

**S.C. DAFORA S.A.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2017**

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

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**Earnings per share (Note 26)**

	<b>31 12 2016</b>	<b>31 12 2017</b>
Result for company's shareholders	(107,218,789)	253,954,671
The weighted average number of ordinary shares	1,002,323	1,002,323
	<b>(106.97)</b>	<b>253.37</b>

These separate financial statements are signed today, 27.03.2018.

**DAFORA S.A.**  
**SEPARATE STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2017**  
(the amounts are expressed in RON, unless otherwise specified)

<b>1. ASSETS</b>	<b>NOTE</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
<b>A. FIXED ASSETS</b>		<b><u>50,975,268</u></b>	<b><u>61,881,103</u></b>
1. Tangible assets	6	41,852,118	53,602,374
2. Intangible assets		550	0
3. Financial assets at cost	7	55,000	71,504
4. Financial assets available for sale	9	742,369	944,955
5. Deferred tax assets	18	6,884,274	5,976,179
6. Customers and other receivables	10	1,440,956	1,286,090
<b>B. CURRENT ASSETS</b>		<b><u>43,871,405</u></b>	<b><u>59,288,987</u></b>
7. Fixed assets available for sale	6	10,904,234	15,623,734
8. Inventories	11	13,309,438	2,986,849
9. Customers and other receivables	10	24,411,484	37,270,939
10. Cash and cash equivalents	12	6,150,482	3,407,465
<b>C. Prepaid expenses</b>		<b><u>20,865</u></b>	<b><u>21,579</u></b>
<b>1. TOTAL ASSETS</b>		<b><u>94,867,537</u></b>	<b><u>121,191,669</u></b>
<b>2. EQUITY AND LIABILITIES</b>			
<b>D. LIABILITIES</b>		<b><u>363,514,196</u></b>	<b><u>136,972,008</u></b>
<b>D1. Current liabilities</b>		<b><u>19,472,468</u></b>	<b><u>54,064,403</u></b>
11. Borrowings	17	-	10,254,060
12. Finance lease liabilities	17	496,691	4,707,800
13. Suppliers and other liabilities	16	14,798,643	34,650,829
14. Provisions for liabilities and expenses	19	4,177,134	4,451,715
<b>D2. Non-current liabilities</b>		<b><u>344,041,728</u></b>	<b><u>82,907,605</u></b>
15. Borrowings	17	151,332,997	45,823,167
16. Finance lease liabilities	17	710,426	31,384,086
17. Deferred tax liabilities	18	4,808,387	2,155,843
18. Suppliers and other liabilities	16	187,189,918	3,544,508
<b>E EQUITY</b>		<b><u>(268,646,659)</u></b>	<b><u>(15,780,339)</u></b>
19. Share capital	13	140,968,822	140,968,822
20. Reserves	15	56,482,874	66,364,067
21. Retained earnings		(466,098,356)	(223,113,228)
22. Cumulative conversion adjustments		-	-
<b>F. DEFERRED INCOME</b>		<b>-</b>	<b>-</b>
<b>II. Total equity and liabilities</b>		<b>94,867,537</b>	<b>121,191,669</b>

Gheorghe Călburean  
Special Administrator

Ivan Cosma Melania  
CFO

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

These Separate Financial Statements have been signed today, March 27<sup>th</sup>, 2018

**DAFORA S.A.**  
**SEPARATE STATEMENT OF COMPREHENSIVE INCOME**  
**AS AT DECEMBER 31, 2017**  
**(the amounts are expressed in RON, unless otherwise specified)**

<b>COMPREHENSIVE INCOME</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
1. Income	48,952,372	74,811,161
2. Other operating income	12,068,605	274,878,007
3. Changes in finished products and work in progress	(13)	-
4. Capitalized costs of property, plant and equipment	-	-
5. Raw materials and consumables	(9,254,630)	(14,715,874)
6. Cost of products sold	(478,577)	(583,206)
7. Personnel expenses	(13,177,771)	(22,447,631)
8. Third party services	(35,057,283)	(43,073,754)
9. Depreciation and amortization	(6,000,367)	(7,403,256)
10. Adjustments on current assets	9,694,429	2,346,256
11. Other operating expenses	(112,200,862)	(5,017,559)
12. Provisions for other liabilities – net	2,989,720	(274,581)
13. Other gains/(losses) – net	(3,269,572)	(3,448,829)
<b>14. Profit/(loss) from operating activity</b>	<b>(105,733,949)</b>	<b>255,070,736</b>
15. Financial income	7,324	684,876
16. Financial costs	477,647	(2,988,654)
17. Other financial gains/(losses) – net	-	-
<b>18. Financial costs – net</b>	<b>484,971</b>	<b>(2,303,779)</b>
<b>19. Profit/(loss) before taxation</b>	<b>(105,248,978)</b>	<b>252,766,957</b>
20. Current and deferred income tax expense / income	(1,969,811)	1,187,714
<b>21. Profit / (loss) for the year</b>	<b>(107,218,789)</b>	<b>253,954,671</b>
<b>22. Result for the year</b>	<b>(107,218,789)</b>	<b>253,954,671</b>
<b>23. Profit/(loss) for the year</b>	<b>(107,218,789)</b>	<b>253,954,671</b>
<b>Other comprehensive income</b>		
24. Gains/ (losses) on the revaluation of land and buildings	1,464,759	(1,644,603)
25. Financial assets available for sale	<b>57,536</b>	<b>202,586</b>
26. Impact of deferred tax on revaluation reserves	(139,220)	556,735
<b>27. Other comprehensive income for the year</b>	<b>1,383,075</b>	<b>(885,282)</b>
<b>28. Total comprehensive income for the year</b>	<b>(105,835,714)</b>	<b>253,069,389</b>

Gheorghe Călburean  
Special Administrator

Ivan Cosma Melania  
CFO

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

**DAFORA S.A.**  
**SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**AS AT DECEMBER 31, 2017**  
(the amounts are expressed in RON, unless otherwise specified)

	Share capital	Revaluation reserves	Other reserves	Retained earnings	Total
<b>Balance as at January 1, 2016</b>	<b><u>140,968,822</u></b>	<b><u>6,862,994</u></b>	<b><u>48,888,969</u></b>	<b><u>(360,113,572)</u></b>	<b><u>(163,392,786)</u></b>
Corrections recorded in 2016 from previous years	-	-	-	581,841	581,841
<b>Balance as at January 1, 2016 (recalculated)</b>	<b><u>140,968,822</u></b>	<b><u>6,862,994</u></b>	<b><u>48,888,969</u></b>	<b><u>(359,531,731)</u></b>	<b><u>(162,810,945)</u></b>
Profit/(loss) for the year	-	-	-	(107,218,789)	(107,218,789)
<b>Other comprehensive income</b>	-	<b>730,911</b>	-	<b>652,164</b>	<b>1,383,075</b>
Profit/(Loss) on revaluation of land and buildings	-	1,464,759	-	-	1,464,759
Changes in fair value of financial assets available for sale	-	57,536	-	-	57,536
Distribution of retained earnings from reserves	-	(652,164)	-	652,164	-
Deferred income tax recognised on equity	-	(139,220)	-	-	(139,220)
<b>Transactions with shareholders</b>	-	-	-	-	-
Share capital increase	-	-	-	-	-
Own shares	-	-	-	-	-
<b>Balance as at December 31, 2016</b>	<b><u>140,968,822</u></b>	<b><u>7,593,905</u></b>	<b><u>48,888,969</u></b>	<b><u>(466,098,356)</u></b>	<b><u>(268,646,659)</u></b>
<b>Balance as at January 01, 2017</b>	<b><u>140,968,822</u></b>	<b><u>7,593,905</u></b>	<b><u>48,888,969</u></b>	<b><u>(466,098,356)</u></b>	<b><u>(268,646,659)</u></b>
Registration corrections in 2017 from previous years	-	-	-	(203,069)	(203,069)
<b>Balance as at January 1, 2017 (recalculated)</b>	<b><u>140,968,822</u></b>	<b><u>7,593,905</u></b>	<b><u>48,888,969</u></b>	<b><u>(466,301,425)</u></b>	<b><u>(268,849,728)</u></b>
Profit / (loss) for the year	-	-	-	253,954,671	253,954,671
<b>Other comprehensive income</b>	-	<b>(2,922,863)</b>	<b>12,804,055</b>	<b>(10,766,474)</b>	<b>(885,282)</b>
Distribution of profit from legal reserves	-	-	12,804,055	(12,804,055)	-
Profit/(Loss) on revaluation of land and buildings	-	(1,644,603)	-	-	(1,644,603)
Changes in fair value of financial assets available for sale	-	202,586	-	-	202,586
Distribution of retained earnings from reserves	-	(2,037,581)	-	2,037,581	-
Deferred income tax recognised on equity	-	556,735	-	-	556,735
<b>Transactions with shareholders</b>	-	-	-	-	-
Share capital increase	-	-	-	-	-
Own shares	-	-	-	-	-
<b>Balance as at December 31, 2017</b>	<b><u>140,968,822</u></b>	<b><u>4,671,042</u></b>	<b><u>61,693,024</u></b>	<b><u>(223,113,228)</u></b>	<b><u>(15,780,339)</u></b>

Gheorghe Călborean  
Special Administrator

Ivan Cosma Melania  
CFO

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

These Separate Financial Statements are signed today, March 27<sup>th</sup>, 2018.

