



ANNUAL REPORT 2015



©2010
www.dafora.ro

Table of contents

	Page
Company presentation	3
Statement of the Special Administrator	6
Important events in 2015	7
Special Administrator and Insolvency Administrator	9
Financials	10
Economic Ratios	11
Human Resources Management	13
HSEQ Management	17
Information according to NSC Regulation 1/2006	22
Analysis of the Company's Operations	22
Company's Tangible Assets	26
Market of Securities issued by the Company	27
Management of the Company	28
Financial-accounting Standing	31
Objectives for 2016	35
Corporate Governance	36

COMPANY PRESENTATION

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



Dafora S.A. was established based on GD 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.

Ever since, the drilling activity has been developed and the company has executed works both in Romania and abroad.

Dafora S.A. is an I.A.D.C. member (International Association of Drilling Contractors) through the A.C.F.R. (Association of Drilling Contractors in Romania) and the Association of the Romanian – Iraqi Chamber of Commerce and Industry (C.C.I.R.I.) and since 2008 the shares of Dafora S.A. are being traded on the regulated market managed by S.C. Bursa de Valori Bucuresti S.A. According to the certifications obtained, the activity is carried out based on standards ISO 9001, ISO 14001 and OHSAS 18001.

Background

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



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

Experience

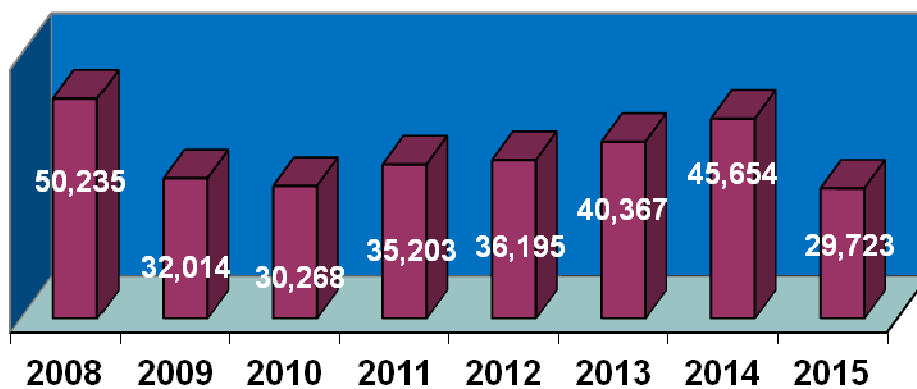
Dafora delivers onshore drilling services for oil, natural gas and geothermal water, well testing and workover, and maintenance for drilling equipment.

With an extensive experience in oil and gas exploration, we pride ourselves on the fact that Dafora has contracted most of the drilling works for the international companies operating in this sector in Romania. Our extensive operations in the field, the guarantee of quality

services and the commitment and training of Dafora's employees have taken us to international drilling markets through contracts in Tanzania, Uganda, Sudan, Mozambique, Bulgaria, France, Ukraine and Israel.

DRILLING IN FIGURES

Drilled meters



STATEMENT OF THE SPECIAL ADMINISTRATOR

Due to the company's general situation and the additional pressure determined by the evolution of the market that Dafora operates on, the decision of some clients to withdraw from the market or to renounce to some projects, the contravention fine imposed by the Competition Council or the refusal of ANAF (National Agency for Fiscal Administration) to approve the debts repayment, the Board of Directors analyzed the specific solutions for a continuous activity within the meeting on 02.06.2015 and, taking into consideration the due applicable legal framework, decided to submit the request for opening the insolvency procedure at creditors' request.

By taking this decision, Dafora intends to find protection in order to protect itself against the bank creditors' and suppliers' pressure and to concentrate on the ongoing projects, respectively on those already signed with new clients, by channeling its financial resources to current activity so as to finance in optimum conditions the ongoing projects and to fully carry out the obligations under the signed contracts.

The decision of the Board of Administration took also in consideration the legal protection mechanism by opening the insolvency procedure at the debtor's request, this representing now the only solution to continue the activity so as not to affect the reorganization chances. The management of Dafora SA took the necessary measures to continue the development of ongoing projects and requested to the banks to approve some retained amount to be unblocked so as to make payments to suppliers, discussed with the trade union to accept the delay of payments to the employees, etc.

The company intends to submit to the creditors a Reorganization Plan that will be implemented under the legal provisions, under the supervision of the Insolvency Administrator and the Syndic Judge.

Dafora will continue to show concern for achieving its objectives by maximum streamlining of costs, supplemented by a financial balance maintenance even in a context of difficult perspectives at macroeconomic level, by maintaining a strict cost management and optimizing the operational activities but remaining responsive to new business opportunities by attracting new customers and expanding the international activity.

Gheorghe Calburean
Special Administrator

IMPORTANT EVENTS IN 2015

- **February, 2015**

- Dafora started the drilling activity at the deepest exploration well {designed depth 5.500 m) near Chendu, Mures county for SNGN Romgaz.
- The jobs at the 1 Balotesti well were also finalised on this month. The exploration well had a designed depth of 3.100 m and represented the first deep well drilled by Dafora on the thermal field in this area.



- **May, 2015**

DAFORA finalised the drilling jobs at 22 Caragele well near Visani, Braila county. The well with a designed depth of 4.700 m and a reached depth of 4.167 m was the first well in the area with survey and investigation purposes and aimed to verify the existence of hydrocarbons in the Cretaceous formation.

- **June, 2015**

The company went into insolvency and CITR FILIALA CLUJ SPRL was appointed as Insolvency Administrator.

- **September, 2015**

The HSEQ management systems were re-certified.

- **December, 2015**

Dafora began the drilling works on 2 deep wells (over 4.000 m depth) for SNGN Romgaz.

