TRANSLATION FROM THE ROMANIAN LANGUAGE

S.C. DAFORA S.A.

SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2019

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

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DAFORA S.A.

SEPARATE STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019
(the amounts are expressed in lei, unless otherwise specified)

	NOTE	31.12.2018	31.12.2019
1. ASSETS			
A. NON-CURRENT ASSETS		**53,070,501**	**50,251,026**
1.Tangible assets	6	45,057,492	41,642,234
2. Intangible assets		0	0
3. Assets related to the right of use the leased assets		-	690,731
4. Financial assets at cost	7	61,504	61,504
5. Financial assets available for sale	9	773,428	999,131
6. Deferred tax assets	18	5,837,146	5,643,837
7. Customers and other receivables	10	1,340,931	1,213,588
B. CURRENT ASSETS		**46,620,731**	**48,574,859**
8. Non-current assets available for sale	6	12,997,498	12,420,368
9. Inventories	11	2,814,079	3,822,816
10. Customers and other receivables	10	27,099,382	29,579,332
11. Cash and cash equivalents	12	3,709,773	2,752,342
C. Prepaid expenses		**3,292**	**3,688**
1. TOTAL ASSETS		**99,694,524**	**98,829,572**
2. EQUITY AND LIABILITIES			
D. LIABILITIES		**123,203,744**	**118,513,625**
D1. Current liabilities		**61,220,328**	**60,164,890**
12. Borrowings	17	20,149,133	12,287,477
13. Finance lease liabilities	17	3,642,286	5,308,152
14. Suppliers and other liabilities	16	33,398,357	38,331,742
15. Provisions for liabilities and expenses	19	4,030,551	4,237,520
D2. Non-current liabilities		**61,983,416**	**58,348,734**
16. Borrowings	17	28,538,868	27,405,257
17. Finance lease liabilities	17	27,962,164	26,513,393
18. Deferred tax liabilities	18	2,748,945	2,527,562
19. Suppliers and other liabilities	16	2,733,439	1,902,523
E EQUITY		**(23,509,220)**	**(19,684,053)**
20. Share capital	13	140,968,822	140,968,822
21. Reserves	15	65,950,140	66,912,164
22. Retained earnings		(230,428,182)	(227,565,039)
23. Cumulative conversion adjustments		-	-
F. DEFERRED INCOME		**-**	**-**
II. TOTAL EQUITY AND LIABILITIES		**99,694,524**	**98,829,572**

Gheorghe Călburean - Special Administrator

Ivan Cosma Melania – Financial Manager

Gaidarji Stela – on behalf of SC Stela Cont SRL,
Accounting Department

S.C. DAFORA S.A.
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(the amounts are expressed in lei, unless otherwise specified)

COMPREHENSIVE INCOME	**31.12.2018**	**31.12.2019**
1. Income	112,924,064	99,498,466
2.Other operating income	322,256	249,604
3. Changes in finished products and work in 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/(loss) from operating activity	**(3,946,184)**	**5,683,102**
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/(loss) before taxation	**(5,480,522)**	**3,703,884**
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**
Other comprehensive income		
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	**(90,230)**	**842,687**
28. Total comprehensive income for the year	**(6,384,184)**	**4,713,917**

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Earnings per share (Note 26)

	31.12.2018	31.12.2019
Result for company's shareholders	(6,293,954)	3,871,230
The weighted average number of ordinary shares (expressed in K)	1,002,323	1,002,323
	(6,28)	**3,86**

S.C. DAFORA S.A.
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT DECEMBER 31, 2019
(the amounts are expressed in RON, unless otherwise specified)

	Share capital	Revaluation reserves	Other reserves	Retained earnings	TOTAL
Balance as at January 01, 2018	**140,968,822**	**4,671,042**	**61,693,024**	**(223,113,228)**	**(15,780,339)**
Corrections recorded 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)**	**(23,509,220)**
Balance as at January 01, 2019	**140,968,822**	**4,257,115**	**61,693,024**	**(230,428,182)**	**(23,509,220)**
Registration corrections in 2019 from previous years	-	-	-	(888,750)	(888,750)
Balance as at January 1, 2019 (recalculated)	**140,968,822**	**4,257,115**	**61,693,024**	**(231,316,931)**	**(24,397,969)**
Profit / (loss) for the year	**-**	**-**	**-**	3,871,230	3,871,230
Other comprehensive income	**-**	**718,290**	**243,734**	**(119,338)**	**842,687**
Distribution of profit from legal reserves	**-**	**-**	243,734	(243,734)	-
Profit/(Loss) on revaluation of land and buildings	-	756,256	-	-	756,256
Changes in fair value of financial assets available for sale	-	225,703	-	-	225,703
Distribution of retained earnings from reserves	-	(124.396)	-	124,396	-
Deferred income tax recognised on equity	-	(139.272)	-	-	(139,272)
Transactions with shareholders	-	-	-	-	-
Share capital increase	-	-	-	-	-
Own shares	-	-	-	-	-
Balance as at December 31, 2019	**140,968,822**	**4,975,406**	**61,936,758**	**(227,566,039)**	**(19,684,053)**

Gheorghe Călburean - Special Administrator

Ivan Cosma Melania – Financial Manager

Gaidarji Stela – on behalf of SC Stela Cont SRL,
Accounting Department

S.C. DAFORA S.A.
SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(the amounts are expressed in RON, unless otherwise specified)

