3,386,760	3,703,278
TOTAL	**3,407,465**	**3,709,773**

13 SHARE CAPITAL AND SHARE PREMIUMS

As at December 31, 2018 the shareholding structure is as follows:

As at December 31, 2018	Number of shares (no. of shares)	Holding percentage (%)	Share capital (restated) (RON)
Călburean Gheorghe	500,766,391	49.96	70,428,821
Foraj Sonde SA Craiova	139,586,800	13.93	19,631,776
Other natural person shareholders	236,889,889	23.63	33,316,684
Other legal entities shareholders	125,080,214	12.48	17,591,540
TOTAL	**1,002,323,294**	**100.00**	**140,968,822**

As at December 31, 2017 the shareholding structure is as follows:

As at December 31, 2017	Number of shares (no. of shares)	Holding percentage (%)	Share capital (restated) (RON)
Călburean Gheorghe	500,766,391	49.96	70,428,821
Foraj Sonde SA Craiova	139,586,800	13.93	19,631,776
Other natural person shareholders	236,889,889	23.63	33,316,684
Other legal entities shareholders	125,080,214	12.48	17,591,540
TOTAL	**1,002,323,294**	**100.00**	**140,968,822**

As at December 31, 2018, the total authorised number of shares is 1,002,323,294 shares having a nominal value of RON 0.1 each. All issued shares are paid in full.

The difference between the nominal value and the reported value according to IFRS as adopted by the European Union consists of hyperinflation allowances, which were recorded in accordance with IAS 29 “Financial reporting in hyperinflationary economies” as at December 31, 2003.

The shares of Dafora SA were suspended from trading on the date of the insolvency, the last day traded after insolvency being on 19.06.2015 and then resumed to trading on September 25, 2017. The issued shares of the company have been suspended from trading on October 29, 2018 in order to operate a reduction of the company’s share capital. Until the present financial statements, the share capital reduction operation could not be implemented.

14 CONSTRUCTION CONTRACTS

	31.12.2017	31.12.2018
Net position of contracts in progress in the balance sheet	3,179,824	3,281,324
Amounts due from customers for contract works	3,202,795	3,427,470
Amounts due to customers for contract works	(22,971)	(146,146)
TOTAL	**3,179,824**	**3,281,324**

With regard to construction contracts conducted on 31.12.2018, the following information is presented:

- The total estimated value of the contracts is **RON 74.760.000**;
- The total value of the costs incurred until 31.12.2018 is **RON 84.411.714;**
- The total value of the recognized income is **RON 12.808.743**;
- The total value of the recognized loss (for the projects, where applicable) is **RON -3.768.077;**
- The total value of the advances received by the Company: **RON 0**;
- The total value of the good execution guarantees withheld is **RON 8.864.958**;
- The value of the income from work in progress carried out and not invoiced: **RON 2.098.285**;
- The value of the income from the "completion percentage" adjustment during the reporting period is **RON 1.183.039**.

15 OTHER RESERVES

	31.12.2017	31.12.2018
Legal reserves	15,659,000	15,659,000
Deferred income tax in the form of reserves	(889,723)	(808,426)
Differences in fair value of available-for-sale financial assets	389,138	217,611
Reserves from revaluation of land and buildings	5,171,627	4,847,930
Other reserves	46,034,024	46,034,024
TOTAL	**66,364,067**	**65,950,140**

16 SUPPLIERS AND OTHER LIABILITIES

	31.12.2017	31.12.2018
Trade liabilities	22,693,929	16,828,586
Guarantees	825,889	1,670,198
Advances from customers	485,966	4,194
Amounts due to related parties (Note 29)	3,923,801	4,271,571
Personnel, social insurances and other taxes	8,894,568	11,959,814
Other creditors	1,371,185	1,397,434
TOTAL	**38,195,337**	**36,131,796**
Less long-term share: trade liabilities	23,065	58,420
Less long-term share: guarantees	-	-
Less long-term share: advances from customers	27	72,046
Less long-term share: amounts due to related parties	(970,727)	(93,821)
Less long-term share: personnel, social insurances and other taxes	(2,596,874)	(2,770,084)
Less long-term share: other creditors	-	-
TOTAL	**(3,544,508)**	**(2,733,439)**
Current share	**34,650,829**	**33,398,357**

The Company records analytically the trade payables for which there are distributions in the reorganization plan, presented in the financial statements on the long-term portion and the short-term portion as it results from the payment plan, and analytically in the off-balance records the trade payables as results from the Final Creditors' Table for which there are no distributions in the reorganization plan.

