

# ANNUAL REPORT 2019



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## COMPANY PRESENTATION

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Dafora delivers onshore drilling services for oil, gas and geothermal water, well testing and workover, as well as maintenance for drilling equipment.



Dafora S.A., having its registered office in Medias, P-ta Regele Ferdinand I, nr. 15, registered with the Registrar of Companies under number J32/8/1995, Tax Identification Number RO7203436, phone +40 269 844 507, was established based on 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 a privatization process started in 1995, Dafora became a joint stock company. Ever since, the drilling activity has been developed and the company has executed works both in Romania and abroad.

Dafora S.A. is member of I.A.D.C. (International Association of Drilling Contractors) through the A.C.F.R. (Association of Drilling Contractors in Romania) and of the Association of the Romanian – Iraqi Chamber of Commerce and Industry (C.C.I.R.I.) and since 2008 the shares of Dafora S.A. are being traded on the regulated market managed by S.C. Bursa de Valori Bucuresti S.A.

According to the provisions of art. 81, Law no. 85/2014, the shares of Dafora SA were suspended from trading beginning with 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 date of the present financial statements, the share capital reduction operation could not be implemented, so the shares were resumed trading starting with 07.11.2019, as a result of

the rejection of the legal steps to challenge the resolution of the Registrar of the Companies.

## **Background**

The drilling activity began in 1907 with the search for potassium salt in Transylvania. In 1909, during the drilling works at well 2 Sarmasel, natural gas was discovered at 302 m below ground. The discovery led to the establishment of gas lighting for the first time in Europe and Bucharest. Another major event that marked the drilling operations in Transylvania was the drilling of a well in 1943 in Copsa Mica to kill a blowout. All this led to an extensive development of drilling operations, a lot of gas structures being discovered until present.



The first directional drilling was executed in 1934 by John Eastman, at well 2 Alexander. For Romanian specialists, this was the beginning of the cooperation with reputable companies around the world. Ever since, this cooperation is still developing. We are proud that most of the wells in Transylvania as well as the deepest well in Transylvania, were drilled by Dafora. The best guarantee for quality services is experience, the training and qualification of the company's specialists.

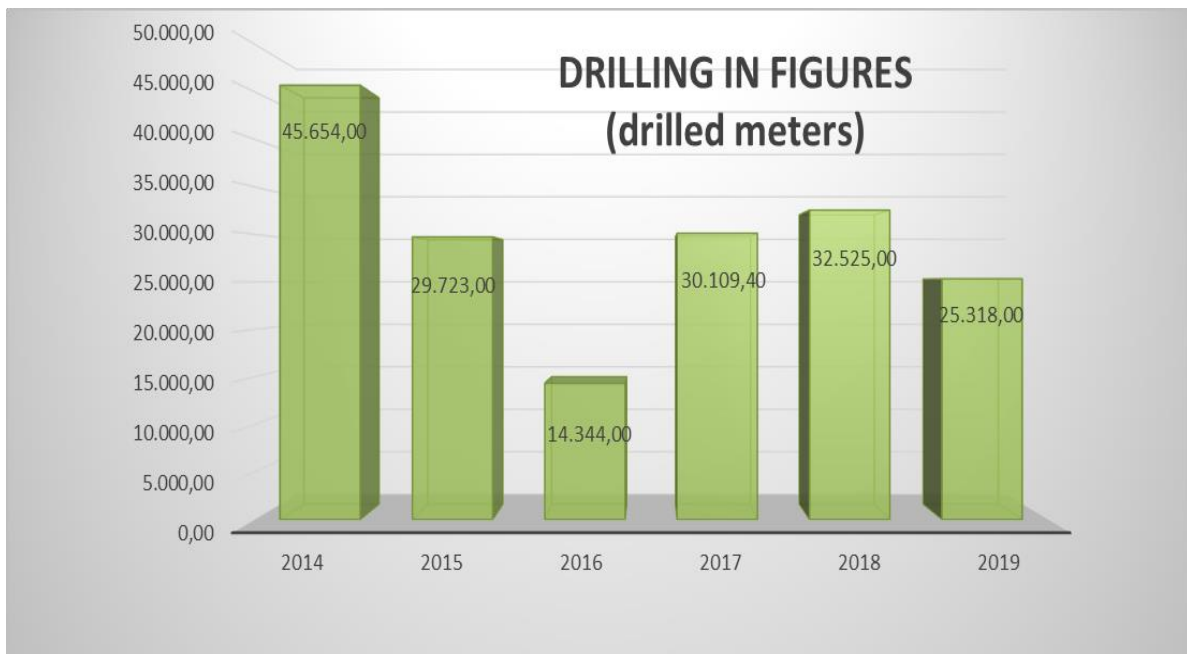
## **Experience**

Dafora delivers onshore drilling services for oil, gas and geothermal water, well testing and workover, as well as maintenance for drilling equipment.

With an extensive experience in oil and gas exploration, we pride ourselves on the fact that Dafora has contracted most of the drilling works for the international companies operating in this sector in Romania. Our extensive operations in the field, the guarantee of quality services and the commitment and training of Dafora's employees have taken us to

international drilling markets through contracts in Tanzania, Uganda, Sudan, Mozambique, Bulgaria, France, Ukraine and Israel.

### **Drilling in figures**



## STATEMENT OF THE SPECIAL ADMINISTRATOR

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At the date of preparation of the Financial Statements, DAFORA SA is under reorganization period within the general insolvency procedure of the Company opened on 19.06.2015, file no. 1747/85/2015 before the Sibiu Court.

Dafora carries out its activity under the conditions established by the Reorganization Plan, and based on art. 141 paragraphs (1), (2) and (3) of Law no. 85/2014, the activity is still managed by the Special Administrator under the supervision of the Insolvency Administrator. During the observation period and in the reorganization period, the Company contracted new works, concentrating its human, technical and financial resources in order to execute in the best conditions the new projects, while the Company continues to adopt the principle of business continuity in preparing individual financial statements.

Dafora has made constant efforts to streamline the current activity and implement the measures assumed in the reorganization plan. We are determined to achieve our goals, and the expertise of the Insolvency Administrator, the know-how and the involvement of the company's employees give confidence that the company will rebuild itself on a solid basis.

The company started the implementation of the Reorganization Plan starting with April 2017, and until now, the Creditors' Assembly has approved without objections the Financial Reports related to the I-XI quarters, since the implementation of the reorganization plan. The company fulfilled its payment obligations established in the Payment Plan, making payments both from the operational activity and from the capitalization of the assets.

Gheorghe Calburean

Special Administrator

## BRIEF DESCRIPTION OF THE DRILLING ACTIVITY IN 2019

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### **Q1, 2019**

Based on the fourth subsequent contract with the OMV Petrom, Dafora performed drilling works for the 2800 Cobia well, located in Dambovita County. The well was drilled with the Bentec 350 rig at a depth of 2,750 m. The value of the subsequent contract was RON 10,315,036.

Simultaneously with the completion of the subsequent contract number 4, our company completed the signing of the subsequent contract number 5 with OMV Petrom for the 363 Tintea well located in Prahova county with a value of RON 5,335,272.

Continuing the cooperation with SNGN Romgaz for the development of the hydrocarbon perimeter in the Caragele / Visani / Rosetti area, our company started the works at the 2 Cilibia Nord wells with a depth of 5,075 m.

In the Muntenia exploration perimeter, we completed the 7 Fierbinti well with a depth of 3,365 m and a contract value of RON 9,923,844.

At the same time, we started the drilling works at the wells in the structure Moldova, 911 Frasin and 1 Dulcesti.

Externally, we signed the contract for a well in Israel and we were technically and economically qualified for Akakus and Zallaf operators in Libya.

### **Q2, 2019**

Continuing the cooperation with SNGN Romgaz, we completed the 1 Dulcesti well at a depth of 2,245 m and the 2 Cilibia Nord well at a depth of 5,075 m.

One of the most difficult structures is the Moldova structure at Frasin. Our company is carrying out works on the 911 Frasin well, drilled to a depth of 4,165 meters. Romgaz has been extracting natural gas in this area since 1972. Through this drilling, it is desired to highlight a condensed gas field for which the development program is currently underway.



A contract for 3 wells on the Campeni structure amounting USD 2,672,602.06 plus VAT, as well as one well on the Valcanesti structure amounting USD 2,315,993.99 USD plus VAT was signed with Mazarine Energy Romania. The contract consists in designing the works, obtaining the construction permit and drilling the wells.

### **Q3, 2019**

Based on the subsequent contract number 5 with OMV Petrom for well 363 Tintea located in Prahova county, with a contract value of RON 5,335,272, we started the mobilization operations of the Bentec rig on location, following that the drilling operations to be performed in the Q4.