DAFORA S.A.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017**  
(the amounts are expressed in RON, unless otherwise specified)

<b>SEPARATE STATEMENT OF CASH FLOWS</b>	<b>NOTE</b>	<b>December 31, 2016</b>	<b>December 31, 2017</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	27	2,557,871	1,257,684
Interest paid		(38,871)	(396,258)
Income tax paid		-	-
<b>Net cash generated by operating activities</b>		<b>2,519,000</b>	<b>879,400</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(108,823)	(3,040,583)
Fixed assets available for sale		-	7,610,168
Net proceeds from disposal of property, plant and equipment		60,207	955,739
Loans to related parties		-	0
Repayments from related parties		-	-
Share purchase in associates		-	-
Sale of shares available for sale		(45,000)	(16,504)
Interest received		7,324	5,724
<b>Net cash (used) in investing activities</b>		<b>(86,292)</b>	<b>5,753,115</b>
<b>Cash flow from financing activities</b>			
Proceeds from share issuance		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		(3,323,529)	(6,938,830)
Payments to lease suppliers		(496,510)	(2,436,702)
<b>Net cash (used) in financing activities</b>		<b>(3,820,039)</b>	<b>(9,375,532)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(1,387,331)</b>	<b>(2,743,017)</b>
<b>Cash and cash equivalents at beginning of the year</b>	12	<b>7,537,813</b>	<b>6,150,482</b>
<b>Cash and cash equivalents at the end of the year</b>	12	<b>6,150,482</b>	<b>3,407,465</b>

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These Separate Financial Statements are signed today, March 27<sup>th</sup>, 2018

## DAFORA S.A.

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 (the amounts are expressed in lei, unless otherwise specified)

#### 1. GENERAL INFORMATION

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

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

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

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

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

#### 2. SIGNIFICANT ACCOUNTING POLICIES

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

##### 2.1 DECLARATION OF CONFORMITY

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

##### 2.2 BASES OF PREPARATION

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

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



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### 2.2.1 Going concern

As at 31<sup>st</sup> December 2017, the Company recorded negative net assets in amount of 15,780,339 RON (at 31<sup>st</sup> December 2016 the negative net assets were in amount of 268,646,659 RON) and the profit for the year ended at 31 December 2017 was in amount of 253,954,671 RON (at 31<sup>st</sup> of December 2016 the loss was in amount of 107,218,789 RON).

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

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

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

The Creditors' Assembly approved with no objections Dafora's first financial report as for the first reorganization quarter on October 17, 2017, and on January 01, 2018 was approved the second financial report for the 2<sup>nd</sup> reorganization quarter.

Dafora fulfilled the obligation towards its creditors to make the payments according to the Reorganization Plan both from the operational activity and valuation of assets and exceeded the payments forecast by making anticipated payments to creditors by the valuation of the surplus assets.

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

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

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

### 2.2.2. Changes in accounting policies and disclosures

#### (a) Standards and Interpretations effective in the current period

The following standards, 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 la IAS 7: "Statement of Cash Flows" – Disclosure Initiative – adopted by the EU on November 6, 2017 (applicable to annual periods beginning on or after 1<sup>st</sup> of January 2017).
- Amendments to IAS 12: "Income Tax" - Recognition of deferred tax assets for unrealized losses – adopted by EU on 6 November 2017 (applicable to periods beginning on, or after 1<sup>st</sup> of January 2017)
- Amendments to IFRS 12 after the "IFRS Improvements (period 2012-2014)" resulting from the IFRS annual improvement project (IFRS 1, IFRS 12 and IAS 28) having as main purpose to eliminate the inconsistencies and to clarify some wordings – adopted by EU on 7<sup>th</sup> of February 2018 (amendments to IFRS 12 are applicable to periods beginning on, or after 1<sup>st</sup> of January 2017)

## DAFORA S.A.

The adoption of these amendments, interpretations or improvements to existing standards has not led to changes in the Company's accounting policies.

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

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

- IFRS 9 “Financial Instruments” adopted by the EU on 22<sup>nd</sup> of November 2016 (applicable for annual periods beginning on, or after 1<sup>st</sup> of January 2018)
- IFRS 15 “Revenues from contracts with customers”, including amendments to IFRS 15: “The effective date of IFRS 15”- adopted by EU on 22<sup>nd</sup> of September 2016 (applicable to annual periods beginning on, or after 1<sup>st</sup> of January 2018)
- **IFRS 16 “Financial Leasing” adopted by the EU on 31<sup>st</sup> of October 2017 (applicable for annual periods beginning on, or after 1<sup>st</sup> of January 2019)**
- **Amendments to IFRS 4: “Insurance Contracts” – Application of IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” – adopted by EU on 3<sup>rd</sup> of November 2017 (applicable for annual periods beginning on, or after 1<sup>st</sup> of January 2018 or when first implementing the IFRS 9 “Financial Instruments”)**
- **Amendments to IFRS 15 “Revenues from contracts with customers”- Clarifications to IFRS 15 “Revenues from contracts with customers” - adopted by EU on 31<sup>st</sup> of October 2017 (applicable to annual periods beginning on, or after 1<sup>st</sup> of January 2018)**
- **Amendments to IFRS 1 and IAS 28 following the “IFRS improvements (Period 2014-2016)” resulting from the IFRS annual improvement project (IFRS1, IFRS 12 and IAS 28) having as the main purpose to eliminate the inconsistencies and to clarify some wordings – adopted by EU on 7<sup>th</sup> of February 2018 (amendments to IFRS 1 and IAS 28 are applicable to periods beginning on, or after 1<sup>st</sup> of January 2017)**

### **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 14 “Deferred accounts regarding regulated activities” (applicable to annual periods beginning on, or after 1<sup>st</sup> of January 2016) – the European Commission decided not to issue the process for approving this interim standard and to wait for it to be finalised
- IFRS 17 “Insurance contracts” (applicable to annual periods beginning on, or after 1<sup>st</sup> of January 2021)
- Amendments to IFRS 2: “Share-based payment” – Classification and evaluation of share-based payment transactions (applicable to annual periods beginning on, or after 1<sup>st</sup> of January 2018)
- Amendments to IFRS 9 “Financial instruments” – Prepayment characteristics with negative compensation (applicable to annual periods beginning on, or after 1<sup>st</sup> of January 2019)
- Amendments to IFRS 10 “Consolidated financial statements” and IAS 28 “Investments in associates and joint ventures” - Sale or Asset contribution between an investor and its Associates or Joint Ventures and subsequent amendments (the application has been postponed for an indefinite period, until the research project regarding the equity method is finalised)
- Amendments to IAS 19: “Employees’ Benefits”: Amendment, reduction or reimbursement of a plan (applicable to annual periods beginning on, or after 1<sup>st</sup> of January 2019)
- Amendments to IAS 28: “Investments in associates and joint ventures” – Long-term interests in associates and joint ventures (applicable to annual periods beginning on, or after 1<sup>st</sup> of January 2019)
- Amendments to IAS 40 – “Real estate investments” - Transfer of Investment Property (applicable to annual periods beginning on, or after 1<sup>st</sup> of January 2018)
- Amendments to different standards following “Improvements IFRS (Period 2015 – 2017) resulting from the annual project of improving the IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) having as purpose to eliminate

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the inconsistencies and to clarify some wording (applicable to annual periods beginning on, or after 1<sup>st</sup> of January 2019)

- IFRIC 22 “Foreign Currency transactions and prepayments” (applicable to annual periods beginning on, or after 1<sup>st</sup> of January)
- IFRIC 23 “Uncertainty over Income Tax Treatments” (applicable to annual periods beginning on, or after 1<sup>st</sup> of January 2019)

### 2.3 CONSOLIDATION

These are the Company’s Separate Financial Statements. The Company also prepares consolidated financial statements for the same period in accordance with the International Financial Reporting Standards, as adopted by the European Union. The consolidated financial statements for the year ended December 31, 2017 will be issued in the legal term.