Other significant matters regarding the company's activity in 2015:

- The Company had an extremely prudential approach when preparing the financial statements. The shares held at SC Condmag SA (company in insolvency) were 100% provisioned, and therefore significantly influenced the diminishing of the assets. The same prudential line was also approached for the diminishing of the assets in terms of the deferred income tax, acknowledging the receivables from 2013 regarding the deferred tax resulted from the fiscal loss.
- The dispossession of some drilling equipments by the leasing companies had also a significant impact in the diminishing of the assets and simultaneously of the debts.
- The quick ratio significantly increased compared to the previous year due to the increase of the liquidities and the reclassification of short-term debts to long-term debts. \
- The negative result of the operating activity was influenced by the adjustments and provisions of the assets. Therefore, provisions for active and inactive inventories, additional provisions for guarantees to clients and provisions for the assets in progress or suspended were also set up. An important amount was represented by the expense with the value remained undepreciated for the fixed assets dispossessed by the leasing companies, too.
- A large weight in the decrease of operating expenses is represented by expenses with third party services, expenses with raw materials and consumables and employee expenses, which explains the turnover obtained.

SPECIAL ADMINISTRATOR and INSOLVENCY ADMINISTRATOR

The Board of Directors analyzed the specific solutions for a continuous activity within the meeting on 02.06.2015 and, taking into consideration the due applicable legal framework, decided to submit the request for opening the insolvency procedure on the application by the debtor.

The Company is now managed by:

Gheorghe CALBUREAN – Special Administrator

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

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

CITR FILIALA CLUJ SPRL was appointed as provisional Insolvency Administrator based on the Resolution no. 471/CC/19.06.2015 issued by the Court in Sibiu within the file no. 1747/85/2015.

Hodos Business Recovery SPRL Targu Mures was appointed as provisional Insolvency Administrator of Dafora SA through the Resolution issued the Court in Sibiu on 10.12.2015 within the file no. 1747/85/2015,.

CITR Filiala Cluj SPRL was appointed as Insolvency Administrator through the Resolution no. 44/04.02.2016 issued by the Court in Sibiu within the file no. 1747/85/2015/a41, in accordance with the Decision of the Creditors’ Meeting on 21.12.2015.

FINANCIALS – STATEMENT OF FINANCIAL POSITION

		NOTE	31 12 2014	31 12 2015
1. ASSET				
A Non-current assets			206,316,013	61,669,649
1 Property, plant and equipment	6		108,168,571	48,845,561
2 Imobilizări necorporale			3,188	1,869
3 Financial assets at cost	7		77,977,267	10,000
4 Financial assets available for sale	9		685,948	684,833
5 Deferred tax assets	18		11,475,504	9,621,578
6 Customers and other receivables	10		8,005,535	2,505,808
B Current assets			82,235,702	46,204,168
7 Inventories	11		37,986,548	14,970,902
8 Customers and other receivables	10		39,964,655	23,695,453
9 Cash and cash equivalents	12		4,284,500	7,537,813
C Prepaid expenses			167,689	30,500
I TOTAL ASSET			288,719,404	107,904,317
2. EQUITY AND LIABILITIES				
D LIABILITIES			346,879,047	271,297,103
D1 Current liabilities			235,565,075	14,506,284
10 Borrowings	17		77,910,341	-
11 Finance lease liabilities	17		18,391,169	538,643
12 Suppliers and other liabilities	16		135,423,032	6,800,787
13 Provisions for liabilities and expenses	19		3,840,534	7,166,854
D2 Long-term liabilities			111,313,972	256,790,818
14 Borrowings	17		47,702,807	118,807,590
15 Finance lease liabilities	17		51,261,034	1,164,983
16 Deferred tax liabilities	18		6,377,871	5,436,660
17 Suppliers and other liabilities	16		5,972,260	131,381,585
E EQUITY			(58,159,643)	(163,392,786)
18 Share capital	13		140,968,822	140,968,822
19 Reserves	15		56,475,231	55,751,963
20 Retained earnings			(255,603,696)	(360,113,572)
21 Translation adjustments			-	-
F DEFERRED INCOME			-	-
II TOTAL EQUITY AND LIABILITIES			288,719,404	107,904,317

FINANCIALS – STATEMENT OF COMPREHENSIVE INCOME

ECONOMIC RATIOS

1. Debt to equity

Debt to equity 2011 = $\text{Equity} / \text{Total assets} \times 100 = 30.74\%$

Debt to equity 2012 = $\text{Equity} / \text{Total assets} \times 100 = 21.90\%$

Debt to equity 2013 = $\text{Equity} / \text{Total assets} \times 100 = -14,85\%$

Debt to equity 2014 = $\text{Equity} / \text{Total assets} \times 100 = -20,14\%$

Debt to equity 2015 = $\text{Equity} / \text{Total assets} \times 100 = -151,42\%$

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

Debt to equity decreased in 2015 as compared to the previous year, against the background of the decrease of total assets and decrease of equity.

2. Debt to assets ratio

Debt to assets ratio 2011 = $\text{Total liabilities} / \text{Total assets} \times 100 = 69.26\%$

Debt to assets ratio 2012 = $\text{Total liabilities} / \text{Total assets} \times 100 = 78.10\%$

Debt to assets ratio 2013 = $\text{Total liabilities} / \text{Total assets} \times 100 = 114.85\%$

Debt to assets ratio 2014 = $\text{Total liabilities} / \text{Total assets} \times 100 = 120,14\%$

Debt to assets ratio 2015 = $\text{Total liabilities} / \text{Total assets} \times 100 = 251,42\%$

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

The debt to assets ratio increased in 2015 as compared to last year against the background of the ever increasing value of total liabilities compared to the increase of total assets.

3. **Return on assets**

Return on assets 2011 = Operating result / Total assets x 100 = 2.53%

Return on assets 2012 = Operating result / Total assets x 100 = -1.04%

Return on assets 2013 = Operating result / Total assets x 100 = -33.74%

Return on assets 2014 = Operating result / Total assets x 100 = 2.75%

Return on assets 2014 = Operating result / Total assets x 100 = -17.30%

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

The return on assets in 2016 increased as compared to 2014, due to a negative operating result compared to the previous year when it was positively influenced by the new assets provisions.

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

Return on sales 2011 = Operating result / Turnover = 0.07

Return on sales 2012 = Operating result / Turnover = -2.14

Return on sales 2013 = Operating result / Turnover = -73.47

Return on sales 2014 = Operating result / Turnover = 0.04

Return on sales 2014 = Operating result / Turnover = -0,21

The return on sales in 2015 decreased as compared to 2014 due to a negative operating result, compared to the positive one in the previous year.

