S.C. SANTIERUL NAVAL ORSOVA S.A.
ANNUAL REPORT FOR 2017

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S.C. "ŞANTIERUL NAVAL ORŞOVA" S.A.
Nr. RC J25/150/1991 CIF: RO 1614734
Capital social: - subscris 28.557.297,5 lei
- varsat 28.557.297,5 lei
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Codul LEI (Legal Entity Identifier): 254900UXAJ8TPIKLXG79
Cod IBAN: RO96RNCB0181022634120001- B.C.R. Orşova
Cod IBAN: RO59BRDE260SV03176142600- B.R.D. Orşova

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR FINANCIAL YEAR 2017, ACCORDING TO LAW NO. 297/2004 ON CAPITAL MARKETS, CNVM (*NATIONAL SECURITIES COMMISSION*) REGULATION (CURRENTLY ASF – *FINANCIAL SURVEILLANCE AUTHORITY*) NO.1/2006 AND ORDER OF THE MINISTER OF PUBLIC FINANCES NO.2844/12.12.2016

Report date: 15 February 2018

- Name of the company: S.C. ŞANTIERUL NAVAL ORŞOVA S.A.;
- Registered office: 4, TUFĂRI Street, ORŞOVA, MEHEDINŢI County;
- Telephone/facsimile:0252/362399 0252/360648;
- Single registration code issued by the Trade Register: RO 1614734;
- Registered number with the Trade Register: J25/150/03.04.1991;
- Regulated market where the issued securities are traded: it is a company whose shares are traded on a regulated market, respectively it is listed on the Bucharest Stock Exchange, symbol: SNO
- Subscribed and paid in share capital: 28,557,297.5 Lei
- Class, type, number and core values of securities issued by the company: 11,422,919 common shares, nominative, of 2.5 Lei each;
- The company is registered with CNVM – Securities Record Office – with Certificate no. 111/02.03.1998, updated on 06.10.2008 further to the increase in share capital as a result of the merger.

1. ANALYSIS OF THE COMPANY'S ACTIVITY

1.1. Description of the company's core business

a) Description of the company's core business

The main activity of "Şantierul Naval Orşova" S.A. consists in the construction of river ships (NACE code rev.2: 3011 "Construction of ships and floating structures"). This activity represented 81.9% of the 2017 turnover, most of the ships are designed for intra-community supplies (only one vessel, from those 14 finalized in the year 2016, was internally delivered)

At Agigea Branch, activity which contributes in the bigger part to the turnover consists in letting ships, especially barges, and repairs of river/marine ships. The branch's turnover represents 16.6% of total turnover.

b) Company set up date

The company was set up under Government Decision No. 19/10.01.1991, by converting and taking over the patrimony of the former Orsova Shipyard from the Ministry of Transports and Telecommunications.

The company is registered with the Trade Register under no. J25/150/1991.

In 1998, it became a privately-owned company, with domestic and foreign capital through the sale of the shares held by the former FPS (*State Owned Property Fund*).

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

There were no such events in 2017.

The only merger since the company's set up until present days took place in 2008. It is about a merge by absorption between S.C. Şantierul Naval Orşova SA, Mehedinţi County – the absorbing company - and S.C. Servicii Construcţii Maritime SA Agigea, Constanţa County – the absorbed company. Following this merge the headquarters remined to Orşova and the former company in Agigea became a branch of S.C. Şantierul Naval Orşova SA. Occasioned by this social capital of company growth from 21.643.150 lei to 28.557.297,5 lei, and number of shares growth from 8.657.260 to 11.422.919 shares, any share has a nominal value of 2.5 lei/share.

d) Description of assets acquisitions and/or sales:

Acquisitions and sales of assets are described in section 4.4 of this report and in the NOTES to the financial statements for 2017, which are attached to this report.

e) Description of the main results of the company's activity assessment:

1.1.1. General assessment elements for the period under review:

- total income, out of which: 55.808.494 Lei
    - Agigea Branch 9.494.070 Lei
- total costs 52.500.429 Lei
  Agigea Branch 7.888.956 Lei
- gross profit/loss, out of which: 3.308.065 Lei
    - Agigea Branch 1.605.114 Lei
    - Orsova headquarter 1.702.951 Lei
- market share held:
    - the production obtained at the headquarters addresses the market share of intra-community river ships, where the company holds a share of approximately 1 - 2%;
    - the rental of ships (barges) through the branch was done especially outside the intra-community area, where the share is below 1%;
- as of 31.12.2017, the company's available funds in accounts amounted to 17.930.648 Lei, out of which:
    - 3.482.692 Lei in the Lei account
    - 14.421.047 Lei in the foreign currency accounts
    - 10.973 Lei, petty cash
    - 15.936 lei other values, in petty cash

Main characteristics of the year 2017, compared with latest past years, could be shortly synthetized by:

- Maintain of a low demand on the river vessel construction market, on whom our company has the activity, even if was felt a price growth for vessels selling , that was a consequence of raw materials price growth on one hand and materials, and on the other hand of services. Company gain, even in these conditions, to maintain a profitability level comparable with the one from previous year.
- Maintaining in exploitation, for entire year 2017, of the 5-technical vessels, type salanda, detained in Agigea Branch, except the small periods when these was in reparation/modernization; Letting ask for this type of vessel is, in continuous, good, these vessels had letting contracts for the entire year, in present moment being let and work out of EU.
- Our good name which company has on the shipbuilder market in Europe, contributed in good measure at obtaining orders at the level of entire capacity in Orsova.
- In year 2017 was finished – in premier- for S.C. Santierul Naval Orsova, given that at the main headquarter in Orsova were built, of a BITUM TANKER of 110x11.45x4.75, of 1016 to, named BITUMINA.
  Construction of this vessel was considered a real success, dutch client Rensen Driessen taking decision to build another vessel like this in the year 2018.

More information and comments regarding these indicators and company's activity are presented in 4 point of the present report and in NOTES to the financial statements, which are attached to this report.

Technical Level Evaluation of the company

Realization of these constructions with a high-level complexity, as we showed in previous chapter, wasn't possible if the company would not be willing of technical endowments and specialists needed for this type of construction. Thus, endowments, technical culture, organizational system, specific technological fluxes for shipbuilding, allow execution and delivery of inland and maritime vessels of divert types and high complexity, of course, all these reported at the launching capabilities (following the slipway modernization).

Organizational structure and leadership of shipyard manifested a high degree of adaptability "just in time" for clients' request, allowing in the present time of any type of inland vessels hulls for general goods, containers, combustible transport tanker, chemical products, food products, pharmaceutical, passenger transport vessels and coaster vessels requested by the market.

Company management team manifested and manifest a continuously preoccupation for production process modernization by acquisition of most modern tools specifically for shipbuilding. Being aware that the company should maintain an appropriate equipment level in according with actual requests, was done major investments especially before the crisis, for the acquisition of modern machinery, tools and equipment specific to shipbuilding. Training courses were done, in the country and abroad, qualified employees were selected, competitive equipment specific to shipyards have been imported, respectively: board cutting machines with numerical command, painting and blasting equipment, welding sources in gas protective environments, electrical cranes of 80+25 tonnes, but also modernization actions of already used equipments, both at headquarter in Orsova and even at Agigea`s subsidiary.

In the years 2013 and 2014 was done a work for modernization and capacity growing for launching and lifting of Orsova's slipway, and in present are in course of modernization/repairing works for Agigea`s slipway.

In the year 2017 was bought many welding machines, was modernized fresh water system, being created an underground system, instead of the old one (which was aerial and had predisposition to frozen in cold periods), was bought a modern hydraulic press for plates bending in value of 130.000 euro. At the Agigea Branch, was continuated reparation and modernization to the 4 hydroclap barges.

The quality of our products has been the basis for a continuous and intense collaboration with partners from Germany, Netherlands and Belgium.

The entire activity is aimed at satisfying the clients' requirements and increasing product quality at European level, by giving increased attention to the ships' finishing degree, especially in aesthetic areas.

The implemented quality system is able to cope with the most modern requirements, and the company is certified by Lloyd Register Quality Assurance. The company make the provision for Quality System Certification in according with the new standard DIN ISO 9001:2015

SC SANTIERUL NAVAL ORSOVA SA has at disposal :

- Quality Manual – revision 4/12.01.2015
- Procedures :
  - Documents control – revision 1/03.03.2011
  - Registration Control – revision 1/27.05.2014
  - Control of non-conform product – revision 2/ 12.01.2018
  - Corrective actions – revision 2/12.01.2015
  - Preventive actions – revision 2/12.01.2015
- Working instructions
  - Material/products bought reception
  - Free up from storages – revision 1/13.10.2012
  - Control of the product furnished by the Client – revision 1/13.01.2012
  - Maintenance of the equipments – revision 1/08.11.2012

The favourable technical situation of Orşova Shipyard is given by the following facts:

- Being part of medium-sized shipyard category, it has a great capacity to adapt to market demands and it can quickly respond to business diversification trends;
- good locations for both the headquarters in Orşova (where Danube enters the country) and the Agigea Branch (Constanţa harbour);
- pollution is at normal levels,
- personnel structure is balanced and correlated with the requirements of the technological process; skills level is good for all categories of staff, even in the last period company confront with a lack of personnel, parallelly with a growth of medium age of personnel;
- existence at the branch of 5 (five) hydroclap barges – lately there has been a sharp increase in rental requests for them, as it was shown;
- endowment with specific fixed assets is at an acceptable level, comparable to other competing shipyards; in this respect, before the current crisis, the company started an investment programme aimed on one hand at increasing the weight of active fixed assets, and on the other hand at replacing obsolete fixed assets with more efficient ones that can lead to enhanced productivity; by means of this strategy, the company intended to ensure increased flexibility and efficiency of fixed assets and bringing them to a technical and technological level that would allow global alignment and building of products that meet the standards required by foreign partners, for both the headquarters in Orșova and the Agigea Branch;
- intra-community supplies and services / exports represent a significant part of the turnover (approximately 95%);
- for shipbuilding, there is a certain stability of intra-community clients (from Netherlands, Belgium, Germany, Austria), which demonstrates the company's seriousness;

- ships are sold through direct contracts with European seafarers or shipyards that reinforce ship hulls.

The year 2017 bring not any major modifications in regards shipbuilding requests for marine/inland vessels, even most recent information from the ship market shows that the difficult situation registered in the latest will continue even on next years. This is the reason for whom we consider that a strategy for future should be realistic analyzed, in order to can find – continuously- prices and financing policies to assure activity continuity in performance and competitively conditions.

1.1.2. Assessment of the technical supply activity (domestic sources, foreign sources imports).

In the year 2017, there were some changes in terms of supply sources. Equipment was mainly bought from domestic ISO certified suppliers according to the European norms and standards and only a small extent, of approximately 2% of total supplies comes from other companies from the European Community. In terms of intra-community acquisitions, we mainly talk about those materials that are not produced in Romania or for which the clients have imposed a certain quality standard; such materials are laminated parts and paint for river/marine ships. Also, according to the handover conditions, the transport of ships to Germany/Netherlands was mainly done with non-resident services providers (DUWVAARTONDERNEMING JOSON BV – OLANDA, KLINK & KNUPPEL – GERMANIA, CLASSIC CHARTER GMBH - GERMANA). A part of vessels transport was realized with a domestic company CNFR NAVROM Galati, on the route Orsova-Regensburg.

Material inventories were always at an optimum level, which ensured business continuity, hence there were no interruptions in the manufacturing process due to lack of raw materials and materials.

The main domestic suppliers of raw materials and materials were:

- S.C. ARCELOR MITTAL STEEL Galaţi: for medium and thick plates;
- S.C. DUCTIL Buzău: welding consumables;
- S.C. COS SA TARGOVISTE profiles and laminated
- S.C. LINDE GAZ Timişoara: technical gases
- S.C. NIMFA COM SRL BUC.: pipes and various profiles
- S.C. MAIRON S.A. GALATI various profiles
- S.C. PENTAGON SRL TECUCI: grinding stones
- S.C. PLASMASERV SRL TG. MURES plasma cutting machines spare parts
- S.C. TRIVALENT SRL RM. VALCEA: for black steel pipes, L profiles
- COMTECH CO SRL SLATINA pipes

The main foreign supplier of materials was JULIUS HANDELS GMBH from Austria for profiles and pipes.

Even if they were at a lower level than in previous year, collaboration with sub-contractors continued and in the year 2017. These collaborations were necessary for good way of activity, referring to hull painting, steel construction, hull equipments, hull transport, etc. By the collaboration companies we are mentioning most important:

- S.C. PRIMORDIAL SRL Orşova – ship painting;
- S.C. GRIMEX SRL TARGU JIU – ship equipment parts and metal constructions
- CNFR NAVROM SA GALATI - hull transport Orsova-Regensburg
- INDEPENDENTA SIBIU SA
- S.C. KRAFT SHIPBUILDING SRL Dr. Tr. Severin – for metal constructions
- S.C. ROMCASA PROD SRL ORSOVA - metal construction, transports

1.1.3. Assessment of sales activity

Turnover knows a decrease of cca. 28%, towards past year (more than double), factors which contributes to this is the specific of the main activity, respectively long production cycle of fabrication Turnover was realized, and specially, on the basement of external deliveries and services: intra community for the vessel built in Orsova and extra community for incomes resulted from letting the vessel from Agigea Branch.

All 7 vessels finalized and delivered in Orsova in 2017 was delivered in the West-European market.

Below is a comparative statement of intra-community supplies and Romania, for the last three years, expressed in percentage of total ship delivered, according to IFRS 8:

CLIENT / BENEFICIARY	YEAR 2015	YEAR 2016	YEAR 2017
Rensen Driessen Shipbuilding B.V. (NL)	60%	47,2%	59,6%
Zeendecat BV (NL)	-	-	13,8%
Grupul Damen (NL)	22%	25,2%	-
Vos Kaiser GmbH (DE)	-	7,0%	-
WPI SHIP Building BV (NL)	-	6,3%	12,4%
W.A.T. Driessen Holding B.V.(NL)	-	5,4%	-
Consiliul Județean Caraș Severin (RO)	-	5,2%	-
BF Don Quichot B.V. (NL)	-	3,7%	-
Zanen Shipbuilding B.V. (NL)	-	-	14,2
GEFO GESELLSCHAFT MBH GERMANY	18%	-	-
TOTAL	100%	100%	100%

Company Rensen Driessen continued and in 2017 year to detain first position regarding deliveries volume. Contracts already signed for 2018 shows the fact that the percent detained by Rensen Driessen company, from total sells continue to grow, almost touching 90%.

The contractual payment terms were ensured either through irrevocable letter of credit 100% or by advance payments of up to 10% and payment of the difference through letter of credits.

For the future, the main concern of the board and executive management is to find solutions for concluding contracts at prices that would ensure development in cost-effective conditions and with guaranteeing the price payment by means of irrevocable guarantee letters. This is also since under the new foreign conditions on the market in which we operate, rapid and unexpected changes can always occur from one day to another.

Under the new market conditions, competition in this activity field is quite tough, because most orders come from the European Community and business partners are more demanding in terms of quality work. The company has a technical and technological level that meets these requirements and we believe it is able to win more contracts compared to its competitors.

The company's main competitors in terms of shipbuilding and repair works are the following:

- Domestic – all shipyards
- Abroad – especially shipyards in China and Korea, and then Poland, Serbia, Turkey, Slovakia, Czech Republic and Ukraine.

1.1.4. Assessment of aspects related to employees / company staff

Lack of personnel continues to manifest even in the year 2017, all steps taken at executive level by recruiting new skilled workers in the trades of welders and locksmiths could not fully solve this deficit. This fact had more unfavorable consequences for company:

- at one hand, it is registered an aging phenomenon of the staff, which will continue also in the next period;
- on the other hand, it is registered a decrease of staff number, speciallly on the main works (welders and locksmiths) this fact forced and forcing us to outsource some metal construction works, fact which will not be present concurrency at the hiring.
- Not on the last place it is a growth of working force fluctuation.

Outs of employees, along the 2017, in total number of 79, was realized by retirements, fires at the employer initiative, individual working contracts expire, agreed by the parties, and this one is most usual utilized.

To can solve, just in part, this personnel lack, company started a big action of qualified personnel recruiting in Orsova and around areas. Pitiful, only in part solved in 2017 necessary, this problem being actual even in 2018.

A permanent concern of company management was to improve employee staff, following this up to make permanent in the next period, in accordance with the provisions of the Labor Code.

The average number of employees throughout 2017 is 343 compared to 331 employees in the prior year. As of 31.12.2017 the number of employees was of 361, out of which 324 at the headquarters in Orşova and 37 at the Agigea Branch.

Out of the total number, as of 31.12.2017, the situation per activity sectors is as following:

- 359 – industrial activity
- 1 – medical activity
- 1 – canteen activity

The structure is as following:

- 45 – technical, financial, professional and administrative staff, out of which:
- 5 - foremen, out of which 4 in Orşova;
- 311 - workers, out of which:

Personnel structure in terms of gender is as follows:

- men – 306 persons (275 in prior year);
- women - 55 persons (56 in prior year).

Two unions are legally set up at company level.

Out of the total number of employees, approximately 93% are union members and there are good relationships between management and employees.

Other aspects related to employees / company staff are presented in the NOTES to the financial statements, which are attached to this report.

1.1.5. Assessment of the impact of the company's core business on environment

As a whole of actions, documents or programmes that identify, describe and assess the potential material effects on environment, the environmental policy of SC Santierul Naval Orsova SA is closely related to both the company's economic policy and compliance with the principles of the European Directives on environment protection (EC Directive 2002/42/EC, SEA Directive 2001/42/CE and Habitats Directive 92/43/EC), given that the entire company's activity is developed in an area protected by law, focusing on the following main directions:

- integration of environmental considerations in the development and adoption of the company's plans and programmes;
- better use of primary resources of raw materials and energy, hence minimising waste, waste water, air and water pollution, and decrease of costs per product tonne;
- continuous improvement of environmental issues, especially the material ones, based on environment management programmes, action plans (integrant part of the environmental permit) with targets, objectives, timelines and responsibilities;
- increase education related to environment protection by providing the organisational frame and implementing projects on waste water disposal, waste storage (especially hazardous ones), soil protection;
- compliance with Romanian environment legislation and alignment to the European Union's Directives;
- mitigation of impact of the company's core business on environment;

The company has a monitoring system for all environment factors by specialised institutes and companies, based on firm contracts.

Deserve to be mentioned maintenance of insignificant impact of environment in activity of heating and hot water furnishing for company's employees, following the conservation from 01.09.2010 of heating central, heating of our company (administrative centre and locker rooms) being done presently helped by 8 water heating electrical centrals, with 36 kw power each, and one of 24 KW, type ROMSTAL EKCO. L.1.

In the same idea, in the summer of 2017, fresh water network was passed from over the earth in underground, eliminating so syncope's produces in winter periods, when the over terrain pipes broken regularly, stopping normal fuelling with fresh water.

During 2017, the company fulfilled all the obligations resulting from environment permit no. 21/27.02.2013, valid for a period of 10 years, until 27.02.2023, complying also with the obligation of self-monitoring discharged wastewater imposed by the Waste Water Management Permit no. 112/26.04.2016, being not present any event having a negative impact on the environment.

1.1.6. Assessment of research and development activities

During 2017 the company did not record any research and development expenses, and for 2018 it does not intend to incur such expenditure, due to the fact that the technical design of the built ships is usually provided by clients or they use designs bought in prior years with the right to use them at new constructions to be done in the future.

1.1.7 Assessment of company activities regarding risk management

Starting to the specific main activity of company, respectively shipbuilding and floating structures construction, and also fact that our products are sold in intra community area, can be identified a series of risks. In this moment, caused by the concurrencies medium, of quick swings at European level and worldwide it is normal as the exposure degree (vulnerability) at risks to be much higher than in the past periods. Also, therewith company felt and still feel, fully, effects of economic and financial worldwide crisis.

Therefore, list of potential risk sources could include:

- market risk
- price risk
- currencies risk
- environment risk
- information security risks
- Cash-flow risk, etc.

As it was shown before, decrease of ship request, accompanied by lowering of selling prices, as an effect of worldwide economic crisis, affected in latest years, including 2017, directly, company's activity.

To overcome this difficult period, executive staff should initiate actions and program aimed at helping with costs management. This aims at reducing costs according to the evolution of foreign markets, which continues to be a basic concern of the company's management.

Considering the estimates/forecasts on the exchange rate developments for 2017, the company made some transactions for covering the currency risk (hedging) same as in the past periods.

These operations with derivates was beneficent, being concluded at a parity, more over than the official one from respective period, which contributes in a big measure at assurance of supplementary financial incomes to contribute to coverage of expenses of this nature. Favorable rate difference registered in the year 2017 from such operations overcome 250 thousands lei.

Also, to assure a better security of informatics system and data basis, company continued action started in 2015 and 2016 action- when a project of reconstruction of computer network and bought an informatics system based on Oracle technology and a Domain Controller. .

Other aspects related to risk management (credit, currency, liquidity) are presented in the NOTES to the financial statements, which are an integrant part of this report.