Following the cooperation with SNGN Romgaz for the development of the hydrocarbon perimeter in the Caragele / Visani / Rosetti area, Dafora SA continued the drilling works at the 2 Cilibia Nord well with a depth of 5,128 m.

Our company continues the works on the 911 Frasin well with a designed depth of 4,165 m. Externally, in August, we started the works at the 8 Meged Israel well with the F400 drilling rig. The well has a designed depth of 5,660 m.

In July, Dafora signed a cooperation agreement with one of the largest companies in the Emirate of Dubai, MOBH Holding Group, for drilling works in MENA (Middle East and North Africa).

For the 3 wells on the Campeni structure related to the contract with Mazarine Energy, the works for design and obtaining visas were started.

### **Q4, 2019**

Based on the subsequent contract number 5 for OMV Petrom, our company performed the drilling works at 363 Tintea well with a depth of 3,000 m.

Our company continues the works on the 911 Frasin well with a designed depth of 4,165 m.



At the 33 MER Valcanesti well, the works for the site construction have started. The well is designed to be drill to a depth of 1,940 m.

**Other significant aspects of the company's activity during 2019:**

- When preparing the financial statements, the company continued to have a prudential approach
- With an impact in the decrease of the balance sheet position of non-current assets, compared to the previous period, was the position of tangible fixed assets as a result of their depreciation and the capitalization of non-core assets according to the asset capitalization strategy. The position of current assets registered an increase compared to the previous period, being influenced mainly by the position "Customers and other receivables", variations being registered in inventories and cash and cash equivalents, which make up this position.
- A significant impact in the decrease of the debt balance position was given by the payment of the amounts according to the Payment Plan, part of the Reorganization Plan.
- The turnover registered a slight decrease being influenced by the work sequence with one of the traditional clients of the Company.
- The operating profit registered in 2019 is in the amount of RON 5.6 million lei. Additional provisions / adjustments were established for the unpaid rest leave, for the guarantees granted to the clients, stocks, litigations, receivables according to the accounting policy.

## **SPECIAL ADMINISTRATOR and INSOLVENCY ADMINISTRATOR**

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The Company is now managed by:

### **Gheorghe CALBUREAN – Special Administrator**

A graduate of the Faculty of “Well Drilling and Exploitation of Oil and Gas Fields” of the Oil and Gas Institute in Ploiesti, Ghe. Calburean started his career in 1983 at Romgaz R.A. – Drilling, Well Testing and Workover. Between 1983 and 1995 he was engineer, head of subsidiary and then CEO. After Dafora was established in 1995, Mr. Calburean was appointed CEO and Administrator. He is currently the CEO and Special Administrator of Dafora S.A.

### **CITR FILIALA CLUJ SPRL (former “Casa de Insolventa Transilvania”) – Insolvency Administrator**

**CITR FILIALA CLUJ SPRL** was appointed as provisional Insolvency Administrator based on the Resolution no. 471/CC/19.06.2015 issued by the Court in Sibiu within the file no. 1747/85/2015, and then it was confirmed as Insolvency Administrator through the Resolution no. 44/04.02.2016 issued by the Court in Sibiu within the file no. 1747/85/2015/a41.

## FINANCIALS – STATEMENT OF FINANCIAL POSITION

	01 JANUARY 2019	31 DECEMBER 2019
<b>ASSET</b>		
<b>A Non-current assets</b>	53.070.051	50.251.026
1 Tangible assets	45.057.492	41.642.234
2 Intangible assets	0	0
Assets related to the right of use the		
3 leased assets	-	690.731
4 Financial assets at cost	61.504	61.504
	773.428	999.131
5 Financial assets available for sale		
6 Deferred tax assets	5.837.146	5.643.837
7 Customers and other receivables	1.340.931	1.213.588
<b>B Current assets</b>	<b>46.620.731</b>	<b>48.574.859</b>
7 Assets available for sale	12.997.428	12.420.368
8 Inventories	2.814.079	3.822.816
9 Customers and other receivables	27.099.382	29.579.332
10 Cash and cash equivalents	3.709.773	2.752.342
<b>C Prepaid expenses</b>	<b>3.292</b>	<b>3.688</b>
<b>I. TOTAL ASSETS</b>	<b>99.694.524</b>	<b>98.829.572</b>
<b>EQUITY AND LIABILITIES</b>		
<b>D LIABILITIES</b>	<b>123.203.744</b>	<b>118.513.625</b>
<b>D1 Current liabilities</b>	<b>61.220.328</b>	<b>60.164.890</b>
11 Borrowings	20.149.133	12.287.477
12 Finance lease liabilities	3.642.286	5.308.152
13 Suppliers and other liabilities	33.398.357	38.331.742
14 Provisions for liabilities and expenses	4.030.551	4.237.520
<b>D2 Non-current liabilities</b>	<b>61.983.416</b>	<b>58.348.734</b>
15 Borrowings	28.538.868	27.405.257
16 Finance lease liabilities	27.962.164	26.513.393
17 Deferred tax liabilities	2.748.945	2.527.562
18 Suppliers and other liabilities	2.733.439	1.902.523
<b>E EQUITY</b>	<b>(23.509.220)</b>	<b>(19.684.053)</b>
19 Share capital	140.968.822	140.968.822
20 Reserves	65.950.140	66.912.164
21 Retained earnings	(230.428.182)	(227.565.039)
21 Cumulative conversion adjustments	-	-
<b>F ACCRUALS</b>	<b>-</b>	<b>-</b>
<b>II. TOTAL EQUITY AND LIABILITIES</b>	<b>99.694.524</b>	<b>98.829.572</b>

## FINANCIALS - STATEMENT OF COMPREHENSIVE INCOME

	31 DECEMBER 2018	31 DECEMBER 2019
	12	12
1 Income	112.964.064	99.498.466
2 Other operating income	322.256	249.604
3 Changes in finished products and work progress	-	(7.491)
4 Capitalized costs of property, plant and equipment	-	-
5 Raw materials and consumables	(11.990.917)	(11.361.904)
6 Cost of products sold	(5.104.800)	(348.508)
7 Personnel expenses	(22.886.511)	(19.652.084)
8 Third party services	(61.619.776)	(49.575.541)
9 Depreciation and amortization	(9.784.746)	(6.595.927)
10 Adjustments on current assets	(147.943)	1.642.669
11 Other operating expenses	(5.694.715)	(7.995.661)
12 Provisions for other liabilities - net	421.164	(206.969)
13 Other gains/(losses) – net	(384.258)	36.448
14 Profit from operating activity	<b>(3.946.184)</b>	<b>5.683.102</b>
15 Financial income	1.629.136	363.465
16 Financial costs	(3.153.475)	(2.342.684)
17 Other financial gains/(losses) – net	(10.000)	-
18 Financial costs – net	(1.534.338)	(1.979.218)
19 Profit before taxation	<b>(5.480.522)</b>	<b>3.703.884</b>
20 Current and deferred income tax expense / income	(813.432)	167.346
21 Profit / (loss) for the year	(6.293.954)	3.871.230
22 Result for the year	(6.293.954)	3.871.230
23 Profit/(Loss) for the year	(6.293.954)	3.871.230
<b>Other comprehensive income</b>		
24 Gains / (losses) on the revaluation of land and buildings	-	756.256
25 Financial assets available for sale	(171.527)	225.703
26 Impact of deferred tax on revaluation reserves	81.297	(139.272)
27 Other comprehensive income for the year	<b>(90.230)</b>	<b>842.687</b>
28 Total comprehensive income for the year	<b>(6.384.184)</b>	<b>4.713.917</b>

## RATIOS

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### 1. **Debt to equity**

Debt to equity 2016 = Equity/Total assets x 100 = -283.18%

Debt to equity 2017 = Equity/Total assets x 100 = -13,02%

Debt to equity 2018 = Equity/Total assets x 100 = -23,58%

Debt to equity 2019 = Equity/Total assets x 100 = -19.92%

Debt to equity means the company's capacity to pay off its outstanding debts. The value of the ratio is considered good when the results is over 30% in the weight of own sources in total liability.

The variation in the debt to equity was influenced in 2019 compared to the value from the previous year, on the background of the decrease of the total assets and as a result of the impact in the negative equity of the registration of the result of the period.