### 2.4 SEGMENT REPORTING

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

### 2.5 FOREIGN CURRENCY CONVERSION

#### a) Functional and presentation currency

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

#### b) Transactions and balances

Transactions in foreign currencies are translated to 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 recorded in equity as cash flow and net investment hedge instruments.

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

### 2.6 TANGIBLE ASSETS

Land and buildings are stated at fair value, based on periodic valuations conducted at least once every three years by external independent 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 recorded as revalued amount of the asset. All the other tangible assets are stated at historical cost less depreciation. The historical cost includes expenses that may be directly attributed to the purchase of such items.

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

Any revaluation increase arising on the revaluation of land and buildings is credited to “revaluation reserves” in equity. Decreases that compensate the increases of the same asset are recorded along with other reserves directly in

## DAFORA S.A.

equity; all the other decreases are recorded in profit or loss. Amounts recorded in revaluation reserves are transferred to retained earnings at the end of the useful life of the asset or when the asset is derecognised.

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

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

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

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

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

### 2.7 INTANGIBLE ASSETS

Software

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

### 2.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

Non-current assets (or Groups intended for disposal) are classified as held for sale when the carrying amount is to be recovered primarily from sale, and the sale is deemed highly possible. They are recorded at the lowest of the carrying amount and the fair value less selling costs, if 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 specifically designated as such or are not classified in any of the other categories. They are included in non-current assets, except when the management intends to dispose the investments within 12 months from the end of the reporting period.

### 2.10.2 Recognition and measurement

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

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

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

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

### 2.11 Offset of financial instruments

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

## 2.12 IMPAIRMENT OF FINANCIAL ASSETS

### **a) Assets measured at amortized cost**

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

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

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

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

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

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

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

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

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

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

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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.

Thus, the Company calculated: a 50% provision for non-moving stocks older than 365 days and a 100% provision for non-moving stocks older than 720 days.

### 2.14 TRADE RECEIVABLES

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

Trade receivables are amounts due from customers for goods sold or services delivered in the normal course of business. If 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 recorded in accounting and the present value of future estimated cash flows, discounted based on the initial effective interest rate. The carrying amount of the asset is discounted by using an allowance account and the loss value is recognised in profit or loss under "other gains/(losses) – net" in the income statement. When a trade receivable cannot be recovered, the receivable is recorded as expense, and the impairment allowance is reversed accordingly. Subsequent recoveries of the amounts previously amortised are credited to profit or loss.

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

### 2.15 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalent comprise petty cash, sight bank accounts, other highly liquid short-term financial investments with initial maturities of three months or less, overdrafts and the short and long-term share of restricted bank accounts. In the balance sheet, the overdraft is recorded as borrowing, under current liabilities.

The amounts in the company's bank accounts for the good performance bonds but are available to clients are shown at non-current assets (under maturity of more than one year) and at current assets (under maturity of less than one year).

### 2.16 SHARE CAPITAL

Shares are classified as equity. Preferred shares that are mandatorily redeemed are classified as liabilities.

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Incremental costs directly attributable to the issuance of new shares or options are presented as discount, net of tax, in equity from amounts received.

### 2.17 TRADE LIABILITIES

Trade liabilities are obligations to pay for the goods or services purchased from suppliers in the normal course of business. The Company has individually evidenced the debts accumulated from the date of insolvency up to 31.12.2016, in relation to debts accumulated before the insolvency.

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

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

### 2.18 BORROWINGS

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

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

The fees paid when the loan facilities are arranged are recognised as trading costs of the 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.

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

### 2.19 UNCERTAIN TAX POSITIONS

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

### 2.20 CURRENT AND DEFERRED INCOME TAX

The Company registers current income tax at 16% of the tax result determined in accordance with the Romanian Tax



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Code and the related regulations.

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

The current income tax liability is calculated according to the tax regulations in force as at the balance sheet date in the countries where the company's subsidiaries and related parties operate and generate taxable profit. The management periodically measures the positions in the tax statements as regards the situations where applicable tax regulations are subject to interpretation. The management creates provisions, where applicable, based on the amounts estimated as payable to the tax authorities.

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

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

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

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

### 2.21 EMPLOYEE BENEFITS

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

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

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

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

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

The Company registered a provision for retirement benefits on December 31, 2017 and December 31, 2016 (see

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Note 19). Also, based on the Collective Labour Agreement, on the occasion of special events in the life of the employee, the Company will grant the following:

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

### 2.22 PROVISIONS

Provisions are recognized when the Company has a 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 provision is recognised even if the probability related to any of the elements included in the same category of liabilities is small.

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

The Company has calculated:

- provisions of 10% of the total value of the good performance bonds in order to cover the defects throughout the warranty period until final acceptance;
- provisions of 100% of the total value of the good performance bonds for those that it is estimated they cannot be recovered after the expiration of the guarantee period.

### 2.23 INCOME RECOGNITION

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

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

#### (a) **Construction contracts**

The Company provides drilling and construction services to various customers. Such services are rendered 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

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

As of January 1, 2018, the Company will apply IFRS 15 "Income from contracts with customers". As of December 31, 2017, the Company conducted an analysis of the impact of applying IFRS 15 on the different types of income achieved and concluded the following:

- Revenue from construction contracts (drilling works): the cost to cost method will be used to calculate the stage in which the drilling performance is met, taking into account the paragraph 35 (a) of IFRS 15. For the recognition of loss on onerous construction contracts, the Company will apply the provisions of IAS 37. The Company considers that the impact of the transition from IAS 11 to IFRS 15 on January 1, 2018 will be insignificant.
- Revenues from drilling operations based on an hourly rate: The Company considers that the impact of the transition from IAS 11 to IFRS 15 on January 1, 2018 will be insignificant.
- Other Income (Deliveries of Goods, etc.): The Company considers that the impact of the transition from IAS 11 to IFRS 15 on January 1, 2018 will be insignificant.

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

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

### **(c) Interest income**

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

### **(d) Rental income**

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

### **(e) Dividend income**

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

## **2.24 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 recorded 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 recorded 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.

As of January 1, 2019, the Company will apply IFRS 16 "Leasing". On December 31, 2017, the Company did not analyse the impact of applying IFRS 16 as of January 1, 2019.

## **2.25 Dividend Distribution**

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

## **2.26 Comparatives**

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

# **3 MANAGEMENT OF FINANCIAL RISK**

## **3.1 FINANCIAL RISK FACTORS**

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

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

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

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### (a) **Market risk**

#### (i) **Currency risk**

The Company does not hedge currency risk. The Company's operations are carried out in particular on the domestic market, but in 2017 they generated also significant income in USD, the same currency as borrowings and finance lease liabilities are contracted. . However, the management is provided on a regular basis with forecasts regarding the evolution of the RON/EUR and RON/USD exchange rate and uses such information in its pricing strategy. The management will consider developing strategies to protect the Company against currency risk in the future, and therefore intends to cooperate with a specialized foreign exchange firm to protect it from exchange fluctuations related to the activity of foreign procurements and foreign currency purchases.

#### (ii) **Price risk**

The Company is exposed to the price risk related to participation titles further to the Company's investments and recorded in the Separate balance sheet as available for sale. A portion of the participation titles are traded on the Bucharest Stock Exchange, of which only the Transgaz SA shares are regularly traded. The market value of quoted participating shares is insignificant and 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 special administrator and under the supervision of the legal administrator. Please see Note 17 for additional disclosures regarding the credit risk.