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

Market value 31.12.2011 = RON 0.0611 /share.

Market value 31.12.2012 = RON 0.0330 /share.

Market value 30.12.2013 = RON 0.0300 /share.

Market value 30.12.2014 = RON 0.0153 /share.

Market value 19.06.2015= RON 0.0071 /actiune.

Dafora shares were suspended from trading on the date the company entered insolvency procedure, the last transaction date being 19.06.2015. The market value of the shares decreased as compared to the previous year.

HUMAN RESOURCES MANAGEMENT

1. Number of employees

In 2015, the number of employees decreased as a result of the decrease of drilling works and outsourcing of certain services.

TOTAL NO. OF EMPLOYEES AS AT 31.12				
2011	2012	2013	2014	2015
654	772	739	497	329

2. Causes for termination of employment contracts in 2015

DESCRIPTION	TOTAL 2014	PARTIES' CONSENT	RETIREMENT	EXPIRY	DISCI- PLINARY	ELIMINATION OF POSITION	RESIGNATION	TERMINATION OF SECONDMENT	OTHER
No.	174	9	21	4	4	88	42	0	6

As shown, most of the employment contracts were terminated because of eliminations of positions.

3. Man hours between 2010 and 2015

YEAR	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Average per year	YE
2010	81,141	82,428	84,180	67,572	77,821	78,896	71,992	76,360	78,520	75,744	91,496	91,668	957,818	79
2011	81,272	75,824	87,864	75,040	77,612	54,688	50,416	72,338	88,960	91,608	92,616	76,629	924,867	77
2012	63,476	54,024	67,272	55,508	67,662	58,588	73,280	79,936	79,336	95,646	90,324	72,695	857,747	71
2013	99,078	102,445	123,804	137,749	125,675	111,488	129,914	119,124	121,240	116,154	107,717	92,414	1,386,802	115
2014	95,940	91,346	94,830	92,050	85,328	81,470	78,112	58,164	62,303	63,421	52,741	47,865	903,570	75
2015	52,157	46,617	59,579	55,947	50,421	42,657	42,155	40,210	32,284	32,920	27,192	30,036	512,175	42

As shown, the number of man hours in 2015 decreased compared to the previous years.

4. Training and development

- Funds allocated to training in 2011: RON 597,840
- Funds allocated to training in 2012: RON 701,853
- Funds allocated to training in 2013: RON 510,380
- Funds allocated to training in 2014: RON 321,845
- Funds allocated to training in 2015: RON 100.439
- Estimated funds for training in 2016: RON 250,000

The training requirements in 2015 are the same as for 2014, namely:

- ***Meeting customers' needs:***
 - Prevention and fight against blowouts;
 - Competences in HSEQ field - Labor Protection Rules by location (base and supervisor level), in charge of emergency situations and base first aid; Safety passport
 - Language skills (English).
- ***Meeting the legal requirements*** – training course for labor protection inspector (80 hours).

Training criteria in 2016:

- Those in 2015;
- The training needs laid down:
 - upon employees' assessment for the 2015 activity;
 - upon the performance by the management of the analysis of the inconsistencies found by the audits and the drilling events;

Priorities for employees' training:

- development of technical competences of key execution positions (chief well operator, mechanical supervisor, electrical system supervisor) – **competences to operate** the drilling equipment, **competence to maintain the plant and equipment in good working conditions**;
- Development of language skills (English at independent user level);
- The company will focus on **internal training** (operational drilling procedures, HSEQ operational procedures, equipment, waste management, riggers etc.)

Development priorities for line and middle management:

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

5. **Performance assessment**

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

- gradual adaptation of assessed employees/assessors to the application and understanding of the PMS;
- the assessment process was facilitated
- Improvement proposals:**
 - Aligning the outcomes of the assessment to the compensation and benefit system;
 - Drawing up and communicating the performance goals and indicators for 2016.



6. Recruitment and selection

Objectives for 2016:

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

Action strategy:

- a. Analyzing the results of the internal audits with regard to the application of the specific internal procedures;
- b. Selecting recruitment agencies specialized in the oil and gas field to find the best key employees;
- c. Using psychology tests upon employment, in addition to professional, medical and language examinations.



7. Salary policy

Objectives for 2016

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

HSEQ MANAGEMENT

Certifications: In 2015, SC DAFORA SA continued its HSEQ (Health-Safety-Environment-Quality) activities, in accordance with the requirements of the Management Systems implementation and (re)certification, as follows: Quality Management System (in accordance with SR EN ISO 9001 standard), Environmental Management System (in accordance with SR EN ISO 14001 standard), Occupational Health and Safety Management System (in accordance with SR OHSAS 18001 standard).

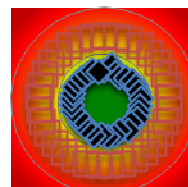


HSEQ Policies and Objectives: We established policies and objectives so that our path will be precise.

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

Risk Assessments: For drilling and related activities, 33 workplace risk assessments were performed.

- The risk level is placed between 3.23 (min) and 4.06 (max).
- The global risk level is at 3.59 which places our work related risks in the medium range.



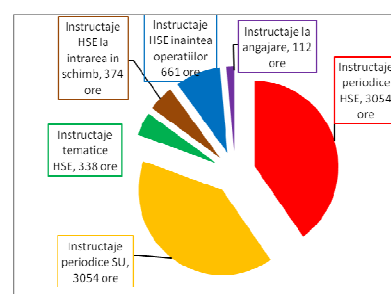
HSEQ Personnel: HSEQ Personnel have the necessary training and competence in order to perform well at their specific activities.

- HSEQ Personnel qualifications:
Internal Auditor, Health and Safety Specialist, Risk Assessor, Quality Manager, Environmental Specialist, Fire Safety Officer, Waste Management Specialist, Environmental Auditor etc.
- Specialization courses: Drilling Health and Safety Specialist(MAVLO), First Aid, Emergency Situations.