### 2. **Gearing ratio**

Gearing ratio 2016 = Total liabilities/Total assets x 100 = 383.18%

Gearing ratio 2017 = Total liabilities/Total assets x 100 = 113,02%

Gearing ratio 2018 = Total liabilities/Total assets x 100 = 123,58%

Gearing ratio 2016 = Total liabilities/Total assets x 100 = 119,92%

This ratio reflects the limit up to which the company finances its business from sources other than its own (loans, debts to the State and suppliers). Under normal operating conditions, the debt to assets ratio must be around 50%. A limit below 30% indicates reluctance in contracting credits and loans and over 80% indicates a dependence on credits, which is an alarming situation.

The gearing ratio in 2019 decreased compared to the previous year due to the decrease in the value of total assets (following the capitalization of tangible assets through the reorganization plan and their depreciation through depreciation) and to the decrease in the value of total debts due to their payment.

### 3. **Return on assets**

Return on assets 2016 = Operating result / Total assets x 100 = -111.45%

Return on assets 2017 = Operating result / Total assets x 100 = 210.46%

Return on assets 2018 = Operating result / Total assets x 100 = -3.96%

Return on assets 2019 = Operating result / Total assets x 100 = 5.75%

This ratio represents the company's capacity to yield profit from the core activity and measures the profitability of allocated materials and financial means.

The return on assets in 2019 increased compared to the value of the previous year due to the positive result related to the exercise.

#### **4. Return on sales (ROS)**

Return on sales 2016 = Operating result /Turnover = -2.16

Return on sales 2017 = Operating result /Turnover = 3,41

Return on sales 2018 = Operating result /Turnover = - 0,03

Return on sales 2019 = Operating result /Turnover = 0,06

The return on sales in 2019 increased compared to the value of the previous year due to the registration this year of a positive operating result.

#### **5. Market value of shares at the end of the year mentioned below**

Market value on 19.06.2015 = RON 0.0071 /share

Market value on 29.12.2017 = RON 0.0200 /share

Market value on 26.10.2018 = RON 0.0158 /share

Market value on 30.12.2019 = RON 0.0192 /share

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## HUMAN RESOURCES MANAGEMENT

### 1. Number of employees

The year 2019 is distinguished by a decreasing trend in the number of employees as a result of the efficiency in the processes and profitability of the organizational chart adapted to the current market conditions.

Total no. of employees as at 31.12						
2013	2014	2015	2016	2017	2018	2019
734	491	327	292	373	344	281

### 2. Causes for termination of employment contracts in 2019

DESCRIPTION	TOTAL 2019	PARTIES' CONSENT (art. 55, letter b)	RETIREMENT (Art. 56, paragraph 1, letter c)	EXPIRY (Art. 56, paragraph 1, letter i)	DISCIPLINARY (Art. 61, letter a)	REDUCTION OF POSITIONS (Art. 65, paragraph 1)	RESIGNATION (Art. 81, paragraph 1 +7)	OTHERS
No.	90	0	7	0	9	1	69	4

As presented above, the largest share in cases of termination of employment contracts is the resignation followed by termination for disciplinary reasons and retirement.

### 2. Man hours between 2011-2019

YEAR	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Total	Average
2011	81,272	75,824	87,864	75,040	77,612	54,688	50,416	72,338	88,960	91,608	92,616	76,629	924,867	77,072
2012	63,476	54,024	67,272	55,508	67,662	58,588	73,280	79,936	79,336	95,646	90,324	72,695	857,747	71,479
2013	99,078	102,445	123,804	137,749	125,675	111,488	129,914	119,124	121,240	116,154	107,717	92,414	1,386,802	115,567
2014	95,940	91,346	94,830	92,050	85,328	81,470	78,112	58,164	62,303	63,421	52,741	47,865	903,570	75,298
2015	52,157	46,617	59,579	55,947	50,421	42,657	42,155	40,210	32,284	32,920	27,192	30,036	512,175	42,681
2016	29,820	32,919	35,068	34,004	33,480	33,026	34,966	32,748	31,940	31,826	33,692	37,680	401,169	33,431
2017	46,752	52,392	59,278	47,550	50,622	41,280	44,200	54,100	54,734	59,107	51,024	39,742	600,781	50,065
2018	50,834	49,184	48,402	42,862	46,292	46,064	49,928	51,424	47,978	52,982	50,736	40,232	576,918	48,077
2019	40,728	44,692	52,226	49,406	53,842	39,386	44,464	34,624	34,296	44,132	37,160	23,618	498,574	41,548

As it can be seen, the average number of man hours in 2019 registers a slight decrease compared to the previous year.



### 3. Training and development

- Funds allocated to training in 2013: RON 510.380
- Funds allocated to training in 2014: RON 321.845
- Funds allocated to training in 2015: RON 100.439
- Funds allocated to training in 2016: RON 83.203
- Funds allocated to training in 2017: RON 533.007
- Funds allocated to training in 2018: RON 108.890
- Funds allocated to training in 2019: RON 109.919
- Funds allocated to training in 2020: RON 200.000

The training criteria in 2019 were based on **satisfying the requirements of the clients and the legislation**. The main directions concerned the following:

- Prevention and fight against blowouts;
- Competences in HSEQ field
- Developing competences regarding emergency situations and first aid;

#### Training criteria in 2020:

- ✚ Same as in 2019 as well as the development of competencies in the field of team and project management as well as in the field of HSEQ.
- ✚ Established training needs:
  - upon employees' assessment;
  - on the occasion of the analyzes made by the management regarding the non-conformities found following the audits and the drilling events;

Priorities for employees' training:

- ✚ development of technical competences of key execution positions (drillers, chief mechanic, chief electrician) – **competences to operate** the drilling equipment, **competence to maintain the plant and equipment in good working conditions**;
- ✚ development of language skills (English at independent user level);

- ✚ the company will focus on **internal training** (operational drilling procedures, HSEQ operational procedures, equipment, waste management, rigging slinging, etc.)

Development priorities for line and middle management:

- ✚ Development of English language skills;
- ✚ Development of management skills regarding:
  - planning and organization;
  - team management (capacity to deliver training and support, capacity to assess employees, capacity to improve the team's performance).

#### **4. Performance assessment**

Further to the implementation of the Performance Management System (PMS) the following may be concluded:

- gradual adaptation of assessed employees/assessors to the application and understanding of the PMS;
- the assessment process was facilitated
- Improvement proposals:**
  - Aligning the outcomes of the assessment to the compensation and benefit system;
  - Drawing up and communicating the performance goals and indicators for 2020.



#### **5. Recruitment and selection**

##### **Objectives 2020:**

- Increasing compliance of recruits and employees with the job description;
- Attracting valuable candidates.

##### **Action strategy:**

- Analyzing the results of the internal audits with regard to the application of the specific internal procedures;



- b. Selecting recruitment agencies specialized in the oil and gas field to find the best key employees;
- c. Using psychology tests upon employment, in addition to professional, medical and language examinations.

## **6. Salary policies**

### **Objectives for 2020**

- a. Settling any overdue salary rights;
- b. System of rewards – directly related to the employee’s performance – for key positions – granting the performance bonus depending on the achievement of the following indicators: meeting deadlines and budget limits, execution of works in compliance with quality and safety levels (number of accidents, no. of pollutions, etc.).

## HSEQ MANAGEMENT

**Certifications:** In 2019, SC DAFORA SA continued its HSEQ (Health-Safety-Environment-Quality) activities, in accordance with the requirements of the Management Systems implemented and (re)certified, as follows: Quality Management System (in accordance with SR EN ISO 9001 standard), Environmental Management System (in accordance with SR EN ISO 14001 standard), Occupational Health and Safety Management System (in accordance with SR OHSAS 18001 standard).



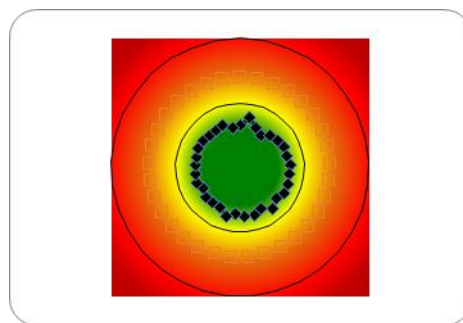
### HSEQ Policies and Objectives

We established policies and objectives for a precise path.

- We try to keep under control the factors that influence the level of occupational health and safety and provide a safe working environment for all our workers, partners and others who are related to our activities.
- We want to provide services and products in accordance with the concept of Sustainable Development and that specific activities to be carried out by taking into consideration the decrease of negative environmental impact and the elimination of natural resources waste.
- We are determined to provide high quality products and services to our customers, to satisfy and exceed their expectations which ensure our company's prestige and profit.

**Risk Assessments:** For drilling and related activities, 54 workplace risk assessments were performed.

- The risk level is placed between 2.93 (min) and 4.06 (max).
- The global risk level is at 3.59 which places our work related risks in the medium range.



