

INDIVIDUAL SEPARATE FINANCIAL STATEMENTS AT 30.06. 2019

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BIANNUAL REPORT

**FOR SEMESTER I 2019, IN COMPLIANCE WITH THE ASF
REGULATION NO. 5/2018 (appendix no. 14 from the regulation)**

DATE OF THE REPORT: 08th of August 2019

NAME OF THE TRADING COMPANY: S.C. ŞANTIERUL NAVAL ORŞOVA S.A

HEADQUARTERS: NO. 4 TUFĂRI STREET, ORŞOVA TOWN, 225200 MEHEDINŢI COUNTY

PHONE: 0252/362399; FAX: 0252/360648

REGISTRATION CODE FOR VAT PURPOSES: RO1614734

NUMBER IN THE TRADE REGISTER: J25/150/1991

SHARE CAPITAL ISSUED AND PAID UP: 28.557.297,5 LEI

REGULATED MARKET WHERE THE REAL ESTATE VALUES ISSUED ARE

TRANSACTIONED: STOCK EXCHANGE BUCHAREST (symbol: SNO)

MAIN PROPERTIES OF THE REAL ESTATE VALUES ISSUED BY THE ISSUER:

NEGOTIABLE ON THE STOCK MARKET

1. IMPORTANT EVENTS, RISKS AND UNCERTAINTIES, TRANSACTIONS WITH AFFILIATED PARTIES

Generally, the activity from the 1st semester of 2019 was carried out according to the provisions and scope settled through the expenses and income budget corresponding to this period.

All the 4 river barges planned to be delivered during this semester were completed both technically/constructively, but only 3 were accepted by the beneficiaries, one of which had registered delay in relation to the final acceptance because, on one side, of the lack of manpower at the corrosion protection activity, and, on the other side, of the decreased Danube level, which caused the impossibility of launching in due time.

Even though there existed certain drawbacks, the activity during the 1st semester 2019 of S.C. Şantierul Naval Orşova S.A. was carried out with increased profitability, both in comparison to the period corresponding to the previous year and also at the level stipulated in the BVC.

The turnover showed increase from the period corresponding to last year, namely 8,55%, especially because of the structure of the production realized (type of ships built), relating to the scope of our activity, yet it was by 15,55% smaller than the level foreseen in the income and expenses budget for the 6 months.

The income was realized mainly based on the production of ships in Orşova (85,08%) and the rest (approx. 14,92%) based on the income coming from the renting of the barges from Agigea Branch. During this period there were delivered abroad a number of 3 body ships amounting to 4.650.217 Euro, built at the main site and were partially rented the 5 barges from Agigea.

During the corresponding period of the last year, there were delivered 3 ships amounting to 4.429.648 Euro.

In comparison to the provisions from the BVC, the income from operation were realized 84,59%, and the gross income 154,53% as there will be further shown.

According to the cost centers we may find that:

- the main office recorded on the 30.06.2019 a gross income of 1.542.283, while during the period corresponding to the previous year was 1.484.670 lei, (103,88%);
- the branch in Agigea realized a level of the gross profit of 775.675 lei, increasing from the period corresponding to the previous year when the value of 458.429 lei (169,20%) was realized.

Apart from the above descriptions, there were existing factors which had a negative influence on our activities, out of which the following are to be mentioned:

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- The lack of qualified manpower represented and still represents a serious drawback in carrying out the activity of our company also for the 1st semester of 2019. There is permanent concern within the department of human resources of our company in order to overcome this situation.
- The carrying out of the activity at the main headquarters in open spaces (under the clear sky) most part of the year and consequently the dependence to the unfavorable weather conditions which have greatly influenced the work productivity.
- Difficulties related to the subcontracting or recruiting qualified manpower for the corrosion protection – painting work of the ships.
- Although the Arbitration Board from Rotterdam decided for the litigation between our company and the company Veka Shipbuilding B.V. (the Resolution from 13.06.2019) in the sense that this company is obliged to open the LC for the 2 coastal ships built by SNO for this client, the latter did not act according to the resolution named above, the term given by the court of 4 weeks being exceeded.