	NOTE	December 31, 2018	December 31, 2019
Cash flows from operating activities			
Cash generated from operations	**27**	11,609,082	12,296,803
Interest paid		(1,159,478)	(987,601)
Income tax paid		-	-
Net cash generated by operating activities		**10,449,604**	**11,309,202**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,239,864)	(1,910,684)
Fixed assets available for sale		2,241,978	486,294
Net proceeds from disposal of property, plant and equipment		-	-
Loans to related parties		-	-
Repayments from related parties		-	-
Share purchase in associates		-	-
Sale of shares available for sale		10,000	-
Interest received		7,104	8,842
Dividends received		-	-
Net cash (used) in investing activities		**1,019,217**	**1,415,548**
Cash flow from financing activities			
Proceeds from share issuance		-	-
Proceeds from borrowings		0	-
Repayment of borrowings		(6,587,433)	(8,995,268)
Payments to lease suppliers		(4,579,081)	(1,858,817)
Net cash (used) in financing activities		**(11,166,514)**	**(10,851,085)**
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**
Cash and cash equivalents at the end of the year	**12**	**3,709,773**	**2,752,342**

Gheorghe Călburean - Special Administrator

Ivan Cosma Melania – Financial Manager

Gaidarji Stela – on behalf of SC Stela Cont SRL, Accounting Department

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 Exchange. 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 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 2019, the Company recorded negative net assets in amount of 19.684.053 RON (at 31st December 2018 the negative net assets were in amount of 23.509.220 RON) and the profit for the year ended at 31

December 2019 was in amount of 3.871.230 RON (at 31st of December 2018 the loss was in amount of 6.293.954 RON).

On 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 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 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-X 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 are expected. The Creditors' Assembly approved the extension of the Reorganization Plan by another year on June 18, 2019.

According to the INSOLVENCY ADMINISTRATOR's report on the evolution of the company in the Xth quarter of the Reorganization Plan (July - September 2019):

✓ "the operational revenues amounting 18,74 million lei are exceeding the forecast in the Reorganization Plan for this quarter by 13%;

✓ the direct margin obtained from the executed works amounts to 3.99 million lei, its value being 15% higher than the expected value (3.44 million lei);

✓ the operational result is materialized in profit amounting to 1.63 million lei, its level exceeding the level of the forecasted one by 0.41 million lei;

✓ the current debts of the company register a decrease compared to the previous period, standing at a total of 68.88 million lei. This is mainly influenced by the reduction of debts to suppliers, but also by the full repayment of the amounts resulting from the factoring contract concluded with Banca Transilvania.

✓ the distributions made during the reorganization period total 21.94 million lei, having as sources:

- 7.75 million lei from the operational activity;
- 10.65 million lei from the valuation of assets;
- 3.53 million lei from the release of guarantees of good execution".

The Company implemented management measures particular for achieving its objectives and for satisfying the clients' demands. The personnel structure was adapted to the size and the actual number of drilling projects. 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) New accounting regulations

IASB standards or interpretations in force for the first time in the financial year ended December 31, 2019

• In the current year, the Company applied **IFRS 16 "Leases"** - adopted by the EU on October 31, 2017 (applicable for annual periods beginning on or after January 1, 2019)

According to IFRS 16, the lessee of a lease recognizes a right of use in the statement of financial position. The right-of-use assets are treated similarly to other non-financial assets and are depreciated accordingly. The lease debt is initially measured at the present value of the lease payments due during the lease, updated at the rate implicit in the lease, if this can be easily determined. If the rate cannot be easily determined, the lessee will use the incremental interest rate of the loan. As in the case of the predecessor of IFRS 16, i.e. IAS 17, the lessors classify leases into operational and financial. A lease is classified as a finance lease if all the risks and rewards of ownership of the asset are substantially transferred. Otherwise, a lease is classified as an operating lease. For financial leases, a lessor recognizes the financial income during the lease, based on a calculation method that periodically reflects a constant rate of return on the net investment. A lessor recognizes operating lease payments as income, having a linear calculation basis or, in the case of a calculation method in which the profit from the use of the respective asset is diminished, another systematic basis.

Considering the value of the leasing contracts signed as lessee for the locations of the headquarters and of the used cars, the Company registered a reduced impact on the situation of its financial position and on its situation of the global result as a result of the adoption of the new standard.
The most important impact for the Company refers to the recognition of new assets and liabilities from operational leasing contracts. The change in the presentation of operating leasing expenses resulted in an improvement in profit before amortization and depreciation (EBITDA), the expenses with the rent paid being now recognized through depreciation expenses and interest related to leasing contracts.
At the date of initial application, the assets related to the right of use for leases previously classified as operating leases, were measured at the amount of debts arising from the lease, adjusted by the value of any rent payments recorded in advance or accumulated lease payments for that leasing contracts.
The duration of the leasing contract was considered the irrevocable period of the leasing contract, without taking into account the extension option.
The Company used a discount rate for premises leases equal to the cost of financing an asset with a term equal to the remaining lease term for a similar class of underlying assets in a similar economic environment.
The initial application of IFRS 16 had the effect of recognizing non-current assets representing usage rights in the amount of 1.743.261 and some lease liabilities related to operating leases in a similar amount (equivalent to EUR 373.895).