**HSEQ Personnel:** HSEQ personnel has the necessary training and competence in order to perform their specific activities.

- HSEQ personnel has the following qualifications:

Internal Auditor, Health and Safety Specialist, Risk Assessor, Quality Manager, Environmental Specialist, Fire Safety Officer, Waste Management Specialist

- Specialization courses: Health and Safety

Specialist in Drilling Operations (Intertek PM&), First Aid



**Activities that supported the Health&Safety activity at the well (calculations based on 5 wells according to the table below):**

INDICATOR	7 Fierbinti	2800 Cobia	911 Frasin	1 Dulcești	363 Tintea ST
Average no. of personnel on the location	63	51	33	33	52
Start Cards	1129	1054	2242	820	1245
JSA	211	189	980	390	512
Permits to Work	106	160	669	320	420
Trainings before operations	211	144	442	79	89
Daily training before	80	490	730	120	130
Drills	3	3	2	3	6

### Health and Safety Inspections and Audits in 2019 / Corrective Actions:

Type of control	No.	Unconformities	Corrected
Audits/Inspections – pre spud	8	240	230 = (95.83%)
Internal Audits	8	42	42 = (100%)
Certification/Oversight audits	2	0	0 = (100%)

### Personal Protective Equipment (P.P.E) and equipment for special operations:

The entire personnel on locations received and used P.P.E. and the necessary equipment for special jobs was recertified in 2019.

PERSONAL PROTECTIVE EQUIPMENT	2019	U.M.	EQUIPMENT FOR SPECIAL OPERATIONS	Recertified 2019
Work pants & tops	483	Pcs.	Safety harnesses	27
Safety winter jackets	158	Pcs.	Retractable fall arresters	12
Safety boots	378	Prs.	Lanyards	20
Safety glasses	763	Pcs.	Vertical fall protection lifelines	16
Safety gloves	1777	Prs.	Self-contained breathing apparatus 30'	10
Safety helmets	183	Pcs.	Self-contained breathing apparatus 15'	8
Rain suits/jackets	488	Pcs.	Portable gas detectors	6
Rubber safety boots	17	Prs.	Gas detections and sensors	2
Insulated rubber boots	4	Prs.	Grounded receptacles	9
Insulating gloves	5	Prs.	Winch with tripod	2
Earplugs	21	Set.		
Welding mask	5	Pcs.	P6, P9, G5, P50, SM50 fire extinguishers	220
Welding apron	4	Pcs.	New P6, P9, G5, P50, SM50 fire extinguishers	50
Disposable chemical suits	1067	Pcs.		

### Job Safety Analysis and Permits to Work:

- Before an operation begins, a job safety analysis is performed, in which potential risks and necessary measures are revised in order to carry out the operation in safe working conditions.

Number of reviewed Job Safety Analysis (J.S.A) in 2019 = 2.882

- Permits to work are prepared before performing special/hazardous operations (working with fire, load lifting,



working at height, working with electricity, working in confined spaces, isolations-ceilings),.

Number of Permits to Work in 2019 = 2.231 Pcs.

#### **Health Surveillance and Hygiene of the Workers:**

- The entire productive personnel were healthy and fit to perform the required tasks, the necessary medical and psychological exams were performed. In 2019, 290 medical and 198 psychological exams were performed.
- Although the activity is specific to a work site, the working conditions are at civilization level.

Meals and transport are also provided. Accommodation is made in modern camps (barracks) equipped with: sleeping areas, catering areas, locker room, showers with hot water, toilets, first aid stations, meeting rooms and recreation areas, access to television and internet, sanitation services.

#### **Environmental Management:**

- Contracts for collecting and disposing of waste were drawn up and provided for all our work locations.
- Significant environmental aspects were identified and kept under control.
- Action plans in case of accidental aspects were elaborated.
- Noise and noxious emissions were kept under control.
- Waste management records were held in accordance with the legislation.
- Generated waste was collected and recycled: used oil, cardboard and paper, plastic waste, metal. Waste disposed in a controlled manner: household waste, wastewater, drilling fluid.
- No environmental incident occurred.





## **Emergency Situations Management:**

In 2019, 28 emergency situations drills were performed;



For every work site, the following were provided: Crisis Management Plan, Fire Defence Plan, Emergency services data, Preventing and extinguishing fire plan, H2S action plan, Instructions in case of emergency situations, Intervention teams in case of emergencies, Equipment (Fire extinguishers, Fire hydrants, Fire hoses, Fire equipment storage boxes, Self-contained breathing apparatus, Fire proximity suits, Firefighter suits, etc.)

## **Identifying risks through direct observation; Start Cards**

In order to identify and immediately correct unconformities, we continued the implementation of the “Start Card” program. Every employee has the possibility at any time to register the risks and unconformities that he/she observes, to participate at their correction or to immediately stop the work in progress. In 2019, 12.320 Start Cards were recorded.

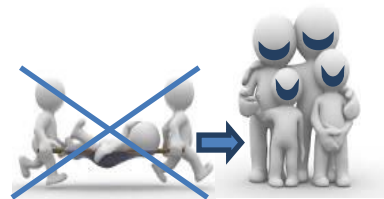
## **Accidents / Incidents 2019:**

Fatalities = 0; Invalidities = 0;

Accidents with temporary work incapacity = 0;

Cases that required first aid = 2;

Near miss = 3;



In the Company’s vision, anyone working at DAFORA, with or for DAFORA has to return home healthy, both mentally and physically, with the thought that he/she has done all he/she could to protect the environment, with the thought that he/she has done everything that has to be done to carry out quality activities – with quality, safe and security results for his/her own person and partners, that he/she has respected the law and the job duties, that he/she has correctly and efficiently exploited the equipment and its accessories.



## INFORMATION ACCORDING TO NSC REGULATION 1/2006

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### **1. Analysis of the Company's activity**

#### **1.1. a) The company's core activity**

Dafora carries out the following core activities:

- onshore drilling services for oil, gas and geothermal water, well testing and workover, and maintenance and transportation for drilling equipment
- civil and industrial, airport and infrastructure construction services - this activity was considerably reduced, only the contracts already contracted prior to entering insolvency being in progress

#### **b) Date of establishment of the company**

Dafora was established based on GD no. 690/1994 on the reorganization of the Autonomous Company Romgaz 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 following a privatization process started in 1995, Dafora became a joint stock company.

#### **c) Description of any significant merger or reorganization of the commercial company, its subsidiaries or controlled companies during the year**

In 2019, there were no mergers.

Dafora SA entered insolvency based on the Resolution no. 471/CC/19.06.2015 issued by the Court in Sibiu within the file no. 1747/85/2015 and under Law no. 85/2014 on insolvency prevention and insolvency procedures. At the date of these financial statements, Dafora is in the 11<sup>th</sup> quarter in the reorganization period.

In accordance with the 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 Reorganization 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.

At the deadline of 30.03.2017, in the file no. 1747/85/2015 before the Sibiu Court, the court

pronounced the following resolution:

„It confirms the reorganization plan proposed by the debtor SC DAFORA SA drawn up in the insolvency procedure opened against this debtor by the civil decision no. 471/CC/19.06.2015 pronounced in the file no. 1747/85/2015 of the Sibiu Court, approved by the creditors in the meeting from 30.12.2016”.

Following the decision of the court, Dafora will continue to carry out its activity under the conditions established by the Reorganization Plan, and based on art. 141 paragraphs (1), (2) and (3) of Law no. 85/2014, the debtor's activity will be further conducted by the Special Administrator under the supervision of the Insolvency Administrator.

At the date of the present financial statements, Dafora is in the 11th quarter of the reorganization plan. On June 18, 2019, the Creditors' Assembly approved the extension of the reorganization plan, by another year, an operation regulated by the Insolvency Law.

#### **d) Description of acquisitions and/or sales of assets**

In June 2019, the company purchased 4 drilling fluid pumps, in January 2019 a DEF 20 KV distributor was purchased, in December 2019 a mobile crane. A data server and an email server were also purchased to ensure data security.

In 2019, the company carried out Non-Core assets capitalizations according to the active capitalization plan, under the supervision of CITR, amounts that were distributed to creditors, amounting to RON 483,262 without VAT.

#### **e) Description of main results of the Company's activity**

##### **1.1.1. General assessment:**

a) At the end of 2019, the Company registered a profit of RON 3,871,230 compared to the loss from previous year, RON 6,293,954.

b) As at December 31, 2019, the turnover was RON 99,498,466, 12% lower than last year.

c) The Company carried out no export activity in 2019.

d) In 2019, total expenses decreased as compared to the previous year by 21% due to the decrease of the turnover.

e) We do not hold any information on the market share of the company from drilling services.

f) Liquidity: As at December 31, 2019, petty cash and current bank accounts amounted to RON 2,752,342.