### (c) **Liquidity risk**

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

The Company's management invests the cash surplus in interest bearing current accounts, term deposits, selecting instruments with proper maturities or sufficient liquidity to offer a proper margin, as established based on the above mentioned forecasts.

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The table below presents the financial debts of the Company by relevant due dates, depending on the remaining period between on the balance sheet date until the date of the contractual maturity. The values presented in the table represent the undiscounted nominal values as at the balance sheet date:

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

<b>As at December 31, 2016</b>	<b>Less than 1 year</b>	<b>From 2 to 5 years</b>	<b><u>More than 5 years</u></b>	<b>Total</b>
Borrowings (exclusive finance lease liabilities)	-	151,332,997	-	151,332,997
Finance lease liabilities	496,691	710,426	-	1,207,117
Suppliers and other liabilities	18,975,777	191,998,305	-	210,974,083
<b>TOTAL</b>	<b>19,472,468</b>	<b>344,041,728</b>	-	<b>363,514,196</b>

### 3.2 MANAGEMENT OF CAPITAL RISK

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

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

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

	<b>December 31, 2016</b>	<b>December 31, 2017</b>
<b>Total borrowings (note 17)</b>	<b>152,540,114</b>	<b>92,169,113</b>
Less: cash and cash equivalents (note 12)	6,150,482	3,407,465
<b>Net liability</b>	<b>146,389,632</b>	<b>88,761,648</b>
Total equity	(268,646,659)	(15,780,339)
Total capital	<b>(122,257,027)</b>	<b>72,981,308)</b>
Gearing ratio	-120%	-122%

### 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, 2017.

<b>Asset</b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
Financial assets for sale, out of which:	924,718	-	20,237	944,955
- Investments	924,718	-	20,237	944,955

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

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

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

#### **Critical accounting estimates and assumptions**

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

#### **(a) Income tax**

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

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

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

#### **(c) Construction contracts**

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.

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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 other factors, the duration and extent to which the fair value of an investment is lower than its cost; and the financial stability and short-term perspective of the issuing entity, including factors such as the performance of the industry and the branch, technological developments and operating and financing cash flows.

## 5 SEGMENT INFORMATION

The management established the segments of activity based on the reports revised by the Special Administrator, which are used in making strategic decisions.

Starting with the first quarter in the reorganization plan, the reports prepared by the management of the company will follow the fulfilment of the indicators assumed through the reorganization plan in terms of revenues, direct expenses, indirect costs, operational margin, EBITDA.

The activity is analysed from the standpoint of the type of services delivered. From a geographical stand point, about 23% of the turnover was based on services provided in Israel, with the rest of the services being carried out on the domestic market.

The activity segments identified are: drilling and constructions.

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

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

In 2017, the company earned 23% of its turnover abroad.

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

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



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The increase of turnover in drilling activity is was due to the new contracts signed with Company's traditional clients.

The amount of RON -7,493,786 representing operating result (loss) on the drilling segment is mainly due to the following:

- net loss on the sale of the assets according to the capitalization strategy (account 6531 + 653 + 6583-7532-7583): -3,984,658 lei;
- tubular lost in the hole (account 6581.01): -897,834 lei;
- income adjustments from IRFS (account 704.07): -2,411,744 lei;
- CAT IV repairs for Bentec rig: -1,670,913 lei;
- minus inventory adjustments, including Globe equipment dispossessed: 188,190 lei;
- various non-deductible expenses (account 6588.02): 281,860 lei;
- Expenses for removing from accounts receivables that could not be collected due to the bankruptcy / liquidation of the debtors: -31.079 lei.

Without these operations, the operational result from the drilling activity would be a profit of 1,972,492 lei.

The sum of 275,456,990 lei representing incomes achieved on the OTHER segment consists mainly of:

- income obtained as a result of removing from the accounting records and including in the off-balance sheet some debts entered in the Final Creditors' Table but for which there are no distributions in the reorganization plan (+271,872,424 lei);
- income from accommodation and public catering activity at Hanul Greweln (Greweln Inn) owned by DAFORA SA (+1,091,954 lei);
- income obtained at the Sports Base owned by Dafora SA (+27,673 lei);
- other income mainly due to the recording of changes to the Final Creditors' Table according to the decision of the syndic judge (+2,464,939 lei).

The amount of RON 5,554,721 representing expenses recorded on the OTHER segment consists mainly of:

- expenses for the operation of Hanul Greweln (Greweln Inn) owned by DAFORA SA (-924,615 lei);
- expenses for the operation of the Sports Base owned by DAFORA SA (-295,443 lei);
- expenses related to the removal from accounts of receivables that could not be collected as a result of the bankruptcy/ liquidation of the debtors (-3,565,864 lei).
- other general administration expenses, depreciation adjustments (-768,799 lei).

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

<u>As at December 31, 2016:</u>	<u>12.54%</u>	<u>85.02%</u>	<u>2.43%</u>	<u>100%</u>
	<u>Constructions</u>	<u>Drilling</u>	<u>Other</u>	<u>Total</u>
Total segment income	7,666,462	51,965,939	1,486,031	61,118,431
Inter-segment income	-	-	-	-
<b>Income</b>	<b>7,666,462</b>	<b>51,965,939</b>	<b>1,486,031</b>	<b>61,118,431</b>
	(9,081,932)	(52,577,073)	(99,193,009)	(160,852,013)
<b>Operating profit/(loss) by segment</b>	<b>(1,415,470)</b>	<b>(611,134)</b>	<b>(97,706,978)</b>	<b>(99,733,581)</b>
Expense with depreciation	(22,037)	(5,861,048)	(117,283)	(6,000,367)
Finance costs – net	(0)	483,203	1,768	484,971
<b>Profit/(loss) before income tax</b>	<b>(1,437,506)</b>	<b>(5,988,978)</b>	<b>(97,822,493)</b>	<b>(105,248,978)</b>
Current and deferred income tax expense / income	-	-	(1,969,811)	(1,969,811)
<b>Profit / (loss) for the year:</b>	<b>(1,437,506)</b>	<b>(5,988,978)</b>	<b>(99,792,305)</b>	<b>(107,218,789)</b>

**6 PROPERTY, PLANT AND EQUIPMENT**

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

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

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The net book value on December 31, 2016 as well as its changes in the reporting year are presented below:

	<b>Land and buildings</b>	<b>Installations and machinery</b>	<b>Fixtures, plant and equipment</b>	<b>Assets in progress</b>	<b>Total</b>
<b><i>Year ended December 31, 2016</i></b>					
Initial net book value recalculated	23,182,994	25,557,664	104,903	(0)	48,845,561
Increases	30,000	880,503	-	74,080	984,583
Revaluation differences	1,537,746	(72,987)	-	-	1,464,759
Decreases	(546)	(3,656,344)	-	(74,080)	(3,730,970)
Depreciation and impairment	<u>(304,459)</u>	<u>(5,371,727)</u>	<u>(35,629)</u>	-	<u>(5,711,815)</u>
<b>Closing net book value</b>	<b><u>24,445,735</u></b>	<b><u>17,337,109</u></b>	<b><u>69,274</u></b>	<b><u>(0)</u></b>	<b><u>41,852,118</u></b>
Cost or valuation	24,448,749	78,371,630	521,120	(0)	103,341,499
Cumulated depreciation	(3,014)	(61,034,521)	(451,846)	-	(61,489,381)
<b>Net book value</b>	<b><u>24,445,735</u></b>	<b><u>17,337,109</u></b>	<b><u>69,274</u></b>	<b><u>(0)</u></b>	<b><u>41,852,118</u></b>

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

Starting with June 2017, the company began to capitalize the non-core assets as a result of promoting and publishing them for sale under the asset revaluation strategy as part of the reorganization plan. The value of the sales related to the revaluation amounts 12,420,679 lei, the costs related to these sales being in the amount of 18,033,061 lei, and the commission of 4% representing the fees of the administrator is 496,827 lei.

Interest in fixed asset cost was not capitalized in 2017.

Bank loans, overdrafts and guarantee letters are secured by non-current assets at a net book value of: RON 68,928,732 (December 31, 2016: RON 52,756,901).