• Amendments to **IFRS 9 "Financial Instruments" -** Prepayments Features with Negative Compensation - adopted by the EU on March 22, 2018 (applicable for annual periods beginning on or after January 1, 2019). The amendments amend the existing requirements in IFRS 9 on termination rights to allow valuation at amortised cost (or, depending on the business model, at fair value through other comprehensive income), even in the case of negative compensation payments. According to these amendments, the sign of the advance payment is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may be made in favour of the contracting party making the early repayment. The method of calculating this compensatory payment must be the same, both in the case of a penalty for early repayment and in the case of an income arising from an early repayment.
• Amendments to **IAS 19 "Employee Benefits"** - Changes, reductions or settlements of defined benefit plans (applicable for annual periods beginning on or after January 1, 2019)
• Amendments to **IAS 28 "Investments in associates and joint ventures"** - Long-term interests in associates and joint ventures (applicable for annual periods beginning on or after January 1, 2019)
• **Amendments to various standards due to "Improvements to IFRS (brought in 2015-2017)"**, as a result of the draft of annual improvements to IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23), having as main purpose of eliminating inconsistencies and clarifications on the text (applicable for annual periods beginning on or after 1 January 2019),
The adoption of these amendments to the existing standards did not lead to significant changes in the Company's

financial statements.

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

At the date of approval of these financial statements, the following new standards, amendments to existing standards and interpretations issued by the IASB and adopted by the EU are not yet in force:

• Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of material - adopted by the EU on November 29, 2019 (effective for annual periods beginning on or after January 1, 2020)

• Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Presentation" - Interest Rate Reference Reform - adopted by the EU on January 15, 2020 (effective for annual periods beginning on or after January 1, 2020)

• Amendments of the references to the conceptual framework in the IFRS Standards adopted by the EU on November 29, 2019 (in force for annual periods beginning on or after January 1, 2020).

The company decided not to adopt new standards, amendments to existing standards and interpretations, before their effective date. The Company is analysing the impact that these new standards could have on the Company's financial statements.

(c) New standards and amendments to existing standards issued by the IASB that have not yet been adopted by the EU

At present, the IFRS in the formula adopted by the EU does not differ much from the regulations adopted by the IASB, except for the following standards and amendments to existing standards, which as of December 31, 2019 had not yet been approved by the EU to be applied (the effective dates below are valid for IFRS issued by the IASB):

• IFRS 14 "Regulatory deferral accounts" (applicable for annual periods beginning on or after January 1, 2016) - The European Commission has decided not to launch the process of approving this interim standard and to wait for the final standard.

• IFRS 17 "Insurance Contracts" (applicable for annual periods beginning on or after January 1, 2021);

• Amendments to IFRS 3 "Business Combinations" - Definition of enterprise (applicable to business combinations, where the acquisition date is at or after the beginning of the first annual reporting period, which begins on or after January 1, 2020, and acquisitions of assets records at or after the beginning of that period).

• Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - The sale or contribution of assets between an investor and its associates or joint ventures and future amendments (the date of entry into force has been postponed indefinitely until the research project on the capital method is completed)

• Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of materiality (applicable for annual periods beginning on or after January 1, 2020)

• Amendments to the references to the conceptual framework of IFRS (applicable for annual periods beginning on or after January 1, 2020).

The Company is considering the impact that the adoption of these new standards and amendments to existing standards could have on the Company's 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, 2019 will be issued within 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 statement, 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 amortisation and depreciation 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 the income statement. The 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 revenues and expenditure statement 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 was 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.
The last revaluation of the company's land and buildings was performed by independent experts on December 31, 2019.

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 depreciated over their estimated useful life (three to five 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 depreciated and are revised annually to identify any impairment losses. Assets that are depreciated 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 selling cost 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, if 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 non-current assets in the stock category as non-current 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 long-term 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 long-term 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 revenues and expenditures under “Gains and losses on investments”.

Dividends on available-for-sale financial assets are recognised in the statement of revenues and expenditures to 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 amortised 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:
  - (i) unfavourable changes in the payment status of the debtors in the portfolio;
  - (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 lowest value between 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 revenues and expenditures under "Value adjustment for current assets" in the income statement. When a trade receivable cannot be recovered, it is expensed, with the corresponding reversal of the trade receivables adjustment. 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 31.12.2019, 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 the 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 Income Statement. The Company analytically records 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 the 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 Income Statement. The Company analytically records 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 considers that additional taxes are likely to apply if these positions would 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, 2019 and December 31, 2018 (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 allowance 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, calculated 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;
- for the birth or adoption of each child, based on the birth certificate(s) or adoption certificates, an allowance for employees with an employment contract for an indefinite period at the date of event, equivalent to one gross average salary, calculated 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 allowance will be received by the person entitled to receive the funeral allowance 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 benefits 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 benefits of ownership. Finance leases are capitalised at the beginning of the lease at the lowest value 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 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 income statement 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).

As at 31.12.2019, the Company has Assets related to the rights to use the leased assets in the net amount of RON 690.731, and the related leasing debt in the amount of RON 410.231.

