

S.C. DAFORA S.A.

**STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION**

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DAFORA S.A.
SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015
(the amounts are expressed in RON, unless otherwise specified)

	Note	December 31, 2014	December 31, 2015
ASSET		<u>206.316.013</u>	<u>61.669.649</u>
Non-current assets	6	108.168.571	48.845.561
Property, plant and equipment		3.188	1.869
Financial assets at cost	7	77.977.267	10.000
Financial assets available for sale	9	685.948	684.833
Deferred tax assets	18	11.475.504	9.621.578
Customers and other receivables	10	8.005.535	2.505.808
Current assets		<u>82.235.702</u>	<u>46.204.168</u>
Inventories	11	37.986.548	14.970.902
Customers and other receivables	10	39.964.655	23.695.453
Cash and cash equivalents	12	4.284.500	7.537.813
Prepaid expenses		<u>167.689</u>	<u>30.500</u>
TOTAL ASSET		<u>288.719.404</u>	<u>107.904.317</u>
EQUITY AND LIABILITIES			
LIABILITIES		<u>346.879.047</u>	<u>271.297.103</u>
Current liabilities		<u>235.565.075</u>	<u>14.506.284</u>
Borrowings	17	77.910.341	-
Finance lease liabilities	17	18.391.169	538.643
Suppliers and other liabilities	16	135.423.032	6.800.787
Provisions for liabilities and expenses	19	3.840.534	7.166.854
Non-current liabilities		<u>111.313.972</u>	<u>256.790.818</u>
Borrowings	17	47.702.807	118.807.590
Finance lease liabilities	17	51.261.034	1.164.983
Deferred tax liabilities	18	6.377.871	5.436.660
Suppliers and other liabilities	16	5.972.260	131.381.585
Equity		<u>(58.159.643)</u>	<u>(163.392.786)</u>
Share capital	13	140.968.822	140.968.822
Reserves	15	56.475.231	55.751.963
Retained earnings		(255.603.696)	(360.113.572)
Translation adjustments		-	-
DEFERRED INCOME		=	=
Total equity and liabilities		288.719.404	107.904.317

Gheorghe Călborean
Special Administrator

Ivan Cosma Melania
CFO

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

DAFORA S.A.
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
AS AT DECEMBER 31, 2015
(the amounts are expressed in RON, unless otherwise specified)

	December 31, 2014	December 31, 2015
1 Income	200.483.376	87.078.619
2 Other operating income	2.146.766	12.074.172
3 Changes in finished products and work in progress	(14.397)	(254.329)
4 Capitalized costs of property, plant and equipment	365.786	-
5 Raw materials and consumables	(36.840.547)	(10.007.013)
6 Cost of products sold	(1.995.873)	(1.706.454)
7 Employees' benefits	(26.626.573)	(17.086.304)
8 Third party services	(95.515.182)	(54.127.449)
9 Depreciation and amortization	(19.107.552)	(10.817.024)
10 Adjustments on current assets, of which:	(7.374.243)	(12.851.276)
11 Other operating expenses	(9.172.855)	(4.464.412)
12 Provisions for other liabilities – net	800.813	(1.342.083)
13 Other gains/(losses) – net	796.953	(5.161.136)
14 Profit/(loss) from operation	7.946.472	(18.664.689)
15 Financial income	20.389	65.215
16 Financial costs	(9.083.360)	(3.039.191)
17 Other financial gains/(losses) – net	18.500	(77.967.265)
18 Financial costs – net	(9.044.472)	(80.941.241)
19 Profit/(loss) before taxation	(1.097.999)	(99.605.930)
20 Current and deferred income tax expense / income	4.346.787	(1.050.479)
21 Profit / (loss) for the year	3.248.788	(100.656.409)
22 Result for the year	3.248.788	(100.656.409)
23 Profit/(loss) for the year	3.248.788	(100.656.409)
Other comprehensive income		
24 Gains/ (losses) on the revaluation of land and buildings	-	(143.220)
25 Financial assets available for sale	5.499	35.578
26 Impact of deferred tax on revaluation reserves	690.861	137.764
27 Other comprehensive income for the year	696.360	(30.122)
28 Total comprehensive income for the year	3.945.148	(100.626.287)

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DAFORA S.A.
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT DECEMBER 31, 2015

(the amounts are expressed in RON, unless otherwise specified)

	Share capital	Revaluation reserves	Other reserves	Retained earnings	Total
Balance as at January 1, 2014	<u>140.968.822</u>	<u>9.628.681</u>	<u>48.888.969</u>	<u>(250.437.552)</u>	<u>(50.951.080)</u>
Registration corrections in 2014 from previous years	-	1.696.904	-	(12.850.615)	(11.153.711)
Balance as at January 1, 2014 (recalculated)	<u>140.968.822</u>	<u>11.325.585</u>	<u>48.888.969</u>	<u>(263.288.167)</u>	<u>(62.104.791)</u>
Profit/(loss) for the year	-	-	-	(3.248.788)	3.248.788
Other comprehensive income	-	(3.739.324)	-	4.435.684	696.360
Profit/(Loss) on revaluation of land and buildings	-	-	-	-	-
Distribution of retained earnings from reserves	-	(1.325.746)	-	1.325.746	-
Changes in fair value of financial assets available for sale	-	5.499	-	-	5.499
Distribution of retained earnings from reserves	-	(4.435.684)	-	4.435.684	-
Deferred income tax recognised on equity	-	690.861	-	-	690.861
Transactions with shareholders	-	-	-	-	-
Share capital increase	-	-	-	-	-
Own shares	-	-	-	-	-
Balance as at December 31, 2014	<u>140.968.822</u>	<u>7.586.261</u>	<u>48.888.969</u>	<u>(255.603.696)</u>	<u>(58.159.643)</u>
Balance as at January 01, 2015	<u>140.968.822</u>	<u>7.586.261</u>	<u>48.888.969</u>	<u>(255.603.696)</u>	<u>(58.159.643)</u>
Registration corrections in 2015 from previous years	-	-	-	(4.606.831)	(4.606.831)
Balance as at January 1, 2015 (recalculated)	<u>140.968.822</u>	<u>7.586.261</u>	<u>48.888.969</u>	<u>(260.210.527)</u>	<u>(62.766.474)</u>
Profit / (loss) for the year	-	-	-	(100.656.409)	(100.656.409)
Other comprehensive income	-	(723.267)	-	753.389	30.122
Profit/(Loss) on revaluation of land and buildings	-	(143.220)	-	-	(143.220)
Changes in fair value of financial assets available for sale	-	35.578	-	-	35.578
Distribution of retained earnings from reserves	-	(733.389)	-	753.389	-
Deferred income tax recognised on equity	-	137.764	-	-	137.764
Transactions with shareholders	-	-	-	(25)	(25)
Share capital increase	-	-	-	-	-
Own shares	-	-	-	(25)	(25)
Balance as at December 31, 2015	<u>140.968.822</u>	<u>6.862.994</u>	<u>48.888.969</u>	<u>(360.113.572)</u>	<u>(163.392.786)</u>

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NOTES TO THE STANDALONE FINANCIAL STATEMENTS
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SEPARATE STATEMENT OF CASH FLOWS	Note	Year ended December 31, 2014	Year ended December 31, 2015
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
Loans to related parties		-	-
Repayments from related parties		-	-
Share purchase in associates			
Sale of shares available for sale		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		(25.970.07)	(31.704.660)
Payments to lease suppliers		(13.214.682)	(67.948.576)
Net cash (used) in financing activities		(1.676.025)	(76.477.395)
Net increase in cash and cash equivalents		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
Gheorghe Călburean Special Administrator			Ivan Cosma Melania CFO

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DAFORA S.A.
NOTES TO THE STANDALONE FINANCIAL STATEMENTS
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1. GENERAL INFORMATION

DAFORA SA (the "Company") carries out drilling and construction services. 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 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.