1.1.8. Perspectives on the company's activity

In terms of the company's business perspectives, we can say the following:

- the company has over 27 years of experience in shipbuilding and repairs; these are performed at quality standards imposed by foreign clients and the company's name is already well-known to the West-European shipbuilders;
- the financial crisis has resulted in reduced demand for ships and price decreases, so that starting with 2009 the company was forced to resize its headcount; this action continued until early 2013; as of 2014, no layoffs have been done;
- In the present company, has concluded contracts for 2018 which assure 100% of production capacity for entire year. Negotiation which are done in the present, for new contracts signing, give us a perspective of activity continuation, by new contract signing, for the next years also
- as regards the Agigea Branch, it currently has 8 ships (hydroclap barges, marine tugboats, floating cranes, which are described at section 2.1 b of this report), out of which 5 barges have been repaired and obtained the exploitation authorisations; the branch also has endowments and capacities required for shipbuilding and repairs.
- Having in mind concluded contracts, production structure and salary costs evolution for 2017 and those with raw materials and materials, the company has foreseen in the Budget of income and expenses a volume of incomes increased in comparison, with past year, with cca. 16%. Gross profit budgeted for the year 2018 will know also a increase cca. 6% (realized in the year 2017 :3.308.065 lei, budgeted for 2018: 3.500.000 lei).
- the company also intends for 2018 to have higher investments compared to 2017, mainly consisting in:
  - Continue works for finalising the modernisation of the slipway at Agigea; this will increase safety of ships lifting-launching operations;
  - Welding machines acquisitions welding technics and robots)
  - Nesting software acquisition Omniwin network version and AUTOCAD 2018
  - IT equipments for for data secure and informatic network modernization
  - Heating and ventilation in production halls
  - Improvement and modernizations works at the headquarter in Orsova
  - Portal crane acquisition in profile storage
  - HD Plasma cutting machine including bevelling option
  - Hydroclap barges modernization at Agigea Branch

2. COMPANY'S FIXED ASSETS

DENOMINATION	BALANCE AS OF 01.01.2017	BALANCE AS OF 31.12.2017
LAND	1.220.578	1.201.941
CONSTRUCTIONS	19.028.061	17.354.334
TECH. INSTAL. AND TRANSP. MEANS	15.343.289	16.456.333
OTHER INSTALL, EQUIP. AND FURNIT.	68.168	87.979
REAL ESTATE INVESTMENTS	-	21.412
ASSETS IN PROGRESS	691.499	161.845
TOTAL	36.351.595	35.283.844

2.1. The company's main production capacities are located at the headquarters in Orşova (4 Tufări Street, Orşova, Mehedinţi county), and at the branch in Agigea, at the premises of Constanţa South Harbour, Constanţa County.

a) The fixed assets at the headquarters in Orşova are mainly the same like in prior years, respectively:

- a lifting-launching hold of 1,800 t with ten wires on a length of 100 linear meters – used for launching ships with a maximum length of 135 linear meters and a width of 15 linear meters, which one was recently modernized (year 2014) ;
- a technological platform that allows the simultaneous assembly of 5 ships and the execution of sections and block sections related to shipbuilding;
- 5 portal cranes of 80+25 t purchased in recent years for the assembling platform and 2 portal cranes of 16 t purchased in 2009 together with 2 magnetic beams for handling plates in the plates warehouse and the blasting station; these offer much more safety and lead to increased productivity by replacing the existing crane trucks, which were obsolete;
- 1 cutting machine in OMNIMAT coordinates based on computer programmes and 2 with OMNICUT plasma, commissioned in 2007 and 2009 respectively;
- Hydraulic abkant , bought in 2017
- ACU 9L8 compressors (4 pieces) from HAFI;
- a horizontal automated blasting and painting line purchased in 2009 for plates of up to 3000 mm width;
- buildings, storages, material warehouses, administrative building, a floating dock;
- cranes of 10 - 50 t, welding and painting equipment, plate rolling machine, 2 hydraulic bending-off presses for profiles of 200 t for profiles moulding at the retreat areas (stern, fore part), etc.

The company owns 90,715 square meters of land, confirmed by Land Registry excerpts, as following:

- administrative building (including household annex) - 85,790 square meters;
- Graţca area - 4,925 square meters.

b) At the Agigea Branch, the company owns 210 square meters of land located in Constanța, with a building where the company's former administrative headquarters was located until 2009, before the merger. Currently, the company's offices are in Agigea, and the building in Constanța was let, in the past years; in the year 2016 was putted in conservation, being execute cadastral work for registration of this, following as along the year 2018 to be taken a decision regarding his utility, in present time being unutilized. The land of 57,710 square meters in Agigea, where the branch currently develops its activity, is property of the State-Owned Company "Administraţia Porturilor Maritime Constanţa" (Administration of Maritime Harbours), and the branch has a usage contract for the harbour area with this company.

Main fixed assets owned by the Branch are the same as previous years, mentioning that within the year 2017 was done a series of expenses for repairing and modernizations at 4 of the 5 the vessel barges and slipway.

Regarding the slipway, within year 2015 was done e first stage of replacing damaged railways, in the year 2016 was solved problem of traction system for vessels launching, improvement action continues also along 2017 and 2018.

The branch's main fixed assets are:

- 8 marine ships of different types and capacities, out of which:
  - 5 MIDIA hydroclap barges 940 m^3 (with own propulsion);
  - 2 marine tub-boats of different powers;
  - 1 floating crane of 60 t without propulsion;

- building and launching slipway for lifting ships, has 14 files, on whom can be executed works of launching/lifting up vessels, with the following sizes:

    - maximum length = 90,00 m
    - maximum width = 18,00 m
    - maximum height = 3,60 m
    - empty weight of the ship = 1,800 t

- 1 travelling crane 16 feet x 16 m/ 8 feet x 32 m;
- 2 KB cranes 674,25 feet x 15m/8 feet x 35m;
- 1 portal crane of 80 t purchased in 2008 and 2 OMNIMAT cutting machines;
- a horizontal automated painting and blasting line purchased in 2009 for plates up to 3000 mm width;
- production halls (for metallic works, engine assembly, ship equipment);
- technical gas network;
- workshops for woodwork activities, electric repairs, turnery (with the possibility of processing parts with a maximum diameter of 600 mm and maximum length of 11.000 mm with a traveller bridge of 5 feet x 16,5 m), etc;
- covered and uncovered storage areas:
- material warehouse 60 x 60 = 3600 square meters;
- work platform 40 x 30 = 1200 square meters;
- work platform 120 x 40 = 4800 square meters.

2.2. Description and analysis of the company’s properties wear degree

At 31.12.2017 the company proceeded to re-evaluation, in scope of report by accounting financial situation, of some fixed assets, in according with accounting policies of the company. It is about buildings group and ships group.

The net book value of the company’s non-current assets as of 31.12.2017, after revaluation of the transportation ships performed at the end of this year and after reclassification of some fixed assets from property investments to buildings according to IFRS is presented below:

The revaluation was performed by a company authorised by ANEVAR (National Association of Certified Evaluators), and the results were recorded and disclosed in 2017, company has done a special report in regard to results about this operation detailed, in order to be presented to shareholders for approval, report which completes this presentation.

Part of the fixed assets from the category of equipment was in conservation in the past years and was in the same situation at 31.12.2017.

For this category of fixed assets was constituted depreciation in total value of 304.490,18 lei.

Along 2017 part of terrains and buildings was approved by administrators as to be sell by auction being re-classified as fixed assets detained for selling. The value of these totalise 68.053 lei (account 311).

The input value by categories and the value of assets depreciation, as well as other information on non-current assets are presented in the NOTES to the financial statements.

2.3. Potential issues related to property rights on the company’s tangible assets

Currently, the company had a file at Orșova Courthouse for a claim related to the recovery of 2,595 square meters of land hold at the former household annex, for which it holds the property title. This action constituted in the past years and besides the land restitution, the applicant, Oprescu Maria, natural person, also solicits compensation of 1.203,84 Lei and claims of 60.000 Lei. In this inflict was disposed a technical judicial expertise and after a completion to the expertise report. Along 2016 this dossier was finished, fond instance rejected the request of judgement calling from the applicant. Also Court rejected the appeal formulated against civilian sentence no. 184/26.05.2016, pronounced by Orsova Courthouse. At this moment company has not litigations regarding property rights.

3. MARKET OF SECURITIES ISSUED BY THE COMPANY AND CORPORATE GOVERNANCE

3.1. Romanian and foreign markets where the company's securities are traded

The shares of S.C. Şantierul Naval Orşova are listed and traded since 1998 at the Bucharest Stock Exchange with the symbol SNO. In this moment shares are traded on STANDARD category. S.C. Depozitarul Central S.A. keeps the shareholders' registry, according to the contract no. 24494 dated 17 May 2007.

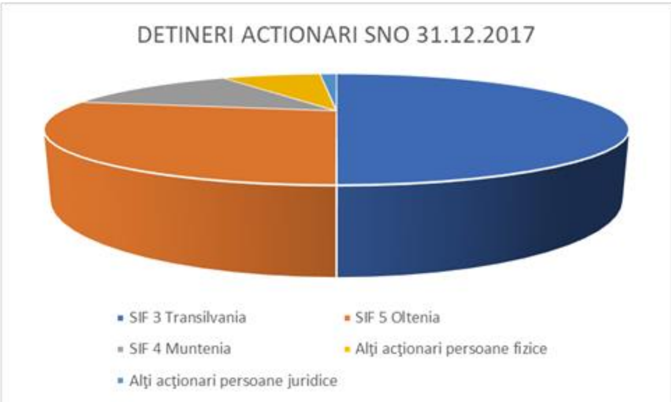
The company's securities are not traded on other domestic or foreign markets.

The share capital of S.C. Şantierul Naval Orşova SA did not register changes in 2017.

According to the shareholders' registry, as of 31.12.2017 the structure of shareholders is as following:

Number of shares		Amount (Lei)	Percentage (%)
SIF 3 Transilvania	5.711.432	14.278.580	49,9998
SIF 5 Oltenia	3.200.337	8.000.843	28,0168
SIF 4 Muntenia	1.504.600	3.761.500	13,1717
Other shareholders – juridical persons	861.173	2.152.932	7,5390
Other shareholders - individuals	145.377	363.443	1,2727
	11,422,919	28,557,298	100.0000

SIF = financial investment company



The subscribed and paid in capital is of 28,557,298 Lei, divided into a number of 11,422.919 dematerialised shares, each in amount of 2.50 Lei.

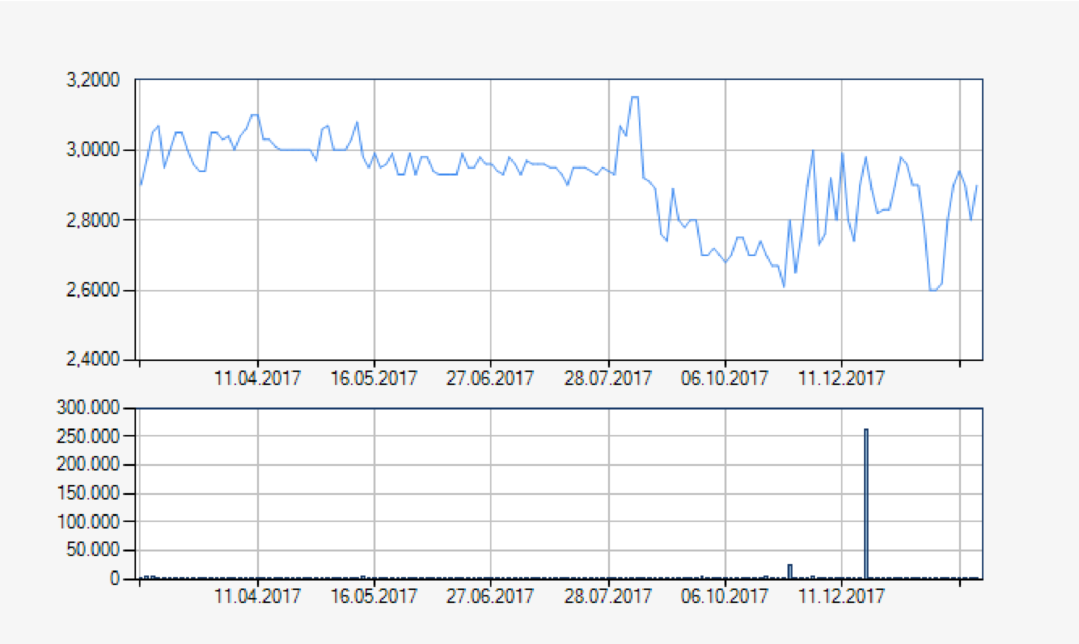
Compared to the shareholder's structure as of 31 December 2016, at 31.12.2017 it can be observed a growth of detains for SIF5 Oltenia, of almost 7%, by decrease of the amount detained, specially by other shareholders, juridical persons. The company's shares are nominative, dematerialised, ordinary and indivisible.

The identification data of each shareholder, their contribution to the share capital, number of shares and participation weight in total share capital are mentioned in the shareholders registry held by the registrar company (Depozitarul Central București)

According the law, each share subscribed and paid in by shareholders gives them the right to a vote in the General Assembly of Shareholders, the right to elect or to be elected in the company's governing bodies, the right to participate in profit distribution or any other rights deriving from the shareholder position.

By holding the share, the shareholder automatically adheres to the company's articles of incorporation and subsequent amendments.

The evolution in share prices over one year is presented below:



As it can be see, variation interval was included between 2,6 lei/share and 3.15 lei/share (21.2%).

3.2. Description of company's policy on dividends

In the latest years, approach regarding net profit was different, in according with the level of profit, shareholder's interests and respecting the legal dispositions.

Up to 2009, as long as amounts in the income statement were more significant, the General Assembly of Shareholders approved the distribution of dividends from net profits, which represented approximately 50-60% of net profits. The value in Lei/share was between 0.4-0.75 Lei/share.

Size, in absolute value of the brute dividend per share, was established in according with performances of the company.

In entire period where it was approved dividends distribution, their pay was done in the term concluded by General Assembly of Shareholders, being not registered delays and complaint from share holders.

In the period 2010-2011 when the profit was at a relatively low level, General Assembly of Shareholders decided this amount to remain at company disposal, as own financing source, without being distributed dividends.

In the year 2012 and 2013, company registered losses, as it can not be possible dividends distribution.

In the years 2014 and 2015, company registered profit, this was used for partial coverage of losses from previous years.In the year 2017, after covering losses from previous years from " Other reserves", net profit for the year 2016 in amount of 2.614.643 lei was distributed, in according with Decision of the Ordinary General Meeting of Shareholders from 07 April 2017 for:

- Payment of dividends in amount of 0,2 lei/share, that means 2.284.583,80 lei
- As own financing source (amount of 330.059,20 lei).

3.3. Description of any activities relating to purchasing own shares

From the set up to current days, there was no decision on the purchase of own shares, so that the company did not incur such operations.

3.4. Number and nominal value of shares hold by subsidiaries

The company does not have subsidiaries in other cities. Starting with 2008, Șantierul Naval Orsova has a branch in Agigea, as mentioned at section 1.1 c).

3.5. Issuance of bonds and/or debt securities

The company did not issue bonds or other debt securities in 2017 or in prior years, hence there are no liabilities towards holders of such securities.

3.6. The General Assembly of Shareholders of 17.04.2017 appointed the company's new Board of Directors consisting of 5 members, for a period of 4 years, with the following structure:

➢ Mr Fercală Mihai	-	president
➢ Mr Firu Floriean	-	member
➢ Mr Ionescu Lucian	-	member
➢ Mr Voiculescu Dan	-	member

Following, during the year 2016, in the general meeting of shareholders from April 2016, Board of Directors was completed with the fifth administrator, being chosen in this function Mr. Pantea Marius Ion.

The company does not have knowledge of agreements or family relationships between the board members and other persons, due to which the board members could have been appointed to these positions.

Related to the board members, we mention that interested parties can obtain more information from the company's web site www.snorsova.ro, section: About → contact.

According to the legal provisions and those included in the company's articles of incorporation, the Board of Directors had a couple of meetings in 2017, in order to analyse and discuss the company's current issues, which fall under the responsibility of this governing body.

The main issues discussed, analysed and approved in the meetings of the Board of Directors in 2017 refer to:

- organizational measurements precursory to General Assembly of Shareholders from 07.04.2017,
- achievements compared to the provisions from the income and expenses budget, substantiation of income and expenses budget,
- analysis of accomplishment of the investment program for the year 2017
- approval of external contracts for inland vessel,
- analysis of developments in the litigation with VEKA Netherlands at the Court of Arbitration in Rotterdam, including restart of arbitration,
- approval of global ceilings in relationships with banks,
- approval of internal audit plans and analysis of the internal audit engagements' conclusions,
- analysis of some nonconformities at Code of Corporate Governance, formation of Audit committees and retribution at the level Board of Directors
- approval of goods' disposals and decommissioning,
- approval of various salary-related claims coming from unions, solving various current issues on the meeting agenda, etc.

3.7. As regards executive management, we highlight that starting with March 2011, the Board of Directors has validated the appointment of Mr Mircea Ion Sperdea as General Manager, by concluding a mandate agreement. On April 2015 was prolonged mandate of Mr. Sperdea Mircea Ion for a 4 years period.

At 31.12.2017 the executive management has the following structures:

- Ing. Sperdea Mircea	-	General Manager
- Ec. Caraiman Gheorghe	-	Economical Manager
- Ing. Stoinel Florin	-	Technical Manager for Production Preparation
- Ing. Cândea Alexandru	-	Agigea`s Branch Manager

Mr Sperdea Mircea was previously the head of the company's supply department. In 1996, he was promoted to commercial manager and between November 2000 and the end of 2010 he was deputy general manager.

We inform the shareholders that according to the legal provisions (amendment to Law no. 31/1990 – Company Law, republished), the company suspended the employment contract of the general manager as of 1 March 2011. The company, represented by the president of the Board of Directors – Mr Fercală Mihai - and Mr Mircea Ion Sperdea have concluded and signed a mandate agreement for 2 years and this one was prolongated successively as shown. This agreement refers to the fact that based on the delegation provided by the company's Board of Directors, the General Manager shall exert some of the management attributions of this body, to the extent permitted by the law and in order to fulfil the company's activities. As of 31.12 2017, Mr Sperdea Mircea held a number of 12,000 shares, representing 0.11 % of the share capital.

Mr Caraiman Gheorghe was transferred in 1992 from S.C.Textila Cazanele Orşova from the same position, and as of 31.12 2017 he held a number of 1,000 shares, representing 0.01% of the share capital.

Mr Stoinel Florin graduated the Mechanics Faculty of the Timisoara "Politechnica" University in 1995 and was immediately employed as an engineer with the Design Department of S.C. Şantierul Naval Orşova SA. During 01.10.1998 - 14.11.2005 he was the head of the Design Department and on 15.11.2005 he was appointed technical manager in charge with manufacturing. As of 31.12.2017 he held a number of 400 shares in S.C.Şantierul Naval Orşova SA.

Mr Cândea Alexandru graduated the Gheorghe Asachi Mechanics Faculty in Iaşi, with a major in Machinery Construction Technology in 1977. Starting with March 2004 he was chief engineer at the former company Servicii Construcţii Maritime SA Constanţa, being transferred from MIHEI Shipping Constanţa and starting with February 2007 he was General Manager at the same company. In 2008, after the merger between the two companies, he became branch manager. As of 31.12.2017, he did not hold shares in SNO.

Except for the general manager, who has a mandate agreement with the company, as already mentioned, all the other directors are appointed as executive directors by the Board of Directors and they are employees of the company with employment contracts concluded for indefinite period.

The company does not have knowledge of agreements or family relationships between the directors and other persons due to which the above-mentioned.

3.8. The company does not have knowledge about involvement of the persons mentioned at sections 3.6 and 3.7 in litigations or administrative procedures in the last 5 years or to have had restrictions on occupying management positions within the company.

3.9. Other aspects on CORPORATE GOVERNANCE

The General Extraordinary Assembly of Shareholders on 06.04.2012 approved the new form of the company's articles of incorporation. This new concept of articles of incorporation aimed at eliminating from the old content of some provisions that are reproductions of legal texts regulating the functioning of companies, hence simplifying and clarifying the statutory provisions on one hand and on the other hand, this will generate much more stability, meaning that it will not require changes and adaptions to the legal changes in the field.

For the internal control, the Board of Directors has contracted the internal audit to an authorised company, respectively S.C. ASSOCIATED BUSINESS AUDITORS S.R.L. Timişoara. More details regarding honorarium and other information can be found in Notes at the financial situations.

Company has published on his own website www.snorsova.ro stage of conformation with code of corporate governance relevant at 31.12.2016. According to the provisions of the Corporate Governance Code of Bucharest Stock Exchange, the issuer S.C. Șantierul Naval Orșova S.A. publishes on its website details of maximum importance for shareholders, respectively:

- general meetings details regarding course of him:
    - convenors
    - materials related to the agenda
    - special proxy model
    - shareholders' rights and the rules and procedures of participation to the general meetings
    - decisions taken in the meetings
    - detailed results of the vote
- current reports, media notes
- financial calendar
- reports with annual, biannual, quarterly financial information
- information on the members of the board of directors and executive management, including contact details
- incorporation, in force

The current Board of Directors consists only of non-executive members and the decision-making process of this management body is not dominated by a person or a group of persons, due to its organisation. The election of the members of the Board of Directors is based on a transparent procedure, nominations are public. Board of Directors election has as basement a transparent procedure, candidatures being public.

The company performs activities related to social responsibility and environment, and instructed employees are appointed for handling these issues.

However, towards the year 2017 was constituted 2 committee : Audit Committee and Retribution Committee between Administrators. Same time was definitive internal functioning of Board of Directors, Audit Committee and Retribution Committee. They are in finalisation stage:

- issuance of a policy with regards to forecasts
- procedure of Administrator evaluation

Having in mind shareholders structure, in according with whom 91% of shares are owned by the three SIFs (SIF3, SIF4, SIF5) administrators was proposed/elected as being the representative of them, as in this moment none of the administrator it is not independent.

4. FINANCIAL-ACCOUNTING SITUATION

Starting with 2012 year, in the basement Order of the Minister of Public Finances no. 881 / 25.06.2012 on the application of International Financial Reporting Standards (IFRS) and of the Order no. 1286/01.10.2012 regarding approval of the Accounting regulations in conformity with International Standards Reporting Standards, applicable to by companies whose securities are traded on a regulated market, the company passed to these standards reporting.

For financial year 2012, the annual individual financial statements based on IFRS were prepared by restating the information in the accounting conducted based on Order no. 3055/2009, and starting with the financial year 2013 accounting shall be conducted based on IFRS provisions as reporting basis and Order no. 3055/2009 will no longer be applicable to our company.

2012 was the first year of applying IFRS and in order to ensure comparative data with prior periods we restated the data for both 01.01.2011 and 31.12.2011, hence we adjusted (restated) 3 years.