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 FINANCIAL RISK MANAGEMENT

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 under the supervision of the Insolvency 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 Insolvency 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. 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 nominal values as at the balance sheet date:

As at December 31, 2019	Less than 1 year	From 2 to 5 years	More than 5 years	TOTAL
Borrowings (exclusive finance lease liabilities)	12,287,477	27,405,257	-	**39,692,734**
Finance lease liabilities	5,308,152	26,513,393	-	**31,821,545**
Suppliers and other liabilities	42,569,262	4,430,085	-	**46,999,346**
TOTAL	**60,164,890**	**58,348,734**	**-**	**118,513,625**

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**

3.2 CAPITAL RISK MANAGEMENT

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, 2018	December 31, 2019
Total borrowings (note 17)	80,292,452	71,514,279
Less: cash and cash equivalents (note 12)	3,709,773	2,752,342
Net liability	**76,582,679**	**68,761,936**
Total equity	(23,509,220)	(19,684,053)
Total capital	**53,073,459**	**49,077,883**
Gearing ratio	144%	140%

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, 2019.

31.12.2019	**Level 1**	**Level 2**	**Level 3**	**TOTAL**
Asset				
Financial assets for sale, out of which:	978,894	-	20,237	999,131
- **Investments**	978,894	-	20,237	999,131

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 considered as 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 final 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, 100% of the turnover was based on services provided 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 2019, the company earned 100% of its turnover from the activity in Romania.

Segment information for the year ended December 31, 2019 is the following:

As at December 31, 2019:	**0.01%**	**99.98%**	**0.02%**	**100%**
	Constructions	**Drilling**	**Other**	**TOTAL**
Total segment income	9,788	99,715,791	15,000	99,740,579
Inter-segment income	-	-	-	-
Income	**9,788**	**99,715,791**	**15,000**	**99,740,579**
COSTS	**(286)**	**(87,440,757)**	**(20,503)**	**(87,461,546)**
Operating profit/(loss) by segment	**9,502**	**12,275,034**	**(5,503)**	**12,279,033**
Expense with depreciation	-	(6,595,927)	-	**(6,595,927)**
Finance costs – net	-	(1,979,222)	-	**(1,979,222)**
Profit/(loss) before income tax	**9,502**	**3,699,885**	**(5,503)**	**3,703,884**
Expenses/ Revenues with current and deferred income tax	-	167,346	-	**167,346**
Profit / (loss) for the year:	**9,502**	**3,867,231**	**(5,503)**	**3,871,230**

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

As at December 31, 2018:	**0.09%**	**99.83%**	**0.08%**	**100%**
	Constructions	**Drilling**	**Other**	**TOTAL**
Total segment income	101,562	113,056,964	87,794	113,246,320
Inter-segment income	-	-	-	-
Income	**101,562**	**113,056,964**	**87,794**	**113,246,320**
Operational expenditure	**(101,721)**	**(105,993,635)**	**(1,312,401)**	**(107,407,757)**
Operating profit/(loss) by segment	**(160)**	**7.063,329**	**(1,224,607)**	**5,838,563**
Expense with depreciation	(105)	(9,772,967)	(11,675)	**(9,784,746)**
Finance costs – net	-	(1,390,299)	(144,039)	**(1,534,338)**
Profit/(loss) before income tax	**(264)**	**(4,099,937)**	**(1,380,321)**	**(5,480,522)**
Expenses/ Revenues with current and deferred income tax	-	244,465	(1,057,897)	**(813,432)**
Profit / (loss) for the year:	**(264)**	**(3,855,472)**	**(2,438,218)**	**(6,293,954)**

6 PROPERTY, PLANT AND EQUIPMENT

The net book value on **December 31, 2019** as well as its changes in the reporting year are presented below:

December 31, 2019	Land and buildings	Installations and machinery	Fixtures, plant and equipment	Assets in progress	TOTAL
Initial net book value recalculated	5,138,558	39,894,134	24,801	(0)	**45,057,492**
Inputs	-	1,938,946	-	-	**1,938,946**
Revaluation differences	758,256	-	-	-	**758,256**
Non-core outputs	-	(16,579)	(11,684)	-	**(28,262)**
Core outputs	-	-	-		**-**
Depreciation and impairment	(170,362)	(5,907,574)	(6,262)	-	**(6,084,198)**
Closing net book value	5,726,451	35,908,927	6,855	(0)	41,642,234
Cost or valuation	5,728,251	98,798,739	368,840	(0)	**104,895,831**
Cumulated depreciation	(1,800)	(62,889,812)	(361,985)	-	**(63,253,597)**
Net book value	5,726,451	35,908,927	6,855	(0)	41,642,234

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**
Inputs	-	1,610,560	6,792	-	**1,617,352**
Revaluation differences	-	-	-	-	**-**
Non-core outputs	-	(325,246)	-	-	**(325,246)**
Core outputs	(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

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.

On 31.12.2019, the remaining lifetime was increased for the fixed assets belonging to the Bentec drilling rig manufactured in Germany and the F400 API rig manufactured by Upetrom Ploiesti, taking into account the following considerations:

- from the commissioning for the equipment of the two rigs the recommendations given by the API norms and requirements imposed by the manufacturer and beneficiary regarding the frequency of CAT III and CAT IV inspections performed with specialized companies were observed;
- the rigs did not have an exploitation activity of 100% (Bentec rig – 49,7% and the F400 rig - 35%);
- when performing the annual inventory of the patrimony, no non-conformities were notified that would affect the safety in operation of the equipment at the designed operating parameters.