The Company is a joint stock company, quoted on the Bucharest Stock Exchange, 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 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.).

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Declaration of conformity

The standalone 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. 1286/2012, as subsequently amended.

2.2 Bases of preparation

The standalone 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

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financial assets available for sale at fair value in equity.

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

2.2.1. Going concern

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 analysed 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 wanted to find protection by the insolvency law 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 channelling 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 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.

We intend to propose 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.

Therefore, the Company is still adopting the going concern principle upon the preparation of its separate financial statements.

2.2.2. Changes in accounting policies and disclosures

(a) Standards and Interpretations effective in the current period

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

- Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13

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and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by EU on December 18, 2014 (to be applied for annual periods beginning on or after January 1, 2015);

- **IFRIC 21 “Levies”** adopted by the EU on June 13, 2014 (amendments are to be applied for annual periods beginning on or after June 17, 2014).

These amendments to the already existent standards did not modify the Company’s accounting policies.

(b) Standards and Interpretations issued by IASB and adopted by the EU, but not yet effective on the date these statements were approved:

- **Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 19, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording – adopted by EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015).
- **IFRS 15 “Revenue from Contracts with Customers”** (effective for annual periods beginning on or after January 1, 2017);
- **Amendments to IFRS 10 “Consolidated Financial Statements”, and IAS 28 “Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”** (effective for annual periods beginning on or after January 1, 2016);
- **Amendments to IAS 19 “Employee Benefits”** – defined benefits plans: employees’ benefits – adopted by EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015);
- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations” – **adopted by EU on November 24, 2015** (effective for annual periods beginning on or after January 1, 2016);
- **Amendments to IAS 1 “Presentation of Financial Statements”** – Initiative regarding the presentation requirements – adopted by EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016);
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** - Clarification of acceptable amortization methods – adopted by EU (effective for annual periods beginning on or after January 1, 2016)
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture: Bearer Plants”** – adopted by EU on November 23, 2015 (effective

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for annual periods beginning on or after January 1, 2016);

- **Amendments to IAS 27 “Standalone Financial Statements”** - Equity Method in Standalone Financial Statements” – adopted by December 18, 2015 (effective for annual periods beginning on or after January 1, 2016);
- **Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)”** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IFRS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording – adopted by EU on December 15, 2015 (effective for annual periods beginning on or after January 1, 2016).

(c) Standards and Interpretations issued by IASB but not yet adopted by the EU

Now, IFRS, as adopted by EU, does not significantly differ from the regulations adopted by IASB, except for the following standards: amendments and interpretations which effectiveness was not adopted by the EU until the date these financial statements are approved.

IFRS 9 “Financial Instruments”, issued on July 24, 2014, is the standard that replaces the provisions of IAS 39 “Financial Instruments: Recognition and Measurement” on the classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2018). This standard introduces new requirements on the recognition, classification, measurement and losses from depreciation, recognition and hedge accounting.

-Classification and measurement: IFRS 9 introduces a new approach on classification of financial assets determined by the characteristics of the cash flow and the business model within an asset is owned. This unique approach based on principles replaces the IAS 39 requirements based on rules. The new model will also determine the existence of a single depreciation model applicable to all financial instruments.

-Depreciation losses: IFRS 9 introduces a new model on losses from depreciation based on expected losses that requires a rapid recognition of expected losses from the receivables depreciation. The standard provides that the entities shall register the expected losses resulted from depreciation from the moment of the initial recognition and at the same time, shall recognise more quickly the depreciation losses expected for their whole life period.

-Hedge accounting: IFRS 9 introduces a model significantly improved on hedge accounting that comprises additional requirements of presentation the information about risk management activity. The new model represents a broad revision of the hedge accounting that allows to align the accounting treatment with the risk management activities.

-Own credit: IFRS 9 requires to present in the comprehensive income fair value gains or losses attributable to changes in the credit risk of financial liabilities under the fair value option. For those liabilities, the change in fair value related to the entities own credit standing

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is reported in other comprehensive income rather than profit and loss.

-IFRS 14: “Regulatory Deferral Accounts” (effective for annual periods beginning on or after January 1, 2016). The European Commission decided not to initiate the adoption process of this interim standard and to wait for the final standard to be issued.

-IFRS 15 – “Revenue from Contracts with Customers” with the subsequent amendments (effective for annual periods beginning on or after January 1, 2018);

-IFRS 16 – “Leasing” (effective for annual periods beginning on or after January 1, 2019);

- Amendments to **IFRS 10 “Consolidated Financial Statements”**, **IFRS 12 “Disclosures of Interests in Other Entities”** and **IAS 28 “Investments in Associates and Joint Ventures – Investment entities: Applying the Consolidation Exception** (effective for annual periods beginning on or after January 1, 2016)

- Amendments to **IFRS 10 “Consolidated Financial Statements”** and **IAS 28 “Investments in Associates and Joint Ventures”**. Selling of or contribution with assets between an investor and associates or joint ventures and subsequent amendments (the effective date was postponed for undefined period until the implementation method process is finalised).

- **IAS 28 “Investments in Associates and Joint Ventures”** (amended in 2011), effective for annual periods beginning on or after January 1, 2014, adopted by the EU on December 11, 2012. There are small amendments to IAS 28 (2008): a) IFRS 5 Non-current assets held for sale and discontinued operations applies to an investment or part of an investment, in an associate or joint venture that fulfils the criteria to be classified as investment held for sale. For any part of the investment that was not classified as held for sale, the equity method is applied until the part classified as held for sale is disposed of. After disposal, any retained interest will be accounted for using the equity method if the retained interest continues to be an associate or a joint venture; b) IAS 28 (2008) and IAS 31 provided that the cessation of the significant influence or joint control should trigger the re-measurement of any remaining participation in all cases, even if the significant influence was followed by joint control. IAS 28 (2011) currently provides that in such cases the interest retained in the investment does not have to be measured. The Company does not expect the amendments to have a significant impact on the financial statements.

2.3 Consolidation

These are the Company’s standalone financial statements. The Company also prepares consolidated financial statements for the same period in accordance with the International

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Financial Reporting Standards, as adopted by the European Union. The consolidated financial statements for the year ended December 31, 2015 will be issued in the legal term.

2.4 Segment reporting

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

2.5 Foreign currency translation

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

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

2.6 Property, plant and equipment

Land and buildings are stated at fair value, based on periodic valuations conducted at least once every three years by external independent valuers, less subsequent depreciation and impairment in case of buildings. Any cumulated depreciation as at the revaluation date is written off from the asset's gross carrying amount and the net amount is registered 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

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equipment or recognised as separate 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 registered along with other reserves directly in equity; all the other decreases are registered in profit or loss. Amounts registered in revaluation reserves are transferred to retained earnings at the end of the useful life of the asset or when the asset is derecognised.