In December 2012, the “Handbook for accounting policies in accordance with IFRS” was prepared, and in the meeting of 08 February 2013, the Board of Directors has approved this HANDBOOK.

The audit of the financial statements for 2016 was performed by A.B.A. AUDIT SRL Timisoara, based on contract no. 405/22.07.2013, which initial validity was for 2 years and subsequent was prolonged, for 2 more years and in 2017 was prolonged for 3 more years, until 30.04.2020, in according with OGMS decision from 07.04.2017.

4.1. Financial position as of 31.12.2017

According to IFRS, as of 31.12.2017, the financial position compared latest 2 years is as following:

ASSETS, LIABILITIES, EQUITY	*31.12.2017 Lei*	*31.12.2016 Lei*	*31.12.2015 Lei*	*YEAR 2017/2016 GROWTH/ DECREASE (%)*
I. Total tangible assets, out of which:	35.283.844	36.351.595	39.416.407	97,06
- land and constructions	18.556.275	20.248.639	22.204.767	91,64
- technical installations and transportation means	16.477.745	15.343.289	16.986.206	107,39
- other tangible assets	249.824	759.667	225.434	32,89
II. Intangible assets	33.227	56.102	89.139	59,23

ASSETS, LIABILITIES, EQUITY	*31.12.2017 Lei*	*31.12.2016 Lei*	*31.12.2015 Lei*	*YEAR 2017/2016 GROWTH/ DECREASE (%)*
III. Real estate investments	0	0	0	0
IV. Other non-current assets	200.498	138.554	63.506	144,71
A. TOTAL NON-CURRENT ASSETS	35.517.569	36.546.251	39.569.052	97,19
I. Inventories	42.194.575	38.953.852	57.377.477	108,32
II. Trade receivables and other receivables	6.685.934	3.944.403	2.976.149	169,50
III. Other short-term financial investments	8.363.880	6.116.440	0	136,74
IV. Cash and cash equivalents	9.566.768	15.360.927	8.399.122	62,28
V. Receivables related to current tax	0	0	0	0
VI. Expenses paid in advance	23.394	42.990	59.669	54,42
B.TOTAL CURRENT ASSETS	66.834.551	64.418.612	68.812.417	103,75
TOTAL ASSETS	102.352.120	100.964.863	108.381.469	101,37
I. Equity	28.557.298	28.557.298	28.557.298	100,00
II. Social capital adjustments	-	23.496.414	23.496.414	-
III. Share premium	8.862.843	8.862.843	8.862.843	100,00
IV. Reserves	48.265.387	53.243.274	53.271.082	90,65
V. Other reserves from IAS29 application	-	16.962.110	16.962.110	-
VI. Profit/Loss of the year	2.721.336	2.792.859	396.807	97,44
VII. Profit/Loss carried forward	5.555.872	(1.075.167)	(1.718.437)	-
VIII. Carried forward coming fom first time application of IAS29	-	(40.458.524)	(40.458.524)	-
VI. Profit distribution	(823.621)	(178.216)	(29.545)	462,15
VII. Other equity elements	(3.718.330)	(3.721.670)	(3.918.225)	99,91
C.TOTAL EQUITY	89.420.785	88.481.221	85.421.823	101,06
I. Liabilities related to deferred tax	3.718.330-	3.721.670	3.918.225	-
D. TOTAL LONG TERM LIABILITIES	3.718.330-	3.721.670	3.918.225	-
I. Short term loans	-	-	10.449.333	-
-II. Trade payables and other payables, including derivatives	8.422.623	8.167.598	8.143.405	103,12
III. Advance registered incomes	3.308	-	-	-
IV. Provisions	787.074	594.374	448.683	132,42

ASSETS, LIABILITIES, EQUITY	*31.12.2017 Lei*	*31.12.2016 Lei*	*31.12.2015 Lei*	*YEAR 2017/2016 GROWTH/ DECREASE (%)*
E. TOTAL CURRENT LIABILITIES	9.213.005	8.761.972	19.041.421	105,15
TOTAL EQUITY AND LIABILITIES	102.352.120	100.964.863	108.381.469	101,37

Non-current assets: This category of assets, even totally registered a decrease of 2,8 % against last year, especially on a value loose on account of amortization. In his structure it can be observed a growth of positions of means of caused by the capitalisation of repairs/modernisation at the hydroclap barges, as we showed and, respectively, at the position intangible assets representing amount immobilized for custom taxes and debts regarding postponed impost

Stocks registered an increase with 8,3 %, specially based on the production in execution (5,32 %) and stocks from raw materials depot. Big fluctuation of in progress production, from a period to another, can be explained by the long cycle of manufacturing for the vessels.

Trade receivables and other receivables In total active assets, a significant growth it is meet also at trade receivables and other receivables, especially on the base of the sold of invoices remained not cashed at 31.12.2017 at the headquarter in Orsova and at Agigea Branch.

Cash and cash equivalents, registered a decrease with 62.2 % against year 2016, as a consequence of the fact that exist a growth of balance of trade receivables.

Totally, current assets knows an increase of 3,7 %.

More information on all these elements can be obtained by consulting the Notes to the financial statements attached to this report.

Own capitals, even if they register a total growth of 1.06%, in structure can be observed a significant growth at the positions:

- Reported result as a consequence of shareholders decision from 07.04.2017, to cover losses from previous year from Other reserves
- Reported result coming from application for the first time of IAS 29, in the same time with accordingly modification positions Adjustment of social capital and Other reserves from IAS 29 appliance, in according with OGMS decision from 07.04.2017.

On the other hand, provisions knows a growth of 32% specially on un executed holidays.

Totally own capitals and debts knows a growth of 1.37 %

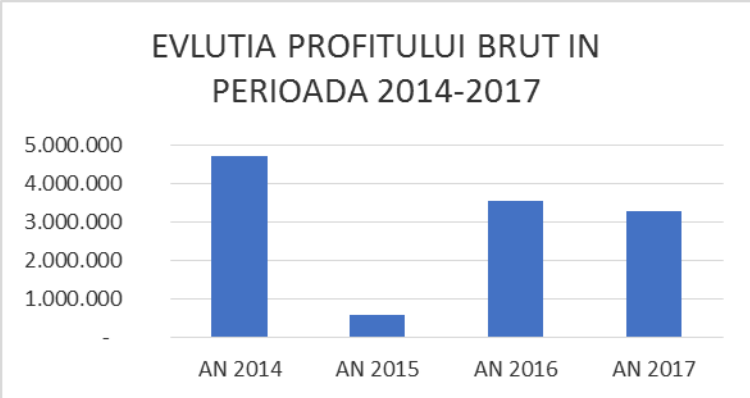
4.2. PROFIT AND LOSS (COMPREHENSIVE INCOME)

Even smaller than on previous year, realised profit in 2017 year was bigger than the one forecasted in BIE (a growth of 5.6 %). Having in mind the levelof incomes, which was smaller than those from 2016, even if in absolute digits gross profit was smaller then the one from the previous year, rate of profit calculated as a report between gross profit and total incomes , knows a growth of 1.2 % (in the year 2016 this rate was of 4.7 %, and in 2017 5.9 %)

In comparison with previous year and BIE provision, gross profit evolution it is presented as follows:

- Gross profit provisioned in BIE year 2017	3.131.000 lei
- Gross profit realized in 2017 year	3.308.065 lei
- Gross profit obtained in 2016 year	3.564.654 lei

An evolution of the brut profit for the past 4 years it is shown in below diagram:



Shipbuilding activity from headquarter in Orsova, was more profitable than previous year and BIE provision. While in 2016 realised profit at headquarter in Orsova, was 387.283, in 2017 this knows a growth of more than 4,3 times, being 1.702.950 lei.

As we shown at the point 1.1.1 from the present report, activity at Agigea Branch, consisting in special in vessels hiring (hydro clap barge type MIDIA) and vessels reparations concurred in a good measure to obtain these results, even they were under those previous year and BIE provisions.

In the below table are played, synthetic, in structure, 2017-year realization comparative with those from the previous year and with prevails from BIE, with accurate of income and expenses of these 2 years was presented in according with regulations from OMFP no. 2844/2016 for approval of regulations in conformance with IFRS.

INDICATORS	*ACHIEVEMENTS PRIOR YEAR (2016)*	*FI NANCIAL YEAR 2017*			*COMPLISHMENT DEGREE (%)COMPARED TO:*	
		INCOME AND EXPENSES BUDGET PROVISIONS	*ACHIEVE MENTS*	*FROM WHOM IN AGIGEA BRANCH*	*ACHIEVE MENTS 2016*	*INCOME AND EXPENSES BUDGET PROVISIONS*
TOTAL INCOME, out of which:	76.981.989	62.770.800	55.808.494	9.494.070	72,50	88,91
- Operating income	75.841.447	61.070.800	54.698.760	9.256.389	72,12	89,57
- Financial income	1.140.542	1.200.000	1.109.734	237.681	97,30	92,48
TOTAL EXPENSES, out of which:	73.417.335	59.139.800	52.500.429	7.888.956	71,51	88,77
- operating expenses	72.363.795	57.939.800	51.913.852	7.766.768	71,74	89,60
- financial expenses	1.053.540	1.200.000	586.577	122.188	55,68	48,88
GROSS PROFIT / LOSS BEFORE TAX, out of which:	3.564.654	3,131.000	3.308.065	1.605.114	92,80	105,65
- operating profit/loss	3.477.652	3.131.000	2.784.908	1.489.621	80,08	88,95
- financial profit/loss	87.002	-	523.157		601,32	-

				115.493		
CURRENT AND DEFERRED PROFIT TAX (PAYABLE OR RECEIVABLE -/+)	(771.795)	(475.912)	(586.729)	-	76,02	123,28
NET PROFIT / LOSS	2.792.859	2.655.088	2.721.336	-	97,44	102,50
NUMBER OF SHARES	11.422.919	11.422.919	11.422.919	-	100,00	100,00
NET PROFIT / LOSS PER SHARE (Lei/share)	0,2445	0,2324	0,2382	-	97.42	102,50

4.2.1. Analysis of operating activity

In 2017 was finalized and delivered a number of 7 vessels (in 2016: 14 vessels), in total value of 9.777 thousands euro (in 2016: 13.957 thousands euro), respectively 44.734 thousands lei (in 2016: 62.708 thousands lei), at a medium parity of 4.5754 lei/€ (in 2016: 4.4930 lei/€), against a rate of 4.5 take in consideration in BIE basement. As we have shown, this sell decrease it is based first cuase of the specific of our own activity, respectively long fabrication cycle products, but also production structure.

In the current year was delivered following types of vessels:

- 2 BARGES ALVOR types of 88.84 m
- 3 TANKER vessels of 110 m long
- 1 BITUM TANKER of 110 m long
- 1 CRANE SHIP type vessel

Decline of the vessels market registered in the past years, as a consequence of movements produced on external market, special decrease of the goods transport volume, but also of the big number of the vessels in progress, at divert shipyards worldwide, continued also in 2017 as it was shown.

Even, same condition, SC SANTIERUL NAVAL ORSOVA SA succeeded to have covered full capacity in Orsova and Agigea branch, where were succeeded all 5 vessels to be external hired except the periods of reparation/modernization.

Other information on the analysis of the main financial indicators can be found in the NOTES to the financial statements, which are an integrant part of this report.

4.2.2. Analysis of financial income and expenses

As it was shown, more of 98% from company's income was mainly coming from foreign sales and services, it was permanently exposed to the foreign currency risk (parity Lei/Euro. On the other hand, payments towards part of the suppliers, among them the plate supplier S.C. ARCELOR MITTAL STEEL Galaţi being the most important, have also been performed partial in Euro, partial in lei

For all year 2017 company continues protection measures of rate protection, by hedging operations, gain from these transactions being over 250.000 lei. So, from financial activity registered a profit of 523.157 lei (previous year registered a profit of 87.002 lei). More information in connection with respective influences can be done in Notes to financial situations.

Company had not contracted bank credits in 2017. At 31.12.2017 company had not any credit and had sufficient cash flow to can sustain funding activity from own sources.

Other information on the financial activity is shown in the NOTES to the financial statements.

4.2.3. Provisions and impairment

Analysing seniority of materials stocks, of some vessels existing in progress, of which selling value is estimated to be under the costs level registered `till now, also the shares detained to other companies, litigious receivable proceeded to an increase or decrease of those already constituted, in according with real situation of them at 31.12.2017, resulting the following situation (provisions sold and depreciations at the end of the year):

- Lei-

a) For impairment of tangible assets 304.490,18
b) For impairment of financial assets (shares hold at KRITOM Greece (Crete) 684,495,00
c) Provisions for litigation, guaranties and holidays 787.074,36
d) Adjustment for impairment of inventories 7.053.422,56
e) Adjustment for impairment of receivables (clients/debtors) 3.338.158,64

TOTAL PROVISIONS AND IMPAIRMENT 12.167.640,74

Compared to prior year it can't be seen major changes in his structure.

Regarding volume of depreciation at stock materials, cca. 92.7%from total amounts represents depreciation for those two coaster vessels coaster type, for whom the company is in a litigation, for many years with Dutch company Veka; description of this litigation it can be found in point 4.5 from present report.

Other information on provisions and adjustments for impairment of assets are shown in the Notes to the financial statements, which are an integrant part of this report.

4.3. Analysis of profit/loss of the year and net profit distribution

Gross profit realized at 31.12.2017 it is in amount of 3.308.065 lei. Given the legal provisions on profit tax calculation, the company has considered the non-taxable income and the non-deductible expenses for its determination, as these are similar to income/expenses elements.

Non-taxable income refers mainly to resumption in income of provisions that originally were set up as non-taxable expenses.

Non-deductible expenses consist of provisions for litigations, impairment of current assets, tangible assets and financial assets, bad debts, untaken holidays related to 2017 and other salary rights, fines and penalties and other expenses, including sponsorships.

A detailed presentation of these income and expenses elements can be found in the Notes to the financial statements, which are an integrant part of this report.

After deduction of the reserve fund of 5% from the net profits, as per the law, the following situation has resulted:

No.	Indicator	Amount
1.	Gross profit	3.308.065
2.	Profit tax+specifical tax	586.729
3.	Net profit (1-2),	2.721.336
4	Legal reserves (5%)	169.805
5	Other reserves from fiscal facilities	653.816
6.	NET PROFIT TO BE DISTRIBUTED	1.897.715

We are mentioning that the company still has registered in the account of reported result (account 1174) the amount of 29.417 lei profit resulted from favourable solution in connection with our contest regarding its payments from Juridical persons for unframe persons with handicap, to whom we were forced to pay following a control done by AJFP Mehedinti inspectors in 24.09.2015.

In OGMS for approval financial situations for 2017 follows to be concluded net distribution profit mode for 2017 together with reported result, in according with those below mentioned.

4.4. Cash flow, financial resources, investment expenses, payment of liabilities.

For obtaining guarantee letters, but for an eventual cover of financing sources, company continued also in 2017 to beneficiate of banks sustain, in according with real needs of the company. In the year 2017 company had the ceiling for the multi-options and multi foreign exchange, approved by BRD, 2 million euros, ceiling proved to be enough for financing company needs.

Same time beneficiates of a limit for currencies risk covering in amount of 1.489.000 USD.

These ceilings were guaranteed with a mix of guarantees consisting of mortgages, pledges, assignment of receivables on export contracts (guarantee letters opened for external contracts) and cash collateral in amount of 400.600 EURO.

These ceilings were used specially for issuance of bank guarantee advance payment letters , company had no needs along 2017 of bank credits..

As of 31.12.2017, BRD had issued for our company a number of 4 (four) guarantee letters in total amount of 257.000 € and 231.024,66 RON from whom:

- 3 letters of advance return guarantee for guarantee of the advance payments cashe up advance of 257.000 euro from Dutch company CONCORDIA Shipbuilding BV, available `till 30.08.2018
- 1 letter of good payment guarantee in amount of 231.024,66 lei, availability until 31.12.2018, issued in favour of Compania Nationala Administratia porturilor maritime Constanta.

Investment expenses realized in 2017 knows a growth by 48% compared to prior year. In figures. In absolute digits expenses volume was at a level of 3.227.542 lei (in the year 2016 : 2.181.180 lei) from whom:

- 1.362.317 Lei in Orșova
- 1.865.225 Lei in Agigea

As from the BIE it is registered a realization degree of 61,2%.

In continuation most important investments volumes was registered in Agigea Branch, where was expenses with repairing and modernization at 4 from 5 barges MIDIA and to the slipway. Respective amounts, in part, was capitalized (growth inventory value of fixed assets), other part was in course investments at the end of 2017.

At headquarter in Orsova was putted in functioning following most important objectives:

- welding equipments
- underground fresh water system
- computer network modernization
- bending hydraulic abkant
- Copy machine MPW6700 SP
- Modernizations and supplementary features at the equipments existing
- server machines and other IT systems

In the analysed period company had not contracted any credits for investments, all fixed assets acquisitions being done from own sources.

Throughout the year, the company paid in due times all its liabilities towards suppliers, employees, state budget, banks and other creditors.

Other information (including cash flow statement) can be found in the Notes to the financial statements, which are an integrant part of this report.

4.5. Litigation; actions before courts

As of 31.12.2017, the company had few domestic litigations and 1 action in progress before the Court of Arbitration for transports and marines TAMARA from Rotterdam - Netherlands.

Synthetizing the files at the Romanian courts refer to:

- employment litigations: 7 dossiers on the role of Mehedinti Court in these, the company has quality of intimate for pretensions (patrimonial responsibility) for the amount of 19.839 lei and a file at The High Court of Cassation and Justice, where the company is intimate in contradictory with employee Basaraba Dorina
- a civil dossier with nr. 1422/274/2017 – contestation at execution introduced by our company – for the amount of 12.110 lei, against Orsova Mayor for non-granting a 10% reduction at the imposit on buildings, for the year 2017, even the obligation was done anticipated.

- At Agigea Branch are rolling many dossiers from past years, in divert stages, in whom our company is intimate.

The file at the Court of Arbitration in Rotterdam refers to the statement of claim introduced by our client VEKA Shipbuilding BV Netherlands related to the shipbuilding and delivery contracts no. 247, 248, 249, 250 concluded on 14.12.2010.

The mentioned ships could not be delivered in due time because the client did not comply with its obligations according to the contractual provisions.

In this file, S.C. Șantierul Naval Orșova S.A. stated its own claims, so that VEKA to be obliged to take over 2 coaster ships executed based on contracts no. 247 and 248 of 14.10.2010 and pay, besides the contractual price, an additional price due to delayed transmission of the changes to the technical documentation.

The company engaged a Romanian and a Dutch law office for sustaining its interests in this file.

Having in mind that both companies signed an agreement regarding closing this litigation, was concluded to be suspended, temporarily, litigation from Maritime Arbitration Court from Rotterdam. Even if passed more than one year from agreement signing, Dutch company doesn`t respected assumed obligations, so it is imposed as within 2017 to be restarted procedures at the Arbitration Court.

The company has set up impairments for all these amounts.

5. INVENTORY OF PATRIMONY AS OF 31.12.2017

The company has performed an annual stock take of assets and liabilities for 2017 according to the provisions of the Order of the Minister of Public Finances no. 2861/2009. In this respect, there are internal decisions for the set-up of a central stock take commission and respectively sub-commissions for all units within the company, the headquarters and the Agigea branch.

The main conclusions of the stock take are the following:

- At the Gestion of fixed assets, commission founded existence in plus of 3 welding machines. Pluses of these fixed assets was found as follows as following scrapping and dismantling of some old welding machines and was recovered component parts , which after was reassembled obtaining 3 machines, for whom at that moment was not done afferent documents to be registered in book keeping evidence. There were some issues related to the stock take of fixed assets because the persons responsible for administering these goods have transferred between them various fixed assets without concluding any related documents; these situations were solved on spot by the commissions appointed for each unit;
  To all other gestion was not founded pluses or minuses in inventory.
- They were found even this time existing, on terrain, of some goods- fixed assets, small inventory, various materials, protection equipment – that can no longer be used in the production process due to their age and obsolescence and recommended their cassation and decommissioning; the lists with these goods were sent to the Board of Directors – for approval – and to the specialised committees set up at company level for the legal proceedings;
- commissions noted also existence of goods property of third parties, special goods appertaining to foreign clients, sent to us to be mounted on the vessels in progress which was in custody at the date of inventory. Lists with these materials/equipments was sent for confirmation to the owner of respective goods.
- the stock take was performed with the actual participation of the external auditors and no deficiencies were reported.

For the preparation of the balance sheet the company complied with the rules approved through legal norms and data was taken over from the updated synthetic balances and according to the Law no. 82/1991, republished, and the applicable accounting regulations (Order no. 2844/12.12.2016 for approving accounting regulations in accordance with the International Financial Reporting Standards).

For additional information, the interested shareholders have available the Notes to the financial statements, which are presented separately of this report, which are annexed to present report.

President of the Board of Directors,

PhD Ec. Mihai Fercală

STATEMENT OF COMPLIANCE WITH THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE as of 31.12.2017

Code provision		Compliance Yes/No/Partially	Explanations
SECTION A – RESPONSABILITIES			
A.1	All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	YES	Posted on company website
A.2	Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES	
A.3	The Board of Directors or the Supervisory Board should have at least five members.	YES	
A.4	The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in xcharacter and judgement in practice [1].	PARTIALLY	All members of Board of Directors are non executives. In present Board of Directors has not independent members, having in mind that three of main shareholders own 91% from total shares number.
A.5	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	YES	
A.6	Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	YES	
A.7	The company should appoint a Board secretary responsible for supporting the work of the Board.	YES	

[1] A se vedea Codul, prevederile A.4.1. - A.4.9. pentru o enumerare a criteriilor de independenţă. Compendiul bunelor practici de guvernanţă corporativă include o explicaţie cuprinzătoare a conceptului de administrator independent.