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

	<b>December 31, 2016</b>	<b>December 31, 2017</b>
Cost – capitalized finance leases	2,267,779	3,789,279
Cumulated depreciation	226,778	2,790,438
<b>Net book value</b>	<b>2,041,001</b>	<b>35,998,841</b>

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<b>December 31, 2017</b>	<b>Assets for sale</b>	<b>TOTAL</b>
Initial net book value recalculated	10,904,234	10,904,234
Transfers from fixed assets	8,379,098	8,379,098
Sales	3,659,598	3,659,598
<b>Net book value</b>	<b>15,623,734</b>	<b>15,623,734</b>

During 2017, the Company recorded transfers of assets from the category of property, plant and equipment into the non-current assets held for sale (account 311 "Non-current Assets held for Sale"). In the case of property, plant and equipment transferred in the category of non-current assets held for sale that have been revalued, the related revaluation reserve remained in the balance to be closed at the time of sale.

### 7. FINANCIAL ASSETS

The net financial assets are as follows:

	<b>Year ended December 31, 2016 (RON)</b>	<b>Year ended December 31, 2017 (RON)</b>
Participation titles	55,000	71,504
Guarantees for services delivered to third parties	1,440,956	1,286,090
Other long-term investments	742,369	944,955
<b>Total</b>	<b>2,238,326</b>	<b>2,302,550</b>

#### Participation titles and other net investments:

	<b>Year ended December 31, 2016 (RON)</b>	<b>Year ended December 31, 2017 (RON)</b>
Investments in subsidiaries	55,000	71,504
Investment in associates	-	-
Other long-term investments	742,369	944,955
<b>Total</b>	<b>797,369</b>	<b>1,016,460</b>

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As at December 31, 2017, the Company had the following subsidiaries:

	(%)	Year ended December 31, 2016 (RON)	Year ended December 31, 2017 (RON)
Măcelăriile Mediaș SRL	80.03	9,060,130	9,060,130
Ecoconstruct SRL	71.09	1,031,719	1,031,719
Dafora Ucraina SRL	100.00	19,908	19,908
Discret SRL	100.00	10,000	10,000
Dafora Drilling SRL	99.78	45,000	45,000
Dafora Rus SRL	95.00	-	16,504
		<b>10,166,757</b>	<b>10,183,261</b>

Impairment allowances for investments in:

	<u>Year ended</u> <u>December 31,</u> <u>2016</u>	<u>Year ended</u> <u>December 31,</u> <u>2017</u>
Macelariile Medias SRL	9,060,130	9,060,130
Ecoconstruct SRL	1,031,719	1,031,719
Dafora Ucraina SRL	19,908	19,908
<b>Net investment in subsidiaries</b>	<b>10,111,757</b> <b>55,000</b>	<b>10,111,757</b> <b>71,504</b>

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

	(%)	Year ended December 31, 2016 (lei)	Year ended December 31, 2017 (lei)
Condmag SA	45.82	77,967,265	77,967,265

As at December 31, 2017, the Company recorded impairment allowances for investments:

	Year ended December 31, 2016 (lei)	Year ended December 31, 2017 (lei)
Condmag SA	77,967,265	77,967,265
<b>Net investment in associates</b>	<b>=</b>	<b>-</b>

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**8 FINANCIAL INSTRUMENTS BY CATEGORIES**

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

	<u>Loans and receivables</u>	<u>Available for sale</u>	<u>Total</u>
<b>December 31, 2016</b>			
<b>Assets as per balance sheet</b>			
Customers and other receivables except for advances from suppliers and tax receivables	22,306,299	-	<b>22,306,299</b>
Financial assets available for sale	-	742,369	742,369
Cash and cash equivalents	6,150,482	-	6,150,482
<b>Total</b>	<b>28,456,781</b>	<b>742,369</b>	<b>29,199,150</b>

<b>Loans to related parties</b>	<u><b>31.12.2016</b></u>	<u><b>31.12.2017</b></u>
Loans to related parties	7,591,080	5,355,348
Interest from related parties	1,133,694	1,133,694
Provision for impairment allowance for loans to related parties	<u>(8,724,774)</u>	<u>(6,489,042)</u>
	<u>-</u>	<u>-</u>

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

The variation between current year and previous year for loans to related parties is due to the removal from the records of the loans granted to Salconserv SA and Macelariile Medias SRL following the closure of their bankruptcy proceedings. These receivables have been fully provisioned in the previous years.

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**9 AVAILABLE-FOR-SALE FINANCIAL ASSET**

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

	<u>31.12.2016</u>	<u>31.12.2017</u>
<b>Quoted securities</b>		
Transgaz SA	678,847	888,966
VES SA	41,725	32,952
SIF MOLDOVA	1,560	2,800
	<u>722,132</u>	<u>924,718</u>
<b>Unquoted securities</b>		
Transgex SA	20,237	20,237
	<u>20,237</u>	<u>20,237</u>
	<u>742,369</u>	<u>944,955</u>

**10. CUSTOMERS AND OTHER RECEIVABLES**

	<u>31.12.2016</u>	<u>31.12.2017</u>
Trade receivables	7,478,494	24,634,043
less: impairment allowances	(5,105,015)	(5,178,446)
<b>Trade receivables – net</b>	<b>2,373,479</b>	<b>19,455,597</b>
Amounts due from customers for contract works	5,650,794	3,179,824
less: impairment allowances	(593,721)	(593,721)
<b>Amounts due to customers for works – net</b>	<b>5,057,073</b>	<b>2,586,103</b>
Other amounts not invoiced to customers	<b>6,443,759</b>	<b>6,063,591</b>
Advances to suppliers	2,390,957	2,094,871
less: impairment allowances	(1,202,029)	(1,195,099)
<b>Receivables from advances to suppliers</b>	<b>1,188,928</b>	<b>899,772</b>
Other receivables	1,463,086	653,456
Less: adjustment of impairment of receivables	(283,889)	(206,771)
<b>Other receivables</b>	<b>1,179,197</b>	<b>446,684</b>
Receivables from related parties	16,369,341	14,055,990
less: impairment allowances	(16,017,965)	(13,811,150)
<b>Receivables from related parties – net</b>	<b>351,377</b>	<b>244,840</b>
Loans to related parties	8,724,774	6,489,042
less: impairment allowances	(8,724,774)	(6,489,042)
<b>Loans to related parties – net (Note 29)</b>	<b>-</b>	<b>-</b>
Guarantees	9,258,628	8,860,443
Less long-term share: guarantees	(1,440,956)	(1,286,090)
<b>Current share</b>	<b>7,817,672</b>	<b>7,574,353</b>
<b>Total receivables</b>	<b>24,411,484</b>	<b>37,270,939</b>

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.

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

	December 31, 2016	December 31, 2017
Less than 1 month	1,442,543	15,458,896
Between 1 and 3 months	244,777	2,450,691
Between 3 and 6 months	461,948	-
Between 6 and 12 months	199,299	906,181
More than 12 months	24,913	639,829
<b>Total</b>	<b>2,373,479</b>	<b>19,455,597</b>

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

	<u>December 31, 2016</u>	<u>December 31, 2017</u>
RON	24,309,964	27,346,610
USD	11,189	9,923,569
EURO	90,332	760
<b>TOTAL</b>	<b>24,411,484</b>	<b>37,270,939</b>

The change between the current year and the previous year is due to the start of works in Israel.

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

	<b>31.12.2016</b>	<b>31.12.2017</b>
<b>As at January 1</b>		
Impairment allowance	21,724,902	7,185,180
Amounts not used and reversed	15,972,566	1,111,080
Receivables impaired during the year	1,432,844	1,100,463
<b>As at December 31</b>	<b>7,185,180</b>	<b>7,174,562</b>

Changes in impairment allowances were included in "net impairment allowance from current assets" in the income statement (note 20).