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

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

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

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

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

2.7 Intangible assets

Software

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

2.8 Impairment of non-financial assets

Assets with an undefined useful life are not amortised and are reviewed annually to identify

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any impairment losses. Assets that are amortized are revised to identify impairment losses anytime events or changes in circumstances occur, which indicate that the carrying amount can no longer be recovered. Impairment loss is the difference between the carrying amount and the recoverable amount of such asset. Recoverable amount is the higher of the fair value of the asset less cost of disposal and value in use. To assess impairment, assets are grouped up to the smallest details where independent cash flows can be identified (cash generating units). Non-financial assets other than goodwill, which were impaired, are revised to perform a possible reversal of the impairment as at each reporting date.

2.9 Non-current assets (of Groups intended for disposal) held for sale

Non-current assets (or Groups intended for disposal) are classified as held for sale when the carrying amount is to be recovered primarily from sale, and the sale is deemed highly possible. They are registered at the lowest of the carrying amount and the fair value less selling costs, is the carrying amount will be recovered primarily from sale and not through its further use.

2.10 Financial assets

2.10.1 Classification

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

(a) *Financial assets at fair value through profit or loss*

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

(b) *Loans and receivables*

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

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative instruments that are either

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specifically designated as such or are not classified in any of the other categories. They are included in non-current assets, except the management intends to dispose of 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 registered 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 registered at amortised cost using the effective interest method.

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

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

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

2.11 Offset of financial instruments

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

2.12 Impairment of financial assets

(a) Assets measured at amortized cost

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

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

- significant financial distress of the issuer of 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 registered) 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 loans, 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

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acquisition cost and the present fair value, less any impairment loss related to such financial asset, recognised previously to profit or loss – is written off from equity and recognised in profit or loss. Impairment losses recognised in profit or loss for equity instruments are not reversed to profit or loss. If, subsequently, the fair value of a liability classified as available for sale increases and such increase may be objectively related to an event that occurred after the impairment was recognised in profit or loss, then the impairment loss is reversed to profit or loss.

2.13 Inventories

Inventories are recorded at the lower of cost and net realizable 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.

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

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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 registered as borrowing, under current liabilities.

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

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 borrower 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 amortised 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.

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2.19 Uncertain tax positions

The uncertain tax positions of the Company are analysed by the management on each balance sheet date. Liabilities are registered for tax positions for which the management deems that it is probable to incur additional taxes should such positions be verified by the tax authorities. The measurement 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 net 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 allowances, where applicable, based on the amounts estimated as payable to the tax authorities.

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 income tax is determined based on the taxation rates (and the laws) in force on the balance sheet date and that will be applied in the period when the recoverable deferred tax will be used or the deferred tax payable will be paid.

Deferred tax recoverable 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.

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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 |
| - more than 15 years seniority | 1,5 gross base salaries |

2.22 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of past events, it is probable that an outflow of resources will be 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. Allowances on future operating losses are not recognised.

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 allowance 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 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;
- 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

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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 based on the materials or under fixed price contracts, with a contractual term regularly ranging from 1 to 3 years.

IAS 11 defines the construction contract as a contract negotiated specifically for the construction of an asset. The contract costs are recognised as expenses in the period they are incurred.

When the outcome of a construction contract cannot be estimated reliably, the revenues shall be recognised only proportionally to the contract costs incurred and estimated to be recovered.

When the outcome of a construction contract cannot be estimated reliably and it is probable that such contract will be profitable, revenues from the contract are recognised throughout the contract term. When it is probable that total contract costs will exceed the total contract revenues, the estimated loss is recognised immediately as expense.

Changes in contract works, requests and payments of incentives are included in contract revenues if agreed upon with the customer and may be reliably assessed.

The Company uses the "percentage of completion method" to determine the proper amount recognised over a certain period. The stage of completion is estimated by reference to the contract costs incurred as at the balance sheet date as percentage of total estimated costs for each contract. Costs incurred for the year with the future activity under a contract are excluded from contract costs when the stage of completion is set. They are presented as inventory, payments in advance or other assets, depending on their nature.

The Company registers as asset the gross amount due from customers for contract works related to all of the contracts in progress for which incurred costs plus recognised profit

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(less recognised losses) exceed periodic invoicing. Periodic invoices not paid by customers and withholdings are included in “Customers and other receivables”.

(b) Income from sale of goods

The Company also holds a restaurant. Sales of goods are recognised when the Company delivers products to customers. The delivery is deemed 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.

(a) Dividend income

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

2.24 Leases

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

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

Each payment is divided into capital and interest so as to achieve a constant interest rate on the balance of the liability. Rental liabilities, net of financing costs, are included in other long-term liabilities. The interest on financing costs is registered in the income statement over the contract term, so as to achieve a periodic constant interest rate on the balance of the liability for each period. Tangible assets purchased under a finance lease are depreciated over the lower of the useful life of the asset or the lease term.

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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 financial position, separate statement of comprehensive income, and where applicable, 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 in the previous year. In addition, the Company presents a separate statement of financial position at the beginning of the most recent period presented in case of a retrospective application of an accounting policy, of a retrospective correction or reclassifications of items of separate financial statements, if the effect on the Company is significant.

3 MANAGEMENT OF FINANCIAL RISK

3.1 *Financial risk factors*

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

Risk management is the responsibility of the management of Dafora SA, based on the recommendations of the board of administration. The management of Dafora SA identifies and assesses financial risks in close cooperation with the operations units. The board of administration 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 arises in particular from borrowings and finance leases of the Company.

(a) Market risk

(i) Currency risk

The Company does not hedge currency risk. Considering that the Company's operations are carried out in particular on the domestic market, it does not generate significant income in the same currency as borrowings and finance lease liabilities. However, the management is provided on a regular basis with forecasts regarding the evolution of the

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RON/EUR exchange rate and uses such information in its pricing strategy. The management will consider future strategies to protect the Company against currency risk.

(ii) *Price risk*

The Company is exposed to the price risk related to participation titles further to the Company's investments and registered 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 risk management policies have not been designed.

(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, and 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 board of administration. 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 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.

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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 contractual maturity. The values presented in the table represent the undiscounted nominal values as at the balance sheet date:

	<u>Less than 1 year</u>	<u>From 2 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
As at December 31, 2015				
Borrowings (e.g. finance lease liabilities)	-	118.807.590	-	118.807.590
Finance lease liabilities	538.643	1.164.983	-	1.703.627
Suppliers and other liabilities	13.967.641	136.818.245	-	150.785.886
TOTAL	14.506.284	256.790.818	-	271.297.103

	<u>Less than 1 year</u>	<u>From 2 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
As at December 31, 2014				
Borrowings (e.g. finance lease liabilities)	77.910.341	47.702.807	-	125.613.148
Finance lease liabilities	18.391.169	51.261.034	-	69.652.203
Suppliers and other liabilities	139.263.566	12.350.131	-	151.613.696
	235.565.075	111.313.972	-	346.879.047

3.2 Management of capital risk

The Company's objectives as to capital management are to protect the Company's capacity to operate as a going concern, to yield profit for shareholders and benefits to other parties involved, 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.