17 LOANS

	31.12.2017	31.12.2018
Long-term		
Long-term bank loans	45,823,167	28,538,868
Finance lease liabilities	31,384,086	27,962,164
Loans from related parties (Note 29)	-	-
TOTAL	**77,207,253**	**56,501,033**
Short-term		
Short-term bank loans	10,254,060	20,149,133
Finance lease liabilities	4,707,800	3,642,286
Loans from related parties (Note 29)	-	-
TOTAL	**14,961,859**	**23,791,419**
Total loans	**92,169,113**	**80,292,452**

The Company records analytically the loans for which there are distributions in the reorganization plan, presented in the financial statements on the long-term portion and the short-term portion as it results from the payment plan, and analytically in the off-balance records the loans as it results from the Final Creditors' Table for which there are no distributions in the reorganization plan.

(a) Bank loans

Prior to the insolvency date, the bank loans were due until 2019 at the latest and a variable interest rate based on the Euribor or Robor rate plus a margin.

The fair value of loans approximates their book value. The impact of the discount is not significant, as all loans have variable interest rates. No new loans were contracted during 2018. As of December 31, 2018, the Company has loans from the following banks: Bank Transilvania, BCR, BRD, First Bank (takeover from Piraeus Bank), Kredyt Incaso (takeover from Unicredit Bank), A1 Carpi Finance SA (takeover from Alpha Bank) and Bancpost (takeover from Banca Transilvania). Out of the total balance of RON 48.488.002 as of December 31, 2018, the amount of RON 20.149.133 is for the short term, the remainder being payable over a period of one year under the reorganization plan.

The carrying amounts of the Company's loans are expressed in the following currencies:

	31.12.2017	31.12.2018
EUR	26,328,107	22,602,025
RON	29,749,120	26,085,977
	56,077,227	**48,688,002**

(b) **Finance lease liabilities**

Finance lease liabilities are secured as the rights on the leased asset are the obligation of the lessor in case of default.

The balance of finance lease liabilities existing on 31.12.2018 is due to the lease acquisition, after the date of insolvency, of three CAT generators (in December 2015) and other equipment (two drilling rigs – F400 and F350 to Bentec rigs) used in the current activity (in July and November 2017).

18 DEFERRED INCOME TAX

The deferred income tax assets and liabilities are as follows:

Deferred income tax assets:	**31.12.2017**	**31.12.2018**
Deferred income tax assets recoverable after more than 12 months	5,976,179	5,837,146
Deferred income tax assets recoverable within 12 months	-	-
	5,976,179	**5,837,146**

Deferred income tax liabilities:	**31.12.2017**	**31.12.2016**
Deferred income tax liabilities recoverable after more than 12 months	2,155,843	2,748,945
Deferred income tax liabilities recoverable within 12 months	-	-
	2,155,843	**2,748,945**
Deferred tax asset / (liability) - net	**3,820,336**	**3,088,202**

Gross changes in deferred income tax are as follows:

	31.12.2017	**31.12.2018**
As at January 1	**(4,685,643)**	**(3,820,337)**
Profit and loss (recorded)/credited	1,422,041	811,371
Deferred income tax charged directly to equity	(556,736)	(79,236)
As at December 31	**(3,820,337)**	**(3,088,202)**

Changes in deferred income tax assets and liabilities during the year, without considering the offset of the balances corresponding to the same tax authority, are the following:

Deferred income tax liabilities (account 4412.01)	Construction contracts	Accelerated impairment	Revaluation difference impairment	Fair value difference of available-for-sale financial assets	TOTAL
As at December 31, 2016	**-**	**752,174**	**1,416,610**	**29,848**	**2,198,632**
Recorded/credited to statement of comprehensive income in the previous year	-	513,947	(589,149)	32,414	**(42,789)**
As at December 31, 2017	**-**	**1,266,121**	**827,460**	**62,262**	**2,155,843**
Recorded / credited to statement of comprehensive income in the reporting period	-	672,338	(51,792)	(27,444)	593,102
As at December 31, 2018	**-**	**1,938,458**	**775,669**	**34,818**	**2,748,945**

Deferred income tax assets are recognised as regards to fiscal losses carried forward if it is probable to obtain the related fiscal benefit from the future taxable income. The fiscal loss may be carried forward to a future taxable income, and may be recovered over a period of 7 years.