H&S, E.S and E.P Trainings-2015:

- HSE training hours =3054
- E.S training hours=3054
- HSE themes related training hours=338
- HSE training hours before starting the shift =374
- HSE training hours before starting specific operations=661
 - Training on employment hours=112
 - TOTAL HSE training hours in 2015=7594



Health and Safety Inspections and Audits in 2015 / Corrective Actions:

Type of control	No.	Nonconformities	Corrected
Audits/Inspections –pre spud	23	375	372 =(99.2%)
Internal Audits	6	13	12 =(92.3%)
Certification/Oversight audits	2	0	0 =(100%)
External Audits from clients	3	72	68 =(94.4%)

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

- The entire personnel from our work sites received and used P.P.E. (from which approx. 30% new equipment) and the equipment for special jobs was recertified in 2015.

PERSONAL PROTECTIVE EQUIPMENT	2015	M.U.
Work pants+ work tops	211	Pcs.
Safety winter jackets	68	Pcs.
Safety boots	193	Prs.

EQUIPMENT FOR SPECIAL OPERATIONS	Recertified 2015
Safety harnesses	15
Retractable fall arresters	5
Lanyards	10

Safety glasses	225	Prs.
Safety gloves	2224	Prs.
Safety helmets	50	Pcs.
Rain suits/rain jackets	132	Pcs.
Rubber safety boots	6	Prs.
Insulated rubber boots	5	Prs.
Insulating gloves	1	Prs.
Earplugs	80	Pcs.
Welding mask	1	Pc.
Welding apron	1	Pc.
Disposable chemical suits	238	Pcs.

Vertical fall protection lifelines	14
Self contained breathing apparatus 30'	11
Self contained breathing apparatus 15'	6
Portable gas detectors	4
Gas detection unit and sensors	2
Grounded receptacles	8
Winch with tripod	1
P6 fire extinguishers	48
P9 fire extinguishers	21
G5 fire extinguishers	4
SM50 fire extinguishers	4

Job Safety Analysis and Permits to Work:

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

Number of reviewed Job Safety Analysis (J.S.A) in 2015 =37501

- Before performing special/hazardous operations (working with fire, load lifting, working at height, working with electricity, working in confined spaces, isolations-ceilings) permits to work are prepared.

Number of Permits to Work in 2015 =23815 Pcs.

Health Surveillance and Hygiene of the Workers:

- The entire personnel was healthy and fit to perform the required tasks, the necessary medical and psychological exams were performed .In 2015, 453 medical and psychological exams were performed.
- Although the activity is specific to a work site, the working conditions are above average.

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



Environmental Manage meant:

- Contracts for collecting and disposing of waste were drawn up and provided for all our work sites.
- Significant environmental aspects were identified and kept under control.
- Action plans in case of accidental aspects were elaborated.
- Noise and noxa emissions were kept under control.
- Waste management records were held in accordance with the legislation.
- Generated waste was collected and recycled: used Oil, Cardboard and Paper, Plastic waste, Metal. Waste



disposed: Household waste, Wastewater, Drilling fluid.

- 5 Environmental audits were performed.
- Environmental incidents did not occur.

Emergency Situations Management:

In 2015, 64 emergency situations drills were performed;

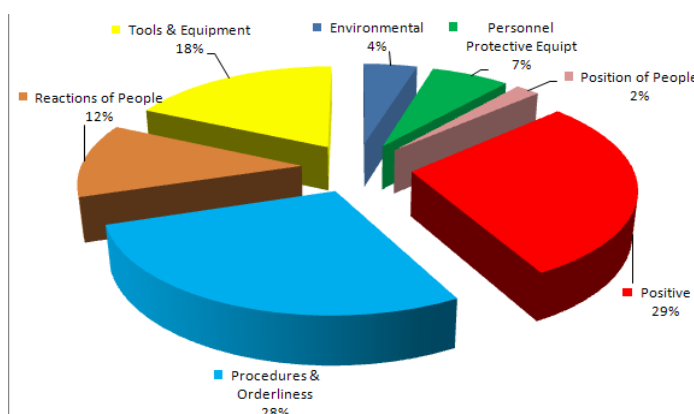


For every workplace/work site the following were provided: Crisis Management Plan, Fire Defence Plan, Emergency services phone numbers and addresses, Preventing and extinguishing fire Plan, Hydrogen sulphide release action Plan, Instructions in case of emergency situations, Intervention teams in case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

Identifying risks through direct observation; StartCards

In order to identify and immediately correct nonconformities we continued the implementation of the "StartCard" program. Every employee has the possibility at any time to register the risks and nonconformities that he/she observes, to participate at their correction or to immediately stop the work in progress. In 2015, 15341 Start Cards were recorded with an average rate of 14.29 Start Card/day/well divided in the following categories:

Category	Nr SC	%
Tools and Equip.	2761	18%
Environmental	613	4%
Personal protective equi.	1073	7%
Position of people.	307	2%
Positive	4449	29%
Procedures	4295	28%
Reaction of people	1843	12%



Accidents / Incidents 2015:

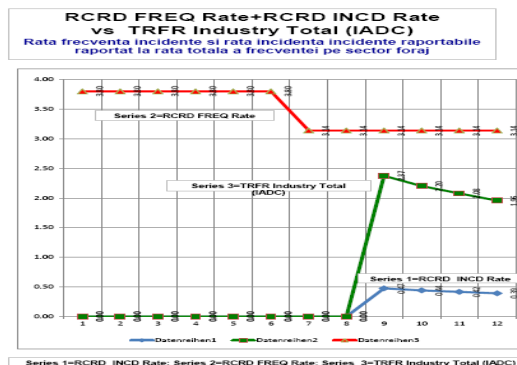
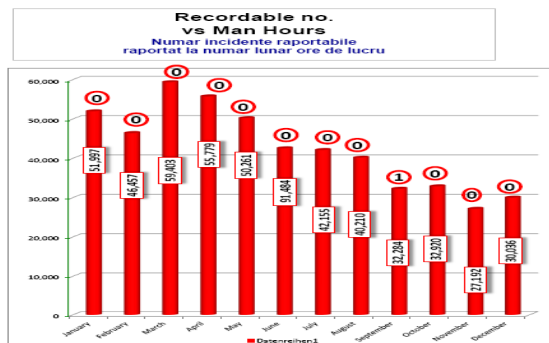
Deceased=0; Invalidities=1;
 Accidents with temporary work incapacity=0;
 Cases that required first aid=0;
 Near miss=1;



After the work accident from March 2015, employee Sosoi Daniel, was stated with third degree temporary work incapacity, starting from 16.09.2015. However, Dafora's 2015 accidents/incidents rate is below IADC global indicator rate for accidents/incidents in the drilling industry.