A.8	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	PARTIALLY	Finalizing stage.
A.9	The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	PARTIALLY	The Board of Directors met in a number of 4 sessions, according to the articles of association. The operating rules of the Audit Committee and the Remuneration Committee have been finalized. The two Committees will begin their work with the assessment of 2017
A.10	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	YES	
A.11	The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the Nomination Committee should be independent.	NOT IN CASE	Company is included in the standard category
SECTION B -System of risk management and internal control			
B.1	The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and most the audit committee should be independent.	PARTIALLY	During the year the Audit Committee was established between the members of the Board of Directors. The Board of Directors does not currently have independent members, given the shareholder structure, according to A4
B.2	The Audit Committee should be chaired by an independent non-executive member.	NO	According B1
B.3	Among its responsibilities, the Audit Committee should undertake an annual assessment of the system of internal control.	YES	
B.4	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	YES	
B.5	The Audit Committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	YES	
B.6	The Audit Committee should evaluate the efficiency of the	YES	

	internal control system and risk management system.		
B.7	The Audit Committee should monitor the application of statutory and generally accepted standards of internal auditing. The Audit Committee should receive and evaluate the reports of the internal audit team.	PARTIALLY	This activity it is done at the Board of Directors level.
B.8	Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	PARTIALLY	This activity it is done at the Board of Directors level.
B.9	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES	
B.10	The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	YES	
B.11	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES	
B.12	To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	PARTIALLY	Reporting done directly by Board of Directors
SECTION C -Fair reward and motivation			
C.1	***a. Remuneration policy*** The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause.	YES	

	[…] Any essential change of the remuneration policy should be published on the corporate website in a timely fashion. ***b. Remuneration report*** The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. […] The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review.		
SECTION D -adding value to the investor relations			
D.1	The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	YES	
D.1.1	Principal corporate regulations: the articles of association, general shareholders' meeting procedures.	YES	
D.1.2	Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	YES	
D.1.3	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	YES	
D.1.4	Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	YES	
D.1.5	Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	YES	
D.1.6	The name and contact data of a person who should be able to provide knowledgeable information on request;	YES	
D.1.7	Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-	YES	

	annual, annual), auditor reports and annual reports.		
D.2	A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	YES	
D.3	A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	PARTIALLY	FINALIZING STAGE
D.4	The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect at the earliest as of the next general meeting of shareholders.	YES	
D.5	The external auditors should attend the shareholders' meetings when their reports are presented there.	YES	
D.6	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	YES	
D.7	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	YES	
D.8	The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	YES	
D.9	A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	NO	Organization of such events will be analyzed by the Board of Directors and executive management, if it will such requests from investors. In this moment, we appreciate that the information offered by yearly reports, current reports and periodic reports are complete and offers a high degree of transparencies, as

			so can take decision aware of the cause
D.10	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	YES	Company has not such a policy. This request is in Board of Directors attention.

Chairman of the Board of Directors

DR. Ec. Mihai Fercala

Reference	STATEMENT OF FINANCIAL POSITION			
IAS 1.10(a), 113	**As at 31 December**	*Note*	**2017**	**2016**
			RON	**RON**
	Assets			
	Fixed assets			
IAS 1.54(a)	Tangible assets	*15*	35,283,844	36,351,595
	Freehold land and land improvements	*15*	1,201,941	1,220,578
	Buildings	*15*	17,354,334	19,028,061
	Plant and machinery, motor vehicles	*15*	16,477,745	15,343,289
	Fixtures and fittings […]	*15*	87,979	68,168
	Tangible assets in progress	*15*	161,845	691,499
IAS 1.54(c)	Intangible assets	*16*	33,227	56,102
	Other intangible assets	*16*	33,227	56,102
IAS 1.54(h)	Trade receivables and other receivables	*17*	101,243	70,550
IAS 1.54(o), 56	Deferred tax assets		99,255	68,004
IAS 1.60	**Total fixed assets**		**35,517,569**	**36,546,251**
IAS 1.54 (g)	Inventories	*19*	42,194,575	38,953,852
IAS 1.54(h)	Trade receivables and other receivables	*20*	6,685,934	3,944,403
IAS 1.55	Accrued expenses	*20*	23,394	42,990
IAS 1.54(d)	Short term investments	*21a*	8,363,880	6,116,440
"IAS 1.54(i)	Cash and cash equivalents	*21b*	9,566,768	15,360,927
IAS 1.60	**Total Current Assets**		**66,834,551**	**64,418,612**
	Total Assets		**102,352,120**	**100,964,863**
	Equity			
IAS 1.54(r), 78(e)	Share capital	*22*	28,557,298	28,557,298
	Adjustments to Share capital	*22*	0	23,496,414
IAS 1.55, 78(e)	Share premium	*22*	8,862,843	8,862,843
IAS 1.54(r), 78(e)	Reserves	*22*	48,265,387	53,243,274
	Other reserves from the application of IAS 29	*22*	0	16,962,110
	Result for the period	*22*	2,721,336	2,792,859
IAS 1.55, 78(e)	Retained earnings	*22*	5,555,872	(1,075,167)

Reference	STATEMENT OF FINANCIAL POSITION (continued)			
IAS 1.10(a), 113	**As at 31 December**	Note	**2017** **RON**	**2016** **RON**
	Retained earnings from the application for the first time of IAS 29	*22*	0	(40,458,524)
	Profit appropriation	*23*	(823,621)	(178,216)
	Other elements of equity	*23*	(3,718,330)	(3,721,670)
	Total equity		**89,420,785**	**88,481,221**
	Liabilities			
	Long-term liabilities			
IAS 1.54(o), 56	Deferred tax liabilities		3,718,330	3,721,670
IAS 1.60	**Total long-term liabilities**		**3,718,330**	**3,721,670**
	Current liabilities			
IAS 1.54(m)	Short-term loans	*24*	0	0
IAS 1.54(k)	Trade payables and other debts, including derivatives	*27*	8,422,623	8,167,598
	Deferred income		3,308	0
IAS 1.54(l)	Provisions	*26*	787,074	594,374
IAS 1.60	**Total current liabilities**		**9,213,005**	**8,761,972**
	Total Liabilities		**12,931,335**	**12,483,642**
	Total Equity and Liabilities		**102,352,120**	**100,964,863**

The separate financial statements were approved by the Board of Directors on February 15, 2018 and were signed by:

Administrator,
Dr. Ec. Mihai Fercală

Prepared by,
Ec. Gheorghe Caraiman

Reference STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Reference	For the financial year ended at 31 December	Note	2017	2016
IAS 1.10(b), 81(a)			**RON**	**RON**
	Continuing operations			
IAS 1. 82(a) IAS 1.99,103	Income	*5*	46,410,605	64,898,033
	Other income	*6*	8,288,155	10,943,414
	Total Operational Income		**54,698,760**	**75,841,447**
	Expenses related to inventories	*7*	(18,403,244)	(30,076,624)
	Utility expenses	*8*	(963,108)	(1,410,957)
	Employee benefits expenses	*9*	(18,369,572)	(20,718,145)
	Depreciation and amortization expenses	*15,16*	(4,722,484)	(6,545,276)
	Gains/losses on disposal of property		2,891	0
	Increase/(Decrease) of receivables allowances and inventory write-down	*10*	(162,901)	(27,652)
	Increase/(Decrease) of provision expenses	*26*	(192,700)	(145,691)
IAS 1.99, 103	Other expenses	*11*	(9,102,734)	(13,439,450)
	Total Operational expenses		**(51,913,852)**	**(72,363,795)**
	The result of operational activities		**2,784,908**	**3,477,652**
	Financial income	*12*	1,109,734	1,140,542
IAS 1.82(b)	Financial expenses	*12*	(586,577)	(1,053,540)
	Net financial result	***12***	**523,157**	**87,002**
IAS 1.85	**Result before taxation**		**3,308,065**	**3,564,654**
	Current income tax expenses	*13a*	(604,309)	(803,514)
	Deferred income tax expenses	*13a*	(314,242)	(34,790)
	Specific activities tax expenses	*13b*	(13,671)	0
	Deferred income tax income		345,493	66,509
IAS 1.85	**Result for continuing operations**		**2,721,336**	**2,792,859**
IAS 1.82(f)	**Result for the period**		**2,721,336**	**2,792,859**
	Other comprehensive income			
IAS 1.82(g)	Reevaluation of tangible assets		(246,652)	(206,024)
IAS 1.85	**Other comprehensive income after taxation**		**(246,652)**	**(206,024)**

Reference	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)			
IAS 1.10(b), 81(a)	**For the financial year ended at 31 December**	**Note**	**2017**	**2016**
			RON	**RON**
IAS 1.82 (i)	**Total comprehensive income for the period**		2,474,684	2,586,835
	Attributable profit			
IAS 1.83(b)(ii)	Shareholders	*23*	2,721,336	2,792,859
	Profit for the period		**2,721,336**	**2,792,859**
	Total attributable comprehensive income			
IAS 1.83(b)(ii)	Shareholders		2,474,684	2,586,835
	Earnings per share			
IAS 33.66	Basic earnings per share	***23***	0.24	0.24
IAS 33.66	Diluted earnings per share	***23***	0.24	0.24
	Continuing operations			
IAS 33.66	Basic earnings per share	*23*	0.24	0.24
IAS 33.66	Diluted earnings per share	*23*	0.24	0.24

The separate financial statements were approved by the Board of Directors on February 15, 2018 and were signed by:

Administrator,
Dr. Ec. Mihai Fercală

Prepared by,
Ec. Gheorghe Caraiman

Reference STATEMENT OF CHANGES IN EQUITY

Reference		Share capital (Note 22)	Share premium account	Revaluation reserve (Note 22)	Other reserves	Retained earnings	Result for the period (Note 23)	Other elements of equity	Profit appropriation	Total equity
IAS 1.108,109		**Attributable to equity holders**								
	Balance at December 31, 2015	**52,053,712**	**8,862,843**	**25,246,902**	**44,986,290**	**(42,176,961)**	**396,807**	**(3,918,225)**	**(29,545)**	**85,421,823**
IAS 1.106(d)(i)	Loss/ Net profit for the period	-	-	-	-	367,262	2,396,052	-	-	2,763,314
	Profit appropriation	-	-	-	-	-	-	-	(178,216)	(178,216)
	Transfer in reserve	-	-	(433,515)	178,216	276,008		196,555	29,545	246,809
	Revaluation reserve	-	-	227,491	-	-	-	-	-	227,491
	Allowances from application of IAS 29	-	-	-	-	-	-	-	-	-
	Balance at December 31, 2016	**52,053,712**	**8,862,843**	**25,040,878**	**45,164,506**	**(41,533,691)**	**2,792,859**	**(3,721,670)**	**(178,216)**	**88,481,221**
IAS 1.106(d)(i)	Loss/ Net profit for the year	-	-	-	-	2,792,859	(71,523)	-	-	2,721,336
	Profit appropriation	-	-	-	-	(2,284,584)	-	-	(823,621)	(3,108,205)
	Transfer in reserve	-	-	(716,707)	(4,731,235)	6,122,764		3,340	178,216	856,378
	Revaluation reserve	-	-	470,055	-	-	-	-	-	470,055
	Allowances from application of IAS 29	(23,496,414)	-	-	(16,962,110)	40,458,524	-	-	-	0
	Balance at December 31, 2017	**28,557,298**	**8,862,843**	**24,794,226**	**23,471,161**	**5,555,872**	**2,721,336**	**(3,718,330)**	**(823,621)**	**89,420,785**

The separate financial statements were approved by the Board of Directors on February 15, 2018 and were signed by:

Administrator,
Dr. Ec. Mihai Fercală

Prepared by,
Ec. Gheorghe Caraiman

Reference	STATEMENT OF CASH FLOWS			
IAS 1.10(d), 113	**For the financial year ended at 31 December**	**Note**	**2017** **RON**	**2016** **RON**
	Cash flows from operating activities			
	Profit for the period		2,721,336	2,792,859
	Adjustments for:			
	Amortization of intangible assets		4,700,692	5,308,509
	Depreciation of fixed assets		17,031	34,703
	Net expenses/(net income) with provisions		192,700	145,691
	Loss from the sale of tangible assets		(2,891)	0
	Expenses from revaluation of assets		(9,369)	0
	Current income tax expenses		604,309	803,514
	Specific activities tax expenses		13,671	0
	Deferred income tax expenses		314,242	34,790
	Deferred tax income		(345,493)	(66,509)
	Cash - flows from operating activities before changes in working capital		8,206,228	9,053,557
	Changes in working capital			
	Changes related to inventories		(3,240,723)	18,423,625
	Changes related to trade receivables and other receivables		(2,773,190)	(1,008,779)
	Changes in accrued expenses		19,596	16,679
	Changes in trade payables and other liabilities		66,168	(12,602)
	Cash generated / (used) from / (in) operating activities		**2,278,079**	**26,472,480**
	Income tax paid		(382,621)	(751,486)
IAS 7.31,32	Paid Interest		0	(36,172)
IAS 7.10	**Net cash from operating activities**		**1,895,458**	**25,684,822**
	Cash flows from investing activities			
IAS 7.31	Interest received		17,129	24,586
IAS 7.16(a)	Purchases of tangible and intangible assets		(3,236,623)	(2,181,830)
	Short term investments		(2,247,440)	(6,116,440)
IAS 7.10	**Net cash used in investing activities**		**(5,466,934)**	**(8,273,684)**

Reference	STATEMENT OF CASH FLOWS (continued)			
IAS 1.10(d), 113	**For the financial year ended at 31 December**	**Note**	**2017**	**2016**
	Cash flows from financing activities			
IAS 7.17(d)	Proceeds from loans / (loans refunds)		0	(10,449,333)
	Paid dividends		(2,222,682)	0
IAS 7.10	**Net cash from (used in) financing activities**		**(2,222,682)**	**(10,449,333)**
	Net cash and cash equivalents decreases		**5,794,159**	**6,961,805**
	Cash and cash equivalents at 1 January		15,360,927	8,399,122
	Cash and cash equivalents at 31 December		**9,566,768**	**15,360,927**

The separate financial statements were approved by the Board of Directors on February 15, 2018 and were signed by:

Administrator:
Dr. Ec. Mihai Fercală

Prepared by:
Ec. Gheorghe Caraiman

Disclaimer:

This is a free translation of the original Romanian financial statements together with the Independent Auditor's Report of Şantierul Naval Orşova SA. In the event of any discrepancy between this translation and the original document, the original Romanian financial statements together with the Independent Auditor's Report of Şantierul Naval Orşova SA shall prevail.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.10(e) **1. Reporting company**

IAS 1.138 (a),(b) **Şantierul Naval Orşova S.A**. is a company headquartered in Romania. The registered office address of the Company is: Tufari Street, no.4, Orşova, Mehedinți county.

IAS 1.51(a)-(c) The separate financial statements in according with IFRS have been prepared for the year ended 31 December 2017. The Company's main activity is: **construction of ships and floating structures (NACE code: 3011).**

IAS 1.112(a) **2. Basis of preparation**

a. Statement of compliance

IAS 1.16 The company has prepared the annual financial statements for the year ended 31 December 2017 in accordance with International Financial Reporting Standards as adopted by European Union, applicable to companies whose securities are admitted to trading on a regulated market, according to the Order of the Minister of Finance no. 881/2012 regarding the application of International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market and the Order of the Minister of Finance no. 2844/2016 approving the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, including subsequent amendments and additions.

IAS.10.17 The financial statements have been authorized for issue by the Board of Directors on February 15th, 2018.

The financial statements have been prepared using the historical cost basis except the following significant items from the statement of financial position, for which the Company has used the fair value model:

IAS 1.117(a)

- Investment properties
- Plant
- Naval means of transport

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.112(a) **2. Basis of preparation (continued)**

b. Functional currency and presentation currency

IAS1.51(d),(e) These financial statements are presented in RON, which is also the functional currency of the Company. All financial information presented in RON, rounded to 0 decimal places. All financial information presented in RON, without decimals rounded (rounding the RON fractions over 50 money, including the neglect of money fractions to 50). Where amounts are presented in other currency than RON, it will be specified accordingly.

c. Professional judgements and key assumptions

The preparation of financial statements in accordance with IFRS requires the use of management's professional judgment, estimates and assumptions which affects the application of accounting policies and the reported value of assets, liabilities, income and expenses. Actual results may differ from estimated values.
The estimates and assumptions are reviewed regularly. Revisions of estimates are recognized in the period in which the estimate was revised and in future periods affected by the change.

IAS 1.122,12
5,129,130 Information regarding professional judgments that are critical in applying accounting policies which can significantly affect the values presented in the financial statements are included in the following notes:

- Note 18 –Investment property classification;
- Note 24 – Loans.

d. New International Financial Standards not applied by the Company

The entity does not apply some IFRS or new stipulations regarding IFRS issued, but not in effect at the date of the financial statements. The company cannot estimate the impact of applying these stipulations and intends to apply them when they come into force. Among the issued, but not adopted standards, the company will not face the situation to prospectively apply neither of them. These are:

- IFRS 9 *Financial Instruments* incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition of financial instruments, published in July 2014 with the entry date on or after 1 January 2018. At European Union (EU) level, this standard has been approved and published in the Official Journal of the European Union on 29 November 2016.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.112(a) **2. Basis of preparation (continued)**

- IFRS 14 applies to a company's first annual financial statements in accordance with IFRS, starting from 1 January 2016 or after. IFRS 14 was published in January 2014. In the EU, this standard was not yet approved.
- IFRS 16 *Lease Contracts* applies to a company's first annual financial statements in accordance with IFRS, starting from 1 January 2019 or after. IFRS 16 was published in January 13th, 2016. At the level of the European Union (EU), this standard has been approved and published in the Official Journal of the European Union on 9 November 2017.
- Proposed amendments to IFRS 10 regarding the sale or contribution of assets between an investor and its associates or joint ventures, published in September 2014 with the entry date on or after 1 January 2016. In the EU, for the approval of this standard, a schedule has not been yet determined.
- Clarifications to IFRS 15 "*Revenue from contracts with customers*" born in April 2016 with effect from 1 January 2018. At European Union (EU) level, this standard has been approved and published in the Official Journal of the European Union on 9 November 2017.
- Amendments to IFRS 2: "*Classifications and ratings of transactions relating to stock-based payments*" arising in June 2016, with effect from 1 January 2018. At EU level, these are pending approval.
- Amendments to IFRS 4: "*Application of IFRS 9 financial instruments IFRS 4 Insurance Contracts"*, which appeared in September 2014 with entry into force after 1 January 2018. At EU level, this standard has been approved and published in the Official Journal of the European Union on 9 November 2017.
- Amendments to IFRS 17 "*Insurance contracts*", published on 18 May 2017 with effect from 1 January 2021.
- IFRIC 22 "*Foreign currency Transactions and advanced considerations*" appeared in December 2016 with entry into force after 1 January 2018. At EU level, it is pending approval.
- Amendments to IFRIC 23 "*Uncertainty over Income Tax Treatments*" appeared in the 8 December 2016 with the entry into force after 1 January 2019.
- Amendments to IAS 40 "*Investment property transfers*" that appeared in 8 December 2016 with entry into force after 1 January 2018. At EU level, these are pending approval.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.112(a) **2. Basis of preparation (continued)**

- Amendments to IFRS 9 "*Prepayment Features with Negative Compensation*", published on 12 October 2017 with the entry into force after 1 January 2019.
- Amendments to IAS 28 "*Long-term interests in Associates and Joint Ventures*" published on 12 October 2017 with the entry into force after 1 January 2019.
- Amendments to IAS 19 "*Plan Amendment, Curtailment or Settlement*" published in February 7, 2018 with the entry into force after 1 January 2019.

IAS 8.30 For the financial year ended on 31 December 2017, the company has not applied the provisions of IFRS 15. In accordance with the provisions of IAS 8 (paragraph 30), the company must evaluate and show what is the impact of IFRS 15 ”Income from contracts with customers” with effect from 1 January 2018. The company has analyzed the 5 steps provided by IFRS 15 and takes into consideration to identify separately each contract, since it concerned a single ship supply, and the obligations laid down in the contracts only affects the delivery of a ship, its price is clearly determined and is thus allocated to each vessel, income being recognized as it is been carried out under an obligation assumed by the company - to deliver the vessel in accordance with the protocols of deliverance by the beneficiaries. The company appreciates that there will be no differences in the recognition of income as a result of IFRS 15 with effect from 1 January 2018.

e. Presentation of financial statements

IAS 8.28(f) The Company applies IAS 1 *Presentation of Financial Statements* (2007) revised, which has been enforced on 1 January 2009. As a result, the Company presents in the Statement of Changes in Equity all changes related to shareholders’ equity, while changes in equity unrelated to shareholders are presented in the Statement of Comprehensive Income.

Comparative information has been presented so that they are in accordance with the revised standard. As the impact of change in accounting policy is reflected only on presentation aspects, there is no impact on earnings per share.

IAS 1 Presentation of Financial Statements is basis for the financial statements presentation to ensure comparability both with the entity's financial statements for previous periods and with the financial statements of other entities.

The Company has adopted a presentation based on liquidity in the Statement of Financial Position and a presentation of income and expenses according to their nature in the Statement of Comprehensive Income, considering that these methods of presentation provide more relevant information than other methods that have been permitted by IAS 1.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.112(a) **2. Basis of preparation (continued)**

IAS 1.57 The aggregation method is optional depending on the manner in which the Company's management considers relevant information for the presentation of the financial position, respectively financial performance.

Separate financial statements are prepared using the historical cost principle, except for buildings, means of shipping and property investments reclassified in accordance with IAS 40 which are presented at their fair value.