The change in the remaining life for these fixed assets had an impact on the result of 2019 by reducing depreciation expenses.

The last revaluation of the company's land and buildings was performed on December 31, 2019 by independent experts.

No interest was capitalized in the cost of fixed assets during 2019.

Bank loans, overdrafts and guarantee letters are secured by non-current assets at a net book value of: RON 53,901,613 (on December 31, 2018: RON 57,927,588).

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

	December 31, 2018	**December 31, 2019**
Cost – capitalized finance leases	38,789,279	38,789,279
Cumulated depreciation	9,430,640	11,068,401
Net book value	**29,358,639**	**27,720,878**

Assets for sale

December 31, 2019	**Assets for sale**	**TOTAL**
Initial net book value recalculated	12,997,498	**12,997,498**
Transfers from fixed assets	(130,660)	**(130,660)**
Sales	446,470	**446,470**
Net book value	**12,420,368**	**12,420,368**

7. **FINANCIAL ASSETS**

The net financial assets are as follows:

	December 31, 2018	**December 31, 2019**
Participation titles	61,504	61,504
Guarantees for services delivered to third parties	1,340,931	1,213,588
Other long-term investments	773,428	999,131
Total	**2,175,863**	**2,274,224**

Participation titles and other net investments:

	December 31, 2018	December 31, 2019
Investments in subsidiaries	61,504	61,504
Investment in associates	-	0
Other long-term investments	773,428	999,131
Total	**834,932**	**1,060,635**

As at December 31, 2019, the Company had the following subsidiaries:

	(%)	December 31, 2018	December 31, 2019
Ecoconstruct SRL	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
		1,113,131	**1,113,131**

On 31.12.2019, impairment allowances for investments in:

	December 31, 2018	December 31, 2019
Ecoconstruct SRL	1,031,719	1,031,719
Dafora Ukraina SRL	19,908	19,908
	1,051,627	**1,051,627**
Net investment in subsidiaries	**61,504**	**61,504**

As at December 31, 2019, the Company was holding participation titles in the following entities:

	(%)	December 31, 2018	December 31, 2019
CONDMAG SA	45.82	77,967,265	77,967,265

As at December 31, 2019, the Company recorded impairment allowances for investments:

	December 31, 2018	December 31, 2019
CONDMAG SA	77,967,265	77,967,265
Net investment in associates	-	-

8. FINANCIAL INSTRUMENTS BY CATEGORIES

December 31, 2019	Loans and receivables	Available for sale	TOTAL
Assets as per balance sheet			
Customers and other receivables except for advances to suppliers and tax receivables	29,261,143		**29,261,143**
Financial assets available for sale		999,131	**999,131**
Cash and cash equivalents	2,752,342		**2,752,342**
TOTAL	**32,013,486**	**999,131**	**33,012,617**

December 31, 2018	Loans and receivables	Available for sale	TOTAL
Assets as per balance sheet			
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**

Loans to related parties	**31.12.2018**	**31.12.2019**
Loans to related parties	5,250,348	5,243,348
Interest from related parties	1,133,694	1,133,694
Provision for impairment allowance for loans to related parties	(6,384,042)	(6,377,042)
	-	-

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:

	31.12.2018	**31.12.2019**
Quoted securities		
Transgaz SA	729,645	831,241
VES SA	21,130	144,433
SIF MOLDOVA	2,416	3,220
	753,191	**978,894**
Unquoted securities		
Transgex SA	20,237	20,237
	20,237	**20,237**
	773,428	**999,131**

10. CUSTOMERS AND OTHER RECEIVABLES

	31.12.2018	31.12.2019
Trade receivables	13,174,397	8,879,195
less: impairment allowances	(4,642,178)	(3,787,611)
Trade receivables – net	**8,532,219**	**5,091,584**
Amounts due from customers for contract works	3,281,324	2,272,930
less: impairment allowances	(593,721)	(593,721)
Amounts due to customers for works – net	**2,687,603**	**1,679,208**
Other amounts not invoiced to customers	**3,043,354**	**11,861,844**
Advances to suppliers	1,609,449	1,030,375
less: impairment allowances	(1,118,915)	(1,102,611)
Receivables from advances to suppliers	**490,534**	**(72,236)**
Other receivables	1,594,947	1,511,555
Less: adjustment of impairment of receivables	(919,480)	(919,162)
Other receivables	**675,467**	**592,393**
Receivables from related parties	14,119,595	16,934,578
less: impairment allowances	(13,146,114)	(13,277,301)
Receivables from related parties – net	**973,482**	**3,657,277**
Loans to related parties	6,384,042	6,377,042
less: impairment allowances	(6,384,042)	(6,377,042)
Loans to related parties – net (Note 29)	-	**-**
Guarantees	12,037,655	7,982,849
Less long-term share: guarantees	(1,340,931)	(1,213,588)
Current share	**10,696,724**	**6,769,261**
Total CLIENTS AND OTHER RECEIVABLES	**27,099,382**	**29,579,332**

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, 2018	December 31, 2019
Less than 1 month	8,335,167	5,050,859
Between 1 and 3 months	9,480	8,447
Between 3 and 6 months	29,288	6,658
Between 6 and 12 months	139,518	-
More than 12 months	18,766	25,620
TOTAL	**8,532,219**	**5,091,584**