2015 SAFETY STATISTICS REPORT / RAPORT STATISTIC DE SECURITATE 2015



Our goal is that all of our employees and collaborators return home safe, both mentally and physically and at peace with themselves on account of their work being performed in a safe manner, with consideration to environmental aspects, obeying the law and obtaining or providing quality services/products.



1. Analysis of the company's activity

1.1. a) The company's core activity

Dafora carries out the following core activities:

- onshore drilling services for oil, natural gas and geothermal water, well testing and workover, and maintenance and transportation for drilling equipment
- civil and industrial, airport and infrastructure construction services.

b) Date of establishment of the company

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

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

In 2015, there were no significant mergers or reorganizations of the company.

Dafora SA entered insolvency based on the Resolution no. 471/CC/19.06.2015 issued by the Court in Sibiu within the file no. 1747/85/2015, according to Law no. 85/2014 on insolvency prevention and insolvency procedures and is going to submit the Reorganization Plan after the consolidated list of creditors is published.

d) Description of acquisitions and/or alienations of assets

The Company acquired through leasing three 3512 CAT generators with a total value of USD 549.000 in December, 2015

Following the termination for convenience of the leasing contracts by BCR Leasing and BT Leasing in March and June, 2015, the equipment covered by such contracts were dispossessed.

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

1.1.1. General assessment:

- a) At the end of 2015, the unit registered a loss of RON 100.656.409, while the profit registered in the previous year was RON 3.248.788.
- b) As at December 31, 2015, the turnover was RON 87.078.619, 57% lower than last year.
- c) The Company carried out no export activity in 2015.
- d) In 2015, total expenses decreased as compared to the previous year by 4,42%.
- e) We do not hold any information on the market share of the company from drilling services.

f) Liquidity:

As at December 31, 2015, petty cash and current bank accounts amounted to RON 7.537.813.

➤ Reduced liquidity:

Reduced liquidity 31.12.2015 = Current assets – Inventory/Current liabilities = 2.15

Reduced liquidity 31.12.2014 = Current assets - Inventory/Current liabilities = 0.19

Reduced liquidity 31.12.2013 = Current assets - Inventory/Current liabilities = 0.33

Reduced liquidity 31.12.2012 = Current assets - Inventory/Current liabilities = 1.07

Reduced liquidity 31.12.2011 = Current assets - Inventory/Current liabilities = 0.97

The reduced liquidity increased in 2015 as compared to 2014 against the background of the enhanced decrease of current liabilities compared to the decrease of inventory and current assets.

➤ Quick ratio:

Quick ratio 31.12.2015 = Liquidities/Current liabilities = 0.5196

Quick ratio 31.12.2014 = Liquidities/Current liabilities = 0.0182

Quick ratio 31.12.2013 = Liquidities/Current liabilities = 0.007

Quick ratio 31.12.2012 = Liquidities/Current liabilities = 0.01

Quick ratio 31.12.2011 = Liquidities/Current liabilities = 0.04

Quick ratio increased as compared to the previous year against the background of the increase of the Company's liquidities and of the decrease of current liabilities.

1.1.2. Assessment of the company's technical level

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

Products/services	Markets	Means of marketing
Services – drilling	Domestic market	Contracts
Services – constructions	Domestic market	Contracts
Services – drilling	Foreign market	Contracts

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

Products/ Services	2013		2014		2015	
	Turnover	Income	Turnover	Income	Turnover	Income
Drilling	70.17%	65.53%	83.16%	83.15%	88.7%	88.02%
Constructions	28.68%	33.40%	15.43%	15.87%	9%	8.23%
Tourism	-	-	1.41%	0.99%	2.3%	3.75%

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

1.1.3. Assessment of the supply of technical equipment and materials

a) The company's main suppliers are:

Domestic sources: Petrogas Services Romania , Tinmar , Azimut Com SRL , AMC Oil&Gas Rom Srl ,Directional Drilling .

Import: Bentec GMBH Drilling & Oilfield.

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

Prices of materials:

Materials	Prices (lei)
Diesel fuel	4,77
Jet Lube Vaseline	40,3
3PN 1300 bimetal bush	426,56
3PN 1300 valve	1087,48

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

Stocks of raw materials, consumables	Value
Raw materials	16.721
Consumables	7.024.208
Items of inventory	108.763

1.1.4 Assessment of sales

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

- RON-

Year	Volume of sales on domestic market	Volume of sales on foreign market
2012	223.286.958	-
2013	157.547.927	23.093.022
2014	195.945.776	4.537.600
2015	87.078.619	-

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

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

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

1.1.5 Assessment of company's employees

a) The Company had a total number of employees of 329 on 31.12.2015, as compared to 31.12.2014 when the total number was 497.

The employees' training level is consistent with the positions they fill.

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

c) The relationship between managers and employees is good.

d) There are no conflicts between managers and employees.

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

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

1.1.7 Assessment of research and development

The company does not conduct research and development activities.

1.1.8 Assessment of company's risk management activity

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

1.1.9. Company's activity in the future

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

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

- the company continued investing in strategic projects.

b) Capital expenditure:

No investments were made in participating titles in 2015.

2. Company's property, plant and equipment

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

Production capacities	Location
Drilling equipment	Mobile
Industrial production	Apahida

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

Group	Name of group of fixed assets	Average wear and tear %	No. of fixed assets	of which fully depreciated
1.	Constructions	3.02	67	4
2.	Installations, vehicles, animals	69.84	2294	1228
3.	Furniture, office supplies	81.1	384	266

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

3. The Company's securities market

3.1. The securities issued by the company have been traded on the Bucharest Stock Exchange in Category II, since February 28, 2008. They had been previously traded on Rasdaq since December 6, 1996. The securities are now being suspended from trading as the insolvency procedure was initiated. The securities shall be traded again after the submission of the approved Reorganization Plan.