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

	<b>31.12.2016</b>	<b>31.12.2017</b>
<b>As at January 1</b>		
Impairment allowance	16,319,399	16,017,440
Amounts not used and reversed	1,719,750	2,758,265
Impaired receivables during the year	1,417,790	551,450
<b>As at December 31</b>	<b>16,017,440</b>	<b>13,810,626</b>

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:

	<b>31.12.2016</b>	<b>31.12.2017</b>
<b>As at January 1</b>		
Impairment allowance	8,602,108	8,724,774
Amounts not used and reversed	2,594,447	2,235,732
Impaired receivables during the year	2,717,112	-
<b>As at December 31</b>	<b>8,724,774</b>	<b>6,489,042</b>

The variation between current year and previous year for impaired receivables during the period is due to the removal from the records of the loans granted to Salconserv SA and Macelariile Medias SRL following the closure of their bankruptcy proceedings. These receivables have been provisioned in full in the previous years. Changes in



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impairment allowances for related parties' loans have been included in the "net impairment allowance from current assets" in the income statement.

Impairment allowances for related parties debts and loans are influenced by the revaluation of receivables and loans in foreign currency.

### 11 INVENTORIES

	<b>31.12.2016</b>	<b>31.12.2017</b>
Raw materials and consumables	6,840,130	6,260,286
Work in progress	1,962,964	1,529,026
Commodities	45,845	0
Finished products	332,192	329,831
Other inventories	146,262	292,886
Impairment allowances	(6,922,188)	(5,425,179)
<b>TOTAL</b>	<b>2,405,205</b>	<b>2,986,849</b>

The Company set impairment allowances on slow movement inventories: 50% for those with no movement between 361 – 720 days and 100% for those with no movement older than 720 days.

### 12 CASH AND CASH EQUIVALENTS

	<b>31.12.2016</b>	<b>31.12.2017</b>
Petty cash	20,353	20,706
Bank accounts	6,130,129	3,386,760
	<b>6,150,482</b>	<b>3,407,465</b>

### 13 SHARE CAPITAL AND SHARE PREMIUMS

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

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

As at December 31, 2016 the shareholding structure is as follows:

<b>As at December 31, 2016</b>	<b><u>Number of shares</u></b> <b>(no. of shares)</b>	<b><u>Holding percentage</u></b> <b>(%)</b>	<b><u>Share capital (restated)</u></b> <b>(RON)</b>
Călburean Gheorghe	500,766,391	49.96	70,428,821
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 entities shareholders	59,882,328	5.97	8,421,975
<b>TOTAL</b>	<b><u>1,002,323,294</u></b>	<b><u>100.00</u></b>	<b><u>140,968,822</u></b>

In 2017, the total authorised number of shares is 1,002,323,294 shares having a nominal value of RON 0.1 each. All issued shares are paid in full.

The difference between the nominal value and the reported value according to IFRS as adopted by the European Union consists of hyperinflation allowances, which were recorded in accordance with IAS 29 "Financial reporting in hyperinflationary economies" as at December 31, 2003. During 2017, the shares of the Company were resumed to trading on the Bucharest Stock Exchange.

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### 14 CONSTRUCTION CONTRACTS

	<b>31.12.2016</b>	<b>31.12.2017</b>
Net position of contracts in progress in the balance sheet	5,650,794	3,179,824
Amounts due from customers for contract works	5,650,794	3,202,795
Amounts due to customers for contract works	-	(22,971)
<b>TOTAL</b>	<b>5,650,794</b>	<b>3,179,824</b>

With regard to construction contracts conducted on 31.12.2017, the following information is presented:

- The total value of the contracts is RON 24,332,623;
- The total value of the costs incurred until 31.12.2017 is RON 7,637,627;
- The total value of the advances received by the Company: RON 0;
- The total value of the good execution guarantees withheld is RON 635,140;
- The value of the income from work in progress carried out and not invoiced: RON 600,000;
- The value of the income from the "completion percentage" adjustment according to IAS 11 during the reporting period is RON 2,579,824.

### 15 OTHER RESERVES

	<b>31.12.2016</b>	<b>31.12.2017</b>
Legal reserves	2,854,945	15,659,000
Deferred income tax in the form of reserves	(1,446,458)	(889,723)
Differences in fair value of available-for-sale financial assets	186,552	389,138
Reserves from revaluation of land and buildings	8,853,811	5,171,627
Other reserves	46,034,024	46,034,024
<b>TOTAL</b>	<b>56,482,874</b>	<b>66,364,067</b>

### 16 SUPPLIERS AND OTHER LIABILITIES

	<b>31.12.2016</b>	<b>31.12.2017</b>
Trade liabilities	156,251,779	22,693,929
Guarantees	8,787,478	825,889
Advances from customers	19,522	485,966
Amounts due to related parties (Note 29)	15,680,503	3,923,801
Personnel, social insurances and other taxes	20,329,127	8,894,568
Other creditors	920,152	1,371,185
<b>TOTAL</b>	<b>201,988,562</b>	<b>38,195,337</b>
Less long-term share: trade liabilities	(149,290,358)	23,065
Less long-term share: guarantees	(8,177,809)	-
Less long-term share: advances from customers	(19,522)	27
Less long-term share: amounts due to related parties	(12,098,684)	(970,727)
Less long-term share: personnel, social insurances and other taxes	(16,754,217)	(2,596,874)
Less long-term share: other creditors	(909,327)	-
<b>TOTAL</b>	<b>(187,189,918)</b>	<b>(3,544,508)</b>
<b>Current share</b>	<b>14,798,643</b>	<b>34,650,829</b>

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

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### 17 LOANS

	31.12.2016	31.12.2017
<b>Long-term</b>		
Long-term bank loans	148,416,201	45,823,167
Finance lease liabilities	710,426	31,384,086
Loans from related parties (Note 29)	2,916,796	-
<b>TOTAL</b>	<b>152,043,423</b>	<b>77,207,253</b>
<b>Short-term</b>		
Short-term bank loans	-	10,254,060
Finance lease liabilities	496,691	4,707,800
Loans from related parties (Note 29)	-	-
<b>TOTAL</b>	<b>496,691</b>	<b>14,961,859</b>
<b>Total loans</b>	<b>152,540,114</b>	<b>92,169,113</b>

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

#### (a) Bank loans

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

The fair value of loans approximates their book value. The impact of the discount is not significant, as all loans have variable interest rates. No new loans were contracted during 2017. As of December 31, 2017, the Company has loans from the following banks: Bank Transilvania, BCR, BRD, Piraeus Bank, Kredyt Incaso, Alpha Bank and Bancpost. Out of the total balance of RON 56,077,227 as of December 31, 2017, the amount of RON 10,254,060 is for the short term, the remainder being payable over a period of one year under the reorganization plan.

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

	31.12.2016	31.12.2017
EUR	107,448,217	26,328,107
RON	43,884,780	29,749,120
	<b>151,332,997</b>	<b>56,077,227</b>

#### (b) Finance lease liabilities

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

The balance of finance lease liabilities existing on 31.12.2017 is due to the lease acquisition of three CAT generators (in December 2015) and other equipment (two drilling rigs) used in the current activity (in July and November 2017).

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**18 DEFERRED INCOME TAX**

The deferred income tax assets and liabilities are as follows:

<b>Deferred income tax assets:</b>	<b><u>31.12.2016</u></b>	<b><u>31.12.2017</u></b>
- Deferred income tax assets recoverable after more than 12 months	6,884,274	5,976,179
- Deferred income tax assets recoverable within 12 months	-	-
	<b><u>6,884,274</u></b>	<b><u>5,976,179</u></b>
<b>Deferred income tax liabilities:</b>	<b><u>31.12.2016</u></b>	<b><u>31.12.2017</u></b>
- Deferred income tax liabilities recoverable after more than 12 months	4,808,387	2,155,843
- Deferred income tax liabilities recoverable within 12 months	-	-
	<b><u>4,808,387</u></b>	<b><u>2,155,843</u></b>
<b>Deferred tax asset / (liability) - net</b>	<b><u>2,075,887</u></b>	<b><u>3,820,336</u></b>

Gross changes in deferred income tax are as follows:

	<b><u>31.12.2016</u></b>	<b><u>31.12.2017</u></b>
<b>As at January 1</b>	<b><u>(4,184,919)</u></b>	<b><u>(4,685,643)</u></b>
Profit and loss (recorded)/credited	1,969,811	1,422,041
Deferred income tax charged directly to equity	139,221	(556,736)
<b>As at December 31</b>	<b><u>(2,075,887)</u></b>	<b><u>(3,820,337)</u></b>