➤ **Reduced liquidity:**

Reduced liquidity 31.12.2019 = Current assets - Inventory/Current liabilities = 0.74

Reduced liquidity 31.12.2018 = Current assets - Inventory/Current liabilities = 0.72

Reduced liquidity 31.12.2017 = Current assets - Inventory/Current liabilities = 1.04

Reduced liquidity 31.12.2016 = Current assets - Inventory/Current liabilities = 1.57

The reduced liquidity registered a slight increase in 2019 compared to the previous year due to the increase in current assets, mainly influenced by the increase in the position of Customers and other receivables, as well as the increase in the value of short-term debts.

➤ **Quick ratio:**

Quick ratio 31.12.2019 = Liquidities/Current liabilities = 0.0457

Quick ratio 31.12.2018 = Liquidities/Current liabilities = 0.0610

Quick ratio 31.12.2017 = Liquidities/Current liabilities = 0.0630

Quick ratio 31.12.2016 = Liquidities/Current liabilities = 0.3159

Immediate liquidity decreased compared to the previous year due to the increase in the value of short-term debts and the decrease in the value of cash and cash equivalents.

### **1.1.2. Assessment of the company's technical level**

a) The main markets for services and the means of marketing:

<b>Products/services</b>	<b>Markets</b>	<b>Means of marketing</b>
Services – drilling	Domestic market	Contracts
Services – drilling	External market	Contracts
Services – constructions	Domestic market	Contracts

Services – Construction projects only have start dates from previous years. The Company did not engage in new construction contracts in 2019.

b) Weight of each category of services in the income and total turnover of the company in the past 3 years.

Products/ Services	2017		2018		2019	
	Turnover	Income	Turnover	Income	Turnover	Income
Drilling	98.11%	99%	99.29%	96.97%	99.98%	99.98%
Constructions	1.30%	0.45%	0%	0.09%	0.01%	0.01%
Touris/Other	0.59%	0.55%	0.71%	2.94%	0.02%	0.02%

c) The company does not intend to create new services in the next year that will substantially affect its assets.

### 1.1.3. Assessment of the supply of technical equipment and materials

a) The company's main suppliers are:

**Domestic sources:** Tinmar SA, Indepent Oil Tools SRL, Carpatica Logistic SRL, Daflog SRL, Enel Energie SA, National Oilwell Varco, Fortireko SRL, Weatherford Atlas GIP

**Import:** Shandong Kerui Petroleum

b) The company does not depend significantly on a single supplier which, if lost, would adversely affect the company's income.

Prices of materials:

Materials	Price (RON)
Diesel fuel	4,47
Jet Lube Vaseline	35.81
FB 1600 bimetal bush	2660
FB 1600 valve	1268
15W40 Oil	11.50

The size of the stock of raw materials and consumables (RON):

Stocks of raw materials, consumables	Net value
Raw materials	0
Consumables	3,036,269
Items of inventory	786,547

### 1.1.4 Assessment of sales

a) Evolution of sales on the domestic and foreign markets:

- RON-

Year	Volume of sales on domestic market	Volume of sales on foreign market
2016	48.952.372	-
2017	57.056.243	17.754.918
2018	107.007.589	5.916.475
2019	99.498.466	-

b) As regards competition, it is relatively constant, remaining at the level of previous periods.

As regards the market share of the products or services of the company and main competitors, the unit does not hold such information.

c) The company significantly depends on a single customer or group of customers which, if lost, would adversely affect the company's income.

### **1.1.5 Assessment of company's employees**

a) The Company had a total number of employees of 281 on 31.12.2019, as compared to 31.12.2018 when the total number was 344.

The employees' training level is consistent with their positions.

b) Over 60% of employees are trade union members.

c) The relationship between managers and employees is good.

d) There are no conflicts between managers and employees.

### **1.1.6 The core activity does not affect the environment beyond the legal rules.**

There are no present or foreseeable disputes regarding the breach of the environmental legislation.

### **1.1.7 Assessment of research and development**

The company does not conduct research and development activities.

### **1.1.8 Assessment of company's risk management activity**

There is a constant concern not to expose the activity to risks that will significantly influence the going concern. Customers were selected also taking into account this risk element.

### **1.1.9. Company's activity in the future**

a) Factors that may influence the company's liquidity:

- the net cash generated from operating activity increased due to streamlining of projects and collecting of aged receivables.

- the company continued investing in strategic projects.

b) Capital expenditure:

No investments were made in participating titles in 2019.

c) presentation and analysis of events, transactions, economic changes that significantly affect revenues from core business

### **Current context - oil industry**

Large oil companies in Europe and the United States have required their employees to work from home and have instituted health checks for those who cannot work from home.

Exxon, BP, Kinder Morgan and Shell were among the companies that required their office staff to work from home and introduced health checks for workers at production sites.

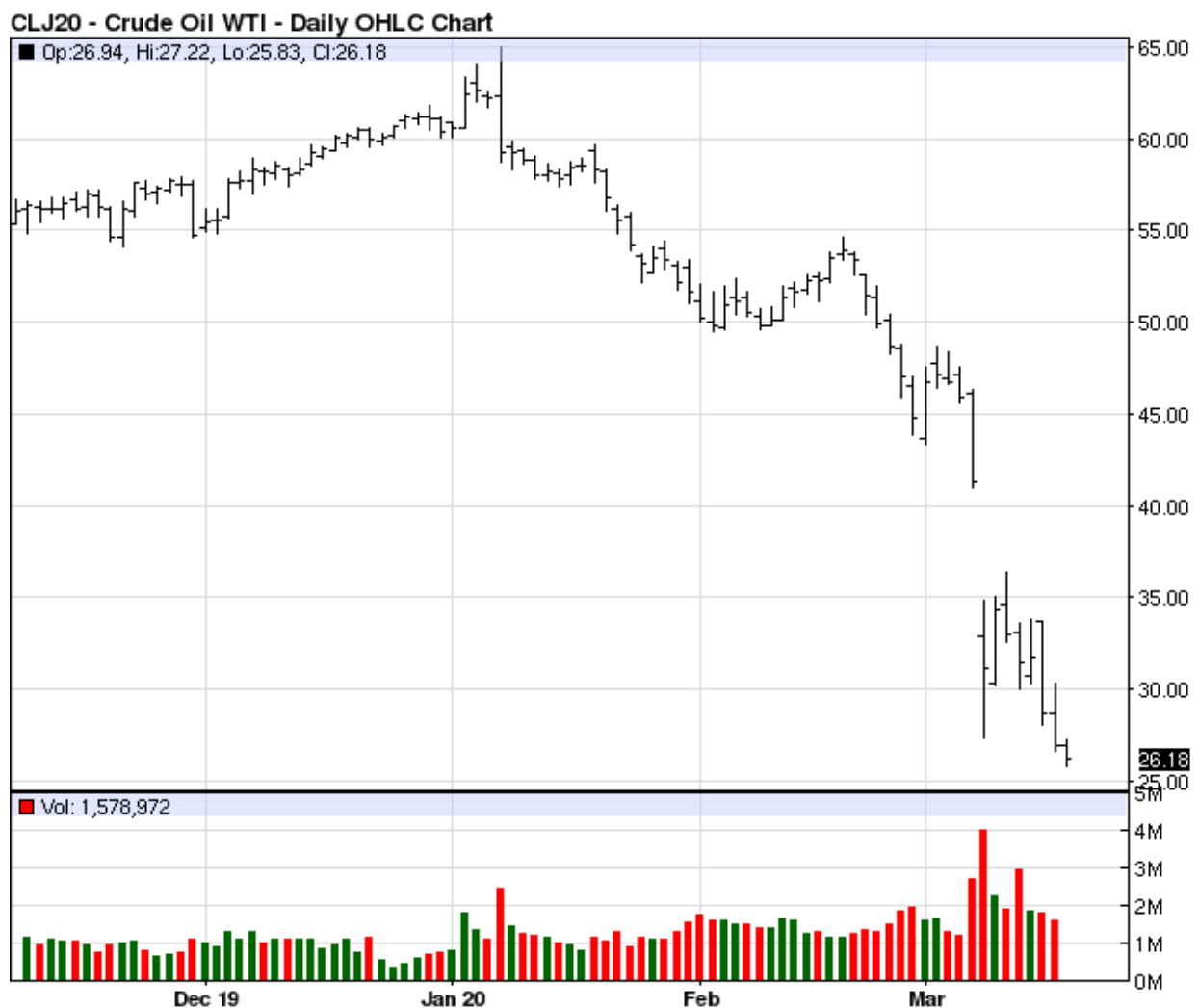
The industry has put pressure on authorities to ease some regulations regarding the maintenance and operation of pipelines in light of the spreading Covid-19 virus, which has

so far infected nearly 15,000 people in the United States, Europe and more than 190,000 worldwide.