The subscribed and paid in share capital as at December 31, 2015 is RON 100,232,329.40, corresponding to 1,002,323,294 nominal shares with a value of RON 0.10/share.

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

3.3. The company has not acquired its own shares.

3.4. As at December 31, 2015, the subsidiaries of company were the following:

	(%)	Financial year ended December 31, 2015 (RON)	Financial year ended December 31, 2014 (RON)
Macelariile Medias SRL (in bankruptcy)	80,03	9.060.130	9.060.130
Ecocostruct SRL (in simplified insolvency procedure)	71,09	1.031.719	1.031.719
Dafora Ukraina SRL	100,00	19.908	19.908
Discret SRL (in insolvency)	100,00	10.000	10.000
		10.121.757	10.121.757

As at December 31, 2015, the company was holding participating interests in the following entities:

	(%)	Financial year ended December 31, 2015 (lei)	Financial year ended December 31, 2014 (lei)
Condmag SA (in insolvency)	45.82	77.967.264	77.967.264
Net investment in associates		-	77.967.264

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

4. Management of the Company

4.1. a) The administrative management of the company during the year was ensured by the Board of Administration, whose members were as follows:

Name	Capacity	Age	Qualification	Professional experience - years
Calburean Gheorghe	Chairman	58	Engineer	31
Toth Francisc	Member	67	Engineer	46
Muresan Claudiu-Marinel	Member	44	Economist	27
Tatar Alexandru	Member	55	Engineer	29
Popa Mihai Eugen	Member	36	Attorney	11

The administrative management of the company has been assured beginning with 30.07.2016 by Mr. Calburean Gheorghe in his quality as Special Administrator through the decision of the Board no. 2/2015. The mandate of the members of the Board was terminated on the date the Special Administrator was appointed, respectively 30.07.2015.

CITR FILIALA CLUJ SPRL was appointed as provisional Insolvency Administrator based on the Resolution no. 471/CC/19.06.2015 issued by the Court in Sibiu within the file no. 1747/85/2015.

Hodos Business Recovery SPRL Targu Mures was appointed as provisional Insolvency Administrator of Dafora SA through the Resolution issued the Court in Sibiu on 10.12.2015 within the file no. 1747/85/2015.

CITR Filiala Cluj SPRL was appointed as Insolvency Administrator through the Resolution no. 44/04.02.2016 issued by the Court in Sibiu within the file no. 1747/85/2015/a41, in accordance with the Decision of the Creditors' Meeting on 21.12.2015.

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

c) Mr. Calburean Gheorghe holds 500.766.391 shares, representing 49,9606% of the share capital.

Mrs. Calburean Livia holds 108.334 shares, representing 0,0108% of the share capital.

Mr. Calburean Mircea holds 394 shares, representing 0,000039% of the share capital.

Mr. Popa Mihai Eugen holds 40.000 shares, representing 0.0039% of the share capital.

Mr. Tatar Alexandru Liviu holds 800,000 shares, representing 0.0798% of the share capital.

Muresan Claudiu-Marinel does not hold shares issued by the company.

Toth Francisc does not hold shares issued by the company.

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

- Condmag S.A. in insolvency procedure (holds the majority shares in Timgaz);
- Ecoconstruct S.A. in simplified insolvency procedure;
- Dafora Ukraine S.R.L.;
- Discret S.R.L. in insolvency;

- Macelariile Medias S.R.L. in bankruptcy (holds the majority shares in Salconserv S.A.).

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

4.2. a) In 2015, the company's executive management consisted of:

- CEO – Calburean Gheorghe, appointed by the Board of Administration of the Company by Resolution no. 2/21.01.2014, for a period of 4 years starting from February 1, 2014.

Mr. Calburean Gheorghe holds 500,766,391 shares, representing 49.9606% of the share capital.

- CFO of Dafora – Ivan-Cosma Melania-Stefania appointed starting from July 11, 2014 and does not hold shares issued by the company;

- COO – Dancu Dorel-Nicusor, appointed starting from February 11, 2014 and does not hold shares issued by the company;

- Constructions Manager – Calburean Mircea, appointed starting from May 19, 2008 and holds 394 shares representing 0.000039% of the share capital;

- HR Manager – Suteu Cristina Maria, appointed for an undefined period of time starting from January 1, 2015 and does not hold shares issued by the company;

- Head of Development – Georgescu Gheorghe, employee starting from April 8, 2014 until September 10. 2015 and does not hold shares issued by the company;

- Commercial Manager – Razor George, appointed for an undefined period of time, does not hold shares issued by the company.

4.3. In the past 5 years, the members of the executive management were not involved in any litigation or administrative procedure.

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

- Mr. Calburean Gheorghe also holds the following positions:

- Chairman of Condmag SA until September 28, 2015. Beginning with this date, he holds the position of Special Administrator of Condmag SA.

- Chairman of Transgex SA until November 14, 2015;

- Mr. Calburean Mircea is Chairman of Transgex SA beginning with November 14, 2015.
- Mr. Tatar Alexandru-Liviu: administrator of Condmag SA until July 02, 2015.
- Mr. Muresan Claudiu-Marinel: administrator of Condmag SA until September 28, 2015.