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

Deferred income tax liabilities (account 4412.01)	Construction contracts	Accelerated impairment	Revaluation difference impairment	Fair value difference of available-for-sale financial assets	TOTAL
<b><u>As at December 31, 2015</u></b>	:	<b><u>1,048,310</u></b>	<b><u>1,286,595</u></b>	<b><u>20,643</u></b>	<b><u>2,355,547</u></b>
Recorded/credited to statement of comprehensive income in the previous year	-	(296,136)	130,015	9,206	(156,915)
<b><u>As at December 31, 2016</u></b>	:	<b><u>752,174</u></b>	<b><u>1,416,610</u></b>	<b><u>29,848</u></b>	<b><u>2,198,632</u></b>
Recorded/credited to statement of comprehensive income in the reporting period	-	513,947	(589,149)	32,414	(42,789)
<b><u>As at December 31, 2017</u></b>	:	<b><u>1,266,121</u></b>	<b><u>827,460</u></b>	<b><u>62,262</u></b>	<b><u>2,155,843</u></b>

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

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<b>Deferred Tax assets (account 4412.02)</b>	<b>Construction contracts</b>	<b>Provisions</b>	<b>Tax loss</b>	<b>Total</b>
<b>As at December 31, 2015</b>	-	<b>(9,621,578)</b>	-	<b>(9,621,578)</b>
Recorded/credited to statement of comprehensive income in the previous year	=	2,737,304	=	<b>2,737,304</b>
<b>As at December 31, 2016</b>	-	<b>(6,884,274)</b>	-	<b>(6,884,274)</b>
Recorded/credited to statement of comprehensive income in the reporting period	=	908,095	=	908,095
<b>As at December 31, 2017</b>	-	<b>(5,976,180)</b>	-	<b>(5,976,180)</b>

**19 PROVISIONS FOR LIABILITIES AND EXPENSES**

	<b>Provisions for litigation</b>	<b>Provisions with projects with a negative margin, according to IAS 11</b>	<b>Provisions for guarantees to customers</b>	<b>Provisions for employees' benefits</b>	<b>Vacation not taken and other liabilities</b>	<b>TOTAL</b>
<b>As at 31.12.2016</b>	-	<b><u>924,728</u></b>	<b><u>2,133,088</u></b>	<b><u>160,993</u></b>	<b><u>958,325</u></b>	<b><u>4,177,134</u></b>
Recorded/credited to:						
-Additional provisions	-	-	483,756	63,826	1,321,685	1,869,267
-used during the year	-	(924,728)	(3,334)	(34,448)	(632,176)	(1,594,686)
<b>As at 31.12.2017</b>	-	-	<b><u>2,615,510</u></b>	<b><u>190,371</u></b>	<b><u>1,647,834</u></b>	<b><u>4,451,715</u></b>

**(a) Provisions for guarantees**

The Company has recognized value adjustments for ongoing projects under IAS 11 on December 31, 2017. Based on contracts concluded with customers, the Company grants good performance bonds to its customers of 5% to 10% of the total value of the invoiced construction works. The Company has calculated:

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

**(b) Vacation not taken**

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

**(c) Other liabilities**

The litigation provision accounts for 100% of the value of a fine levied by the Romanian Competition Council, has been reversed as a provision and the amount was recorded as expense at the State budget. The pursue remedies at law will be taken through the own legal department and under the direction of the legal administrator.

The provision for pensions and similar liabilities was calculated by determining the liabilities to employees upon

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retirement by estimating the retirement probability in the company for each employee, depending on age, sex, position, salary, seniority, length of service, etc.

### 20 OTHER (LOSSES)/GAINS – net

	31.12.2016	31.12.2017
Expenses with disposed assets	(3,367,044)	(12,835,173)
Income from sale of assets	97,473	9,386,344
<b>Other (losses)/gains – net</b>	<b>(3,269,572)</b>	<b>(3,448,829)</b>

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

### 21 OTHER INCOME

	31.12.2016	31.12.2017
Other operating income	12,068,605	274,878,007
Subsidy income	-	-
Income from discounts received	-	-
	<b>12,068,605</b>	<b>274,878,007</b>

The removal of some suppliers whose debt was modified or eliminated as a result of the registration of the Final Creditors' Table and of the payments schedule in the reorganization plan, had an influence to the increase in revenues other than those generated by the main activity. The amount of RON 271,979,075f out of the sum of RON 274,878,007 is related to the resumption of debts under the reorganization plan.

### 22 OTHER EXPENSES

	31.12.2016	31.12.2017
Electricity, heat and water	(2,025,104)	1,522,930)
Other taxes, charges and similar expenses	(472,215)	(824,498)
Compensations, fines and penalties	(767,245)	(898,741)
Other operating expenses	(108,936,297)	(1,771,390)
	<b>(112,200,862)</b>	<b>(5,017,559)</b>

The high energy costs are due to a more economical alternative (where the beneficiary and the project allows) than the thermal oil variant, the latter also generating an immediate cash outflow. Under "Compensations, fines and penalties", the highest weight is the value of the lost-in-hole equipment during drilling operations.

### 23 EXPENSES WITH EMPLOYEE BENEFITS

EXPENSES	31.12.2016	31.12.2017
Salaries and indemnities	(10,355,935)	(17,440,524)
Social security contributions	(2,821,836)	(5,007,107)
	<b>(13,177,771)</b>	<b>(22,447,631)</b>

### AVERAGE NUMBER OF EMPLOYEES

	31.12.2016	31.12.2017
Number of employees	249,83	317,33

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**24 FINANCIAL INCOME AND EXPENSES**

	<b>31.12.2016</b>	<b>31.12.2017</b>
<b>Financial expenses</b>		
Interest expenses:	(38,871)	(396,285)
- Banks loans	-	(59,001)
- Finance lease liabilities	(38,871)	(337,283)
- Other interest expenses	-	-
Net gain / (loss) on currency translation related to financing activities	516,518	(2,592,369)
Other financial expenses	-	-
<b>Financial expenses</b>	<b>477,647</b>	<b>(2,988,654)</b>

	<b>31.12.2016</b>	<b>31.12.2017</b>
<b>Financial income:</b>		
Interest income on loans to related parties	-	238,571
Interest income:	7,324	5,724
- Interest income on short-term bank deposits	7,324	5,724
- Interest income on loans to related parties	-	-
- Other financial income	-	440,580
<b>Financial income</b>	<b>7,324</b>	<b>684,875</b>

	<b>31.12.2016</b>	<b>31.12.2017</b>
<u>Other financial gains (losses)</u>		
Gains (losses) from impairment allowances related to financial assets	-	-
Gains (losses) from ceased financial investments	-	-
<b>Other financial gains (losses) - net</b>	<b>-</b>	<b>-</b>

<b>NET FINANCIAL EXPENSES</b>	<b>484,971</b>	<b>(2,303,779)</b>
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**25 INCOME TAX EXPENSES**

	<b>31.12.2016</b>	<b>31.12.2017</b>
<b>Current tax:</b>		
Current tax on income for the year	-	-
<b>Deferred tax (note 18):</b>		
Origin and reversal of temporary differences	1,969,811	(1,187,714)
<b>Income tax expense</b>	<b>1,969,811</b>	<b>(1,187,714)</b>

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

	<b>31.12.2016</b>	<b>31.12.2017</b>
<b>Profit/(loss) before taxation</b>	<b>(105,248,978)</b>	<b>252,766,957</b>
Tax calculated at taxation rate	(16,839,836)	40,442,713
<b>Tax effects of:</b>		
- Deductions	(6,770,183)	(22,513,078)
- Non-taxable income	(26,792,127)	(50,292,145)
- Other amounts similar to income	652,164	2,037,581
- Non fiscally deductible expenses	64,467,418	14,665,743
- Losses not previously recovered	(134,430,854)	(210,092,526)
- Less: fiscal credit	-	-
<b>Income tax expense</b>	<b>(1,969,811)</b>	<b>1,187,714</b>
<b>Taxable profit / (fiscal loss)</b>	<b>(210,092,371)</b>	<b>(12,239,754)</b>