For assets and liabilities that were presented at their fair value the company has applied IFRS 13.

f. Standards and interpretations available in the current period

The following standards, issued by the International Accounting Standards Board and adopted by the European Union, are available in the current period:

IAS 1	Presentation of financial statements	Fundamental Accounting Principles, structure and content of financial statements, mandatory posts and the concept of true and fair view, completed with amendments applicable from 1 January 2013.
IAS 2	Inventories	Defining of the accounting process applicable to inventories in the historical cost system: evaluation (first in - first out, weighted average cost and net realisable value) and the perimeter of allowed costs.
IAS 7	Statement of Cash Flows	Analysis of cash variations, classified into three categories: cash-flows from operating activities, cash-flows from investing activities, cash-flows from financing activities.
IAS 8	Accounting policies, Changes in Accounting Estimates and Errors	Defining the classification, the information that need to be disclosed and the accounting treatment of certain items in the income statement.
IAS 10	Events after the reporting period	Requirements for when events after the reporting period should generate an adjustment to the financial statements: definitions, terms and conditions, particular cases (dividends)
IAS 12	Income Taxes	Definition of tax accounting processing on the period result and detailed stipulations on deferred taxes, supplemented by amendments applicable from 1 January 2013.
IAS 16	Property, plant and equipment	Accounting treatments, net book value calculation and relevant principles regarding depreciation for most types of property, plant and equipment.

IAS 17	Leases	Defining lessee and lessor, accounting treatments regarding location-financing contracts and simple location contracts.
IAS 18	Revenue	Revenue recognition principles for ordinary activities from certain types of transactions and events (fair value principle, the principle of linking expenditure to income, the percentage of advancement services, asset sharing, etc.)
IAS 19	Employee benefits	Accounting principles regarding employee benefits: short and long term benefits, post-employment benefits, advantages on equity and allowances on termination of employment, with revisions made in 2011, applicable from January 1, 2013.
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Accounting principles for direct or indirect public aid (clear identification, concept of fair value, restraining subsidized connection etc.).
IAS 21	The Effects of changes in Foreign Exchange Rates	Accounting treatments of abroad activities, foreign currency transactions and restating financial statements of a foreign entity.
IAS 23	Borrowing Costs	The definition of borrowing costs and accounting treatments: the notion of qualifying asset, how to capitalize borrowing costs in the amount of qualifying assets.
IAS 24	Related Party Disclosures	Details of related party relationships and transactions (legal and natural persons) who exercises control or significant influence over one of the group's companies or the management.
IAS 26	Accounting and Reporting by Retirement Benefit Plans	Principles and information on the retirement schemes (funds), distinguishing defined contribution schemes and defined-benefit.
IAS 27	Separate Financial Statements	IAS 27 outlines when an entity must consolidate another entity, how to account for a change in ownership, how to prepare separate financial statements, and related disclosures. The financial statements prepared by the company for year ended 31 December, 2014 are separate financial statements, therefore, consolidated financial statements are not applicable in this case. The Transilvanian Financial Investment Company, headquartered in Braşov, Nicolae Iorga Street, No. 2, helds, in present, 49,9998% of the share capital of SC Şantierul Naval Orşova SA, so, they have obligation to prepare the consolidated financial statements.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.112(a) **2. Basis of preparation (continued)**

IAS 28	Investments in ssociates	Defining the evaluation and information principles regarding investments in associates, except those held by: a) Venture capital organizations b) Mutual funds, unit trusts and similar entities, including insurance funds with an investment component which are considered to be at their fair value through profit or loss or classified as held for trading and accounted in accordance to IAS 39.
IAS 29	Financial Reporting in Hyperinflationary Economies	The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy should be presented in the current unit of measure at the financial statement preparation date, meaning non-monetary elements should be restated using a general price index from the date of purchase or contribution. IAS 29 provides that an economy is considered to be hyperinflationary if, among other factors, the cumulative index of inflation exceeds 100% over a period of three years. Continuous decrease of inflation and other factors related to the characteristics of the economic environment in Romania indicates that the economy whose functional currency was adopted by the Company, ceased to be hyperinflationary, affecting periods beginning 1 January 2004. Thus, amounts expressed in the measuring unit, current at 31 December 2003 are treated as the basis for the carrying amounts in the financial statements of the Company.
IAS 31	Interests in Joint Ventures	Accounting principles and policies to joint venture operations performed assets or holdings in a joint venture.
IAS 32	Financial instruments: presentation	Rules of presentation (classification of debt equity, expenses or income/equity).
IAS 33	Earnings per Share	Principles of determination and representation of earnings per share.
IAS 36	Impairment of Assets	Key definitions (recoverable amount, fair value less costs of disposal, value in use, cash-generating units), the frequency of impairment tests, accounting for the impairments, and for goodwill impairment.
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Defining provisions and approach of estimating provisions, individual cases examined (including the problem of restructuring).
IAS 38	Intangible Assets	Definition and accounting treatments for intangible assets, recognition and measurement policies on the processing costs for research and development etc.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.112(a) **2. Basis of preparation (continued)**

IAS 39	Financial Instruments: Recognition and Measurement	Recognition and measurement principles regarding financial assets and liabilities, the definition of derivatives, hedge accounting operations, the issue of fair value etc.
IAS 40	Investment Property	Establishing the evaluation method: fair value model or cost model, transfers between different categories of assets etc.
IFRS 1	First-time Adoption of International Financial Reporting Standards	The procedures for financial statements according to IAS / IFRS optional exemptions and mandatory exceptions to retrospective application of IAS / IFRS, supplemented by amendments applicable from 1 January 2013.
IFRS 5	Non-current Assets Held for Sale and Discontinued Operation	Defining an asset held for sale and discontinued operations, and the, evaluation of these elements.
IFRS 7	Financial Information: Disclosures	Financial information related to financial instruments are referring primarily to: (i) information about the significance of financial instruments; and (ii) information about the nature and extent of risks arising from financial instruments, supplemented by amendments applicable from 1 January 2013.
IFRS 10	Consolidated Financial Statements	Establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
IFRS 11	Joint Arrangements	Establishing principles for financial reporting for entities that hold interests in jointly controlled commitments..
IFRS 12	Disclosure of Interests in Other Entities	Requires an entity to disclose information that will enable users of its financial statements to evaluate: the nature and risks associated with interests held in other entities; and the effects of those interests on the financial position, financial performance and its cash flows.
IFRS 13	Fair value measurement	The definition of fair value, establishing, in a single IFRS, a framework for measuring fair value, requiring the presentation of information on fair value.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.112(a) 117(a)

3. Significant accounting policies

The accounting policies presented below have been applied consistently in all periods presented in these financial statements by the Company, except for matters described in note 2 (e) of changes in accounting policies.

IAS 1.41 Certain comparative amounts have been reclassified to conform with current year presentation.

a. Foreign currency

(i) Transactions in foreign currency

The Company's foreign currency transactions are registered at exchange rates communicated by the National Bank of Romania ("NBR") for the transaction date. Foreign currency balances are converted in RON at the exchange rates communicated by NBR for the balance sheet date. Gains and losses resulting from the settlement of transactions in a foreign currency and the conversion of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the financial result.

b. Financial instruments

(ii) Share capital

The share capital may be increased or reduced on the basis of decision of the extraordinary General Assembly of shareholders, under the conditions and in accordance with law No. 31/1990, company law, republished. Prior to any capital increase by subscription of new consideration, the company will proceed to update the value of tangible and intangible fixed assets owned. Ordinary shares are classified as equity.

c. Tangible Assets

IAS 16.73 (a) (i) Recognition and evaluation

Tangible assets are initially measured at cost, (those purchased from suppliers) or if the input value received as a contribution in kind to the establishment of share capital or increase of share capital.

For subsequent recognition of plant, naval means of transport and investment properties, the company has opted for the revaluation model (fair value model).

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.112(a)
117(a)

3. Significant accounting policies (continued)

Some of the tangible non-current assets were revalued based on government decisions ("GD") no. 945/1990, no. 26/1992, no. 500/1994, no. 983/1998, no. 403/200 and no. 1553/2003 by indexing the historical cost with indices prescribed in the respective government decisions. Increases of the tangible non-current assets' value resulting from these revaluations were initially credited to revaluation reserves and thereafter, except for the reevaluation made under GD. 1553/2003, in equity, in accordance with the respective government decisions. GD 1553/2003 foresaw the need to adjust the index value by comparing the utility value and market value. At 31 December 2006, the Company proceeded to review the value of buildings and special constructions using the opinion of specialists employed in the Company.

On 31 December 2007, the Company has not proceeded to review the value of fixed assets at the Orşova headquarters, instead Agigea Branch conducted a revaluation of fixed assets from the structures and ships category, before the merger, for the old company: SC Servicii Construcţii Maritime SA Agigea. During the years 2007, 2008 and 2009 were recorded entries in the technological equipment category and other intangible assets category which led to a presentation in the financial statements, of the assets from these categories both at historical cost indexed in accordance with government decisions (" GD "), which have been applied to date, as well as historical cost.

At 31 December 2009 the Company revalued the buildings and special constructions using the opinion of an independent external evaluator.

At 31 December 2010 and 31 December 2011 the Company has not made any revaluations of tangible assets held.

On 31 December 2012, the Company proceeded to the revaluation of naval buildings and vehicles, both at headquarters in the town of Orşova, as well as at Agigea branch using the opinion of an independent external evaluator.

On 31 December 2013, the Company revalued naval vehicles, both at headquarters in the town of Orşova, as well as at Agigea branch using the opinion of an independent external evaluator.

On 31 December 2014, the evaluated naval vehicles, using the opinion of an independent external evaluator.

On 31 December 2015, the Company proceeded to the revaluation of naval buildings and vehicles, both at headquarters in the town of Orşova, as well as at Agigea branch using the opinion of an independent external evaluator.

On 31 December 2016, the Company proceeded to the revaluation of buildings and naval vehicles amounted to the nature of shipping assets located at Agigea branch using the opinion of an independent external evaluator.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.112(a) 117(a)

3. Significant accounting policies (continued)

On 31 December 2017, the company proceeded to the revaluation of tangible assets such as naval vehicles amounted to the nature of shipping assets located in the branch Agigea using the opinion of an independent external evaluator.

Regarding the accounting treatment of revaluation differences, these were made in accordance with IAS 16 as follows:
If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.
If the carrying amount of an asset is impaired as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent that the revaluation surplus shows a credit balance for the asset. Reduction recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The Company has used the net value model. The amount of the revaluation surplus was credited to revaluation reserve balance for those non-current assets which fair value was higher than the net book value. For the non-current assets which fair value has been less than the carrying amount, firstly the revaluation surplus has been decreased and after that if necessary it has been reflected as an operating expense in the profit and loss statement.
Maintenance and repairs of tangible assets are recorded as an expense when incurred. Significant improvements of tangible non-current assets that increase the value or useful life or significantly increase the capacity to generate economic benefits are capitalized as asset.
Assets that have the nature of inventory objects, including tools are recorded as an expense when purchased and are not included in the account value of the tangible assets.

(ii) Reclassification to investment property

The transfer to or from investment properties shall be made if, and only if, there is a change in use.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.112(a) 117(a) **3. Significant accounting policies (continued)**

(iii) Depreciation of tangible non-current assets

Depreciation is the equivalent to irreversible impairment of an asset, as a result of normal use, natural factors, technical progress or other causes. Fixed assets' depreciation shall be accounted as an expense (recognized in profit or loss).
The company uses straight-line depreciation method for all tangible assets owned, by dividing the book value equally, over its useful life. The depreciation method is applied consistently to all assets of the same type and with identical conditions of use. If tangible assets are placed in conservation, the company did not account the depreciation expense, instead at the end of the period, the company will record a corresponding expense adjustment for the impairment of the asset. The degree of impairment will be determined as much as possible by a certified evaluator.
A significant change in the conditions of use of tangible assets or aging may justify a revision of the useful life. Also, if the tangible non-current assets are placed in conservation (their use is discontinued for a long period), the useful life can be revised.
The residual value and service life shall be reviewed at least at each financial year end.

Depreciation is calculated on the fair value, using the straight-line method over the estimated useful life of the assets as follows:

Asset	Years
Constructions	5 - 45
Equipment	3 - 20
Other equipment and furniture	3 - 30

Lands are not a subject of depreciation, as they are deemed to have an indefinite life.

The management continually evaluates the development plan. The effect of lifetime review, based on GD. 2139/2004, was reflected in the depreciation expense in the year 2005 and in future periods in the amount of depreciation expenses without any temporary differences.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.112(a) 117(a) **3. Significant accounting policies (continued)**

(iv) Derecognition

The account value of a fixed asset shall be derecognised:
- when disposed, or
- when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of a fixed asset shall be included in profit or loss when the item is derecognised. Gains shall not be classified as revenue.

d. Intangible Assets

(1) Cost

(i) Software

Costs for the development or maintenance of computer software programs are recognized as an expense when they occur. Costs that are directly associated with identifiable and unique products, controlled by the Company and will probably generate economic benefits exceeding costs for a period longer than one year are recognized as intangible assets. Direct costs include the development team staff costs and an appropriate proportion of overhead expenses.

Expenditure which results in extending the useful life and increasing the benefits of software over the initial specifications are added to the original cost. These costs are capitalized as intangible assets if they are not part of tangible assets.

(ii) Other intangible assets

All other intangible assets are recognized at cost.

Intangible assets are not revalued.

(2) Amortization

(i) Software

Software development costs capitalized and they are amortized using the straight-line method over a period between 3 and 5 years.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.112(a) 117(a) **3. Significant accounting policies (continued)**

(ii) Other intangible assets

Patents, trademarks and other intangible assets are amortized using the straight-line method over their useful life. Software licenses are amortized over a period of 3 years.

e. Investment property

An investment property is a real property (land or a building - or part of a building - or both) owned rather to earn rentals or for capital appreciation or both, rather than:

(a) used for production or supply of goods or services or for administrative purposes; or
(b) to be sold in the ordinary course of business.

For the evaluation after recognition, the company uses the fair value model, this accounting treatment has been applied to all investment properties.

A gain or loss arising from a change in fair value of investment property shall be recognized as an income or as an expense in the statement of comprehensive income for the period.

In determining the fair value of investment property, the company uses the services of certified values.

f. Inventories

Inventories are assets:

- Held for sale in the ordinary course of business;
- In process for sale in the ordinary course of business;
- Raw materials and consumables

Measurement of inventories

Inventories are required to be stated at the lower value between cost and net realizable value. Inventories should not be reflected in the statement of financial position an amount greater than the amount that can be obtained through their sale or use. In this case, the inventories value should be decreased to the net realizable value by reflecting a write-down.

Cost of inventories

The primary basis for accounting inventories is the cost .

The cost of inventories should comprise all costs of acquisition and processing and other costs incurred in bringing the inventories to the shape and place in which they are currently.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.112(a) 117(a) **3. Significant accounting policies (continued)**

Price differences over the cost of acquisition or production should be disclosed separately in the accounts and are recognized in cost of the asset.
Regarding the method of valuation, the company used, until December 31, 2010, the weighted average cost method, but starting from January 1, 2011, the company is using the first-in - first out method. This change in the accounting policy was necessary in order to be consistent with the accounting policy applied by the main shareholder, SIF Transilvania (49.9998% of the share capital, as shown), and which are preparing the consolidated financial statements. Our company is included in the scope of consolidation.

The cost of finished goods and work in progress includes materials, labor and indirect production costs associated. Where necessary, adjustments are made for wasted or obsolete inventories. The net realizable value is calculated as the selling price less costs to complete and costs necessary to make the sale

g. Impairment

(i) Financial assets (including receivables)
A financial asset or group of financial assets is impaired if, and only if, there are any objective evidence of impairment arising as a result of one or more events that occurred after the initial recognition of the asset, and these events have an impact on future cash flows of the financial asset or group of financial assets that can be estimated reliably. On each financial year date, the company examines whether there is any objective evidence that the financial asset or a group of financial assets is impaired. The loss is given by the difference between the asset's book value and the present value of future cash flows using the effective interest rate of the financial asset at initial recognition.
If in a subsequent period, an event occurring after the recognition of the impairment will determine an increase of the asset’s value, the impairment will be reversed.

h. Employee benefits

The Company makes payments to pension funds, health funds, unemployment funds, allowances and vacations for all staff. These expenses are recognized in the statement of comprehensive income for the period covered. At retirement, the company granted, as a stimulant, two salaries to every person who ceases contractual relationship with the company.
The Company does not operate any other pension plan or retirement benefits so it has no other obligations in respect of pensions.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.112(a) 117(a) **3. Significant accounting policies (continued)**

During the year, according to the collective labor agreement, depending on the possibilities of the company, employees can receive awards, financial aid for deaths in the family, serious and incurable illness etc.

i. Provisions

Provisions are recognized when the Entity has a present legal or constructive obligation, arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits and when a reliable estimate can be made of its amount.

(1) Provisions for annual vacations and other similar staff rights.

Company debt regarding annual employee vacations is recognized in proportion to the duration of untaken vacation days by the end of the year. At the balance sheet date, a provision for the estimated obligation is recognized, provision which includes both the actual amount of untaken vacation days and related social contributions. Also, for the retirement of employees who are qualified for this matter, the company established a provision according to the collective agreement stipulations through the valid period.

(2) Provisions for litigation

For those pending lawsuits, in which the company is the defendant and courts have not issued a final and executory judgment, the company made provisions for the amounts estimated. The amounts paid to the company customers, for any damage caused to the ship during transport, and which have failed to be recovered from the insurance company which issued the insurance policy and for whom there is a pending lawsuit, are treated similarly.

(3) Provisions for guarantees

For river vessels produced by the Company, it is stipulated in the export contracts that the seller is obliged to guarantee the proper execution, for a period of 6-9 months from date of sale (ownership transfer), depending on the complexity of the ships.
Provisions made for this purpose are based on calculation of the average share of total claims paid customer deliveries during the last period (previous year).

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.112(a) 117(a) **3. Significant accounting policies (continued)**

j. Revenue

Revenue refers to goods sold and services rendered.

Sales revenues include sales of ships and services provided (rentals and ship repairs) made in the ordinary course of business (excluding value added tax).

Revenue is recognized upon delivery of goods to the buyer or carrier, delivery against invoice, and for export products, after being charged and all the customs formalities are completed, or delivered to the place specified in the contract (port of destination), with the transfer of risks to the buyer.

Revenue is measured at the fair value of the counter performance received or to receive.

Interest incomes are recognized using the effective interest method in proportion to the relevant period of time, based on the principal and the effective rate until the maturity date or for a shorter period if this period is linked to the transaction costs, when it is established that the company will obtain such income.

IFRS 7.20,24 **k. Financial income and expenses**

Interest income is recognized as the income generates, on an accrual basis using the effective interest method in proportion to the relevant time, based on the principal and the effective rate over the period to maturity or a shorter period if this period is link to transaction costs, when it is established that the company will obtain such income.
Income from financial assets or dividends receivable from entities in which the Company is a shareholder, are recognized in the financial statements of the financial year in which they are approved by the General Meeting of each entity.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.112(a) 117(a)

3. Significant accounting policies (continued)

l. Income tax

The Company records current income tax using the taxable income from tax reporting, determined by the relevant Romanian legislation.

Income tax obligation for the reporting period and prior periods is recognized to the extent that is not paid.
If the amounts paid on the current and prior periods exceed the amounts due for those periods, the excess is recognized as recoverable amount.

Recognition of deferred tax assets and liabilities

Deferred income tax is, using the balance sheet method, based on temporary differences arising between the tax bases of assets and their carrying amount. Deferred tax assets are recognized to the extent that there is the possibility of achieving future taxable profit from which the temporary differences can be recovered.

4. Determination of fair value

Certain accounting policies of the Company and disclosure requirements demand the determination of fair value for both financial and non-financial assets and liabilities. Fair values were determined for evaluation and / or disclosure purposes based on the methods described below. Where appropriate, additional information about the assumptions used in determining the fair value are presented in the notes that are specific to the asset or the liability.

In the assessment of tangible and intangible assets, fair value measurement is an option. Fair value assessment is made for categories of assets and is treated as a revaluation. The excess resulting from revaluation directly affects equity, unless previously it was recognized as a revaluation loss. Revaluation losses affect the statement of comprehensive income, unless there is an added value previously accounted directly in equity. There are differences between the two asset structures in terms of how to determine the fair value.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

4. Determination of fair value (continued)

IAS 16 "Property, plant and equipment" asserts that: *"After recognition as an asset, an item of tangible assets whose fair value can be measured reliably shall be carried at a revalued amount, representing its fair value at the revaluation date minus any subsequent accumulated depreciation and any accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ significantly from that which would be determined using fair value at the balance sheet date."* **[9]**

IAS 38 "Intangible Assets" indicates: *"The purpose of revaluations under this standard, fair value shall be determined by reference to an active market".***[10]**

If IAS 16 "Property, plant and equipment" allows the determination of fair value through other methods if there isn't an active market, IAS 38 "Intangible Assets" narrow the assets that can be revalued, showing that only the assets for which an active market exists, can be revalued.

A special structure of non-current assets is the investment property. IAS 40 "Investment Property" offers two options for their evaluation: cost model or fair value model. As compared to IAS 16" Property, plant and equipment", where, if cost model is applicable, entities are only encouraged to disclose the fair value in the notes, IAS 40 "Investment Property" requires the estimation of fair value, for evaluation (fair value model) or to present in the notes (cost model).

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

4. Determination of fair value (continued)

For in assets held for continuing use, it can sometimes be difficult to estimate fair value minus costs of disposal. In the absence of a reliable basis for estimating the amount that an entity could obtain, from the sale of these assets in an arm's length transaction between knowledgeable, willing parties, IAS 36 ”Impairment of Assets” indicates that the entity may use the asset's value as its recoverable amount (fair value is equal with the value in use).

As of January 1, 2013 requirements are applicable to the valuation of assets and liabilities at fair value under IFRS 13 “Fair Value Measurement”. IFRS 13 applies to assets and liabilities held by an entity for which, in accordance with other standards, it is required or permitted a fair value measurement or disclosure about fair value is required.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.. The price used to assess the asset or liability at fair value is not adjusted by the amount of transaction costs because they are not a feature of the asset or liability, but a feature of the transaction.

Fair value assessment of an asset or liability considers the characteristics of the asset or liability which that market participants would consider in determining the price of the asset or liability at the measurement date.