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	<u>December 31, 2014</u>	<u>December 31, 2015</u>
Total borrowings (note 17)	<u>195.265.351</u>	<u>120.511.217</u>
Less: cash and cash equivalents (note 12)	4.284.500	7.537.813
Net liability	<u>190.980.851</u>	<u>112.973.404</u>
Total equity	<u>(58.159.643)</u>	<u>(163.392.786)</u>
Total capital	<u>132.821.208</u>	<u>(50.419.383)</u>
Gearing ratio	144%	-224%

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, 2015.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset				
Available-for-sale financial assets, out of which:	664.596	-	20.237	684.833
- Participation titles	664.596	-	20.237	684.833

The fair value of financial instruments included in Level 1 is based on the quotations of the Bucharest Stock Exchange.

Equity included in Level 3 is not based on observable market data and has not been impaired.

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4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical accounting estimates and assumptions

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

(a) Income tax

The Company pays income tax. Significant considerations are required to determine the income tax provision. There are more transactions and calculations for which the income tax determined is uncertain. The Company recognises liabilities for anticipated tax audits, estimating whether additional taxes are required. If the tax outcome of such operations is different from the amounts initially registered, 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 (for instance, participating shares in Dracula Park) 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

The Company uses the percentage of completion method to account for fixed price contracts for the delivery of drilling and construction services. Using such method allows the Company to estimate the services delivered until present as a percentage of the total services that must be delivered.

The stage of completion is estimated by reference to the contract costs incurred as at the end of the reporting period as percentage of total estimated costs for each contract. Costs incurred during the year with the future activity under a contract are excluded from contract costs when the stage of completion is determined. They are presented as inventories, advance payments or other assets, depending on their nature.

(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

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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 board of administration, which are used in making strategic decisions.

The activity is analysed from the standpoint of the type of services delivered. From a geographical stand point, there are not identifiable segments, as most of the operations are carried out on the domestic market.

The activity segments identified are: drilling and constructions.

The management of the company assesses the performance of activity segments based on profit before tax, financial expenses and depreciation and impairment ("EBITDA"). The results of discontinued operations are not included in the EBITDA assessment.

The Company is registered in Romania and carries out its activity both on the domestic and on the foreign market.

Segment information for the year ended December 31, 2015 is the following:

As at December 31, 2015:	8.23%	88,02%	3.75%	100%
	Construction	Drilling	Other	Total
Total segment income	8.136.559	87.050.740	3.711.163	98.898.462
Inter-segment income	-	-	-	-
Income	8.136.559	87.050.740	3.711.163	98.898.462
	(9.310.062)	(75.162.612)	(22.273.453)	(106.746.127)
Operating profit/(loss) by segment	(1.173.503)	11.888.128	(18.562.290)	7.847.665
Expense with depreciation	(38.564)	(10.666.282)	(112.179)	(10.817.024)
Income tax expense	-	-	-	-
Finance costs – net	1.076	(1.054.772)	(79.887.544)	(80.941.241)
Profit/(loss) before income tax	(1.210.990)	167.074	(98.562.013)	(99.605.930)
Income tax	-	-	(1.050.479)	(1.050.479)
Profit / (loss) for the year:	(1.201.990)	167.074	(99.612.492)	(100.656.409)
As at December 31, 2014:	15,86%	83,15%	0,99%	100%

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	Construction s	Drilling	Other	Total
Total segment income	32.150.561	168.481.882	1.997.698	202.630.141
Inter-segment income	-	-	-	-
Income	32.150.561	168.481.882	1.997.698	202.630.141
	<u>(35.769.638)</u>	<u>(125.920.640)</u>	<u>(13.886.191)</u>	<u>(175.576.469)</u>
Operating profit/(loss) by segment	<u>(3.619.077)</u>	<u>42.561.242</u>	<u>(11.888.493)</u>	<u>27.053.672</u>
Expense with depreciation	(110.922)	(18.882.782)	(113.848)	(19.107.552)
Income tax expense	-	-	-	-
Finance costs – net	(33.077)	(2.940.561)	(6.070.481)	(9.044.119)
Profit of associates	-	-	-	-
Profit/(loss) before income tax	<u>(3.763.075)</u>	<u>20.737.899</u>	<u>(18.072.824)</u>	<u>(1.098.000)</u>
Income tax	-	-	4.346.787	4.4346.787
Profit / (loss) for the year, of which:	<u>(3.763.075)</u>	<u>20.737.899</u>	<u>(13.726.036)</u>	<u>3.248.788</u>

6 PROPERTY, PLANT AND EQUIPMENT

The net book value on December 31, 2015 as well as its changes in the reporting year are presented below:

	Land and buildings	Installations and machinery	Fixtures, plant and equipment	Assets in progress	Total
Year ended December 31, 2015					
Initial net book value recalculated	10.662.228	97.363.139	143.204	(0)	108.168.571
Increases	12.877.986	992.767	0	8.640	13.879.393
Revaluation differences	(91.050)	(52.171)	-	-	(143.220)
Decreases	(1)	(62.226.035)	-	(8.640)	(62.234.677)
Depreciation and impairment	<u>(266.169)</u>	<u>(10.520.036)</u>	(38.301)	<u>(0)</u>	<u>(10.824.506)</u>
Closing net book value	<u>23.182.994</u>	<u>25.557.664</u>	<u>104.903</u>	<u>(0)</u>	<u>48.845.561</u>
Cost or valuation	23.708.118	89.057.570	530.250	(0)	113.295.937
Cumulated depreciation	(525.124)	(63.499.906)	(425.347)	-	(64.450.377)
Net book value	<u>23.182.994</u>	<u>25.557.664</u>	<u>104.903</u>	<u>(0)</u>	<u>48.845.561</u>

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	Land and buildings	Installations and machinery	Fixtures, plant and equipment	Assets in progress	Total
<i>Year ended December 31, 2014</i>					
Initial net book value recalculated	34.679.566	98.590.540	245.912	10.422.555	143.938.573
Increases	292.920	20.050.544	6.371	2.162.425	22.512.260
Revaluation differences	-	-	-	-	-
Decreases	(23.895.334)	(3.573.363)	(52.688)	(12.584.980)	(40.106.365)
Depreciation and impairment	<u>(414.923)</u>	<u>(17.704.582)</u>	<u>(56.391)</u>	-	<u>(18.175.896)</u>
Closing net book value	<u>10.662.229</u>	<u>97.363.139</u>	<u>143.204</u>	<u>(0)</u>	<u>108.168.571</u>
Cost or valuation	10.900.405	191.983.657	530.250	0	203.414.311
Cumulated depreciation	(238.176)	(94.620.518)	(387.046)	-	(95.245.740)
Net book value	<u>10.662.228</u>	<u>97.363.139</u>	<u>143.204</u>	<u>(0)</u>	<u>108.168.571</u>

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The Company's land and buildings were last revaluated as at December 31, 2013 by independent valuers. As at December 31, 2008, the Company also revaluated the other classes of property, plant and equipment. The valuations were performed based on market information.

The value of the non-current assets decreased due to the write-off of some drilling rigs and equipment handed over to the leasing companies under the termination clause, this being the reason for the company to open the insolvency procedure.