Health checks will be particularly important offshore, which are closed living communities, and the chance of the infection spreading once a worker becomes ill is much higher than elsewhere.

To date, there has been a Covid-19 case diagnosed on an Equinor offshore platform in the North Sea, notes Reuters, which determined the Norwegian company to cease operations there and a case at a Marathon Petroleum refinery in California. In both cases, the companies removed staff from the site.

The Covid-19 outbreak caused the sharpest drop in oil prices in recent years, Brent raised about \$ 33 a barrel at the time of writing, and West Texas Intermediate by just over \$ 30 a barrel.



With travel restrictions and self-isolating people, the demand for crude oil in Europe and the United States could drop by up to 2.5 million bpd, and demand for car fuel will drop from 300 to 400,000 bpd by at the end of the year.



Added to all this is the war on oil prices between Saudi Arabia and Russia.

## TRENDS 2020

As we assess the most prominent trends and issues for the oil and gas sectors from these perspectives, we need to be aware of macroeconomic risks that include:

- Weakening economic growth, not only in the United States but also in Europe and China;
- Continuous trade tensions can intensify, create uncertainty, dampen growth and lead to changes in long-term supply chains;
- Many political risks, of course, including the US election cycle, the outcome of the Brexit process in Europe and tensions in the Middle East between several states and non-state actors with different goals.

Given the above, fundamental changes in the long-term business environment could become more apparent. While we are carefully consolidating our capabilities, the target is also for financial discipline and prudent investment strategies that should help stabilize performance.

## 2. Company's tangible assets

### 2.1. Location and characteristics of main production capacities owned by the company:

Production capacities	Location
Drilling equipment	Mobile

### 2.2. Description and analysis of the wear and tear level of the company's properties:

Group	Name of group of fixed assets	Average wear and tear %	No. of fixed assets	of which fully depreciated
1.	Constructions	4.36	29	2
2.	Installations, vehicles, animals	66.75	1731	1147
3.	Furniture, office supplies	89.45	295	256

### 2.3. There are no present or foreseeable issues related to the ownership of the company's tangible assets.

### 3. Market of Securities issued by the Company

**3.1.** The securities issued by the company have been traded on the Bucharest Stock Exchange in Category II, since February 28, 2008. They had been previously traded on Rasdaq since December 6, 1996. The shares were suspended from trading on the date of the insolvency 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 date of the present financial statements, the share capital reduction operation could not be implemented, so the shares were resumed trading starting with 07.11.2019, as a result of the rejection of the legal steps to challenge the resolution of the Registrar of the Companies.

The subscribed and paid in share capital as at December 31, 2019 is RON 100,232,329.40, corresponding to 1,002,323,294 nominal shares with a nominal value of RON 0.10/share.

**3.2.** The company has not distributed dividends in the past 3 years.

**3.3.** The company has not acquired its own shares.

**3.4.** As at December 31, 2019, the subsidiaries of company were the following:

		<b><u>December 31,</u></b> <b><u>2018</u></b> <b><u>(RON)</u></b>	<b><u>December 31,</u></b> <b><u>2019</u></b> <b><u>(RON)</u></b>
	<b><u>(%)</u></b>		
Ecoconstruct SRL (into bankruptcy)	71.09	1,031,719	1,031,719
Dafora Ukraina SRL	100.00	19,908	19,908
Dafora Drilling SRL	99.78	45,000	45,000
Dafora Rus SRL	95.00	16,504	16,504
<b>Total</b>		<b><u>1,113,131</u></b>	<b><u>1,113,131</u></b>

The participation titles of bankrupt companies are fully provisioned.

As at December 31, 2019, the company was holding participating interests in the following entities:

		<b><u>December 31,</u></b> <b><u>2018</u></b> <b><u>(RON)</u></b>	<b><u>December 31,</u></b> <b><u>2019</u></b> <b><u>(RON)</u></b>
	<b><u>(%)</u></b>		
Condmag SA (in insolvency)	45.82	77.967.264	77.967.264
Provision		(77.967.264)	(77.967.264)
<b>Net investment in associates</b>		<b>-</b>	<b>-</b>

**3.5.** The company did not issue bonds or other debt securities

## 4. Management of the Company

**4.1.** a) The administrative management of the company has been assured beginning with 30.07.2015 by Mr. Calburean Gheorghe in his quality as Special Administrator through the decision of the Board no. 2/2015. According to Art. 54, Law 85/2014, the mandate of the members of the Board was terminated on the date the Special Administrator was appointed, respectively 30.07.2015.

**CITR FILIALA CLUJ SPRL** was appointed as provisional Insolvency Administrator based on the Resolution no. 471/CC/19.06.2015 issued by the Court in Sibiu within the file no. 1747/85/2015 and then confirmed as Insolvency Administrator through the Resolution no. 44/04.02.2016 issued by the Court in Sibiu within the file no. 1747/85/2015/a41.

b) There is no agreement or understanding between the members of the Board of Administration and another person based on which such person was appointed administrator, until the moment of holding the mandate. The members of the Board of Administration are not appointed by a certain person or shareholder, they are elected in the Ordinary General Meeting of Shareholders based on the shareholders' vote and in accordance with the applicable legal requirements.

Furthermore, the special administrator was appointed by the General Meeting of Shareholders.

c) Mr. Calburean Gheorghe holds 500.766.391 shares, representing 49,9606% of the share capital. The mandate of the statutory administrators ended on the date of appointing the special administrator, respectively on 30.07.2015.

d) The companies where S.C. DAFORA S.A. holds more than 20% of the share capital are:

- Condmag S.A. in insolvency procedure
- Ecoconstruct S.A. in bankruptcy
- Dafora Ukraine S.R.L.
- Dafora Drilling S.R.L.
- Dafora RUS

e) In the past 5 years, the members of the Board of Administration were not involved in any litigation or administrative procedure until the date of their mandate, except for Mr. Tatar Alexandru who is a part in file no. 4/D/P/2014.

**4.2. a)** During 2019, the executive management of the company was provided by:

- **Managing Director: Calburean Gheorghe**, appointed to this position by the Board of Directors of the Company by Decision no. 2 / 21.01.2014, for a period of 4 years starting with 01.02.2014, being extended until 01.02.2020 by Decision no. 2/2018. Mr. Calburean Gheorghe holds 500,766,391 shares, representing 49.9606% of the share capital.
- **Chief Operations Officer: Matei Aurelian**, starting with 09.10.2017, held the positions of Technical Drilling Manager, Operations Manager, and from 01.01.2019 he held the position of Chief Operations Officer until the date of termination of the individual employment contract, respectively 15.02.2019. He holds no shares in the company.
- **Operations Manager: Murariu Mihai**, held this position between 01.01.2019 - 30.09.2019, the date on which his individual employment contract ended. He does not hold shares in the company.
- **Chief Financial Officer: Calburean Mircea**, appointed in this position since 01.11.2017. He owns 394 shares, representing 0.000039% of the share capital.
- **Financial Manager: Ivan-Cosma Melania-Stefania**, appointed in this position starting with 11.07.2014. She holds no shares in the company.
- **Human Resources Manager: Suteu Cristina Maria**, appointed to this position starting with 01.01.2015. She holds no shares in the company.
- **Contracting Manager: Razor George**, appointed in this position from 01.03.2017. He holds no shares in the company.

b) There is no agreement, understanding between the persons providing the executive management and another person due to which the respective person has been appointed as a member of the executive management.

**4.3.** The members of the executive management have not been involved in the last 5 years in any litigation and in any administrative procedure and have the capacity to exercise in fulfilling their attributions within the company.

**4.4.** List of administrator mandates held by members of the Board of Directors and executive management in other listed companies:

- Mr. Calburean Gheorghe also holds the following positions: Chairman of the Board of Directors of Condmag SA until 28.09.2015, the date from which he holds the position of Special Administrator of Condmag SA
- Mr. Calburean Mircea is Chairman of the Board of Directors of Transgex SA starting with 14.11.2015.