Fair value measurement is performed on the assumption that an asset or liability is traded between market participants according to the normal conditions of sale of an asset or the transfer of a liability that characterizes the market at the measurement date. A normal transaction involves access to the market for a period that precedes evaluation enabling typical marketing activities and usual for those trading the respective assets or liabilities.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

5. Revenue

		2017 RON	2016 RON
IAS 18.35(b) (i)	Sales of goods	45,218,605	63,212,971
IAS 18.35(b) (ii)	Rendering of services	1,192,000	1,685,062
IAS 18.35(b) (iv)	Commissions	-	-
IAS 40.75 (f) (i)	Incomes from rental of investment properties	-	-
	Total	**46,410,605**	**64,898,033**

In the year 2017, compared with the previous year, the revenue from the sale of vessels built at the headquarters in Orsova recorded a significant decline, in particular as a result of the characteristics of the activity, that of production with a long cycle of manufacture. This decrease was assumed in the budget for the year 2017. In the year 2017 the company managed to complete and to deliver to the external customers a number of 7 ships. In the previous year (2016) they managed to deliver 14 ships, but stating that some of them were almost completed since 2015, but the delivery has been carried out in the year 2016. At the same time the structure and their complexity was different from one year to the another. Even if the company had covered the entire production capacity of the year 2017, the market for the construction of inland waterways vessels/sea continued to be insufficient.
The ship repair activity, although declining, didn’t known significant changes from the previous year. The main client was still NAVROM GALATI.

These presentations are made by the Company in accordance with IFRS 8.

6. Other income

	2017 RON	2016 RON
Rental income (other than rental of investment property)	8,208,356	10,912,204
Income from compensations and penalties	35,573	-
Other operating incomes	44,226	31,210
Total	**8,288,155**	**10,943,414**

Same as last year, the amounts entered in the position of rental income relates mainly to those from ship exploitation (hydro clap barge) rented at Agigea branch. With the exception of the periods when these hydro clap barges were in the repair/upgrades situation, the company

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

6. Other income (continued)

managed to keep in exploitation (via rental) the 5 hydro clap barges from branch Agigea. If in the previous year were carried out repair work to the ship Midia 6, in the year 2017, we have repaired other 4 hydro clap barges (Midia 5, Midia 8, Midia 13 and Midia 21).
These periods of inactivity have led, however, to a decrease of the incomes of approximately. 25% compared to 2016. It is estimated that as a result of the work carried out on these ships and the lease contracts signed in the year 2017 and early 2018, they will have the continuity in the operation and in the year 2018, abroad.

These presentations are made by the Company in accordance with IFRS 8.

7. Expenses related to inventories

	2017 RON	2016 RON
Raw materials	11,198,578	16,463,081
Consumables, including:	6,749,063	12,981,592
Auxiliary materials	5,927,004	11,254,499
Fuel	360,564	740,196
Spare parts	283,739	549,361
Other consumables	177,756	437,536
Materials in the form of small inventory	285,155	345,934
Materials not stored	163,643	272,044
Goods for resale	8,131	15,307
Trade discounts received	(1,326)	(1,334)
Total	**18,403,244**	**30,076,624**

8. Utility expenses

	2017 RON	2016 RON
Electricity	935,081	1,357,482
Water	28,027	53,475
Other expenses	-	-
Total	**963,108**	**1,410,957**

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.104

9. Personnel expenses

	2017	2016
	RON	RON
Salaries	14,809,488	16,571,082
Social security contributions	3,560,084	4,147,063
Total	**18,369,572**	**20,718,145**
Number of employees	**343**	**330**

10. Receivables allowances and inventories write-down

	2017	2016
	RON	RON
Bad debts written off	504,303	-
Impairment of current assets	379,896	153,003
Income from current assets Impairment	(721,298)	(125,351)
Total	**162,901**	**27,652**

IAS 1.97

11. Other expenses

	2017	2016
	RON	RON
Maintenance and repair expenses	200,777	166,266
Royalties and rental expenses	885,128	932,848
Insurance premiums	112,186	223,459
Commissions and fees	50,921	21,589
Protocol, promotion and advertising	44,935	32,908
Transport of goods and personnel	2,072,680	2,826,837
Travel	885,454	1,318,034
Postage and telecommunications	45,396	53,336
Bank commissions and similar charges	94,926	134,931
Other third party services	4,239,831	6,639,323
Other taxes, duties and similar expenses	374,916	425,285
Expenses with the environment protection	8,830	6,203
Losses from the fair value of investment property	26,204	-
Compensations, fines and penalties	-	594,558
Other operating expenses	60,550	63,873
Total	**9,102,734**	**13,439,450**

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.97 **11. Other expenses (continued)**

Both in total and in the structure - there is a decline in the expenditure in question, which is natural, taking in consideration the fact that the operational incomes have known a decrease from 2017, as shown. The costs regarding transport of goods and persons, expenses which are in close connection with the volume of income from the sale of goods have known a significant decline. They refer to the transport of river ships built at headquarters, on the route: Orşova - Rotterdam, or other delivery points from the Netherlands / Germany indicated in commercial contracts. While in 2016, 14 ships were delivered, in 2017 a total number of 7 ships were delivered. We specify that in accordance with contractual provisions, the transfer of ownership shall occur with the delivery of the ships in these points, throughout the transport risks being our task.

Due to lack of personnel and to ensure the delivery of the vessels, the company proceeded to the subcontracting of works of building ships, more than in previous years, highlighted the increase in costs and in the services performed by third parties.

Travel expenses and postings increased from last year refer mostly to foreign currency payments to navy crews hired, as long as they were leased to external.

Auditors' fees: The Company recorded in 2017 obligations to statutory auditors (fees) amounted at 64,929 RON, VAT included (during the year 2016 – 64,028 RON, VAT included), related to statutory audit of annual financial statements and for internal audit services, the amounts paid during 2017 were 39,339 RON, VAT included (for the year 2016 – 38,866 RON, VAT included). In 2017 the company did not benefit from tax advisory services and other non-audit services.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 1.86 **12. Financial Revenue and Expenses**

Recognized in income statement

		2017	2016
		RON	**RON**
IFRS 7.20 (b)	Interest income related to deposits	17,537	15,781
IAS 21.52 (a)	Income from exchange rate differences	1,092,197	1,124,431
	Other financial revenues	-	330
	Total financial revenue	**1,109,734**	**1,140,542**
IAS 7.20 (b)	Interest expense	-	36,172
IAS 21.52 (a)	Exchange rate differences expenses	586,577	1,017,368
	Other financial expenses	-	-
	Total financial expenses	**586,577**	**1,053,540**
	Net financial result	**523,157**	**87,002**

In connection with the above amounts are the following specifications:

- interest income is related to bank deposits build up during the year, and the majority was the interest for a deposit in the amount of 400,600 Euro, build up as collateral at BRD to guarantee an overall limit of 2 million Euro;
- The Interest expenses are related to the bank loans contracted in 2016. At 31.12.2017 the company had no bank loans;
- Incomes from exchange rate differences were lower that the exchange rate differences expenses, therefore, overall, in 2017 the Company registered a profit of 505,620 RON (in 2016: 107,063 RON). Approximately half of these favorable differences are from hedging transactions due in 2017.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

13a.Income tax expenses

Reference		2017	2016
	Current income tax expenses		
IAS 12.80 (a)	Current period	604,309	803,514
IAS 12.80 (b)	Adjustments of previous periods	-	-
	Deferred income tax expenses		
IAS 12.80 (c)	Initial recognition and reversal of temporary differences	314,242	34,790
IAS 12.80 (g)	Changes in previously unrecognized temporary differences	-	-
IAS 12.80 (f)	Recognition of previously unrecognized tax losses	-	-
	Total income tax expenses	**918,551**	**838,304**
IAS 12.81 (c)	**Reconciliation of effective tax rate**		
	Profit for the period	3,396,095	3,564,654
	Non-deductible expenses	1,207,979	1,203,017
	Non-taxable incomes	1,236,683	962,746
	Elements similar to expenses	-	-
	Legal reserve	169,805	178,216
	Revaluation surplus transferred to retained earnings	1,298,821	1,494,003
	Loss to be recovered from previous exercises	-	-
	Profit for the financial year	4,496,407	5,120,712
	Sponsorships	5,000	15,800
	Tax facilities regarding re-invested profit	110,116	-
	Total income tax	604,309	803,514
	Profit after tax	2,735,007	2,792,859
	Loss for the financial year for which no deferred tax asset was recognized	-	-

13b. Expenditure with the specific activity

Starting from the year 2017, with the entry into force of Law no.170/2016 relating specific activities tax, the company owes this type of tax for the canteen activity which is subordinated to it. We mention that on the premises of the company that it carries on its business with the canteen, its activity being consolidated to CAEN 5629 "Other services of food and so on." and entered in the Article of Association of the company as the secondary activity.

For the year 2017, the expenditure with specific activity due for this activity is in the amount of 13,671 RON.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

14. Deferred tax assets and liabilities

On May 1, 2009, the stipulations of Emergency Government Ordinance no. 34 were enforced, which have limited the deductibility of certain expenses in calculating the income tax. The greatest influence is due to the non-deductibility of revaluation surpluses transferred to retained earnings since 2004, the impact on income tax expenses of the Company being significantly. On 31 December 2017, the revaluation reserve related to revaluations after 1 January 2004 has decreased from the previous year and is amounted to 18,148,178 RON.

Deferred tax liabilities are represented by the amounts of income taxes payable in future periods as a result of existing taxable temporary differences. In the determination of deferred tax, the tax rate used is stipulated in fiscal regulations in force at the date of the financial statements, respectively 16%.

Deferred tax assets and liabilities are attributable to the following items:

	ASSETS		**LIABILITIES**		**NET**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Tangible Non-Current Assets	210,329	260,644	75,209	35,575	135,120	225,069
Employee Benefits	97,493	58,715	66,241	26,996	31,252	31,719
Tax incentives	-	-	131,780	28,515	(131,780)	(28,515)
Receivables/liabilities	248,001	7,793	248,001	7,793	-	-
Deferred tax assets/liabilities	**555,823**	**327,152**	**521,231**	**98,879**	**34,592**	**228,273**

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 16 **15. Tangible Non-Current Assets**

		Land and buildings	Machines and Equipment	Furniture and fixtures	Work in progress	Total
		RON	**RON**	**RON**	**RON**	**RON**
	Cost or assumed cost					
IAS 16.73 (d)	Balance at 1 January 2017	22,304,207	50,280,895	525,317	691,499	73,801,918
IAS 16.73 (e)(i)	Acquisition	314,236	3,441,911	38,024	967,019	4,701,126
IAS 16.73 (e)(ii)	Disposals of tangible non-current assets	105,336	913,244	2,519	1,496,673	2,457,708
	Net reevaluation	-	470,054	-	-	470,054
IAS 16.73 (d)	Balance at 31 December 2017	22,513,107	53,279,616	560,822	161,845	76,515,390
	Depreciation and impairments					
IAS 16.73 (d)	Balance at 1 January 2017	2,055,568	34,937,606	457,149	-	37,450,323
IAS 16.73 (d)(vii)	Depreciation for the year	1,941,995	2,708,528	18,213	-	4,668,736
IAS 16.73 (d)(vi)	Reversal of impairment losses	(32,476)	49,507	-	-	17,031
IAS 16.73 (d)(ii)	Disposal of tangible non-current assets	8,255	893,770	2,519	-	904,544
IAS 16.73 (d)	Balance at 31 December 2017	3,956,832	36,801,871	472,843	-	41,231,546
IAS 1.78 (a)	**Net book value**					
	Balance at 1 January 2017	**20,248,639**	**15,343,289**	**68,168**	**691,499**	**36,351,595**
	Balance at 31 December 2017	**18,556,275**	**16,477,745**	**87,979**	**161,845**	**35,283,844**

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 16 **15. Tangible Non-current Assets (continued)**

On 31 December 2017, land has a book value of 1,201,941 RON and represents an area of 86,000 square meters, of which:
• 85,790 square meters at its headquarters in Orşova and
• 210 square meters at its Branch in Agigea, Constanta County.

In the course of the year 2017 the company has put up for sale by tender two plots of land in the area Gratca, of 937 square meters and 3,988 square meters, in accordance with the management decision of 16 February 2017. Although these lands have not found yet their buyers, they have been classified in an appropriate manner as non-current assets held for sale (account 311).

The company has completed cadastral situation for the entire area of the premises owned by Orşova headquarters. The company has completed the land register for the whole situation in the area of property at its headquarters in Orşova.

Revaluation of tangible non-current assets

On 31 December 2004, the value of tangible non –current assets is presented at historical cost, indexed in accordance with government decisions ("GD"), which were applied by that date or at historical cost.
At 31 December 2005 the Company proceeded to revise the value of tangible assets by using the opinion of specialists, employed by the Company. At 31 December 2006, the Company proceeded to review the value of buildings and special constructions using the opinion of specialists, employed in the Company. On 31 December 2007, the Company has not proceeded to review the value of assets at the Orşova headquarters, instead, Agigea Branch conducted a revaluation of fixed assets of structures and ships group, before the merger, under the old name: SC Servicii Construcţii Maritime S.A. Agigea.

During 2007, 2008 and 2009 there were entries recorded in the technological equipment category and other intangible category which leads to a presentation in the financial statements, of the assets of these groups, both at historical cost indexed in accordance with government decisions (" GD "), and historical cost.

At 31 December 2009, the Company proceeded to the revaluation of buildings and special constructions, both at the headquarters in the town of Orşova and at Agigea branch, using the opinion of independent external evaluators. The reflection method of the revaluation in the company's bookings was to eliminate the depreciation from the book value of assets. The amount of the revaluation surplus was credited to revaluation reserve balance for those targets whose fair value was higher than the net book value, and for the other purposes for which the fair value has been less than the book value a reduction of the existing revaluation surplus was reflected affecting

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 16 **15. Tangible Non-current Assets (continued)**

operating expenses for the purposes for which revaluation reserves were not previously recognized or the recognized revaluation reserve was insufficient to cover the decrease.

At 31 December 2010 and 2011, the company did not revalued non-current assets.

At 31 December 2012, the company revalued buildings and means of naval transport, both at headquarters in the town of Orşova and Agigea branch using the opinion of an independent external value. The Company has used the net value model. The amount of the revaluation surplus was credited to revaluation reserves for those assets which fair value was higher than the net book value, and for the other assets which fair value has been lower than the book value a reduction of the existing revaluation surplus, was reflected affecting operating expenses for the purposes for which revaluation reserves were not previously recognized or the recognized revaluation reserve was insufficient to cover the decrease.
For the fixed assets that are under conservation at Agigea branch, an impairment of 6,739 RON was recognized.

At 31 December 2013, the company proceeded to the revaluation of means of naval transport, both at headquarters in the town of Orșova and Agigea branch using the opinion of some independent external evaluators. The reflection method of the revaluation in the company's bookings was to eliminate the depreciation from the book value of assets. The amount of the revaluation surplus was credited to revaluation reserve balance for those targets whose fair value was higher than the net book value, and for the other purposes for which the fair value has been less than the book value a reduction of the existing revaluation surplus was reflected affecting operating expenses for the purposes for which revaluation reserves were not previously recognized or the recognized revaluation reserve was insufficient to cover the decrease.
For the fixed assets that are under conservation at Agigea branch, an impairment of 155,474 RON was recognized, at the end of 2013; at 31.12.2012 the impairment was 6,739 RON.

At 31 December 2014, the company proceeded to the revaluation of means of naval transport using the opinion of some independent external evaluators, applying the same rules and methods regarding the registration of the resulting differences.
For the fixed assets that are under conservation at Agigea branch, an impairment of 195,218 RON was recognized, at the end of 2014; at 31.12.2013 the impairment was 155,474 RON.

At 31 December 2015, the company proceeded to the revaluation of means of naval transport, both at headquarters in the town of Orșova and Agigea branch using the opinion of some independent external evaluators. The reflection method of the revaluation in the company's bookings was to eliminate the depreciation from the book value of assets. The amount of the revaluation surplus

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 16 **15. Tangible Non-current Assets (continued)**

was credited to revaluation reserve balance for those targets whose fair value was higher than the net book value, and for the other purposes for which the fair value has been less than the book value a reduction of the existing revaluation surplus was reflected affecting operating expenses for the purposes for which revaluation reserves were not previously recognized or the recognized revaluation reserve was insufficient to cover the decrease.

For constructions and ships, an increase amounted at 2,181,569 RON was recorded. However analyzed individually, there are positions that present decreases, their total value is amounted at 3,591,056 RON, out of which 3,416,821 RON were incurred from revaluation surplus previously recorded for these items and 174,235 RON were supported on costs.
Please note that further information regarding the revaluation can be found in the Administrators' report prepared and presented separately in the general meeting of shareholders.

The company has used the services of a certified evaluator DARIAN DRS SA, headquartered in Timisoara. The evaluator has long experience and our collaboration is for approx. 4 years.
Valuation techniques used by the evaluator for fixed assets under IFRS 13.91, were as follows:
• The cost approach for naval means of transport and for fixed assets in conservation
• The income approach for leased buildings (investment properties).

On December 31, 2017, the company proceeded to the revaluation of fixed assets amounted to the nature of shipping assets, using the same external independent evaluator's opinion and based on the same rules on recording differences in results. In the ordinary general meeting of shareholders, the results of this reassessment will be presented as visually distinct agenda.
For fixed assets placed in conservation at Agigea branch was recognized an impairment at the end of the year 2017 total of 304,490.18 RON (to 31.12.2016 this impairment was of 287,458.76 RON)

According to IFRS 13, valuation at fair value of buildings and means of naval shipping supposed taking into consideration the characteristics of the assets, which users of financial statements would consider in determining the price of the asset at the balance sheet date. Fair value determination was carried out by an independent external evaluator and shall be treated as level 2 under IFRS 13 for the data taken into account in determining the fair values as at 31 December 2017, the date of financial reporting. At the company level, there has not been any change of the level presented by IFRS 13 for the data taken into account in determining the fair values. Also, the maximum amount for assets valued at fair value does not differ from the current amount of use.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 16 **15. Tangible Non-current Assets (continued)**

Tangible non-current assets presented at fair value, compared with cost model according to IAS 16.77 (e)

- RON-

Name	Land	Plant	Equipment (Means of transport)
Fair value at 31.12.2017	1,201,941	21,311,166	10,289,738
Revaluation surplus	572,314	18,790,615	5,431,297
Net book value according to cost model	629,627	2,520,551	4,858,441

Impairment losses and subsequent reversals

The revaluation and an impairment test for assets under conservation at Agigea branch were made at 31.12.2017. This resulted in an 304,490 RON impairment related to the fixed assets other then the buildings, the previous year the value was of 287,459 RON, of which related to the group of buildings 32,476 RON.

Pledged or mortgaged tangible assets

To guarantee the multi-option and multi-currency global limit, in value of 2,000,000 EUR (same as the previous year), made available by BRD-GSG SA, the Company established the following:

- First rank mortgage on the following properties: Repair hall, New Hall, Thermal power station, Compressors Station and PSI Shed, Operating Group, Cafeteria, Merged building, all together with the related land, buildings assessed in accordance with the Warranty Monitoring Report at 1,512,800 EUR market value, registered in the Land Registry under the following numbers 1133, 1146, 1121, 1145, 1134, 1135 and 1132;
- Security interest with dispossession on a deposit in value of 400,600 EUR.
- Warrant in form of Assignment of receivables in total value of 13,150,000 EUR, resulting from signed contracts, from which 8 (seven) uncollected contracts at 31.12.2017 amounted at 12,051,000 EUR.

Tangible assets in progress:

The company has several investment objectives in progress that could not be completed by 31.12.2017, amounted at 161,846 RON:

- Ongoing investments regarding the repair/upgrades of the slipway, in amount of 69,788 RON
- Repairs done on the administrative branch, in amount of 92,058 RON

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 16 **15. Tangible Non-current Assets (continued)**

Changes in Accounting Estimates

At the revaluation conducted in 31.12.2015, some of the fixed assets that were fully depreciated, have been assigned a new value, which led to a reconsideration of their useful life, term that was used in the depreciation calculation, starting with 2016. In the year 2017, for hydro clap barges vessels, in the branch, which have been repaired/upgraded, along with the capitalization of these costs was done and to a reconsideration of the terms of life, the life which were then used in the calculation of depreciation.

Changes in classification

At December 31, 2012 when the financial statements were restated in accordance with IFRS, the company reconsidered certain assets, according to IAS 40, from the fixed assets category to investment property. The assets are represented by two buildings under the Agigea Branch management (headquarters and merged building), which are given to use, by rental, to third parties. At 31.12.2015 these buildings are no longer in this situation and they were reconsidered in the buildings category where were featured throughout the year 2016. In the year 2017 have not been carried out such classifications, whereas the situation has not imposed.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 38 **16. Intangible Assets**

		Other assets	Total
IFRS 3.61 *IAS 38.118 (c), (e)*			
	Cost	**RON**	**RON**
IFRS 3.B67 (d)(viii),IAS 38.118	Balance at January 1, 2017	1,221,846	1,221,846
IAS 38.118(e)	Acquisitions	9,081	9,081
	Disposals of intangible assets	1,024	1,024
IAS 38.118	Balance at December 31, 2017	1,229,903	1,229,903
	Amortization and impairment		
IFRS 3.B67 (d)(i),IAS 38.118	Balance at January 1, 2017	1,165,744	1,165,744
IAS 38.118(e)(vi)	Amortization during the year	31,956	31,956
IAS 38.118(e)(iv)	Impairments	-	-
	Disposals of intangible assets	1,024	1,024
IFRS 3.B67 (d)(viii),IAS 38.118	Balance at December 31, 2017	1,196,676	1,196,676
	Book values		
IAS 38.118(c)	**Balance at January 1, 2017**	**56,102**	**56,102**
IAS 38.118(c)	**Balance at December 31, 2017**	**33,227**	**33,227**

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 39 **17. Other investments, including derivatives**

Investment securities are recognized in the financial statements in accordance with IAS 27 (reviewed in 2010), IAS 36 (reviewed in 2009), IAS 39 (reviewed in 2009) and IFRS 7 (issued in 2008). With the stipulation from the 4 standards, the company adopted the following policy for the recognition and valuation of shares and securities:

- investments in subsidiaries, jointly controlled entities and associates are recognized at cost ;
- short-term investments held for sale, unlisted on the stock exchange market, are recorded at cost. For value depreciation, the company makes adjustments (the depreciation treatment for these securities is determined by IAS 39, paragraph 63);
- short-term investments held for sale listed, on the stock exchange market, are recorded at fair value (the value of trading on the last day of the year). In case of winnings or losses, they will be recognized in capital. If there are any objective evidence of impairment (as presented in paragraph 59 of IAS 39), as well as gains and losses from exchange rate differences, the loss of value is recognized in the period result.