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### 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>31.12.2016</u>	<u>31.12.2017</u>
Earnings attributable to company's shareholders	(107,281,789)	253,954,671
Weighted average number of ordinary shares outstanding (thousand)	1,002,323	1,002,323
<b>Basic earnings per share</b>	<b>(106.97)</b>	<b>(253.37)</b>

#### (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 2016 and 2017 no dividends were paid.

### 27 CASH FROM OPERATING ACTIVITIES

	<u>31.12.2016</u>	<u>31.12.2017</u>
<b>Net profit/(loss)</b>	<b>(107,218,789)</b>	<b>253,954,671</b>
<b>Adjustments for:</b>		
- Impairment	6,000,367	7,403,256
- (Income)/loss on sale of fixed assets	3,271,493	19,185
-(Income)/loss on sale of non-core assets	-	3,429,644
- Interest income	(7,324)	(5,724)
- Interest expense	38,871	396,285
Expenditure/(income) payment plan registration according to the reorganization plan	92,586,957	(274,069,331)
- Current and deferred income tax	1,969,811	(1,187,714)
- Impairment allowances for inventories and receivables	(3,383,970)	(5,950,173)
- Impairment allowances for investments in related parties	-	-
- Provisions for liabilities and expenses	(2,989,720)	274,581
- Loss on currency exchange	(516,518)	2,151,789
- Losses on receivables	4,423,998	3,603,917
-Impact on revaluation assets held for sale	-	714,596
-Income from cashed dividends	-	(238,571)
<b>Operating profit before changes in working capital</b>	<b>(5,824,823)</b>	<b>(9,503,590)</b>
Changes in working capital:	<b>8,382,694</b>	<b>10,779,274</b>
- Inventories	897,740	(718,688)
- Trade and other receivables	(681,573)	(9,834,641)
- Trade and other liabilities	8,166,527	21,332,603
<b>Cash from operating activities</b>	<b>2,557,871</b>	<b>1,275,684</b>



## 28 CONTINGENCIES

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

### (a) Litigation

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

### (b) Taxation

The taxation system in Romania has faced multiple changes in the last years and is in a phase to consolidate and harmonize with the European legislation. Consequently, there still are various interpretations of the tax laws. In certain cases, tax authorities may treat differently certain aspects and calculate supplementary taxes and levies and related interests and penalties (at present, the interest level is 0.02% for each day of delay and the level of delay penalties is 0.01% for each day of delay). In Romania, the statute of limitation for tax audits is of 5 years. The management considers that the tax obligations included in these financial statements are adequate.

### (c) Transfer pricing

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

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

With the support of a specialized consultancy company, SC DAFORA SA has prepared the transfer pricing file for the period 2010-2015. On the date of these financial statements, the Company is working with the same consultancy company on the transfer pricing file for the period 2016 – 2017.

### (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

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and the assessment of the impairment of financial and non-financial assets. If there is available information, the management has properly recorded the revised estimates of future cash flows for assessing impairment.

### (e) Commitments

#### Guarantees

As at December 31, 2016, the Company recorded bank letters of guarantee issued in favour of third parties in amount of RON 1,704,227 (as at December 31, 2016 the value was RON 684,951). If the Company fails to fulfil its contractual obligations, then such letters will be converted into liabilities.

### 29 RELATED PARTY TRANSACTIONS

The following related party transactions were performed:

<b>(a) Sales of goods and services</b>	<b><u>31.12.2016</u></b>	<b><u>31.12.2017</u></b>
<b>Associates</b>		
Sales of goods	428	3,594
Sales of services	45,742	64,664
Sales of fixed assets	-	-
<b>Jointly controlled entities</b>		
Sales of goods	2,606	1,274
Sales of services	567,371	308,388
Sales of fixed assets	88,004	(3,858)

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

<b>(b) Acquisitions of goods and services</b>	<b><u>31.12.2016</u></b>	<b><u>31.12.2017</u></b>
<b>Associates</b>		
-Acquisition of goods	-	-
-Acquisition of services	698,878	792,009
-Acquisition of fixed assets	-	-
<b>Jointly controlled entities</b>		
-Acquisition of goods	133,258	86,374
-Acquisition of services	6,477,433	6,061,483
-Acquisition of fixed assets	-	11,424

#### (c) Compensation to key-management

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

	<b><u>31.12.2016</u></b>	<b><u>31.12.2017</u></b>
<b>Salaries and payments</b>	1,752,680	1,800,144

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

	<b><u>31.12.2016</u></b>	<b><u>31.12.2017</u></b>
<b>Associates</b>		
Related party debts:	16,094,729	13,801,437
Advances to related parties	-	-
<b>Jointly controlled entities</b>		
-Related party debts	274,612	254,553
-Advances to related parties	-	-
-Amounts due from related parties for contract works	-	-
	<b><u>16,369,341</u></b>	<b><u>14,055,990</u></b>
Value adjustment for debts depreciation	<b>(16,017,440)</b>	<b>(13,810,626)</b>
Net book value	<b><u>351,901</u></b>	<b><u>245,365</u></b>

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The change between current and previous year for the receivables from affiliated parties (associated entities) is due to the revaluation of the historical receivables in foreign currency towards Dafora Ukraine and the removal of receivables towards Salconserv SA as a result of the closure of their bankruptcy proceedings.

	<b>31.12.2016</b>	<b>31.12.2017</b>
<b>Associates</b>		
Amounts due to related parties	12,263,469	996,712
Advances granted by related parties	-	-
<b>Jointly controlled entities</b>		
Amounts due to related parties	3,417,033	2,927,088
Advances granted by related parties	-	-
	<b>15,680,502</b>	<b>3,923,801</b>

The change between current and previous year for the accounts payable to affiliated parties (associated entities) is due to the transfer of the accounts payable into the off-balance sheet as a result of the lack of distributions in the reorganization plan to these entities.

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**

	<b>31.12.2016</b>	<b>31.12.2017</b>
Loans to associates	6,312,807	4,077,075
Loans to jointly controlled entities	2,411,967	2,411,967
	<b>8,724,774</b>	<b>6,489,042</b>
Value adjustment for impairment of receivables	<b>(8,724,774)</b>	<b>(6,489,042)</b>
Net book value	<b>(0)</b>	<b>(0)</b>

The variation between current year and previous year for loans to related parties is due to the removal from the records of the loans granted to Salconserv SA and the Macelariile Medias SRL following the closure of their bankruptcy proceedings. These receivables have been fully booked in previous years.

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

### **(f) Loans from related parties**

	<b>31.12.2016</b>	<b>31.12.2017</b>
Controlling entity	1,291,174	-
Jointly controlled entities	1,625,622	-
	<b>2,916,796</b>	<b>-</b>

The variation between current year and previous year for loans from affiliated parties is due to their being transferred to the off-balance sheet as a result of the lack of distributions in the reorganization plan to these entities.

### 30 SUBSEQUENT EVENTS

During the reporting period, there were no changes to the rights of holders of securities issued by the Company. Under the provisions of art. 81 of Law no. 85/2014, starting with 19.06.2015 and until the 25.09.2017, the shares issued by DAFORA SA were suspended from trading on the Bucharest Stock Exchange. After this date, the shares are being traded again.

At the date of the Financial Statements, Dafora SA is in the reorganization period within the general insolvency procedure opened on 19.06.2015, file No. 1747/85/2015 at the Sibiu Court. During the insolvency procedure, the entire patrimony of the company was assessed, the evaluation report being issued and filed with the case file.

The Company has begun the implementation of the Reorganization Plan starting with April 2017 and until now the **Creditors' Assembly** has approved without objection the Financial Reports related to the first and second reorganization quarters.

The Company has fulfilled its payment obligations set out in the **Payment Program**, making payments both from the operational activity and from the capitalization of the assets. At the same time, we made early payments to creditors from the capitalized surplus assets.

No delays are expected in the implementation of the Reorganization Plan. In the year 2018, the 18 months provided by the Insolvency Law are met as the maximum deadline for the company to propose the extension of the reorganization plan.

The Company's goal in 2018 is to maximize profits and overcome the financial ratios registered in the previous year by contracting new internal and international works, identifying new markets for its services, and maintaining the relationship with traditional customers.

There are no other significant events to mention.

These financial statements are signed today, 27.03.2018.

Gheorghe Călburean,  
Special Administrator

Ivan Cosma Melania,  
CFO

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