In 2015, the value of the non-current assets for own activities, transferred to non-current assets held for sale and re-classified as non-current assets for own activities, is 13.803.648. The evaluation of non-current assets not classified anymore as held for sale, transferred into the account of non-current assets for own activities, was made in accordance with IFRS 5.

The interest was not capitalised in the cost of fixed assets in 2015.

Bank loans, overdrafts and letter of guarantee are secured by non-current assets at a net book value of **RON 48.914.386 (on December 31, 2014 the value was RON)**.

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

	December 31, 2014	December 31, 2015
Cost – capitalized finance leases	107.798.327	2.267.779
Cumulated depreciation	40.044.895	-
Net book value	67.753.432	2.267.779

7. FINANCIAL ASSETS

The net financial assets are as follows:

	Year ended December 31, 2014	Year ended December 31, 2015
	(RON)	(RON)
Participation titles	77.977.267	10.000
Guarantees for services delivered to third parties	8.005.535	2.505.808
Other long-term investments	685.948	684.833
	86.668.750	3.200.641

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Participation titles and other net investments:

	Year ended December 31, 2014	Year ended December 31, 2015
	(RON)	(RON)
Investments in subsidiaries	10.000	10.000
Investment in associates	77.967.265	-
Other long-term investments	685.949	684.833
	78.663.215	694.833

As at December 31, 2015, the Company had the following subsidiaries:

	(%)	Year ended December 31, 2014	Year ended December 31, 2015
		(RON)	(RON)
Măcelăriile Mediaș SRL	80,03	9.060.130	9.060.130
Ecocostruct SRL	71,09	1.031.719	1.031.719
Dafora Ukraina SRL	100,00	19.908	19.908
Discret SRL	100,00	10.000	10.000
		10.121.757	10.121.757

Impairment allowances for investments in:

	<u>Year ended December 31, 2014</u>	<u>Year ended December 31, 2015</u>
Macelariile Medias SRL	9.060.130	9.060.130
Ecoconstruct SRL	1.031.719	1.031.719
Dafora Ukraina SRL	19.908	19.908
	10.111.757	10.111.757

Net investment in subsidiaries

10.000	10.000
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As at December 31, 2015, the Company was holding participation titles in the following entities:

	(%)	Year ended December 31, 2014 (lei)	Year ended December 31, 2015 (lei)
Condmag SA	45,82	77.967.265	77.967.265

As at December 31, 2015, the Company registered participation titles adjustments:

	Year ended December 31, 2014 (lei)	Year ended December 31, 2015 (lei)
Condmag SA	77.967.265	77.967.265
Net investment in associates	<u>77.967.265</u>	-

8. FINANCIAL INSTRUMENTS BY CATEGORIES

	<u>Loans and receivables</u>	<u>Financial assets available for sale</u>	<u>Total</u>
December 31, 2015			
Assets as per balance sheet			
Customers and other receivables except for advances from suppliers and tax receivables	20.748.471	-	20.748.471
Financial assets available for sale	-	684.833	684.833
Cash and cash equivalents	<u>7.537.813</u>	<u>-</u>	<u>7.537.813</u>
Total	<u>28.286.284</u>	<u>684.833</u>	<u>28.971.118</u>

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December 31, 2014	Loans and receivables	Financial assets available for sale	Total
Assets as per balance sheet			
Customers and other receivables except for advances from suppliers and tax receivables	36.825.514	-	36.825.514
Financial assets available for sale	-	685.948	685.948
Cash and cash equivalents	<u>4.284.500</u>	<u>-</u>	<u>4.284.500</u>
Total	<u>41.110.014</u>	<u>685.948</u>	<u>41.795.962</u>

Loans to related parties	31.12.2014	31.12.2015
Loans to related parties	7.085.680	7.468.414
Interest from related parties	1.133.694	1.133.694
Provision for impairment allowance for loans to related parties	<u>(8.219.374)</u>	<u>(8.602.108)</u>
	<u>-</u>	<u>-</u>

See Note 10 for impaired 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:

	31.12.2014	31.12.2015
Quoted securities		
Transgaz SA	607.035	639.594
VES SA	58.676	23.430
SIF MOLDOVA	-	1.572
	<u>665.712</u>	<u>664.596</u>
Unquoted securities		
Transgex SA	20.237	20.237
	<u>20.237</u>	<u>20.237</u>
	<u>685.949</u>	<u>684.833</u>

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10. CUSTOMERS AND OTHER RECEIVABLES

	<u>31.12.2014</u>	<u>31.12.2013</u>
Trade receivables	17.587.424	11.897.959
less: impairment allowances	<u>(6.277.918)</u>	<u>(5.850.435)</u>
Trade receivables – net	<u>11.309.506</u>	<u>6.047.524</u>
Amounts due from customers for contract works	23.311.485	15.663.883
less: impairment allowances	<u>(10.920.881)</u>	<u>(11.368.793)</u>
Amounts due to customers for works – net	<u>12.390.604</u>	<u>4.295.089</u>
Other amounts not invoiced to customers	8.622.850	732.529
Advances to suppliers	3.071.790	2.795.919
less: impairment allowances	<u>(1.245.918)</u>	<u>(1.216.025)</u>
Receivables from advances to suppliers	<u>1.825.872</u>	<u>1.579.894</u>
Other receivables	2.082.093	1.728.997
Less: adjustment of impairment of receivables	<u>(260.426)</u>	<u>(114.749)</u>
Other receivables	<u>1.821.667</u>	<u>1.614.248</u>
Receivables from related parties	17.335.915	20.169.932
less: impairment allowances	<u>(15.350.457)</u>	<u>(19.494.298)</u>
Receivables from related parties – net	<u>1.985.458</u>	<u>675.633</u>
Loans to related parties	8.219.374	8.602.108
less: impairment allowances	<u>(8.219.374)</u>	<u>(8.602.108)</u>
Loans to related parties – net (Note 29)	<u>-</u>	<u>-</u>
Withholdings (guarantees)	10.014.234	11.256.344
Less long-term share: withholdings	<u>(8.005.535)</u>	<u>(2.505.808)</u>
Current share	<u>2.008.699</u>	<u>8.750.536</u>
Total receivables	<u>39.964.655</u>	<u>23.695.453</u>

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:

	<u>December 31, 2014</u>	<u>December 31, 2015</u>
Less than 1 month	9.516.151	3.383.575
Between 1 and 3 months	229.165	58.248
Between 3 and 6 months	71.975	469.175
Between 6 and 12 months	340.220	2.119.413
More than 12 months	<u>1.151.995</u>	<u>17.114</u>
Total	<u>11.309.506</u>	<u>6.047.524</u>

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

	<u>December 31, 2014</u>	<u>December 31, 2015</u>
RON	28.220.668	8.023.771
GBP	12.979	-
USD	11.731.008	15.671.682
TOTAL	39.964.655	23.695.453

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

	<u>31.12.2014</u>	<u>31.12.2015</u>
As at January 1		
Impairment allowance	15.585.488	22.269.286
Amounts not used and reversed	-	1.936.187
Receivables impaired during the year	<u>6.683.798</u>	<u>1.391.803</u>
As at December 31	<u>22.269.286</u>	<u>21.724.902</u>

Changes in impairment allowances were included in "net impairment allowance from current assets" in the income statement (note 20). Amounts registered in the allowance account are generally written off from the balance sheet when such amounts are not expected to be recovered.