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

	December 31, 2018	December 31, 2019
RON	27,040,018	29,550,716
USD	13,121	27,856
EURO	46,243	760
TOTAL	**27,099,382**	**29,579,332**

Changes in the Company's **impairment allowances for trade receivables** are the following:

As at January 1	**31.12.2018**	**31.12.2019**
Impairment allowances for trade receivables	7,174,563	7,362,857
Amounts not used and reversed	1,784,114	1,330,247
Receivables impaired during the year	1,972,408	459,058
As at December 31	**7,362,857**	**6,491,667**

Changes in impairment allowances were included in "Net impairment allowance from current assets" in the Statement of Comprehensive Income (note 20). The amounts recorded in the Impairment Allowances Accounts are generally removed from the balance sheet when no possibility of recovering other amounts is expected.

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

As at January 1	**31.12.2018**	**31.12.2019**
Impairment allowance for related parties receivables	13,810,625	13,057,551
Amounts not used and reversed	840,566	72,139
Impaired receivables during the year	87,492	203,326
As at December 31	**13,057,551**	**13,188,738**

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	**31.12.2018**	**31.12.2019**
Impairment allowance for related party loans	6,489,042	6,384,042
Amounts not used and reversed	105,000	7,000
Impaired receivables during the year	-	-
As at December 31	**6,384,042**	**6,377,042**

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

11 INVENTORIES

	31.12.2018	**31.12.2019**
Raw materials and consumables	5,996,431	5,777,322
Work in progress	1,529,026	1,529,026
Commodities	0	0
Finished products	328,359	311,639
Other inventories	607,428	1,183,845
Impairment allowances	(5,647,165)	(4,979,015)
TOTAL	**2,814,079**	**3,822,816**

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	**31.12.2019**
Petty cash	6,495	51,463
Bank accounts	3,703,278	2,700,880
TOTAL	**3,709,773**	**2,752,342**

13 SHARE CAPITAL AND SHARE PREMIUMS

As at December 31, 2019 the shareholding structure is as follows:

As at December 31, 2019	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	138,485,300	13.82	19,476,859
Other natural person shareholders	363,071,603	36.22	51,063,141
Other legal entities shareholders		0.00	-
TOTAL	**1,002,323,294**	**100.00**	**140,968,822**

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, 2019, 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 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.

14. CONSTRUCTION CONTRACTS

	31.12.2018	31.12.2019
Net position of contracts in progress in the balance sheet	3,281,324	2,272,930
Amounts due from customers for contract works	3,427,470	2,278,872
Amounts due to customers for contract works	(146,146)	(5,942)
TOTAL	**3,281,324**	**2,272,930**

With regard to construction contracts conducted on 31.12.2019, the following information is presented:

- The total estimated value of the contracts is **RON 48,823,161**;
- The total value of the costs incurred until 31.12.2019 is **RON 85,710,528;**
- The total value of the recognized income is **RON 19,095,261**;
- The total value of the recognized loss (for the projects, where applicable) is **RON -2,189,943;**
- The total value of the advances received by the Company: **RON 0**;
- The total value of the good execution guarantees withheld is **RON 4,796,578**;
- The value of the income from work in progress carried out and not invoiced: **RON 1,075,553**;
- The value of the income from the "Construction income" adjustment during the reporting period is **RON 1,197,377**.

15. OTHER RESERVES

	31.12.2018	31.12.2019
Legal reserves	15,659,000	15,902,734
Deferred income tax in the form of reserves	(808,426)	(947,698)
Differences in fair value of available-for-sale financial assets	217,611	443,314
Reserves from revaluation of land and buildings	4,847,930	5,479,789
Other reserves	46,034,024	46,034,024
TOTAL	**65,950,140**	**66,912,164**

16. SUPPLIERS AND OTHER LIABILITIES

	31.12.2018	31.12.2019
Trade liabilities	16,828,586	23,071,182
Guarantees	1,670,198	2,526,771
Advances from customers	4,194	3,805
Amounts due to related parties (Note 29)	4,271,571	6,051,794
Personnel, social insurances and other taxes	11,959,814	8,169,529
Other creditors	1,397,434	411,184
TOTAL	**36,131,796**	**40,234,264**
Less long-term share: trade liabilities	58,420	(0)
Less long-term share: guarantees	-	-
Less long-term share: advances from customers	72,046	-
Less long-term share: amounts due to related parties	(93,821)	(21,802)
Less long-term share: personnel, social insurances and other taxes	(2,770,084)	(1,880,720)
Less long-term share: other creditors	-	-
TOTAL	**(2,733,439)**	**(1,902,523)**
Current share	**33,398,357**	**38,331,742**

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. As a result of the rejection of the legal steps to challenge the decision As a result of the extension of the reorganization plan by one year, the debts were reclassified according to the new deadlines on 31.12.2019.