Deferred Tax assets (account 4412.02)	Construction contracts	Provisions	Tax loss	Total
As at December 31, 2016	-	(6,884,274)	-	**(6,884,274)**
Recorded/credited to statement of comprehensive income in the previous year	-	908,095	-	**908,095**
As at December 31, 2017	-	(5,976,180)	-	**(5,976,180)**
Recorded/credited to statement of comprehensive income in the reporting period	-	139,033	-	**139,033**
As at December 31, 2018	-	(5,837,147)	-	**(5,837,147)**

19 PROVISIONS FOR LIABILITIES AND EXPENSES

	Provisions for litigation	Provisions with projects with a negative margin, according to IAS 11	Provisions for guarantees to customers	Provisions for employees' benefits	Vacation not taken and other liabilities	TOTAL
As at 31.12.2017	-	-	2,613,510	190,371	1,647,834	4,451,715
Recorded/credited to profit / loss account:						
- additional provisions	-	-	173,052	43,644	1,100,071	**1,316,767**
- used during the year	-	-	(500,829)	(11,918)	(1,225,184)	(1,737,931)
As at 31.12.2018	-	-	**2,285,733**	**222,097**	**1,522,721**	**4,030,551**

(a) **Provisions for guarantees**

Based on contracts concluded with customers, the Company grants good performance bonds to its customers of 5% to 10% of the total value of the invoiced construction works. The Company has calculated:

- provisions of 10% of the total value of the good performance bonds in order to cover the defects throughout the warranty period until final acceptance, taking into consideration that this represents the best estimation of the cost with the necessary repairing;
- provisions of 100% of the total value of the good performance bonds for those that it is estimated they cannot be recovered after the expiration of the guarantee period.

(b) **Vacation not taken**

The provision for vacation not taken during the year includes salary and all the related social security expenses.

(c) **Other liabilities**

The provision for pensions and similar liabilities was calculated by determining the liabilities to employees upon retirement by estimating the retirement probability in the company for each employee, depending on age, sex, position, salary, seniority, length of service, etc.

20 OTHER (LOSSES)/GAINS – net

	31.12.2017	31.12.2018
Expenses with disposed assets	(12,835,173)	(2,646,046)
Income from sale of assets	9,386,344	2,261,788
Other (losses)/gains – net	**(3,448,829)**	**(384,258)**

A significant amount of other operating income results from the beginning of using the non-core assets as a result of their promotion for sale, in accordance with the assets recovery strategy as part of the reorganization plan.

21 OTHER INCOME

	31.12.2017	31.12.2018
Other operating income	274,878,007	322,256
Subsidy income	-	-
Income from discounts received	-	-
	274,878,007	**322,256**

22 OTHER EXPENSES

	31.12.2017	31.12.2018
Electricity, heat and water	1,522,930)	(2,859,458)
Other taxes, charges and similar expenses	(824,498)	(793,232)
Compensations, fines and penalties	(898,741)	(844,287)
Other operating expenses	(1,771,390)	(1,197,738)
	(5,017,559)	**(5,694,715)**

The high energy costs are due to a more economical alternative (where the beneficiary and the project allows) than the thermic option, the latter also generating an immediate cash outflow.
Under "Compensations, fines and penalties", the highest weight is the value of the lost-in-hole equipment during drilling operations.
"Other expenses" position is represented by environmental protection expenditures, catering of the beneficiary's personnel, social expenses, final table adjustment expenses – list of creditors and other miscellaneous expenses.