II. DETAILED INFORMATION CONCERNING:

1. THE ECONOMICAL AND FINANCIAL SITUATION

a) Balance sheet elements at 30.06.2019

The assets, capitals and debts at 30.06.2019, in comparison to the same period of the previous year, are thus:

| A | No. row | Sold at | | % |
|--|------------|-------------------|-------------------|---------------|
| | | 30.06.2019 | 30.06.2018 | |
| B | | 1 | 2 | 3 |
| FIXED ASSETS | | | | |
| I. TANGIBLE ASSETS | 01 | 38,735,793 | 34,741,859 | 111,5 |
| II. INTANGIBLE ASSETS | 02 | 2,181 | 17,343 | 12,58 |
| III. FINANCIAL ASSETS | 03 | 100,850 | 101,271 | 99,58 |
| FIXED ASSETS-TOTAL (row.01 to 03) | 04 | 38,838,824 | 34,860,473 | 111,41 |
| CURRENT ASSETS | | | | |
| I. FUNDS | 05 | 49,213,976 | 47,961,518 | 102,61 |
| II. DEBTS | 06 | 13,176,293 | 13,197,740 | 99,84 |
| III. SHORT-TERM FINANCIAL INVESTMENTS | 07 | 8,502,775 | 6,647,237 | 127,91 |
| IV. CASH AND ACCOUNTS AT BANKS | 08 | 10,824,984 | 9,423,029 | 114,88 |
| CURRENT ASSETS - TOTAL (row.05 to 08) | 09 | 81,718,028 | 77,229,524 | 105,81 |
| ADVANCED EXPENSES | 10 | 252,569 | 209,453 | 120,58 |

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| | | | | | |
|--|--------|----|------------|------------|--------|
| ADVANCED INCOMES | | 11 | 8,294,813 | - | - |
| DEBTS WHICH MUST BE PAID WITHIN ONE YEAR | | 12 | 13,490,557 | 19,174,275 | 70,36 |
| CURRENT NET ASSETS/CURRENT NET DEBTS (row.09 +10 -11-12) | | 13 | 60,185,227 | 58,264,702 | 103,30 |
| TOTAL ASSETS MINUS CURRENT DEBTS (row.04 +13) | | 14 | 99,024,051 | 93,125,175 | 106,33 |
| DEBTS WHICH MUST BE PAID IN MORE THAN A YEAR | | 15 | 4,407,949 | 3,652,198 | 120,69 |
| PROVISIONS | | 16 | 192,254 | 238,719 | 80,54 |
| SUBVENTIONS FOR INVESTMENTS | | 17 | 1,762 | 2,793 | 63,09 |
| CAPITAL AND RESERVES | | | | | |
| I CAPITAL (row 19 to 21) out of which: | | 18 | 24,149,349 | 24,905,100 | 96,96 |
| -subscribed and paid capital | | 19 | 28.557.298 | 28.557.298 | 100,00 |
| -other elements of the capital (ct.103) | Sold C | 20 | | | |
| | Sold D | 21 | 4,407,949 | 3,652,198 | 120,69 |
| II. CAPITAL PREMIUMS | | 22 | 8.862.843 | 8.862.843 | 100,00 |
| III. RESERVES FROM REEVALUATION | | 23 | 29,304,792 | 24,703,271 | 118,63 |
| IV. RESERVES (ct.1061+1063+1068) | | 24 | 24,025,608 | 23,667,781 | 101,51 |
| V. REPORTED RESULT, EXCEPT FOR THE REPORTED RESULT COMING FROM THE FIRST APPLICATION OF THE IAS 29 (CT.117) | Sold C | 25 | 6,353,858 | 5,617,410 | 113,11 |
| | Sold D | 26 | | - | |
| VII. PROFIT OR LOSS AT THE END OF THE REPORTING PERIOD (CT.121) | Sold C | 27 | 1,841,534 | 1,572,215 | 117,13 |
| | Sold D | 28 | | - | |
| Profit allocation | | 29 | 115,898 | 97,155 | 119,29 |
| OWN CAPITALS - TOTAL (row. 18+22+23+24+25-26+27-28-29) | | 30 | 94,422,086 | 89,231,465 | 105,82 |
| Public assets/ESTATE (ct.1026) | | 31 | | | |
| CAPITALS – TOTAL (row.30+31) | | 32 | 94,422,086 | 89,231,465 | 105,82 |

Out of the above stipulated data, the following conclusions can be made:

- The fixed assets record totally a 11,41% increase, increase caused by the reevaluation of the tangible assets from the group of constructions and naval transport means, reevaluation also

scoped for financial reporting carried out by the company at the date of 31.12.2018, yet also of the acquisition of fixed assets during this period.

- The current assets have increased, totally, by 5,81% especially based on the availabilities in the bank accounts (they have known a decrease by 14,88%; the stocks and account receivables are preserved at a level close to the existing one at the end of the period corresponding to the year 2018.
- The advanced expenses have been raised by 20,58% especially because of conclusion of certain insurance policies for death and employees' accidents;
- At 30.06.2019, the company records an advance income amounting to 8.294.813 lei, income corresponding to the ship delivered within C318 and which, according to the IFRS regulations are acknowledged at the moment of the transfer of the control over the asset to the client.
- Debts which must be paid within one year have known a 29,64% decrease, mainly due to the decrease of the commercial debts. Though, there can be noticed an increase by approx. 38% of other debts, in the structure, namely payment dividends.
- The debts which must be paid within a period exceeding one year have known a 20,69% increase and refer to the delayed tax, formed consequently to the reevaluation of the tangible assets carried out at the end of the year 2018.
- The commissions have known a 19,46% decrease, especially of those corresponding to the non-taken leaves and litigations.
- In what the company as a total is concerned, the own capitals show 5,82% increase. The structure is represented by a growth, especially in what the legal reserves are concerned (18,63%) and of the net profit (17,13%).