		2017			**2016**	
Other investment	**Book value**	**Allowance for impairment**	**Net worth**	**Book value**	**Impairment adjustments**	**Net worth**
Long-term investment						
Shares held at Kritom	684,495	684,495	0	684,495	684,495	0
Total long-term investment	**684,495**	**684,495**	**0**	**684,495**	**684,495**	**0**

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 39 **17. Other investments, including derivatives (continued)**

In 1993, S.C. Servicii Construcţii Maritime S.A. ("SCM"), a company acquired by Şantierul Naval Orşova S.A. during the financial year ended 31 December 2008, made with the Anonymous Society "Domik Kritis", based in Crete, a joint venture named "Kritom Shipping Company", based in the city Iraclio, Crete. The share capital owned by SCM at Kritom Shipping Company was 49%. According to existing data in the Company's records, Kritom increased its share capital twice without consulting SCM, so SCM hired a lawyer to check the legality of the capital increase.

Anonymous Society "Domiki Kritis" presents the total amount of share capital of "Kritom Shipping Company" in the amount of 1,923,545 EUR, consisting of 6,565 shares, worth 293 euros each, and two shareholders structure is:

- Anonymous Society "Domik Kritis' 4.505 shares, representing 68.62% of the share capital;
- The Company: 2,060 shares, representing 31.38% of the share capital..

In accordance with IFRS 13, fair value evaluation of short term investments assumes taking into consideration the characteristics that market participants would consider in determining the price of the asset at the measurement date. Fair value determination was made according to the available information on the interbank market and is assimilated to the first level required by IFRS 13 for data taken into account in determining the fair values at December 31, the reporting date. In the Company, changing the level prescribed by IFRS 13 for the data taken into account in determining the fair values relating to bank deposits was not the case. Also, the maximum utilization value of the evaluated assets at fair value does not differ from the current value of use.

On 31 December, 2017, the Company had fully set up impairments for these securities, amounted to 684,495 RON, so the net value on 31 December 2017 was 0 RON (the same situation was registered at 31 December, 2016).

As specified above, the impairment indicators have litigious nature. The Convention establishing Kritom shipping company states that the company period is during 1992-2012. From the steps taken, the data and information that we have, it is not certain whether the company is operating or not.

This financial asset is part of the investments held until their due date category, in accordance with IFRS 7.8.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

IAS 39 **17. Other investments, including derivatives (continued)**

Trade receivables and other receivables

On 31 December 2017, the company had outstanding receivables amounted to 101,243 RON as follows:

- Warranty for fuel acquisition from Rompetrol	6,000 RON
- Escrow (Holland)	93,194 RON
- Warranty Orşova Customs	2,049 RON

IAS 40 **18. Investment properties**

The company did not have investment properties at 31st December 2017 (neither at 31st December 2016)

19. Inventories

		2017	**2016**
		RON	**RON**
IAS 1.78 (c),2.36(b)	Raw materials and consumables	9,540,180	7,971,275
IAS 1.78(c), 2.36(b)	Work in progress	39,638,964	38,158,625
IAS 1.78(c), 2.36(b)	Finished goods	-	-
	Non-current assets held for sale	68,853	-
	Write-downs	(7,053,422)	(7,176,048)
	Inventories at net value	**42,194,575**	**38,953,852**

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

19. Inventories (continued)

IAS 1.104,2.36(e)(f) For inventories made out of metal, older than 3 years, and for other inventories older than 2 years, without movement, the company adjusted the book value, making a total write-down of 7,053,422 RON. Of this total value, 6,542,985.29 RON, represents the write-down of production in progress related to two external orders, and was calculated as the difference between the estimated costs for these orders and contract price, as presented in the administrators report, Chapter 4.2.1.

Evolution of inventory write-downs

		2017	**2016**
		RON	**RON**
IAS 1.104,2.36(e,g)	Opening balance	(7,176,048)	(7,119,505)
IAS 1.104, 2.36(e,g)	Write-downs reversal	201,202	49,392
IAS 1.104, 2.36(e,g)	Write-downs	(78,576)	(105,935)
	Closing balance	**(7,053,422)**	**(7,176,048)**

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

20. Trade receivables and related, other receivables and accrued expenses

		2017	2016
		RON	**RON**
IAS 1.78 (b)	Trade receivables	8,891,134	6,367,059
	Receivables allowances	(2,962,681)	(3,254,685)
IFRS 7.8(c)	**Loans and net receivables**	**5,928,453**	**3,112,374**
	Receivables – total	**757,481**	**832,029**
	Sundry debtors	271,975	364,897
	Suppliers – debtors	157,272	33,603
	VAT receivable and under settlement	316,590	415,101
	Allowances for other receivables	(375,477)	(302,249)
	Other expenses	387,121	320,677
	Total trade receivables and other receivables	**6,685,934**	**3,944,403**
	Accrued expenses	**23,394**	**42,990**
	Total	**6,709,328**	**3,987,393**

Trade receivables showed an increase unlike the same period of the previous year especially from uncollected trade receivables. The balance of uncollected trade receivables refers to current invoices, some of them are collected in the first days of 2018, there is no doubt regarding their collection. However, at 31.12.2017 there were, in Agigea branch's records, uncollected trade receivables older than 1 year for which there were recognized receivables allowances amounted to 2,962,681 RON.

Company's trade receivables are denominated in the following currencies:

Currency	**2017**	**2016**
USD	19,359	19,359
EUR	1,790,202	1,187,348
RON	473,992	891,883

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

20. Trade receivables and related, other receivables and Accrued expenses (continued)

Movements of the Company's receivables allowances are as follows:

	2017	2016
	RON	RON
On 1 January	3,254,685	3,294,833
Allowances reversed	429,159	52,575
Recognized allowances	137,155	12,427
Balance at end of period	**2,962,681**	**3,254,685**

21a. Short term investments

Deposits in banks in RON	6,500,000	4,300,000
Deposits in banks in foreign currency	1,863,880	1,816,440
Total	**6,363,880**	**6,116,440**

Deposits at banks in RON and foreign currency deposits in banks, presented by the company as other short term investments as at 31 December 2017 relates to deposits with a maturity of between three months and one year.

21b. Cash and cash equivalents

	2017	2016
	RON	RON
Bank accounts in RON	3,482,692	1,866,492
Bank account in foreign currencies	6,057,167	13,465,716
Petty cash in RON	10,973	14,505
Petty cash in foreign currencies	-	-
Other values	15,936	14,214
Total	**9,566,768**	**15,360,927**

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

22. Capital and reserves

Share capital

IFRS 7.7 IAS 1.79(a)(i),(iii)

The share capital structure on December 31, 2017 is as follows:

	Number of shares	Amount (RON)
SIF 3 Transilvania	5,711,432	14,278,580
SIF 5 Oltenia	3,200,337	8,000,843
SIF 4 Muntenia	1,504,600	3,761,500
Other corporate shareholders	861,173	2,152,932
Other individual shareholders	145,377	363,443
	11,422,919	**28,557,298**

The subscribed and paid up share capital is amounted to 28,557,298 RON, divided into a number of 11,422,919 nominal and dematerialized shares, each worth 2.50 RON.
Compared with the existing ownership structure at 31 December 2016, there are no significant changes. There is, however, a slight increase of individuals holdings by increasing the SIF5 Oltenia of almost 7% in total holdings.

Shareholders name	**Percentage of ownership (%)**	
	2017	**2016**
SIF 3 Transilvania	49.9998	49.9998
SIF 5 Oltenia	28.0168	21.2017
SIF 4 Muntenia	13.1717	13.1717
Other corporate shareholders	7.5390	7.7852
Other individual shareholders	1.2727	7.8416
Total	**100.00**	**100.00**

The company's shares are dematerialized, ordinary and indivisible.
The identification data for each shareholder, the contribution to the share capital, number of shares owned and the participation of the shareholder in share capital are presented in the shareholder register kept by the company registry (Central Depository) contractually designated for this purpose.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

22. Capital and reserves (continued)

Each subscribed and paid share, grants the shareholders, under the law, the right to vote in the General Meeting of Shareholders, to vote or to be elected to the governing bodies, the right to participate in the distribution of profit or any rights derived from the shareholder quality.

Owning shares involves adherence to the status and subsequent amendments.
During 2017 there were no changes in share capital.

Reserves

The Company distributes to the legal reserve 5% of profit before tax, to the limit of 20% of the capital. These amounts are deducted from the basis of income tax calculation. Legal reserves cannot be distributed to shareholders.

The company has not yet reached the maximum level of legal reserves.

Revaluation reserve	Total reserve	Reserves taxed	Untaxed reserves
Recorded before 2004	6,646,048	-	6,646,048
Recorded at 31.12.2006	1,521,976	767,072	754,904
Recorded at 31.12.2007	4,752,716	1,523,402	3,229,314
Recorded at 31.12.2009	1,045,652	361,265	684,387
Recorded at 31.12.2012	3,527,493	1,273,592	2,253,901
Recorded at 31.12.2013	1,085,685	269,207	816,478
Recorded at 31.12.2014	158,397	48,817	109,580
Recorded at 31.12.2015	5,358,714	1,066,938	4,291,776
Recorded at 31.12.2016	227,491	24,133	203,358
Recorded at 31.12.2017	470,054	-	470,054
	24,794,226	5,334,426	19,459,800

Revaluation reserves related to revaluations made after 1 January 2004 will be taxed in the same time with the deduction of fiscal depreciation at taxable profit calculation, or at the disposal of fixed assets which refer to these reserves, according to tax regulations.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

22. Capital and reserves (continued)

IAS 1.107 **Profit appropriation / Cover for previous loss**

In 2012 and 2013, due to losses, the company does not distribute dividends to shareholders. The profit for the financial year 2014 and 2015 was used to cover part of the losses from previous years, remaining at 31 December 2016 uncovered loss worth 5,907,571.68 RON, plus a loss carried forward from the accounting correction amounting of 11,339 resulting a total loss carried forward of 5,918,910.68 RON.

It is also subject of approval by the AGOA in April 7^{th}, 2017, by the Board of Directors following:

- In relation to loss carried forward of 5,907,571.68 RON and the accounting correction amounting of 11,339 RON, from other reserves (1068 account representing the net profit in the previous financial years as a source of financing).
- Approval to cover losses recorded due to influences arising from the adoption of IAS 29, respectively, of the amount of 40,458,523.95 RON, in 118 account flow "The result carried forward from the first-time adoption of IAS 29" by using the following elements of equity:
    - Account 1028 "Adjustments to the capital" for the amount of 23,496,413.77 RON;
    - Account 1061.02 "Legal reserve account from the application of IAS 29" for the amount of 6,618,312.95 RON;
    - Account 1068.02 “other Reserve Account from the application of IAS 29" for the amount of 10,343,797.23 RON.
- Approval of the apportionment of the amount of 33,995.30 RON profit reported resulting from the transition to the application of the IFRS, as its own source of funding.
- Approval of distributions of net profit of the year 2016 worth 2,614,643 RON (after the formation of the legal reserve 5% = 178,216 RON) on the following destinations:
    - 2,284,583.80 RON in the form of dividends, representing 0.2 RON/share;
    - 330,059.20 RON as its own source of funding (available to the Company)

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

23. Earnings per share

Earnings per share are calculated by dividing the net result for the financial year with the weighted average number of ordinary shares outstanding at the end of year. Diluted earnings per share is determined by adjusting the net attributable profit of ordinary shareholders and the weighted average number of shares outstanding, adjusted by the number of own shares held, with dilution effects of all potential ordinary shares.

IAS 33.70(a) **Profit attributable to ordinary shares**

	2017	2016
Profit (loss) for the period	2,721,336	2,792,859
Dividends for unredeemed preference shares		
Profit (loss) attributable to ordinary shares	**2,721,336**	**2,792,859**

IAS 33.70(b) **Weighted average number of ordinary shares**

	2017	2016
Ordinary shares issued on 1 January	11,422,919	11,422,919
Effect of own shares held	-	-
Effect of share options exercised	-	-
Weighted average number of ordinary shares at 31 December	11,422,919	11,422,919

IAS 33.70(a) **Profit attributable to ordinary shareholders (diluted)**

	2017	2016
Profit attributable to ordinary shareholders (basic)	2,721,336	2,792,859
Interest expense related to convertible bonds after tax	-	-
Profit attributable to ordinary shareholders (diluted)	**2,721,336**	**2,792,859**

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

23. Earnings per share (continued)

IAS 33.70(b) **Weighted average number of ordinary shares (diluted)**

	2017	**2016**
Weighted average number of ordinary shares (basic)	11,422,919	11,422,919
Effect of conversion of convertible bonds	-	-
Effect of share options issued	-	-
Weighted average number of the ordinary shares (diluted) at 31 December	11,422,919	11,422,919
Earnings per share	**0.24**	**0.24**

24. Loans

IFRS 7.7,8 This note provides information about the contractual terms of the Company's interest-bearing loans, measured at depreciation cost. For more information on the Company's exposure to interest rate risk, currency risk and liquidity risk, it can be seen in Note 5 of this package of notes to the financial statements according with IFRS.

Current liabilities

	2017	**2016**
Current portion of secured bank loans	-	-

At the end of 2017 and 2016 the company had no loans contracted.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

24. Loans (continued)

Values of guarantees provided by the Company for short-term loans are presented below:

Explanations guarantees	**2017 RON**	**2016 RON**	
Land	573,608	559,009	BRD
Buildings	6.475,586	6.310,767	BRD
Receivables	56.154,045	40.595,890	BRD
Pledge (collateral deposit)	1.863,880	1.816,440	BRD

Note:

1. On 31st of December 2017 society have approved a single overall limit to BRD guaranteed as stated below.

2. Buildings have been evaluated and taken as warranty at the following market value:
- 2013 - 1,733,000 EUR (* 4.4847 RON/EUR= 7,771,985 RON)
- 2014 - 1,733,000 EUR (* 4.4351 RON/EUR= 7,686,000 RON)
- 2014 - 640,204.14 EUR (* 4.4821 RON/EUR= 2,869,459 RON)
- 2015 - 1,615,300 EUR (* 4.5245 RON/EUR=7,308,424 RON)
- 2016 – 1,512,800 EUR (* 4.5411 RON/EUR=6,869,776 RON)
- 2017– 1,512,800 EUR (* 4.6597 RON/EUR=7,049,194 RON)

3. Receivables -value of letters of credit that will be charged by the concerned bank (BRD):
- 2013 - 3,566,760 EUR (* 4.4847 RON/EUR= 15,995,848 RON)
- 2014 - 2,213,440 EUR (* 4.4821 RON/EUR= 9,920,859 RON)
- 2015 - 4,472,000 EUR (* 4.5245 RON/EUR= 20,233,564 RON)
- 2016 - 2,480,000 EUR (* 4.5411 RON/EUR=11,261,928 RON)
- 2017- 0 EUR (* 4.6597 RON/EUR= 0 RON)

4, Pledge on a deposit in the amount of 589,000 EUR BRD, plus accrued interest of:
- 2013 - 589,000 EUR (* 4.4847 RON/EUR= 2,641,488 RON)
- 2014 - 589,000 EUR (* 4.4821 RON/EUR= 2,639,957 RON)
- 2015 - 642,714.64 EUR (* 4.5245 RON/EUR=2,907,962 RON)
- 2016 – 400,000 EUR (* 4.5411 RON/EUR=1,816,440 RON)
- 2017- 400,600 EUR (* 4.6597 RON/EUR=1,863,80 RON)

The company does not have lease contracts.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

24. Loans (continued)

Through the ***credit agreement No. 70/31.07.2013 and the addendum no. 5 from 30.06.2017*** with BRD-GSG Orsova, the Company contracted an uncommitted credit facility as an overall limit, multi-currency and multi-options in the amount of 2,000,000 (two million) EUR, valid until 30.06.2018, and a limit to hedge foreign exchange amounting to USD 1,489,000.
The overall unconfirmed limit has several sub-limits, as mentioned below, provided that the maximum value of sub-limits does not exceed in any moment the total amount of 2,000,000 EUR limit:

- Unconfirmed and bi-currency credit line facility in value of maximum 2,000,000 EUR, usable in the following currencies: RON and EUR;
- Facility for issuing letters of guarantee ("SGB facilities") - a maximum of 2,000,000 EUR, usable in the following currencies: RON and EUR, with an issuing date valid until 30.06.2018. Validity of guarantee letters issued shall not exceed 24 months from the issue date;

The credit facility is destinated to finance current activities of the borrower and/or garantee his obligations, as well as to perform transactions with derivatives.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

25. Employee benefits

a) The remuneration of directors and administrators

The Company did not grant advances or loans to directors or administrators in the financial year ended 31 December 2017.

Wage expenses

	Financial year ended at 31 December 2017 (RON)	**Financial year ended at 31 December 2016 (RON)**
Administrators	713,432	408,418
Directors	774,451	690,814
	1,487,883	**1,099,232**

The composition of the Board of Directors, as resulting from the vote at a general meeting of shareholders in April 2015, when the new Board of Directors was elected, shall be as follows:

The Board of Directors is as follows:

Mr. Mihai Fercală – President

Mr. Firu Floriean – Member

Mr. Lucian Ionescu – Member

Mr. Dan Voiculescu – Member

In 2016 the structure of the Board of Directors will be clarified so that it will respect the legal stipulations of the Articles of Incorporation regarding the number of administrators, which has to be odd. Subsequently, in the year 2016, the general meeting of shareholders on April 2016, the Board was filled with the fifth administrator, being chosen in that position Mr Pantea Marius Ion - member.

Allowances and other rights granted to directors are set out in art. 35 of the Articles of Incorporation and management contracts that were approved by the General Meeting of Shareholders, on 17 April 2015, and wages and other executive rights were determined by the Board of Directors, complying with the limits laid down in art. 35 of the Articles of Incorporation and in the Mandate Contract between the Board of Directors and the General Director. The mandate of the current Board of Directors ends on April 17, 2019.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

25. Employee benefits (continued)

Salaries payable at period end:

	31 December 2017 (RON)	31 December 2016 (RON)
Administrators	33,703	26,826
Directors	18,595	16,573
	52,298	**43,399**

b) Employees

The average number of employees during the year was as follows:

	Financial year ended at 31 December 2017	Financial year ended at 31 December 2016
Administrative staff	44	44
Direct productive staff	245	238
Indirect productive staff	54	48
	343	**330**

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

26. Provisions

		Warranty	Litigations	Other Provisions	Total
		RON	RON	RON	RON
IAS 37.84(a)	**Balance at January 1, 2017**	**-**	**180,371**	**414,003**	**594,374**
IAS 37.84(b)	Provisions recognized during the current period	-	86,926	588,683	675,609
IAS 37.84(c)	Reversal of provisions during the current period	-	-	-	-
IAS 37.84(d)	Complete reversal of provisions during the current period	-	89,549	393,360	482,909
IAS 37.84(a)	**Balance at December 31, 2017**	**-**	**177,748**	**609,326**	**787,074**

IAS 37.85(a),(b) **Warranty:** It refers to the guarantees granted to customers for 6-12 months after delivery as stipulated in commercial contracts. The amount of the provision was calculated based on the paid compensation in total deliveries from the previous year. At 31.12.2017, the company had cancelled the previously established provisions, because damages or compensation under warranty did not exist and were not paid.

IAS 1.125 **Litigation:**

- The reduction of the tax on buildings - the rate of 10 % for the payment of the entire flow of anticipation until 31 March 2017 - The City Hall Orsova, worth of 12,110 RON, action, is still an open case in Orsova Court.
- Fees of the arbitrators for external disputes partially established in previous years, partly in the course of the year 2017 (165,638 RON).

These provisions are decreasing from the previous year, as a result of the fact that the company has been admitted by the opposition concerning At the same time, the company has recovered the accessories for payments from legal entities for the disabled.

Other provisions: At 31.12.2017, the Company had established provisions for untaken vacation days’ worth 498,017 RON (in 2016: 392,811 RON) and employee retirement benefits amounted at 111,309 RON (in 2016: 21,192 RON).

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

27. Trade payables and other liabilities

	2017	2016
	RON	RON
Trade payables - short term	6,672,582	6,759,838
Social security and other taxes	1,179,595	894,218
Suppliers - invoices to be received	138,353	32,784
Other creditors	432,093	480,758
Total	**8,422,623**	**8,167,598**

28. Financial instruments

General presentation

The Company is exposed to the following risks from financial instruments usage:

- Credit risk
- Currency exchange risk
- Liquidity risk
- Market risk

These notes to the financial statements disclose information about the Company's exposure to each of the above risks, objectives, policies and processes for assessing and managing risk and procedures for capital management. These disclosures are made by the Company in accordance with IFRS 8. Also, these financial statements include other quantitative information.

The general risk management

The Board of Directors has overall responsibility for the establishment and oversight of the overall risk management in the Company.

Company's risk management policies are defined to ensure the identification and analysis of risks faced by the Company, setting appropriate limits and controls, monitoring risks and compliance with the established limits.

Policies and risk management systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training standards and management procedures, aims to develop an orderly and constructive control environment in which all employees understand their roles and obligations.

The internal auditor of the Company performs standard and ad hoc missions to revise the controls and risk management procedures, the results being presented to the Board of Directors.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

28. Financial instruments (continued)

Credit risk

Credit risk is the risk that the Company could incur a financial loss as a result of failure to fulfill contractual obligations by a customer or counterparty for a financial instrument, and this risk results primarily from trade receivables and financial investments of the Company.