17. LOANS

	31.12.2018	31.12.2019
Long-term		
Long-term bank loans	28,538,868	27,405,257
Finance lease liabilities	27,962,164	26,513,393
Loans from related parties (Note 29)	-	-
TOTAL	**56,501,033**	**53,918,650**
Short-term		
Short-term bank loans	20,149,133	12,287,477
Finance lease liabilities	3,642,286	5,308,152
Loans from related parties (Note 29)	-	-
TOTAL	**23,791,419**	**17,595,629**
Total loans	**80,292,452**	**71,514,279**

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. The company has contracted in 2019 two factoring facilities: one from Banca Transilvania with a limit of RON 7.000.000 valid until 24.10.2020 and the other one from BRD with a limit of RON 6.500.000 valid until 30.11.2019. 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). The factoring limit with BRD is not yet extended for 2020, being approved in the Creditors' Committee, the extension of the limit following BRD's approval.
Out of the total balance of RON 39.692.734 as of December 31, 2019, the amount of RON 12.287.477 is for the short term, the remainder of RON 27.405.257 being payable for a period exceeding one year under the reorganization plan.

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

	31.12.2018	31.12.2019
EUR	22,602,025	19,937,600
RON	26,085,977	19,755,134
	48,688,002	**39,692,734**

(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 31.12.2019 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 rig and F350 to Bentec rig) used in the current activity (in July and November 2017). The acquisition contract for the CAT generators was finalized in December 2019 with the ownership transfer being operated.

18. DEFERRED INCOME TAX

The deferred income tax assets and liabilities are as follows:

Deferred income tax assets:	**31.12.2018**	**31.12.2019**
Deferred income tax assets recoverable after more than 12 months	5,837,146	5,643,837
Deferred income tax assets recoverable within 12 months	-	-
	5,837,146	**5,643,837**
Deferred income tax liabilities:	**31.12.2018**	**31.12.2019**
Deferred income tax liabilities recoverable after more than 12 months	2,748,945	2,527,562
Deferred income tax liabilities recoverable within 12 months	-	-
	2,748,945	**2,527,562**
Deferred tax asset / (liability) - net	**3,088,202**	**3,116,275**

Gross changes in deferred income tax are as follows:

	31.12.2018	31.12.2019
As at January 1	**(3,820,337)**	**(3,088,202)**
Profit and loss (recorded)/credited	811,371	(165,284)
Deferred income tax charged directly to equity	(79,236)	137,210
As at December 31	**(3,088,202)**	**(3,116,276)**

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, 2017	**-**	**1,266,121**	**827,460**	**62,262**	**2,155,843**
Recorded / credited to statement of comprehensive income in the previous year	-	672,338	(51,792)	(27,444)	593,102
As at December 31, 2018	**-**	**1,938,458**	**775,669**	**34,818**	**2,748,945**
Recorded / credited to statement of comprehensive income in the reporting period	-	(358,594)	101,098	36,112	(221,384)
As at December 31, 2019	**-**	**1,579,865**	**876,766**	**70,930**	**2,527,561**

Deferred income tax assets are recognised as regard 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, 2017	-	(5,976,180)	-	(5,976,180)
Recorded/credited to statement of comprehensive income in the previous year	-	(5,837,147)	-	(5,837,147)
As at December 31, 2018	-	(5,837,147)	-	(5,837,147)
Recorded/credited to statement of comprehensive income in the reporting period	-	193,309	-	**193,309**
As at December 31, 2019	-	(5,643,837)	-	(5,643,837)

19. PROVISIONS FOR LIABILITIES AND EXPENSES

	Provisions for litigation	Provisions for 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 31.12.2018	**-**	**-**	**2,285,733**	**222,097**	**1,522,721**	**4,030,551**
Recorded/credited to profit / loss account:						
- additional provisions	261,173	-	477,013	21,590	1,045,310	**1,805,086**
- used during the year	-	-	(156,703)	(24,227)	(1,417,187)	(1,598,117)
As at 31.12.2019	**261,173**	**-**	**2,606,043**	**219,460**	**1,150,844**	**4,237,520**

(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

	31.12.2018	31.12.2019
Expenses with disposed assets	(2,646,046)	(446,815)
Income from sale of assets	2,261,788	483,263
Other (losses)/gains – net	**(384,258)**	**36,448**

A significant amount of other operating income results from the beginning of valuation of 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

	31.12.2018	31.12.2019
Other operating income	322,256	249,604
Subsidy income	-	-
Income from discounts received	-	-
	322,256	**249,604**

22. OTHER EXPENSES

	31.12.2018	31.12.2019
Electricity, heat and water	(2,859,458)	(4,308,585)
Other taxes, charges and similar expenses	(793,232)	(617,593)
Compensations, fines and penalties	(844,287)	(2,237,124)
Other operating expenses	(1,197,738)	(832,359)
	(5,694,715)	(7,995,661)

The high energy costs are due to a more economical alternative (where the beneficiary and the project allows) than the diesel 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	**31.12.2018**	**31.12.2019**
Salaries and indemnities	(22,190,217)	(19,651,788)
Social security contributions	(696,294)	(296)
	(22,886,511)	**(19,652,084)**

AVERAGE NUMBER OF EMPLOYEES

	31.12.2018	31.12.2019
Number of employees	316	207

24. FINANCIAL INCOME AND EXPENSES

Financial expenses	31.12.2018	31.12.2019
Interest expenses:	(1,159,478)	(987,601)
- Banks loans	(225,970)	(14,540)
- Finance lease liabilities	(933,508)	(973,060)
- Other interest expenses	-	-
Net gain / (loss) on currency translation related to financing activities	(1,993,997)	(1,355,083)
Other financial expenses	-	-
Financial expenses	(3,153,475)	(2,342,684)