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

	<u>31.12.2014</u>	<u>31.12.2015</u>
As at January 1		
Impairment allowance	16.688.558	11.786.315
Amounts not used and reversed	6.311.420	26.419
Impaired receivables during the year	<u>1.409.177</u>	<u>4.559.503</u>
As at December 31	<u>11.786.315</u>	<u>16.319.399</u>

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:

	<u>31.12.2014</u>	<u>31.12.2015</u>
As at January 1		
Impairment allowance	10.351.576	8.219.374
Amounts not used and reversed	2.979.957	-
Impaired receivables during the year	<u>847.755</u>	<u>382.734</u>
As at December 31	<u>8.219.374</u>	<u>8.602.108</u>

Changes in impairment allowances for related party loans were included in "net impairment allowance from current assets" in profit or loss.

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11 INVENTORIES

	<u>31.12.2014</u>	<u>31.12.2015</u>
Raw materials and consumables	9.430.502	7.040.929
Non-current assets held for sale	25.652.913	11.763.503
Work in progress	2.205.228	1.962.964
Commodities	126.530	83.443
Finished products	344.636	332.192
Other inventories	279.566	109.471
Impairment allowances	<u>(52.827)</u>	<u>(6.321.600)</u>
	<u>37.986.548</u>	<u>14.970.902</u>

The Company set impairment allowances on active or inactive inventories in 2015 at a percentage of 50% for those between 361 – 720 days and 100% for those older than 720 days.

In 2015, the Company registered the transfer of the assets under property, plant and equipment to non-current assets held for sale (account 311 “Non-current assets held for sale”). For property, plant and equipment transferred to non-current assets held for sale which were revaluated, the related revaluation reserve remained in balance and will be settled when the asset is sold.

In 2015, a part of these non-current assets classified for sale were re-classified as non-current assets for own activities and transferred from the account 311 “Non-current assets held for sale” into the accounts of the fixed assets as initially originated according to the IFRS regulations.

12 CASH AND CASH EQUIVALENTS

	<u>31.12.2014</u>	<u>31.12.2015</u>
Petty cash	187.241	70.702
Bank accounts	<u>4.097.259</u>	<u>7.467.111</u>
	<u>4.284.500</u>	<u>7.537.813</u>

13 SHARE CAPITAL AND SHARE PREMIUMS

As at December 31, 2015 the shareholding structure is as follows:

As at December 31, 2015	<u>Number of shares</u> (no. of shares)	<u>Holding percentage</u> (%)	<u>Share capital</u> restated (RON)
Călburean Gheorghe	500.766.391	49.96	70.428.812
Foraj Sonde SA Craiova	139.586.800	13.93	19.631.776
Dafora Group SA Medias	76.435.688	7.63	10.750.073
Other natural person shareholders	225.652.087	22.51	31.736.176
Other legal person shareholders	<u>59.882.328</u>	<u>5.97</u>	<u>8.421.975</u>
As at December 31, 2015	<u>1.002.323.294</u>	<u>100.00</u>	<u>140.968.822</u>

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As at December 31, 2014	<u>Number of shares</u> (no. of shares)	<u>Holding percentage</u> (%)	<u>Share capital</u> restated (RON)
Călburean Gheorghe	500.766.391	49.96	70.428.812
Foraj Sonde SA Craiova	138.485.300	13.82	19.476.856
Dafora Group SA Medias	76.435.688	7.63	10.755.921
Other natural person shareholders	159.981.114	15.96	22.498.624
Other legal person shareholders	<u>126.654.801</u>	<u>12.63</u>	<u>17.808.609</u>
As at December 31, 2014	<u>1.002.323.294</u>	<u>100.00</u>	<u>140.968.822</u>

In 2015, 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 registered in accordance with IAS 29 "Financial reporting in hyperinflationary economies" as at December 31, 2003.

14 CONSTRUCTION CONTRACTS

	<u>31.12.2014</u>	<u>31.12.2015</u>
Net position of contracts in progress in the balance sheet	23.311.485	15.663.883
Amounts due from customers for contract works	24.878.531	15.696.382
Amounts due to customers for contract works	<u>(1.567.046)</u>	<u>(32.449)</u>
	<u>23.311.485</u>	<u>15.663.883</u>

15 OTHER RESERVES

	<u>31.12.2014</u>	<u>31.12.2015</u>
Legal reserves	2.854.945	2.854.945
Deferred income tax in the form of reserves	(1.445.002)	(1.307.238)
Differences in fair value of available-for-sale financial assets	93.438	129.016
Reserves from revaluation of land and buildings	8.937.825	8.041.216
Other reserves	<u>46.034.024</u>	<u>46.034.024</u>
	<u>56.475.231</u>	<u>55.751.963</u>

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16 SUPPLIERS AND OTHER LIABILITIES

	<u>31.12.2014</u>	<u>31.12.2015</u>
Trade liabilities	98.093.486	100.334.415
Guarantees	13.328.456	13.232.397
Amounts due to customers for contract works	-	-
Advances from customers	8.487.865	2.299.289
Amounts due to related parties (Note 29)	9.215.309	7.452.052
Social security and other taxes	11.950.580	14.535.522
Different creditors	<u>319.596</u>	<u>328.697</u>
TOTAL	<u>141.395.291</u>	<u>138.182.372</u>
Less long-term share: trade liabilities and advances from customers	-	(96.530.866)
Less long-term share: guarantees	(5.972.260)	(12.857.857)
Less long-term share: advances	-	(2.299.289)
Less long-term share: amounts due to related parties	-	(5.884.670)
Less long-term share: personnel, social insurances and other taxes:	-	(13.482.486)
Less long-term share: creditors:	-	(326.417)
TOTAL	<u>(5.972.260)</u>	<u>(131.381.585)</u>
Current share	<u>131.423.032</u>	<u>6.800.787</u>

The division of the liabilities on long- and short-term was made by considering as long-term the due amounts before insolvency, respectively June 18, 2015, amounts that will be exigible as soon as their payment is approved under the Reorganization Plan approved by the creditors.

17 BORROWINGS

	<u>31.12.2014</u>	<u>31.12.2015</u>
Long-term		
Long-term bank loans	44.677.596	115.887.583
Finance lease liabilities	51.261.034	1.164.983
Loans from related parties (Note 29)	<u>3.025.211</u>	<u>2.920.007</u>
	<u>98.963.841</u>	<u>119.972.574</u>
	<u>31.12.2014</u>	<u>31.12.2015</u>
Short-term		
Short-term bank loans	77.910.341	-
Finance lease liabilities	18.391.169	538.643
Loans from related parties (Note 29)	<u>-</u>	<u>-</u>
	<u>96.301.509</u>	<u>538.643</u>
Total borrowings	<u>195.265.351</u>	<u>120.511.217</u>

The division of the borrowings on long- and short-term was made by considering as long-term the due amounts before insolvency, respectively June 18, 2015, amounts that will be exigible as soon as their payment is approved under the Reorganization Plan approved by the creditors.