Subsequently to the above stipulated, the total of the asset and liability at the end of the 1st semester of 2019 has registered an increase from the period corresponding to the previous year, namely from 112.299.450 lei on 30.06.2018 to 120.809.421 lei on 30.06.2019.

Other information concerning the assets, debts and own capitals can be found in the Notes to the financial situations concluded on 30.06.2019, attached to the present report.

b) Profit and loss account

On 30.06.2019 the operational incomes were amounting 26.728.952 lei, having the following structure:

- | | |
|---|----------------|
| - Sales of goods (constructions and ship bodies) | 21.988.201 lei |
| - Rendering of services | 2.069.503 lei |
| - Income from rentals (especially from renting the ships from The Agigea branch) | 2.628.675 lei |
| - Other operational incomes | 42.573 lei |

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From the previous year there has been registered an increase in the operational income by 8,17% while the corresponding expenses have registered an increase by 9,25% which made that the profit from the operational activity be inferior to the 1st semester of 2018 (1.852.732 lei on 30.06.2019 from 1.939.131 lei during the 1st semester of 2018).

The gross profit on 30.06.2019, amounting totally 2.317.958 lei, is thus presented in structure:

1.852.732 lei out of the operation activity

465.226 lei from the fiscal activity

In comparison to the provisions from the BVC, it may be noticed that although the income from the operation activities were realized 84.59% the gross profit was realized 123.52%.

The profit realized from the fiscal activity is due, on one side, to the progress of the exchange rate (leu/euro) which was fluctuating during the 1st semester of 2019, and, on the other side, to the measures taken by the company to protect the exchange rate; the company realized during this period, transactions at term with derived products of type hedging, transactions which had a positive influence on both the result from the fiscal activity and also on the total result, as shown.

Please see below, synthetically, the accomplishments on 30.06.2019, in comparison to 30.06.2018 and with the provisions from the income and expenses budget.

| DESCRIPTION OF THE INDICATOR | REALIZED | | PROVIDED IN THE B.V.C. SEM.I 2018 | % | |
|--|------------|------------|--|-----------|-----------------|
| | 30.06.2019 | 30.06.2018 | | 2019/2018 | Realiz./ BVC |
| TURNOVER | 26.686.379 | 24.583.589 | 31,600,000 | 108,55 | 84,45 |
| INCOME FROM OPERATION | 26.728.952 | 24.709.655 | 31,600,000 | 108,17 | 84,59 |
| EXPENSES FROM OPERATION | 24.876.220 | 22.770.524 | 30,100,000 | 109,25 | 82,65 |
| PROFIT/LOSS FROM OPERATION | 1.852.732 | 1.939.131 | 1,500,000 | 95,54 | 123,52 |
| FINANCIAL INCOME | 668.491 | 267.394 | 300,000 | 250,00 | 222,83 |
| FINANCIAL EXPENSES | 203.265 | 263.426 | 300,000 | 77,16 | 67,75 |
| PROFIT FROM THE FISCAL ACTIVITY | 465.226 | 3.968 | 0 | 11.724,44 | - |
| TOTAL GROSS PROFIT/LOSS | 2.317.958 | 1.943.099 | 1,500,000 | 83,83 | 154,53 |
| Tax on delayed profit/income from the tax on delayed profit | (476.424) | (370.884) | (228,000) | 128,46 | 208,96 |
| NET PROFIT/LOSS | 1.841.534 | 1.572.215 | 1,272,000 | 117,13 | 144,77 |

Other information concerning the incomes and expenses can be found in the Notes to the fiscal situations concluded on 30.06.2019, attached to the present report.

c) Cash flow

During the 1st semester of 2019 the company had enough liquidities available, thus the contracting of bank credits was not necessary. The cash and cash equivalent on 30.06.2019 amounts to 10.824.984 lei (on 30.06.2018: 9.423.029 lei)

On 30th of June 2019, the company had available the following approved limits, at the same level with those from the previous year:

- 2.000.000 Euro limit multi-options and multi-estimates at BRD-GSG
- 2.069.000 USD limit for the coverage of the currency risk
- For the guarantee of these limits the company used the same types of securities, as during the past years: common securities stock, land mortgage, chattel mortgage on the debts, collateral deposit in Euro).