## 5. Financial-accounting standing

### a) Balance sheet:

The standing and the evolution of the patrimony elements as of December 31, 2019 are presented as follows

No.	Description	RON		% 2019/ 2018
		31.12.2018	31.12.2019	
1	Intangible assets	0	0	0
2	Tangible assets	45.057.492	41.642.234	94.42
3	Financial assets	834.932	1.060.635	127.03
4	Deferred tax assets	5.837.146	5.643.837	96.69
5	Customers and other receivables	1.340.931	1.213.588	90.5
	Assets related to the right of use the leased assets		690.731	
6	<b>NON-CURRENT ASSETS - TOTAL (line 1 to 5)</b>	<b>53.070.501</b>	<b>50.251.026</b>	<b>94.69</b>
7	Assets available for sale	12.997.498	12.420.368	95.55
8	Inventories	2.814.079	3.822.816	135.84
9	Receivables	27.099.382	29.579.332	109.15
10	Short-term investments	0	0	0
11	Cash and bank accounts	3.709.773	2.752.342	74.19
12	<b>CURRENT ASSETS TOTAL (line 7 to 11)</b>	<b>46.620.731</b>	<b>48.574.859</b>	<b>104.19</b>
13	Prepaid expenses (account.471)	3.292	3.688	112.03
14	<b>TOTAL ASSETS (line 6+12+13)</b>	<b>99.694.524</b>	<b>98.829.572</b>	<b>99.13</b>
15	Short-term liabilities	57.189.777	55.927.370	97.79
16	Long-term liabilities	61.983.416	58.348.734	94.14
17	Provisions for liabilities and expenses	4.030.551	4.237.520	105.16
18	Deferred income	0	0	
19	Subscribed and paid share capital	100.232.329	100.232.329	100
20	Share capital adjustments	40.736.493	40.736.493	100
22	<b>Subtotal share capital (line 19 to 20)</b>	<b>140.968.822</b>	<b>140.968.822</b>	<b>100</b>
23	Revaluation reserves	4.257.116	4.975.406	116.87
24	Other reserves	61.693.024	61.936.758	100.4
25	<b>Subtotal reserves (line 23+24)</b>	<b>65.950.140</b>	<b>66.912.164</b>	<b>101.46</b>
26	Profit or loss carried forward	-183.397.710	-190.699.776	-103.98
27	Retained earnings from first-time adoption of IAS 29	-40.736.493	-40.736.493	100
28	Profit or loss for the year	-6.293.954	3.871.230	
29	<b>Subtotal retained earnings + current (line 26+27+28)</b>	<b>-230.428.182</b>	<b>-227.565.039</b>	<b>-98.76</b>
30	Profit appropriation	0		
31	<b>TOTAL LIABILITIES (line 15 +16+17+18+ 22+25+29 )</b>	<b>99.694.524</b>	<b>98.829.572</b>	<b>99.13</b>
32	<b>Equity – total (assets -liabilities) ((line 11-(line 12 to 15))</b>	<b>(23.509.220)</b>	<b>(19.684.053)</b>	<b>-83.73</b>

The company did not record any reinvested profits in the last 3 years.

No business segment is estimated to be sold or closed down in 2020. The construction activity of the company is considerably reduced, being limited to the final works for closing projects and post-guarantee.

## b) Separate statement of comprehensive income:

The complexity of the company's economic and financial operations is reflected in the summarized accounting documents in the form of flows of current assets.

The activity of a company is determined based on the “**Individual statement of comprehensive income**”, which groups in a given management period all the economic flows that generate income and expenses.

The status and evolution of the main economic and financial indicators presented in the “**Individual statement of comprehensive income**” is as follows:

No.	Description	RON		2019/2018 %
		31.12.2018	31.12.2019	
0	<b>Turnover</b>	<b>112.924.064</b>	<b>99.498.466</b>	<b>88.11</b>
1	Operating income - total-	115.508.108	100.223.842	86.77
2	Operating expenses - total-	119.454.292	94.540.739	79.14
3	<b>Operating result (line 1- line 2)</b>	<b>(3.946.184)</b>	<b>5.683.102</b>	
4	Financial income	1.629.136	363.465	22.31
5	Financial expenses	3.163.475	2.342.684	74.05
6	<b>Financial result (line 4- line 5)</b>	<b>-1.534.338</b>	<b>-1.979.218</b>	<b>--128.99</b>
7	TOTAL INCOME (line 1+ line 4)	117.137.244	100.587.307	85.87
8	TOTAL EXPENSES (line 2+ line 5)	122.617.767	96.883.423	79.01
9	<b>GROSS INCOME (line 7- line 8)</b>	<b>(5.480.522)</b>	<b>3.703.884</b>	
10	Current and deferred income tax	(813.432)	167.346	
11	<b>NET PROFIT (line 9 – line 10)</b>	<b>(6.293.954)</b>	<b>3.871.230</b>	

### Operating activity

Analysing the evolution of the turnover and of the main economic-financial ratios it results that the turnover had a decreasing trend in the reporting year and the operating profit is a positive one. The sale of assets according to the capitalization strategy in the Plan registered a slower rate in 2019 than the previous year.

Other details regarding the evolution of the ratios by segments and by their nature are presented in the notes to the financial statements.

### Financial activity

In 2019, the company registered a loss from the financial activity in the amount of RON 1,979,218, increase compared to the previous year when it registered a loss of RON 1,534,338. This was mainly due to interest expenses and exchange rate differences.

## c)Cash flow

		31 12 2018	31 12 2019
<b>Cash flow from operating activities</b>			
Cash generated from operations		11.609.083	12.296.803
Interest paid		(1.159.478)	(987.601)
Income tax paid		-	-
		<b>10.449.604</b>	<b>11.309.202</b>
<b>Cash flows from investing activities</b>			
Purchase of tangible assets		(1.239.864)	(1.910.684)
Net proceeds from sale of assets		-	-
Loans to related parties		-	-
Repayments from related parties		-	-
Share purchase in associates		-	-
Sale of shares available for sale		10.000	-
Dividends received		-	-
Interest received		7.104	8.842
Fixed assets available for sale		2.241.978	486.293
		<b>1.019.217</b>	<b>(1.415.548)</b>
<b>Net cash (used) in investing investments</b>			
Cash flow from financing activities			
Proceeds from share issuance		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		(6.587.433)	(8.995.268)
Payments to lease suppliers		(4.579.081)	(1.855.817)
		(11.166.514)	(10.851.085)
<b>Net cash (used) in financing activities</b>			
Net increase in cash and cash equivalents		302.308	(957.430)
Cash and cash equivalents at beginning of the year	12	3.407.465	3.709.773
<b>Cash and cash equivalents at the end of the year</b>	12	<b>3.709.773</b>	<b>2.752.342</b>



## OBJECTIVES FOR 2020

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The major objective of the company for 2020 is to maximize profits and exceed the financial indicators recorded in the previous year. We expect to achieve this by contracting new works in the Romanian and international market, by identifying new markets for services, but also by maintaining the relationship with traditional customers.

The Company aims to achieve the indicators assumed in the reorganization plan for 2020 in terms of operational activity, payments to creditors and valuation of the excess assets.

In December 2010, Dafora adopted the Corporate Governance Regulation, which includes the main corporate governance principles applied by the company, in light of the Corporate Governance Code adopted by the Bucharest Stock Exchange.

### **Special Administrator**

Beginning with July 30, 2015, the management of the company is awarded to Mr. Calburean Gheorghe in his quality of Special Administrator.

Dafora SA kept the administration right and its activity is supervised by the Insolvency Administrator CITR Filiala Cluj SPRL and the syndic judge in accordance with the Law no. 85/2014.

After opening the insolvency procedure on June 19, 2015, the activity of the company has been supervised by the Insolvency Administrator which approves the payments and the contracts concluded by the company as well as other current operations. According to the legal provisions in force, the company's operations were also approved by the Creditors' Committee under its competence.

The company regularly informs the Insolvency Administrator regarding its current activity of the company: reports on the realized incomes, reports on the registered expenses, detailed on projects and by their nature. There are also reports on the company's receivables by seniority, the company's debts accumulated since entering insolvency in detail by due dates and categories, quarterly cash-flow.

The Special Administrator issued 8 Resolutions in 2019.

In order to exercise the position of special administrator, Mr. Calburean Gheorghe is not remunerated.

### **Advisory committees**

The activity of the Advisory Committee within the Board of Administration ceased on July 30, 2015.

Since 2011, the Board of Administration established two advisory committees: the audit committee and the remuneration committee.

The remuneration committee has developed a remuneration policy for administrators and directors. Proposals on the remuneration of administrators and directors are in line with the

remuneration policy adopted by the Company. The special administrator receives no remuneration and the Insolvency Administrator's fee was established by the Creditors' Assembly.