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

	<u>31.12.2014</u>	<u>31.12.2015</u>
EUR	73.969.183	85.783.818
RON	<u>51.643.965</u>	<u>33.023.772</u>
	<u>125.613.148</u>	<u>118.807.590</u>

(b) Finance lease liabilities

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

	<u>31.12.2014</u>	<u>31.12.2015</u>
Less than 1 year	21.489.638	584.873
Between 1 and 5 years	56.055.637	1.209.908
More than 5 years	<u> </u>	<u> </u>
	<u>77.545.275</u>	<u>1.749.781</u>
Future finance lease expenses	<u>(7.893.072)</u>	<u>(91.155)</u>
Present value of finance lease liabilities	<u>69.652.203</u>	<u>1.703.626</u>
	<u>31.12.2014</u>	<u>31.12.2015</u>
Less than 1 year	18.391.169	538.643
Between 1 and 5 years	51.261.034	1.164.983
More than 5 years	<u> </u>	<u> </u>
	<u>69.652.203</u>	<u>1.703.627</u>

When entering insolvency, due to the dispossession of some drilling rigs and equipment, the company registered the decommissioning of the fixed assets under finance lease simultaneously with the amounts due to the lease companies. The remaining balance of the finance lease liabilities on December 31, 2015 is due to the lease purchase in December, 2015 (after the date entering the insolvency) of three CAT generators.

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18 DEFERRED INCOME TAX

The deferred income tax assets and liabilities are as follows:

	<u>31.12.2014</u>	<u>31.12.2015</u>
Deferred income tax assets:		
- Deferred income tax assets recoverable after more than 12 months	11.475.504	9.621.578
- Deferred income tax assets recoverable within 12 months	<u>-</u>	<u>-</u>
	<u>11.475.504</u>	<u>9.621.578</u>
	<u>31.12.2014</u>	<u>31.12.2015</u>
Deferred income tax liabilities:		
- Deferred income tax liabilities recoverable after more than 12 months	6.377.871	5.436.660
- Deferred income tax liabilities recoverable within 12 months	<u>-</u>	<u>-</u>
	<u>6.377.871</u>	<u>5.436.660</u>
Deferred tax asset / (liability) - net	<u>5.097.633</u>	<u>4.184.918</u>

Gross changes in deferred income tax are as follows:

	<u>31.12.2014</u>	<u>31.12.2015</u>
As at January 1	<u>(59.985)</u>	<u>(5.097.633)</u>
Profit and loss (registered)/credited	(4.346.787)	1.050.479
Deferred income tax charged directly to equity	<u>(690.861)</u>	<u>(137.764)</u>
As at December 31	<u>(5.097.633)</u>	<u>(4.184.918)</u>

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:

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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, 2013	7.132	5.705.898	2.135.863	-	7.848.893
Registered/credited to statement of comprehensive income	-	(780.161)	(705.811)	14.950	(1.471.022)
As at December 31, 2014	7.132	4.925.737	1.430.052	14.950	6.377.871
Registered/credited to statement of comprehensive income	(7.132)	(796.313)	(143.457)	5.693	(941.211)
As at December 31, 2015	-	4.129.422	1.286.595	20.646	5.436.660

Deferred income tax assets are recognised as regards 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, 2013	-	(4.690.024)	(3.218.854)	(7.908.875)
Registered/credited to profit and loss	-	(3.566.626)	-	(3.566.626)
As at December 31, 2014	-	(8.256.650)	(3.218.854)	(11.475.501)
Registered/credited to profit and loss	-	(1.364.928)	3.218.854	1.853.926
As at December 31, 2015	-	(9.621.578)	-	(9.621.578)

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19 PROVISIONS FOR LIABILITIES AND EXPENSES

	Provisions for litigation	Provisions for guarantees	Provisions for employees' benefits	Vacation not taken and other liabilities	TOTAL
As at January 1, 2014	<u>1.985.104</u>	<u>365.488</u>	<u>268.310</u>	<u>1.221.632</u>	<u>3.840.534</u>
Registered/credited to:					
-Additional provisions	1.985.104	2.109.935	60.549	485.038	4.640.626
-used during the year	-	-	(169.211)	(1.145.095)	(1.314.306)
As at December 31 2015	<u>3.970.208</u>	<u>2.475.423</u>	<u>159.648</u>	<u>561.575</u>	<u>7.166.854</u>

(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) Vacations not taken

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

(c) Other liabilities

The litigation provision accounts for 100% of the value of a fine levied by the Romanian Competition Council, which will be challenged by all legal means in the upcoming period.

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

	<u>31.12.2014</u>	<u>31.12.2015</u>
Expenses with asset disposed of	(633.187)	(5.282.386)
Income from sale of assets	<u>1.430.140</u>	<u>121.250</u>
Other (losses)/gains – net	<u>796.953</u>	<u>(5.161.136)</u>

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21 OTHER INCOME

	<u>31.12.2014</u>	<u>31.12.2015</u>
Other operating income	2.146.766	12.074.172
Subsidy income	-	-
Income from discounts received	<u>-</u>	<u>-</u>
	<u>2.146.766</u>	<u>12.074.172</u>

22 OTHER EXPENSES

	<u>31.12.2014</u>	<u>31.12.2015</u>
Electricity, heat and water	2.327.829	2.069.700
Other taxes, charges and similar expenses	602.571	618.462
Compensations, fines and penalties	3.742.783	919.892
Other operating expenses	<u>2.499.673</u>	<u>856.358</u>
	<u>9.172.855</u>	<u>4.464.412</u>

23 EXPENSES WITH EMPLOYEE BENEFITS

EXPENSES

	<u>31.12.2014</u>	<u>31.12.2015</u>
Salaries and indemnities	20.221.202	13.440.366
Social security contributions	<u>6.405.371</u>	<u>3.645.938</u>
	<u>26.626.573</u>	<u>17.086.304</u>

AVERAGE NUMBER OF EMPLOYEES

	<u>31.12.2014</u>	<u>31.12.2015</u>
Number of employees	373	223

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24 FINANCIAL INCOME AND EXPENSES

	<u>31.12.2014</u>	<u>31.12.2015</u>
<u>Financial expenses</u>		
Interest expenses:	(10.950.356)	(2.854.248)
- Banks loans	(6.639.990)	(2.165.332)
- Finance lease liabilities	(4.235.472)	(688.915)
- Other financial expenses	(74.894)	(1)
Net loss on currency translation related to financing activities	<u>1.867.896</u>	<u>(90.976)</u>
Financial expenses	<u>(9.083.360)</u>	<u>(3.039.191)</u>

	<u>31.12.2014</u>	<u>31.12.2015</u>
Financial income:		
Interest income on loans to related parties	-	-
Interest income:	20.389	7.918
- <i>Interest income on short-term bank deposits</i>	20.389	7.918
- Other financial income	<u>-</u>	<u>57.297</u>
Financial income	<u>20.389</u>	<u>65.215</u>

	<u>31.12.2014</u>	<u>31.12.2015</u>
<u>Other financial gains (losses)</u>		
Gains (losses) from impairment allowances related to financial assets	900	(77.967.265)
Gains (losses) from ceased financial investments	17.600	-
Other financial gains (losses) - net	<u>18.500</u>	<u>(77.967.265)</u>

Net financial expenses	<u>(9.044.472)</u>	<u>(80.941.241)</u>
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25 INCOME TAX EXPENSES