Financial income:	31.12.2018	31.12.2019
Interest income on loans to related parties	-	-
Interest income:	7,104	8,842
- Interest income on short-term bank deposits	7,104	8,842
- Interest income on loans to related parties	-	-
Other financial income	1,622,033	354,623
Financial income	**1,629,136**	**363,465**

Other financial gains (losses)	31.12.2018	31.12.2019
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	**(1,534,338)**	**(1,979,218)**

25. INCOME TAX EXPENSES

	31.12.2018	31.12.2019
Current tax:		
- Current tax on income for the year	**-**	**-**
Deferred tax (note 18):		
-Origin and reversal of temporary differences	813,432	(167,346)
Income tax expense	**813,432**	**(167,346)**

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:

	31.12.2018	31.12.2019
GROSS INCOME - Profit/(loss)	**(7,230,441)**	**3,871,230**
Tax calculated at taxation rate (16%)	-	619,397
Tax effects of:		
- Deductions	(14,174,941)	(4,200,369)
- Non-taxable income	(14,078,028)	(4,384,019)
- Other amounts similar to income	323,698	124,396
- Non fiscally deductible expenses	25,077,201	9,947,519
- Losses not previously recovered	(15,098,613)	(25,181,124)
- Less: fiscal credit	-	-
Income tax expense / income	**-**	**-**
Taxable profit / (fiscal loss)	**(25,181,124)**	**(19,822,366)**

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).

	31.12.2018	31.12.2019
Earnings attributable to company's shareholders	(6,293,954)	3,871,230
Weighted average number of ordinary shares outstanding (thousand)	1,002,323	1,002,323
Basic earnings per share	**(6.28)**	**3.86**

(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 2018 and 2019 no dividends were paid.

27. CASH FROM OPERATING ACTIVITIES

	31.12.2018	31.12.2019
Net profit/(loss)	**(6,293,954)**	**3,871,230**
Adjustments for:		
- Impairment	9,784,746	6,084,198
- (Income)/loss on sale of fixed assets	-	-
-(Income)/loss on sale of non-core assets	384,258	(36,448)
- Interest income	(7,104)	(8,842)
- Interest expense	1,159,478	987,601
-Expenditure/(income) payment plan registration according to the reorganization plan	274,101	122,000
- Current and deferred income tax (Note 25)	813,432	(59,205)
- Impairment allowances for inventories and receivables	(447,794)	(1,415,153)
- Impairment allowances for investments in related parties	-	-
- Provisions for liabilities and expenses	(421,164)	206,969
- Loss on currency exchange	371,964	1,000,460
- Losses on receivables	595,737	(227,516)
- Impact on revaluation assets held for sale	-	127,285
- Income from cashed dividends	-	-
Operating profit before changes in working capital	**6,213,701**	**10,652,578**
Changes in working capital:	**5,395,381**	**1,644,226**
- Inventories	316,513	(1,008,738)
- Trade and other receivables	10,357,610	(22,109)
- Trade and other liabilities	(5,278,742)	2,675,072
Cash from operating activities	**11,609,082**	**12,296,803**

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 2016-2018. For the year 2019, 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, 2019, the Company recorded bank letters of guarantee issued in favour of third parties in amount of RON 8,746,253 (as at December 31, 2018 the value was RON 3,111,645). 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	**31.12.2018**	**31.12.2019**
Associates		
- Sales of goods	-	-
- Sales of services	122,323	77,087
- Sales of fixed assets	-	-
Jointly controlled entities		
- Sales of goods	-	436,718
- Sales of services	6,361,501	3,847,906
- Sales of fixed assets	-	-

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	**31.12.2018**	**31.12.2019**
Associates		
- Acquisition of goods	6,382	-
- Acquisition of services	622,918	(469,385)
-Acquisition of fixed assets	-	148,599
Jointly controlled entities		
-Acquisition of goods	4,406	231,059
-Acquisition of services	7,241,141	10,744,787
-Acquisition of fixed assets	4,321,889	1,283,490

(c) Compensation to key-management

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

	31.12.2018	31.12.2019
Salaries and payments	1,769,737	1,415,691

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

	31.12.2018	31.12.2019
Associates		
- Related party debts:	13,248,657	13,373,055
- Advances to related parties	-	-
Jointly controlled entities		
-Related party debts	426,227	3,561,523
-Advances to related parties	-	-
	13,674,885	**16,934,578**
Value adjustment for debts depreciation	**(13,057,551)**	**(13,188,738)**
Net book value	**617,334**	**3,745,840**

	31.12.2018	31.12.2019
Associates		
Amounts due to related parties	954,244	793,933
Advances granted by related parties	252	-
Jointly controlled entities		
Amounts due to related parties	3,245,309	5,257,860
Advances granted by related parties	71,766	-
	4,271,571	**6,051,794**

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*

	31.12.2018	31.12.2019
Loans to associates	4,077,075	4,077,075
Loans to jointly controlled entities	2,306,967	2,299,967
	6,384,042	**6,377,042**
Value adjustment for impairment of receivables	**(6,384,042)**	**(6,377,042)**
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.

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.