The Audit Committee assessed on a regular basis the efficiency of financial reporting, of internal control and risk management and made sure that the audit performed and the audit reports prepared as a result thereof were consistent with the audit plan. The Audit Committee met at least twice a year and fulfilled its duties in close cooperation with the financial auditor, being informed of the activity program of the financial auditor.

The Audit Committee gave support to the Board of Administration in monitoring the reliability and accuracy of the financial information supplied by the company, in particular by revising the importance and consistency of accounting standards applied by the company (including consolidation criteria).

The Audit Committee made recommendations on the selection, appointment, reappointment and replacement of the financial auditor, and on the terms and conditions of its remuneration and monitored the independence and objectivity of the financial auditor.

The Advisory Committees, which were made up of two members of the Council, were in charge with drafting the recommendations and reporting activity to the Management Board.

In the light of the new provisions of Law 162/2017 translating at national level requirements from the European Union, imposed by Directive 2014/56 / EC and by European Regulation no. 537/2014, the public interest entities must have an audit committee, and the entities whose annual financial statements are subject, according to the law, to the statutory audit, are obliged to organize and ensure the pursuit of the internal audit activity, according to the legal framework.

Regarding the Audit Committee: Dafora is in the insolvency procedure that is the subject of file no. 1747/85/2015 before the Court in Sibiu and operating in accordance with the special law 85/2014 on insolvency prevention and insolvency procedures. In accordance with the provisions of Law 85/2014, the activity of the Board of Directors has ceased. The company is run by the special administrator under the supervision of the insolvency administrator and the syndic judge. As members of the Board of Directors were members of the Audit Committee, the activity of the Audit Committee ceased at the same time as the activity of the Board of Directors ceased. The internal audit service is independent, being outsourced starting with 2019.

## **Transparency and reports**

The Company has prepared and distributed periodic and continuous reports in accordance with International Financial Reporting Standards (IFRS) and other reporting standards.

Therefore, we have provided investors, both on our website [www.dafora.ro](http://www.dafora.ro), and on the websites of the BVB (Bucharest Stock Exchange/BSE) and the ASF (Financial Conduct Authority/FCA): annual, half-yearly and quarterly reports as by the legislation in force (within the terms provided by the financial calendar), and current reports on the important events in the company's existence. Periodic reports are available on the company's website.

## **Shareholders' rights**

DAFORA SA respects the rights of security holders and offers fair treatment to all shareholders, providing them with all the relevant information on the website [www.dafora.ro](http://www.dafora.ro) in the section "Shareholding", which includes information on the financial calendar, current reports, corporate governance, shareholding, price per share, etc.

DAFORA SA has also specialized internal structures for the relationship with investors and own shareholders.

All the shares issued confer equal rights to their holders; any change in the rights conferred by the shares is subject to the approval of the directly affected holders. The company's shares are ordinary nominal shares, dematerialized and undivided. One share confers one vote in the general meeting of shareholders.

DAFORA SA enables and encourages the participation of its shareholders in the General Meeting of Shareholders (GMS), and to shareholders that cannot not attend, DAFORA SA offers the possibility to vote in absentia, based on special proxy, by correspondence or by electronic means. All the interested parties may access the notices to attend the GMS, the documents subject to the approval of the GMS and all the other relevant information on the company's website [www.dafora.ro](http://www.dafora.ro) in the section "GMS", and in the section "Corporate governance" shareholders may find general information on the GMS participation procedure, the conduct of GMS works, the shareholders' rights – general data.

## **Conflict of interest**

The Special Administrator takes decisions in the company's interest, and if the administrator holds direct or indirect interests in a certain operation, which are contrary to the company's interests, then it shall have the legal obligation of not taking part in any deliberation regarding such operation and of abstaining from voting. In this respect, the company drew up the Procedure for identification and settlement of conflict of interest, which provides the criteria for identifying conflict of interest and the action required in such events. The administrator shall make sure that any direct or indirect conflict of interest with the Company or any subsidiary controlled thereby is avoided and will take action in accordance with the applicable legal provisions.

In observance of the legal provisions, namely Art. 225 of Law no. 297/2004 on the capital market and art. 82, Law, no. 24/2017, the company concluded 8 transactions with the persons involved in 2016, and communicated them to the BVB (Bucharest Stock Exchange/BSE) and the ASF (Financial Conduct Authority/FCA) through 4 current reports and an additional current report.

## **Corporate information**

The administrator and directors of Dafora S.A. keep the confidentiality of the documents and information they have access to during their mandate. The directors of Dafora S.A. ensure a proper flow of corporate information, with a special attention to information that may influence the evolution of the market price of the securities issued by the company.

## **Internal control**

To achieve a good management of its activity, the company enforces different types of control as follows: the preventive financial control of the financial and accounting documents, the control of the quality of the works, the legal control of the documents and transactions concluded by the company, the internal control regarding the compliance with the legal occupational health and safety and environmental protection requirements, the internal costs control etc. The conclusions of such controls are communicated to the company's management, for assessment and implementation of the required measures to eliminate fraud risk. For this purpose, the company has approved procedures for control and evaluation of the activity carried out.

The company's information system is secured, with a procedure for the protection of accounting databases and limited access to any other information that exceeds the area necessary to carry out the activity of a certain employee. The company also took measures to strengthen data security by contracting an antivirus solution, and in 2010 the security solution was implemented with an equipment produced by Fortinet, the Fortigate 80C model. Databases are saved daily by automatic backups and these backups are transferred to external disks. The ERP - ASIS system used in the company has modules produced by the application provider but also modules created internally by our IT department.

The software market does not always offer the necessary specialized internal software, which is why software modules created on the ASISria platform (program development environment) are developed in-house. The programs created replace work in EXCEL files for information collecting and processing. The programs created are mainly focused on specialized departments: Drilling, Mechanics, HSEQ, areas with no specialized software and a great need for tracking information in databases in order to have greater traceability and efficiency in processing technical information. In the absence of specialized software, the collection and processing of information can be done in EXCEL files, an approach that generates a lot of information redundancy, frequent errors of operations and incorrect information, extremely low productivity and efficiency in data processing, reporting and capitalization of data as support for analysis and decision making.

Information control becomes truly effective only if database-oriented applications are used, and information control ultimately means good control of internal costs. Who effectively controls the internal information, also effectively controls the costs. Besides the technical advantage of this internal software, the economic aspect generated inside the company should be emphasized, that is money savings of at least EUR 50,000, because the service provider company programming produced these customized software for a fee to which a monthly cost of maintenance and user assistance was added.

### **Subsequent events**

During the reporting period, there were no changes to the rights of holders of securities issued by the Company. The Creditors' Assembly approved the extension of the Reorganization Plan by another year on June 18, 2019, an operation regulated by the Insolvency Law. In 2020, the company continued to capitalize the assets, in order to meet the objectives

of the plan, so that in the first quarter of the year assets in the amount of RON 5,390,706 were capitalized.

At the date of approval of the present financial statements, Romania is in a crisis situation created by the spread of CORONAVIRUS. Starting with 11.03.2020, the company decided that the presence of the administrative staff at the company's headquarters should be reduced by alternating with vacation and organizing the activity in order to avoid overcrowding and minimize the risk of COVID-19 infection. Due to the large dispersion on the territory of the country, the movement of personnel to the wells is done with their own car or with the company's minibus, where there is this possibility, in compliance with the measures to prevent the spread of COVID-19. The staff received free gloves and protective masks insofar as they were available for purchase and the sanitation measures of the work spaces as well as of the used cars have increased.

Taking into account the new legal regulations supporting the companies within the state of emergency, Dafora will use the social protection measures as applicable. In order to overcome the Covid-19 that caused the sharpest drop in oil prices in recent years, Brent raised about \$ 33 per barrel at the time of writing, and West Texas Intermediate by just over \$ 30 per barrel.

Alongside with travel restrictions and self-isolating issue, crude oil demand in Europe and the United States could drop by up to 2.5 million bpd, and car fuel demand will drop from 300 to 400,000 bpd by at the end of the year. Added to all this is the war on oil prices between Saudi Arabia and Russia.

As we assess the most prominent trends and issues for the oil and gas sectors from these perspectives, we need to be aware of macroeconomic risks. Given the above, fundamental changes in the long-term business environment could become increasingly obvious. While we are carefully consolidating our capabilities, the target is also for financial discipline and prudent investment strategies that should contribute to stabilization. There are no other significant events to mention.

#### **SIGNATURES,**

**Special Administrator,  
Gheorghe Călburean**

**Financial Manager,  
Ivan Cosma Melania Stefania**

**Date, 27.03.2020**