	<u>31.12.2014</u>	<u>31.12.2015</u>
Current tax:		
Current tax on income for the year	-	-
Deferred tax (note 18):		
Origin and reversal of temporary differences	<u>(4.346.787)</u>	<u>1.050.479</u>
Income tax expense	<u>(4.346.787)</u>	<u>1.050.479</u>

The Company's income tax before taxation differs from the theoretical amount that would arise if

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the weighted average tax rate on the income of the Company were used, as follows:

	<u>31.12.2014</u>	<u>31.12.2015</u>
Profit/(loss) before taxation	<u>(1.097.999)</u>	<u>(99.605.930)</u>
Tax calculated at taxation rate	(175.680)	(15.936.949)
Tax effects of:		
- Deductions	(13.287.531)	(5.633.190)
- Non-taxable income	(15.499.656)	(5.498.113)
- Other amounts similar to income	4.435.684	4.435.684
- Non fiscally deductible expenses	32.721.879	32.695.369
- Losses not previously recognised	(85.847.886)	(75.331.571)
- Less: fiscal credit	<u>-</u>	<u>-</u>
Income tax expense	<u>4.346.787</u>	<u>(1.050.479)</u>
Taxable profit / fiscal loss	<u>(74.228.721)</u>	<u>(149.988.230)</u>

26 EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing profit attributable to equity 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).

	<u>31.12.2014</u>	<u>31.12.2015</u>
Earnings attributable to company's shareholders	3.248.788	(100.656.409)
Weighted average number of ordinary shares outstanding (thousand)	1.002.323	1.002.323
Basic earnings per share	3.24	(140.42)

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of existing shares to consider the conversion of all the dilutive 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 2014 and 2015 no dividends were paid.

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27 CASH FROM OPERATING ACTIVITIES

	<u>31.12.2014</u>	<u>31.12.2015</u>
Net profit/(loss)	<u>3.248.789</u>	<u>(100.656.409)</u>
Adjustments for:		
- Impairment	19.107.552	10.817.024
- (Income)/loss on sale of fixed assets (note 20)	(796.953)	5.161.136
- Interest income	(20.389)	(7.918)
- Interest expense	10.950.356	5.404.205
- Income tax (note 25)	(4.346.787)	2.932.901
- Impairment allowances for inventories and receivables	1.782.979	12.625.312
- Impairment allowances for investments in associates	-	77.967.265
- Provisions for liabilities and expenses	(800.813)	1.342.083
- Loss on currency translation	(1.867.896)	90.976
- Income from sale of financial assets	(17.600)	-
- Losses on receivables	5.591.264	225.964
Operating profit before changes in working capital	<u>32.830.501</u>	<u>15.902.539</u>
Changes in working capital:	<u>(15.587.811)</u>	<u>18.773.680</u>
- Inventories	2.990.987	9.211.997
- Trade and other receivables	39.556.483	9.054.843
- Trade and other liabilities	<u>(58.135.280)</u>	<u>506.840</u>
Cash from operating activities	<u>17.242.691</u>	<u>34.676.219</u>

28 CONTINGENCIES

The Company registers 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 is still developing, trying 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 0.03% for each day of delay and the level of delay penalties is 0.02% 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.

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(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.

(d) Financial crisis

Recent volatility of international and national financial markets

The current global liquidity crisis that started in mid-2007 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 it 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 registered the revised estimates of future cash flows for assessing impairment.

(e) Commitments

Guarantees

As at December 31, 2015, the Company registered bank letters of guarantee issued in favour of third parties in amount of RON 15.456.148 (as at December 31, 2014 the value was RON 18,734,797). If the Company fails to fulfil its contractual obligations, then such letters will be converted into liabilities.

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29 RELATED PARTY TRANSACTIONS

The following related party transactions were performed:

<i>(a) Sales of goods and services</i>	<u>31.12.2014</u>	<u>31.12.2015</u>
Associates		
Sales of goods	13.164	21.739
Sales of services	393.074	113.860
Sales of fixed assets	-	-
Jointly controlled entities		
Sales of goods	107.786	716.185
Sales of services	5.646.249	909.707
Sales of fixed assets	196.000	1.550

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

<i>(b) Acquisitions of goods and services</i>	<u>31.12.2014</u>	<u>31.12.2015</u>
Associates		
Acquisition of goods	10.816	10.312
Acquisition of services	3.120.758	2.909.115
Acquisitions of fixed assets	-	10.001
Jointly controlled entities		
Acquisition of goods	10.735	4.422
Acquisition of services	13.592.482	7.502.101
Acquisitions of fixed assets	-	-

(c) Compensation to key-management

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

	<u>31.12.2014</u>	<u>31.12.2015</u>
Salaries and payments	2.583.833	2.308.646

(d) Outstanding amounts at the end of the year from sales/acquisitions of goods/services

	<u>31.12.2014</u>	<u>31.12.2015</u>
Associates		
Related party debts:	11.398.471	15.957.806
Advances to related parties	963.974	38.170
Jointly controlled entities		
Related party debts	2.161.221	1.539.998
Advances to related parties	2.728.226	2.633.957
Amounts due from related parties for contract works	-	-
	<u>17.251.892</u>	<u>20.169.932</u>

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	<u>31.12.2014</u>	<u>31.12.2015</u>
Associates		
Amounts due to related parties	4.594.046	5.366.381
Advances granted by related parties	-	-
Jointly controlled entities		
Amounts due to related parties	3.770.851	1.881.507
Advances granted by related parties	<u>701.021</u>	<u>204.164</u>
	<u>9.065.918</u>	<u>7.452.052</u>

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

	<u>31.12.2014</u>	<u>31.12.2015</u>
Loans to associates	5.807.407	6.190.141
Loans to jointly controlled entities	2.411.967	2.411.967
	<u>8.219.374</u>	<u>8.602.108</u>

The due dates of loans to associates were of one year and were renegotiated. The interest rate is the reference interest rate communicated by the National Bank of Romania.

(f) Loans from related parties

	<u>31.12.2014</u>	<u>31.12.2015</u>
Controlling entity	1.396.378	1.291.174
Jointly controlled entities	<u>1.628.833</u>	<u>1.628.833</u>
	<u>3.025.211</u>	<u>2.920.007</u>

30 SUBSEQUENT EVENTS

Following the commencement of general insolvency procedure, CITR Filiala Cluj was appointed as provisional Insolvency Administrator and, in accordance with Law no. 85/2014 on insolvency prevention and insolvency procedures, Mr. Calburean Gheorghe was appointed as Special Administrator on July 30, 2015 by the General Meeting of Shareholders.

The mandate of the members of the Board was terminated on the date the Special Administrator was appointed, respectively 30.07.2015, in accordance with art. 54, Law 85/2014.

There were no changes in the reporting period regarding the shareholders' rights.

In accordance with Law no. 85/2014, the securities are now being suspended beginning with June 19, 2015 and until the confirmation date of the Reorganization Plan.

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We mention that the financial statements of Dafora SA for the year ended December 31, 2015 are under auditing process.

Within the insolvency procedure, the company will submit on a due legal date a Reorganization Plan for the activity which will contain the recovery perspective with respect to the possibilities and the specific of the drilling activity, the available financial means and the market demand in terms of the services the company is carrying out.

The Reorganization Plan will also include the payment schedule of the receivables.