23 EXPENSES WITH EMPLOYEE BENEFITS

EXPENSES	**31.12.2017**	**31.12.2018**
Salaries and indemnities	(17,440,524)	(22,190,217)
Social security contributions	(5,007,107)	(696,294)
	(22,447,631)	**(22,886,511)**

AVERAGE NUMBER OF EMPLOYEES

	31.12.2017	**31.12.2018**
Number of employees	317	316

24 FINANCIAL INCOME AND EXPENSES

Financial expenses	**31.12.2017**	**31.12.2018**
Interest expenses:	(396,285)	(1,159,478)
- Banks loans	(59,001)	(225,970)
- Finance lease liabilities	(337,283)	(933,508)
- Other interest expenses	-	-
Net gain / (loss) on currency translation related to financing activities	(2,592,370)	(1,993,997)
Other financial expenses	-	-
Financial expenses	**(2,988,654)**	**(3,153,475)**

Financial income:	**31.12.2017**	**31.12.2018**
Interest income on loans to related parties	238,571	-
Interest income:	5,724	7,104
- Interest income on short-term bank deposits	5,724	7,104
- Interest income on loans to related parties	-	-
Other financial income	440,580	1,622,033
Financial income	**684,875**	**1,629,136**

Other financial gains (losses)	**31.12.2017**	**31.12.2018**
Gains (losses) from impairment allowances related to financial assets	-	9,060,130
Gains (losses) from ceased financial investments	-	(9,070,130)
Other financial gains (losses) - net	-	(10,000)
NET FINANCIAL EXPENSES	**(2,303,779)**	**(1,534,338)**

25 INCOME TAX EXPENSES

	31.12.2017	31.12.2018
Current tax:		
- Current tax on income for the year	-	-
Deferred tax (note 18):		
-Origin and reversal of temporary differences	(1,187,714)	813,432
Income tax expense	**(1,187,714)**	**813,432**

The Company's income tax before taxation differs from the theoretical amount that would arise if the weighted average tax rate on the income of the Company were used, as follows:

	31.12.2017	31.12.2018
GROSS INCOME - Profit/(loss)	**253,821,848**	**(6,293,954)**
Tax calculated at taxation rate	40,611,496	0
Tax effects of:		
- Deductions	(24,086,842)	(14,734,998)
- Non-taxable income	(50,292,145)	(14,078,028)
- Other amounts similar to income	2,037,581	323,698
- Non fiscally deductible expenses	14,665,743	24,771,259
- Losses not previously recovered	(210,092,525)	(13,946,341)
- Less: fiscal credit	-	-
Income tax expense	**-**	**-**
Taxable profit / (fiscal loss)	**(13,946,341)**	**(23,958,364)**

26 EARNINGS PER SHARE

***(a)* Basic**

Basic earnings per share are calculated by dividing the profit attributable to the company's holders of the company by the weighted average number of ordinary shares outstanding during the period, except for ordinary shares purchased by the company and kept as treasury shares (note 13).

	31.12.2017	31.12.2018
Earnings attributable to company's shareholders	253,954,671	(6,293,954)
Weighted average number of ordinary shares outstanding (thousand)	1,002,323	1,002,323
Basic earnings per share	**253.37**	**6.28**

***(b)* Diluted**

Diluted earnings per share are calculated by adjusting the weighted average number of existing shares to consider the conversion of all the diluted potential shares. The Company does not hold convertible debts or share options that may be converted to ordinary shares that may trigger the adjustment of the weighted average number of shares.
In 2017 and 2018 no dividends were paid.