5. Financial and accounting standing

a) Accounting balance sheet:

The status and evolution of items of patrimony as at December 31, 2015 is as follows:

No.	Caption	RON		% 2015/ 2014
		31.12.2015	31.12.2014	
1	Intangible assets	1.869	3.188	58,62%
2	Property, plant and equipment	48.845.561	108.168.571	45,16%
3	Financial assets	12.822.220	98.144.255	13,06%
4	NON-CURRENT ASSETS - TOTAL (rows 1 to 3)	61.669.649	206.316.014	29,89%
5	Inventories	14.970.902	37.986.548	39,41%
6	Receivables	23.695.453	39.964.655	59,29%
7	Short-term investment	96	67	144,03%
8	Petty cash and bank accounts	7.537.717	4.284.433	175,93%
9	TOTAL CURRENT ASSETS (rows 5 to 8)	46.204.168	82.235.702	56,19%
10	Prepaid expenses (acc. 471)	30.500	167.689	18,19%
11	TOTAL ASSETS (rows 4 + 9 + 10)	107.904.317	288.719.404	37,37%
12	Short-term payables	7.339.430	231.724.541	3,17%
13	Long-term payables	256.790.818	111.313.972	230,69%
14	Provisions for risk and charges	7.166.854	3.840.534	186,61%
15	Deferred income	0	0	100,00%
16	Subscribed and paid in share capital	100.232.329	100.232.329	100,00%
17	Share capital adjustments	40.736.493	40.736.493	100,00%
18	Other share capital adjustments	-1.178.222	-1.351.564	87,17%
19	Subtotal equity (rows 16+17)	139.790.600	139.617.258	100,12%
20	Revaluation reserves	8.041.216	8.937.825	89,97%
21	Other reserves	48.888.969	48.888.969	100,00%
22	Subtotal reserves (rows 18+19+20)	56.930.185	57.826.794	98,45%
23	Profit or loss carried forward	-218.720.645	-218.115.991	100,28%
24	Retained earnings from first-time adoption of IAS 29	-40.736.493	-40.736.493	100,00%
25	Profit or loss for the year	-100.656.409	3.248.788	(3198%)
26	Subtotal retained earnings + current (rows 21+22+23)	-360.113.547	-255.603.696	140,89%
27	Profit appropriation	0	0	100,00%
28	TOTAL LIABILITIES (rows 12 to 19)	107.904.317	288.719.404	37,37%
29	Equity – total (assets - liabilities) ((rows 11- (rows 12 to 15))	-163.392.786	-58.159.643	280,94%

The company did not register uninvested profits in the past 3 years.

No business segment was closed down or sold, but the construction activity has been significantly reduced.

No business segment is estimated to be sold or closed down in 2015.

It is estimated that the construction activity of the company will further reduce, and will only execute the works under contracts already signed and in progress.

b) Separate statement of comprehensive income:

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

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

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

No.	Caption	RON		2015/2014
		31.12.2015	31.12.2014	
0	Turnover	87.078.619	200.483.376	43,43%
1	Operating income - total-	99.019.712	204.411.670	48,44%
2	Operating expenses - total-	117.684.401	196.465.198	59,90%
3	Operating result (row 1 – row 2)	-18.664.689	7.946.472	-334,88%
4	Financial income	5.172.771	7.712.058	67,07%
5	Financial expenses	86.114.012	16.756.530	513,91%
6	Financial result (row 4 – row 5)	-80.941.241	-9.044.472	894,93%
7	TOTAL INCOME (row 1 + row 4)	104.192.483	212.123.728	49,12%
8	TOTAL EXPENSES (row 2 + row 5)	203.798.413	213.221.728	95,58%
9	GROSS INCOME (row 7 – row 8)	-99.605.930	-1.097.999	9072%
10	Income tax	-1.050.479	4.346.787	-124,17%
11	NET INCOME (row 9 – row 10)	-100.656.409	3.248.788	

Operating activity

The evolution of the turnover and the main economic and financial ratios reveals that in the reporting year, the turnover decreased to 43,43% as compared to 2014, and the gross income from the operating activity is negative, namely 334,88% higher than last year, further to the decrease of total income to 49.12% and reduction of costs to only 95,58%.

The provisions for risks and charges registered by the company at the end of the year amount to RON 7.166.854 as compared to 3.840.534 last year, which confirms that the company complies with the principle of prudence as such provisions reduce the gross operating income.

Additional information on the evolution of the indicators by segments and by their nature is presented in the notes to the financial statements.

Financing activity

Financial income decreased in 2015 to 67.07% compared to 2014, while the financial expenses increased to 513,91% in the reporting year as compared to the previous year.

The financing activity registered loss registering an increase to 894,93% in the current year as compared to the previous year.

c) Cash flow

	<u>Note</u>	<u>December 31, 2014</u>	<u>December 31, 2015</u>
Cash flows from operating activities			
Cash generated from operations	27	17.242.691	34.676.219
Interest paid		(5.309.479)	(11.996.695)
Income tax paid		-	-
Net cash generated by operating activities		11.933.212	22.679.524
Cash flows from investing activities			
Purchase of property, plant and equipment		(9.621.094)	(2.438.983)
Net proceeds from disposal of property, plant and equipment		1.430.140	59.445.554
Proceeds from loans granted to related parties		-	-
Repayment of loans granted to related parties		-	-
Share purchase in associates		-	-
Sale of available-for-sale shares		209.661	36.695
Interest received		20.389	7.918
Net cash used in investing activities		(7.960.904)	57.051.185
Cash flow from financing activities			
Proceeds from share issuance		-	-
Proceeds from borrowings		37.508.736	23.175.841
Repayment of borrowings		(25.970.079)	(31.704.660)
Payments to lease suppliers		(13.214.682)	(67.948.576)
Net cash in financing activities		(1.676.025)	(76.477.395)
Net increase in cash and cash		2.296.283	(3.253.314)
Cash and cash equivalents at beginning of the year	12	1.988.217	4.284.500
Cash and cash equivalents at end of the year	12	4.284.500	7.537.813

OBJECTIVES FOR 2015

Dafora S.A. will continue to apply efficient policies, meant to contribute significantly to the achievement of the company's strategic objectives which consist of:

- Maintaining the position of "Driller of Choice" on the Romanian drilling market;
- Flexibility in managing the business by increasing the number of customers;
- Increasing the market share by:
 - extending the international activity;
 - developing drilling operations in the field of geothermal water;
- Developing and implementing a comprehensive plan of improving the HSEQ activity;
- Extending a leadership and HSE program.