Credit risk arises when a customer fails to fulfill its contractual obligations and reduces cash inflows arising from trade receivables. The Company has a significant concentration of credit risk. The Company applies specific procedures to ensure the credit control and receivables aging.

Credit risk exposure

IFRS. 7.36(a) The book value of financial assets represents the maximum exposure to credit risk.
The maximum exposure to credit risk at the reporting date was as follows:

	Note	2017	2016
		RON	RON
Trade receivables	20	8,891,134	6,367,059
Cash and cash equivalents	21b	9,566,768	15,360,927

IFRS. 7.34(a) The maximum exposure to credit risk on loans and receivables at the reporting date by geographic region was as follows:

	2017	2016
	RON	RON
Internal market	473,992	891,883
USD area	75,335	83,307
EUR area	8,341,807	5,391,869
	8,891,134	**6,367,059**

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

28. Financial instruments (continued)

IFRS. 7.34(a) The maximum exposure to credit risk on loans and receivables at the reporting date based on the type of counterparty was as follows:

	2017	2016
	lei	**RON**
Wholesalers	-	-
Retailers	-	-
Final consumers	-	-
Others	8,891,134	6,367,059
TOTAL	**8,891,134**	**6,367,059**

The Company, according to the nature of its activity, commercializes products and services on the foreign markets, especially in the European Community. The manufactured products are of high value (naval and sea ships) with a long manufacturing cycle and are addressed to a relatively narrow market segment. Therefore, when negotiating contracts, the company wishes, as far as possible, to cash an advance payment and to collect the rest of the payment, through an irrevocable letter of credit. The number of customers and percentages owned in total deliveries in recent years are as follows:

CLIENT / BENEFICIARY	YEAR 2017	YEAR 2016
Rensen Driessen Shipbuilding B.V. (NL)	59.6%	47.2%
Damen Group (NL).	-	25.2%
Vos Kaiser	-	7.0%
WPI Ship Bulding BV (NL)	12.4%	6.3%
W.A.T.Driessen Holding B.V. (NL)	-	5.4%
Consiliul Județean Caraș Severin	-	5.2%
Zeendecat BV (NL)	13.8%	-
Zanen Shipbuilding BV (NL)	14.2%	-
BF Don Quichot B.V. (NL)	-	3.7%
TOTAL	**100%**	**100%**

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

28. Financial instruments (continued)

Receivables Allowances

IFRS 7.37(a) Aging of loans and trade receivables at the reporting date was as follows:

	Depreciation	**Gross Value**	**Depreciation**	**Gross Value**
	2017	**2017**	**2016**	**2016**
	lei	**lei**	**lei**	**lei**
Before due	-	5,928,453	-	3,112,374
Overdue from 30 days -1 year	-	-	-	-
Overdue from more than one year or litigious	(2,962,681)	2,962,681	(3,254,685)	3,254,685
Total	**(2,962,681)**	**8,891,134**	**(3,254,685)**	**6,367,059**

IFRS 7.16 Trade receivables allowances evolution during the reporting year is disclosed in Note 10.

In the first 6-9 months after the delivery of ships, the Company, provides a performance warranty according to the contract clauses and also estimates a provision for warranties.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in fulfilling its contractual obligations associated with financial liabilities that are settled in cash.
The Company's approach regarding liquidity risk is to ensure, as far as possible, that it has at any moment sufficient liquidity to settle its liabilities when they fall due, both under normal conditions and under difficult conditions, without incurring material losses or jeopardizing the reputation of the Company.

To prevent certain situations that could put the company unable to meet its payment obligations on time, as noted, the company has contracted one global limit of 2,000,000 EUR where they can engage needed credits.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

28. Financial instruments (continued)

Regarding contracted loans, the Company has a certain exposure to changes in interest rates, particularly in rates due in less than 6 months, or exposure due to the devaluation of the national currency against loan currency. At 31.12.2017 the company did not have contracted any loans. However, if the contracted loans are denominated in EUR, they are exposed to the devaluation risk and have a variable interest rate, as stated below:

Variable rate loans	**2017**	**2016**
	euro	**euro**
	-	-
Up to 1 year	-	-
Between 1 and 5 years	-	-
Exceeding 5 years		

The Company is exposed to foreign currency risk through sales, purchases and loans that are denominated in their currencies other than the functional currency of the Company, however the currency in which the most transactions are settled, is RON.

IFRS 7.34 *Exposure to currency risk*

Company exposure to currency risk is presented below, based on national values:

	2017		**2016**	
	EUR	**USD**	**EUR**	**USD**
	lei	**lei**	**lei**	**lei**
Trade receivables	8,341,807	75,335	5,391,869	83,307
Guaranteed bank loans	-	-	-	-
Trade payables	3,232	-	1,354,108	-

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

28. Financial instruments (continued)

Currency exchange rates, calculated as the average rate recorded during the reporting year and the previous year and exchange rates communicated by the National Bank of Romania on the last day of the year, were:

Currency	**Average rate**		**Spot rate at the reporting date**	
RON	**2017**	**2016**	**2017**	**2016**
EUR	4.5681	4.4908	4.6597	4.5411
USD	4.0525	4.0592	3,8915	4.3033

a. Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Income and cash flows of the Company may be affected by fluctuations in market interest rates, since the Company has contracts for short and long term loans, bearing interest and with a variable component.

Further, the financial instruments that the Company uses to protect itself from significant variation of the variable components of interest will be described.
It will be mentioned whether the Company quantifies and analyses the impact of possible changes in interest rates on profit or loss.

Exposure to interest rate risk

At the reporting date, the interest rate risk exposure of interest-bearing financial instruments held by the Company was:

Variable rate instruments	**Book value (RON)**	
	2017	**2016**
	lei	**lei**
Financial assets	-	-
Financial liabilities	-	-

Fixed rate instruments	**Book value (RON)**	
	2017	**2016**
	lei	**lei**

Financial assets	-	-
Financial liabilities	-	-

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

28. Financial instruments (continued)

b. Capital management

The Company's capital management objectives are to ensure the protection and the ability to reward shareholders, to maintain an optimal capital structure to reduce capital costs.
In order to maintain or change the capital structure, the Company may change the number of dividends paid to shareholders, shareholders capital yield, issue new shares or sell assets to reduce debt.
The Company monitors the amount of capital raised on indebtedness. This rate is the ratio of net debt and total equity. Net debts are calculated as total net cash debts. Total equity is calculated as equity plus net debt.

	2017	**2016**
	lei	**lei**
Total liabilities	8,422,623	8,167,598
Cash and cash equivalents	9,566,768	15,360,927
Total shareholders' equity	**100,352,120**	**100,964,863**

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

29. Contingent assets and contingent liabilities

a. Litigation and disputes

The Company is involved in several legal actions that have risen in the normal course of business. The management of the Company considers that they will have no adverse effect on the financial performance and on the financial position of the Company. At 31.12.2017, the balance of contingent assets consisting of court actions in which the Company has the position of the accuser for damages made by former employees is amounted at 19,839 RON.

b. Taxation

The Romanian taxation system is undergoing a process of consolidation and harmonization with the European Union legislation. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties (0.1% per day delay until 30 June 2010). Starting at 1 July 2010, the interest is 0.04% and penalties are 5% for a total delay between 30 and 60 days and 15% for a delay over 60 days. Starting with July 1, 2013 interest charged for each day of delay were set at 0.04% and the applicable penalty rates for each day of delay changed to 0,02%. For the period, subsequent to the date of 1 January 2016, the interest charged for each day of delay were set at 0.02 %, and the odds of the applicable penalties for each day of delay changed to 0.01%. In Romania, the fiscal year remains open to checking tax for five years. The Company’s management believes that tax included in these financial statements are appropriate.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

29. Contingent assets and contingent liabilities (continued)

c. Administrators' remuneration

For the administration activity of the Company, on a management agreement basis, it was agreed to pay a fixed remuneration, issued in the memorandum or the decision of the General Meeting of Shareholders, and a variable remuneration in relation to the achievement of the indicators presented in the revenues and expenditures budget. In accordance with the Decision of The General Meeting of Shareholders, the Company sets the gross profit that will be the base for calculating the annual variable remuneration of administrators. Only after determining the profit level, the variable remuneration is quantified, remuneration which is approved at the General Meeting of The Shareholders which also approves the annual financial statements. The amount of the variable remuneration is based on profit before tax calculation and expense / payment involved by this operation is recognized in the year, when it is approved by The General Meeting of Shareholders.

d. Onerous contracts

An onerous contract is a contract entered with another party under which the unavoidable costs of fulfilling the terms of the contract exceed any revenues expected to be received from the goods or services supplied or purchased directly or indirectly under the contract and where the entity would have to compensate the other party if it did not fulfill the terms of the contract. These unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. As at 31 December 2017, the Company had no onerous contracts.

e. The contingent liabilities related to the environment

Environmental regulations are developing in Romania and the Company has not recorded any liability at 31 December 2017 and 31 December 2016 for any anticipated costs, including legal and consulting fees, site studies, the design and implementation of remediation plans, related to environmental matters. Management does not consider the costs associated with environmental issues to be significant.

f. Insurances taken out

At the end of 2017, the Company has concluded insurance policies for owned vehicles and tangible assets pledged and mortgaged.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

29. Contingent assets and contingent liabilities (continued)

g. Transfer price

Romania's tax legislation has stipulated rules regarding transfer pricing between related parties since 2000. The current legislative framework defines the "market value" principle for transactions between related parties, and the transfer pricing methods. As a result, it is expected that the tax authorities to initiate thorough checks of transfer pricing, to ensure that fiscal result and/or the customs of imported goods are not distorted by the effect of prices in relationships with affiliates.

h. Warranty letters

At 31st December 2017, BRD-GSG SA have issued to our company a total of four (4) letters of guarantee in total of 257,000 EUR and 231,024.66 RON, of which:
- 3 letters of guarantee to ensure the advance in value of 257.000 EUR issued for CONCORDIA SHIPBUILDING BV HOLLAND, available until 30th of August 2018;
- 1 letter of guarantee of good payment in the amount of 231,024.66 RON available until 31st of December 2018 issued in favor of Compania Naționale Administrația Porturilor Maritime Constanța;.

30. Related parties

SIF Transilvania SA that owns 49.9998% of the share capital of Şantierul Naval Orsova SA is a self-managed, closed financial investment company, classified as "other collective investment undertakings with a diversified investment policy".
SIF Transilvania SA has its administrative headquarters in Brasov, Nicolae Iorga Street, No.2, Brașov, is registered at ORC under no. J 08/3306/1992 and is identified by its unique registration code (CUI) no. 3047687.
The share capital of SIF Transilvania, worth 218,428,666.40 RON, consists of 2,184,286,664 common, nominative shares, issued at a nominal value of 0.1 RON/ share and is traded on Bucharest Stoke Exchange from 1 November 1999.
SIF Transilvania's investment portfolio consists of shares in listed companies and unlisted various industries: tourism, finance, engineering industry, group which includes Șantierul Naval Orşova SA., other branches of the national economy, banks, insurance.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

30. Related parties (continued)

SIF Transilvania SA is administered by a two tier Executive Board structure under the control of a Supervisory Board.
S.I.F. Transylvania aims to administrate investment portfolios and permanently identify investment opportunities in terms of ensuring a reasonable level of investment risk dispersion, in order to give shareholders the opportunity to achieve attractive performance, while increasing capital. Investment portfolios consists of stocks, bonds and other financial instruments, the main sectors in which the company holds interests are tourism, financial sector (banking and non-banking), real estate and energy.
Depository services for financial instruments held in the portfolio are provided by BRD-Groupe Societe Generale, and the Company's financial statements are audited by Deloitte Audit S.R.L. Bucuresti.
S.I.F. Transylvania is a member of the European Private Equity & Venture Capital Association (EVCA) based in Brussels, Asset Managers Association of Romania (AAF) and the Chamber of Commerce and Industry Brasov.
During the period ended at 31 December 2017, the Company conducted transactions with affiliated entities (entities controlled by SIF Transilvania SA) as follows:

Acquisitions of goods and services

	2017	**2016**
	RON	**RON**
ARO Palace Braşov	1,463	1,202
Independenţa Sibiu	488,734	187,609
TOTAL	**490,197**	**188,811**

According to IAS 24 "Related Party Disclosures" section.17-18:

- outstanding balances of receivables and liabilities between related parties are related to commercial transactions and are conducted under terms and conditions similar to terms and conditions which were accepted by third parties and are not guaranteed;
- we cannot provide additional information regarding the given or received guarantees as it was not appropriate to represent;
- We did not establish impairment adjustments on doubtful debts related to outstanding balances and we did not register expenses regarding bad or doubtful debts regarding related parties for which was not the case.

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

31. Events after the Reporting Period

(i) Exchange rate movements

On 15th February 2018, the RON/USD exchange rate was 3.7337 (this represents an appreciation of RON against USD by 4.05% compared to December 31, 2017), and the RON/EUR exchange rate was 4.6598 (this is an appreciation of RON against the EUR by 0.01% compared to December 31, 2017).

(ii) Inflation

The official inflation rate communicated by the National Statistics in 1998 was 40.6%, in 1999 it was 54.8%, in 2000 it was 40.7%, in 2001 it was 30.3%, in the year 2002 the inflation was 17.8%, in 2003 it was 14.1% , in 2004 was 9.3 %, in 2005 it was 8.6 %, in 2006 it was 4.87%, in 2007 it was 6.57%, in 2008 was 6.3%, in 2009 it was 4.74 % , in 2010 it was 7.96%, in the year 2011 it was 3.14%, in 2012 it was 4.95%, in 2013 it was 1.55%, in 2014 it was 1,07%, in 2015 it was -0,59%, in 2016 it was -1,55%, and in 2017 it was 1.3%.

The separate financial statements were approved by the Board of Directors on February 15, 2018 and were signed by:

Administrator,	Prepared by,
Dr. Ec. Mihai Fercală	Ec. Gheorghe Caraiman

STATEMENT

The undersigned Eng. Mircea Sperdea – general manager and Ec. Gheorghe Caraiman – economic manager of S.C. Şantierul Naval Orşova SA with head-office in the town of Orşova, no. 4 Tufări Street, Mehedinţi County, we state that according to our knowledge, the annual financial-accounting situation, corresponding to the year 2017 which was drawn up in compliance with the accounting standards applicable, offer an accurate and corresponding image of the real status of the assets, obligations, financial position, profit and loss management of the above mentioned company.

We stipulate that the company has no branch offices.

We set forth, as well, that the Annual Report of the Management Board of S.C. Şantierul Naval Orşova S.A. drawn up for the year 2017, comprises an accurate analysis of the progress and performances of the company together with the main risks and uncertainties specific to the activity carried out.

General Manager,	Economic Manager,
Eng. Mircea Sperdea	Ec.Gheorghe Caraiman

INDEPENDENT AUDITORS' REPORT

(Free translation)

To the Shareholders of
ŞANTIERUL NAVAL ORŞOVA S.A

Unmodified auditor's opinion

1. We have audited the accompanying separate financial statements of Şantierul Naval Orşova SA („the Company"), with headquarters in Orsova, Tufari Street, No. 4, identified by unique tax registration number RO1614734, which comprise the statement of financial position as at December 31, 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to separate financial statements for the year ended.

2. Separate financial statements at December 31, 2017, are identified as follows:

- Revenues:	56,153,987 RON
- Net profit:	2,721,336 RON
- Total assets:	102,353,120 RON

3. In our opinion, the separate financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Accounting Law no. 82/1991, republished, including subsequent amendments and additions, Order of the Minister of Public Finance of Romania no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and the Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, including subsequent amendments and additions.

Basis for unmodified auditor's opinion

4. We conducted our audit in accordance with International Standards on Auditing ("ISA"), the EU Regulation No 537 of the European Parliament and of the Council of the European Parliament (the "Regulation") and the Law no. 162/2017 ("the law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. We consider that the audit evidences we have obtained are sufficient and appropriate in order to form a basis for our audit opinion.

Key audit matters

5. The key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.

i) Revenue recognition

At the level of revenue recognition there are risks of material misstatements like the situations where these may not be recognized by the company's management in accordance with applicable accounting regulations. There may be risks both in terms of the amount of revenue recognized as well as the time of their recognition of possible material misstatements regarding the application of the principle of accrual-based accounting.

Our response to these risks of material misstatements have resulted in performing audit procedures with the purpose of: analysis of contracts, testing the revenue recognition method in accordance with the contract clause. With respect to the likelihood of material misstatements connected with the application of the principle of accrual-based accounting, we realized procedures whereby we correlated the revenue recognition moment with the signing of protocols of reception of ships.

ii) Valuation of receivables

According to the applicable accounting regulations, the management achieves assertions concerning the assessment of receivables at the reporting date, presenting them at the value at which they are expected to be completed.

Our response concerning the risks of material misstatement relating to the management assertions related to the valuation of such receivables at the reporting date, resulted in audit procedures whereby we tested the recognition of doubtful receivables as well as tests for the recalculation of the provisions for doubtful receivables, for those receivables whose due date had been exceeded by more than a year, i.e. claims in involved in litigation.

iii) Inventories evaluation

The management's assertions regarding to valuation can raise risks of material misstatements that would manifest in the sense of failure to apply of accounting regulation regarding valuation of stocks at the reporting date, which state the stocks are valuated at the minimum of cost and net realizable value.

Our response to these risks of material misstatements with regard to valuation assumed tests by which we observed the nature of expenditure capitalized in cost of production. We tested the depreciation of stocks estimated by management of the company by taking as a basis the net realisable value of the reference, and we performed procedures whereby we obtained reasonable assurance that there are no material misstatements with respect to these assertions.

iv) *Continuity of activity*

The management of the entity is responsible for the evaluation and assessment of preconditions for continuity in the establishment of the financial statements.

Our response was the understanding of the existing risks in connection with the management's assertions regarding on-going concern and we analyzed aspects of developments, the budget of income and expenditure approved for 2018, we have examined the records and the minutes of the Management Board and the General meetings of shareholders and financial contracts for 2018.

All of this led us to the assessment that:

- presumption of going concern in the preparation of the annual financial statements, assumed by the company's management, is adequate; and
- we have not identified any significant uncertainty that could question the company's ability to continue working, in the foreseeable future.

Other Information – Management Report

6. Directors are responsible for compiling and presenting other information. That other information includes the Directors' Report but does not include the financial statements and the auditor's report thereon.

Our opinion on individual financial statements does not cover this other information, and unless expressly stated in our report, we do not express any assurance about it.

In relation to the audit of the individual financial statements for the year ended at December, 31st 2017, it is our responsibility to read that other information and, in doing so, to assess whether that other information is materially inconsistent with the financial statements or with this knowledge that we obtained during the audit whether they appear to be significantly denatured.

As far as the Directors' Report is concerned, we have read and reported that it has been prepared in all significant aspects in accordance with Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, chapter III, points 15-20.

On the sole basis of the activities to be carried out during the audit of the financial statements, in our opinion:

a) The information presented in the Directors' Report for the financial year for which the financial statements have been prepared is consistent, in all significant aspects, with the financial statements;

b) Directors' Report has been prepared in all significant aspects in accordance with Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, chapter III, points 15-20;

In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the separate financial statements for the year ended December, 31st 2017, we are required to report whether we have identified significant misstatements in the Directors' Report. We have nothing to report on this issue.

Other matters

7. We mention that our duty was limited strictly to the realisation of the statutory audit regarding the separate financial statements of the Company at December 31st, 2017, not being assigned to perform the audit of the consolidated financial situations if it was the case.

8. This independent auditor's report is addressed exclusively to the shareholders of the Company. Our audit was conducted in order to be able to report to the shareholders in accordance with the reporting requirements of a financial audit, and not for other purposes. To the extent to which the law allows it, we do not accept and assume any responsibility except for the Company and its Shareholders in respect to our audit, to the report on the separate financial statements and the report on conformity or the opinion.

9. The annexed financial statements are not meant to show the financial position, the financial performance and a complete set of notes to the separate financial statements in accordance to accounting regulations and principles in other countries and jurisdictions than Romania. Therefore, the annexed separate financial statements are not for the use of persons who are not familiar with legal regulations in Romania, including OMFP no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and OMFP no. 2844/2016 for the approval of the accounting regulations in accordance with International Financial Reporting Standards.

Responsibility of management and those responsible for governance for financial statements

10. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the Accounting Law no. 82/1991, republished, including subsequent amendments and additions, Order of the Minister of Public Finance of Romania no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and the Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards and for internal control that management deems necessary to enable it to prepare financial statements free of material misstatement, whether due to fraud or error.

11. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and

using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

12. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

13. Our objectives are to obtain reasonable assurance that the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to the issuance of an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISA will always detect significant misstatement, if any exists. Distortions may be caused either by fraud or by error and are considered significant if reasonable assurance can be given that they, individually or collectively, will influence the economic decisions of users made on the basis of these financial statements.

14. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

15. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

16. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them about all relationships and other matters that may reasonably be thought to bear with our independence and, where applicable, related safeguards.

17. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

18. We were appointed by the General Meeting of Shareholders at the date of 7 April 2017, as a result of a public selection of tenders in the statutory audit, for the audit of the financial statements of the Company for the financial year ended on 31 December 2017. The total uninterrupted period of our commitment is 13 years, covering the financial years from 31 December 2005 to 31 December 2017.

We confirm that:

- Our audit opinion is in accordance with the additional report presented to the Audit Committee of the Company, which we have issued on the same date in which we have delivered this report. Also, in the conduct of our audit, we have kept the independence regarding the audited entity.

- We have not provided the Company with prohibited non audit services, as referred to Article no. 5 paragraph (1) of the EU Regulation No 537/2014.

Timişoara, March 7, 2018

On behalf of A.B.A. AUDIT SRL

Registered with the Chamber of Financial Auditors from Romania
No. 305/23 December 2002

Dr. Dumitrescu Alin Constantin

Registered with the Chamber of Financial Auditors from Romania
No. 4227/29 February 2012.