27 CASH FROM OPERATING ACTIVITIES

	31.12.2017	31.12.2018
Net profit/(loss)	**253,954,671**	**(6,293,954)**
Adjustments for:		
- Impairment	7,403,256	9,784,746
- (Income)/loss on sale of fixed assets	19,185	-
-(Income)/loss on sale of non-core assets	3,429,644	384,258
- Interest income	(5,724)	(7,104)
- Interest expense	396,285	1,159,478
-Expenditure/(income) payment plan registration according to the reorganization plan	(274,069,331)	274,101
- Current and deferred income tax (Note 25)	(1,187,714)	813,432
- Impairment allowances for inventories and receivables	(5,950,173)	(447,794)
- Impairment allowances for investments in related parties	-	-
- Provisions for liabilities and expenses	274,581	(421,164)
- Loss on currency exchange	2,151,789	371,964
- Losses on receivables	3,603,917	595,737
-Impact on revaluation assets held for sale	714,596	-
-Income from cashed dividends	(238,571)	-
Operating profit before changes in working capital	**(9,503,590)**	**6,213,701**
Changes in working capital:	**10,779,274**	**5,395,381**
- Inventories	(718,688)	316,513
- Trade and other receivables	(9,834,641)	10,357,610
- Trade and other liabilities	21,332,603	(5,278,742)
Cash from operating activities	**1,275,684**	**11,609,082**

28 CONTINGENCIES

The Company records contingent liabilities for litigation resulting from its regular operations. No other significant liabilities resulting from contingent liabilities are estimated.

(a) Litigation

The Company is involved in lawsuits resulting in the normal course of business. The Company's management considers that such actions will not have a significant adverse effect on the Company's economic results and financial position, except for those presented in these financial statements.

(b) Taxation

The taxation system in Romania has faced multiple changes in the last years and is in a phase to consolidate and harmonize with the European legislation. Consequently, there still are various interpretations of the tax laws. In certain cases, tax authorities may treat differently certain aspects and calculate supplementary taxes and levies and related interests and penalties (at present, the interest level is 0,02% for each day of delay and the level of delay penalties is 0,01% for each day of delay). In Romania, the statute of limitation for tax audits is of 5 years. The management considers that the tax obligations included in these financial statements are adequate.

(c) Transfer pricing

The tax laws in Romania have included the "market value" principle, according to which transactions between related parties must be carried out at market value. Local taxpayers carrying out transactions with related parties must prepare and provide the Romanian tax authorities, at the written request thereof, the transfer price documenting file.

Failure to submit the transfer price documenting file or the submission of an incomplete file may incur penalties for non-compliance; in addition to the content of the transfer pricing documenting file, tax authorities may have a different interpretation from the management as regards transactions and circumstances and can therefore, levy additional tax liabilities resulting from the adjustment of transfer pricing. The Company's management considers that it will not incur any losses in the event of a tax inspection verifying transfer pricing. Nevertheless, it cannot reliably estimate the impact of the different interpretations of the tax authorities. It can be significant for the Company's financial position and/or operations.

With the support of a specialized consultancy company, SC DAFORA SA has prepared the transfer pricing file for the period 2010-2015 as well as for the period 2016-2017. For the year 2018, the company is also updating the transfer pricing file for related party transactions.

(d) Financial crisis

Recent volatility of international and national financial markets

The current global liquidity crisis resulted, among others, in a low level of financing on the capital market, low levels of liquidity in the banking sector and, occasionally, in higher rates on inter-bank loans and an extremely high volatility of the stock exchange. At present, it is impossible to foresee and estimate the full impact of the current financial crisis.

The management cannot reliably estimate the effects on the Company's financial position of the ever decreasing liquidities of the financial markets and increasing volatility of the exchange rate of the national currency and indicators of capital markets. The management considers that is has taken all the required measures to ensure the Company's going concern given the current circumstances.

Impact on liquidity

Financings in the economy have significantly decreased. This may affect the Company's capacity to obtain new loans and/or to refinance existing loans in similar terms and conditions to previous financings.

Impact on customers / borrowers

The Company's customers and other debtors may be affected by market conditions, which may affect their capacity to repay the due amounts. This can also affect the estimates of the Company's management as regards cash flows and the assessment of the impairment of financial and non-financial assets. If there is available information, the management has properly recorded the revised estimates of future cash flows for assessing impairment.

(e) Commitments

Guarantees

As at December 31, 2018, the Company recorded bank letters of guarantee issued in favour of third parties in amount of RON 3,111,645 (as at December 31, 2017 the value was RON 1,704,227). If the Company fails to fulfil its contractual obligations, then such letters will be converted into liabilities.