The first impact of the global crisis generated by the decrease in oil prices started to have effects on the company's activity, since the beginning of Q1 of 2015, further to the cost cutting program for the operating costs with the onshore production implemented by all the drilling operators with activities in Romania, which reduced the budget allocated to onshore drilling operations for 2015 by up to 35%. Therefore, we were forced to accept the cutting of operation rates, which decreases operating income as compared to last year.

Given the data published by Baker HUGHES regarding the constant drop in the number of drilling equipment required, we estimate that this will reflect in a decrease in the drilling market in Romania. Thus, to balance the business, the company intends to vary on the short and medium term the services it delivers, estimating a growth potential from the execution of services assimilated to drilling and workover and from opening up of international markets.

CORPORATE GOVERNANCE

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

Board of Administration / Special Administrator

DAFORA SA was managed in the reporting period, from January 01, 2015 and until July 30, 2015, by a Board of Administration consisting of 5 members elected for a period of 4 years, who exercise their mandate with loyalty, in the company's best interest and with the prudence and diligence of a good administrator who takes all the required and useful measures in their field of competence so that the company will operate in the best conditions.

The members of the Board of Administration during the reporting period were: Calburean Gheorghe - Chairman, Tatar Alexandru-Liviu and Popa Mihai Eugen were elected through cumulative voting in accordance with the Resolution of the Ordinary General Meeting of Shareholders of January 16, 2012. Starting from February 1, 2014, and Toth Francisc and Muresan Claudiu Marinel were appointed as members of the Board of Administration by OGMS Resolution dated 17.03.2014. The mandates of all of the administrators in office will expire on January 16, 2016.

Other information on the members of the Board of Administration is included in Art. 4 hereunder and on the company's website: www.dafora.ro.

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

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

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

The company regularly informs the Insolvency Administrator regarding its current activity.

In 2015 (until July 30, 2015) there were 10 meetings of the Board of Administration, which were attended by most of the administrators.

The Special Administrator issued 7 Resolutions in 2015.

The Board of Administration of Dafora SA consisted of an executive administrator, namely Mr. Calburean Gheorghe and 4 non-executive administrators (Messrs. Toth Francisc, Tatar Alexandru-Liviu, Popa Mihai Eugen, Muresan Claudiu Marinel), of which one, Mr. Popa Mihai Eugen, is an independent administrator.

In 2015, the sum of the gross remunerations of the members of the Board of Administration was RON 546.756, and the sum of the gross remunerations of executives was RON 2.557.087.

Advisory committees

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

Since 2011, the Board of Administration established two advisory committees: the audit committee and the remuneration committee. The Advisory Committees were formed of two

members of the Board in charge of preparing recommendations and activity reports to be submitted to the Board of Administration.

The Remuneration Committee, established as part of the company's Board of Administration, consisted of the following members elected among non-executive administrators: Mr. Muresan Claudiu – president of the committee and Mr. Tatar Alexandru-Liviu - member.

The Remuneration Committee designs the remuneration policy for administrators and officers and managers. The proposals for the remuneration of administrators and officers and managers are compliant with the remuneration policy adopted by the company.

The Audit Committee, established as part of the company's Board of Administration, consisted of the following members elected from among non-executive administrators: Mr. Tatar Alexandru-Liviu – committee president and Mr. Muresan Claudiu - member.

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

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

The Audit Committee made recommendations to the Board of Administration on the selection, appointment, reappointment and replacement of the financial auditor, and on the

terms and conditions of its remuneration and will monitor the independence and objectivity of the financial auditor.

Transparency and reports

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

Thus, we have provided investors, both on our website www.dafora.ro, and on the websites of the BSE and the NSC: annual, bi-annual, quarterly reports provided by the legislation in force (within the terms provided by the financial calendar), and current reports on the important events in the company's existence. Periodic reports are available on the company's website.

Shareholders' rights

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

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

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

DAFORA SA facilitates and encourages the participation of its shareholders in the works of the General Meeting of Shareholders (GMS), and to shareholders that may not attend

DAFORA SA offers the possibility to vote *in absentia*, based on special proxy, by correspondence or by electronic means. All the interested persons may access the notices to attend the GMS, the documents subject to the approval of the GMS and all the other relevant information on the company's website www.dafora.ro in the section "GMS", and in the section "Corporate governance" shareholders may find general information on the GMS participation procedure, the conduct of GMS works, the shareholders' rights – general data.

Conflict of interest

The members of the Board of Administration make decisions in the company's interest, and if the administrator holds direct or indirect interests in a certain operation, which are contrary to the company's interests, then it shall have the legal obligation of not taking part in any deliberation regarding such operation and of abstaining from voting.

In this respect, the company drew up the **Procedure for identification and settlement of conflict of interest**, which provides the criteria for identifying conflict of interest and the action required in such events. Each administrator shall make sure they avoid any direct or indirect conflict of interest with the Company or any subsidiary controlled thereby and shall inform the Board of Administration of the conflict of interest, as it occurs, and shall abstain from attending the debates and from voting on such matters, in accordance with the applicable legal provisions.

In observance of the legal provisions, namely Art. 225 of Law no. 297/2004 on the capital market, in 2015, the company concluded 3 transactions with the persons involved, communicated to the BSE through 2 current reports.

Corporate information

The administrators and officers and managers of Dafora S.A. keep the confidentiality of the documents and information they have access to during their mandate. The officers of Dafora S.A. ensure a proper flow of corporate information, with a special attention to information

that may influence the evolution of the market price of the securities issued by the company.

Internal control

To achieve a good management of its activity, the company enforces more types of control as follows: the preventive financial control of the financial and accounting documents, the control of the quality of the works, the legal control of the documents and transactions concluded by the company, the internal control as regards the compliance with the legal occupational health and safety and environmental protection requirements, etc. the conclusions of such controls are communicated to the company's management, for assessment and implementation of the required measures to eliminate fraud risk.

The company's IT system is secured, there is a procedure to protect the accounting data base and limited access to any other information beyond the scope necessary for employees to conduct their activity. Also, the company has taken measures to strengthen data security by contracting antivirus software, and in 2010 it implemented "Sentinet".

SIGNATURES,

Chairman,

Gheorghe Călburean

CFO,

Ivan-Cosma Melania Stefania