29 RELATED PARTY TRANSACTIONS

The following related party transactions were performed:

(a) Sales of goods and services	**31.12.2017**	**31.12.2018**
Associates		
- Sales of goods	3,594	-
- Sales of services	64,664	122,323
- Sales of fixed assets	-	-
Jointly controlled entities		
- Sales of goods	1,274	-
- Sales of services	308,388	732,995
- Sales of fixed assets	(3,858)	-

Sales of services are negotiated with third parties on cost-plus basis, which allows a margin ranging from 5% to 10%.

(b) Acquisitions of goods and services	**31.12.2017**	**31.12.2018**
Associates		
-Acquisition of goods	-	6,382
- Acquisition of services	792,009	622,918
-Acquisition of fixed assets	-	-
Jointly controlled entities		
-Acquisition of goods	86,374	6,242,223
-Acquisition of services	6,061,483	7,676,940
-Acquisition of fixed assets	11,424	523,116

(c) Compensation to key-management

The key-management includes directors (executive, non-executive and administrators), members of the Executive Committee.

	31.12.2017	31.12.2018
Salaries and payments	1,800,144	1,769,737

(d) Outstanding amounts from sales/acquisitions of goods/services

	31.12.2017	31.12.2018
Associates		
- Related party debts:	13,801,437	13,693,368
- Advances to related parties	-	-
Jointly controlled entities		
-Related party debts	254,553	426,227
-Advances to related parties	-	-
	14,055,990	**14,119,596**
Value adjustment for debts depreciation	**(13,810,625)**	**(13,057,551)**
Net book value	**245,365**	**1,062,044**

	31.12.2017	31.12.2018
Associates		
Amounts due to related parties	996,712	954,244
Advances granted by related parties	-	252
Jointly controlled entities		
Amounts due to related parties	2,927,088	3,245,309
Advances granted by related parties	-	71,766
	3,923,801	**4,271,571**

Receivables are not secured and are not interest bearing. Impairment allowances for related party debts are disclosed in Note 10.

Amounts due to related parties arise primarily from acquisitions. The liabilities are not interest bearing.

(e) *Loans to related parties*

	31.12.2017	31.12.2018
Loans to associates	4,077,075	4,077,075
Loans to jointly controlled entities	2,411,967	2,306,967
	6,489,042	**6,384,042**
Value adjustment for impairment of receivables	**(6,489,042)**	**(6,384,042)**
Net book value	**(0)**	**(0)**

Loans to associates had maturities of less than one year and were renegotiated over the years with an interest rate equal to the reference interest rate communicated by the National Bank of Romania and at the time of this reporting these loans are provisioned 100%, without any interest being calculated (these are companies in bankruptcy proceedings).

30 SUBSEQUENT EVENTS

During the reporting period, there were no changes to the rights of holders of securities issued by the Company.

For the year 2019, Dafora holds a portfolio of firm contracts amounting about 100 million lei, with execution in the first semester. As for the company's turnover, we estimate a doubling of its value and its operating result by the end of this year.

On 23.07.2018 was held the Extraordinary General Meeting of Shareholders of SC DAFORA SA, which approved the reduction of the share capital of the company from RON 100.232.329,40 to RON 5.012.337, respectively with the amount of RON 95.219.992.4, in order to partially cover the losses recorded in the accounting for the previous financial years (in the resulting account carried over) by carrying out the following operations:
- reduction in the number of shares, proportional to each shareholder's participation in the share capital at the time of registration, and
- increase of the nominal value of one share from 0,1 lei per share to 1 leu per share, by correspondingly reducing the number of shares held by each shareholder at the registration date, respectively 10 shares with nominal value of 0,1 lei / share = 1 share with nominal value of 1 leu / share.

The reduction of the share capital approved by the Extraordinary General Meeting of Shareholders with Decision no. 2 / 23.07.2018 could not be implemented. The Registrar of Companies rejected the request of the company to register these operations. The company filed a complaint against the resolution issued by the Registrar of Companies covered by the file number 2627/85/2018 within the Court of Sibiu. On 07.03.2019, the Court Sibiu rejected the complaint of the company, following that the Company to make appeal as provided by law.

The company intends to extend the reorganization plan for another year, an operation governed by the Insolvency Law.

There are no other significant events to mention.

These financial statements are signed today, 27.03.2019.