The company did not have any pending obligations at the end of the 1st semester of 2019, all the obligations had been paid up on due date, both to the state budget and to the budget of the social insurances, and also to the employees, third parties and other creditors.

The company did not contract credits for investments during this period.

2. ANALYSIS OF THE COMMERCIAL COMPANY'S ACTIVITY

During the period assessed, the company has completed and delivered, out of the activity from the main office in Orsova, to the external clients, a number of 4 ships, out of which:

- 1 tank ship of 85 m length and
- 3 tank ship of 110 m length.

All the ships were delivered to Beneficiaries from the European Community. As shown, due to the fact that the Danube level was decreased during the month of June, the ship completed within the contract C318 could not be launched into the water, left the site with delay and consequently the final acceptance to the beneficiary took place during the month of June 2019.

The 5 hydro-flap barges from the branch in Agigea which represent the main income source at the level of this sub-unit were repaired and were in operational status on the date of 30.06.2019, being thus rented partially to certain companies from Turkey.

An assessment of the structure of the income is shown in the Notes to the individual fiscal reports (Notes 5 and 6) which are integer part of this report.

The contracts signed and approved by the Management Board, ensure the continuity of the activity in the following period, the orders' portfolio ensuring the coverage of the capacity of production for the entire year 2019 and the first half of the year 2020. This amount of orders ensures equitably, the uploading of the human resources and even an outsourcing of certain works.

The average number of employees on the 30th of June 2019 was 357 employees (on 30.06.2018 the number was 361).

The market of river ships, from the point of view of the request did not suffer significant change from the year before. The orders concerning the construction of river ships, on the market segment on which the company operates are highly related to the capacity of transport of the

goods on the inner waters and by the structure of this demand, at present being required especially the tank ships for the transport of chemical products, petrol and other liquid goods, yet this demand, as well, is – still – low from the period prior to the financial crisis,

2.1 Out of the **factors of uncertainty** for the following period, the next are listed:

- Volatility and progress of the exchange rate – LEI/EURO – the company's results depend a lot on a possible fluctuation, unpredictable, of the parity between the two currencies;
- Instability and lack of legislative predictability in the economical and fiscal field;
- Recruitment of the qualified human resources, especially welders and constructors fitter, as well as the instability of the human resources;
- Evolution of the steel cost, and especially to the ships' plate, as well as the manner in which this progress is according to the evolution of the cost to the river ships;
- The credit system practiced by the external funding banks and the specific regulations concerning the conditions the river ships must accomplish and the community supporting politics in this field;
- The evolution of the litigation situation concerning the observation by the company Veka of the resolution from the Arbitration Court in Rotterdam from 13.06.2019, in the sense of those previously mentioned.

2.2 **The Investment expenses** during the first semester of this year summed up 1.343.600 lei, a slight decrease from the period corresponding to the previous year, when there were registered 1.359.834 lei (on 30.06.2018). The amount accomplished is lower even from the provisions under the BVC where the amount of 2.400.000 lei was estimated for this period.

The low level of the investment expenses during the first semester of the year 2019 has been caused by certain delays in contracting and delivering some machinery and investment scope, yet also the fact that a part of the installations stipulated in the investment list had been purchased at lower costs than those from the budget.

Out of the total of the investment expenses, approx. 83,32% have been located at the central headquarters and refer to the purchase of machinery and equipment specific to the welding activity and also to the modernization/repair of the cranes. At the branch in Agigea, modernization works were carried out at the launching way.

During the analyzed period, the company **did not have economical transactions or changes** which might significantly influence the incomes from the main activity.

The fiscal reports on 30.06.2019 were not audited.

3. CHANGES WHICH AFFECT THE SHARE CAPITAL AND THE MANAGEMENT OF THE COMMERCIAL COMPANY

The share capital of S.C. Şantierul Naval Orşova SA (The naval shipyard in Orsova) registered at the Trade register's Office Mehedinti, did not show any modifications during the 1st semester of 2019, being equal to that from 31.12.2018, namely 28.557.297,5 lei. The share capital is split in 11.422.919 common shares, registered share of 2,5 RON each. An owned share entitled the named shareholder to a vote in the general meeting.

The registry of the shareholders is kept by the CENTRAL DEPOSITORY SA Bucharest. In what the structure of the shares at the end of the 1st semester 2019 is concerned, in comparison to 30.06.2018, this recorded certain modifications, thus:

| | | | |
|-----------------------|-------------------------|----------------|----------------------|
| S.I.F. Transilvania | 5.711.432 shares | 49,9998% | 14.278.580 lei |
| S.I.F. Oltenia | 3.200.337 shares | 28,0168% | 8.000.843 lei |
| S.I.F. Muntenia | 1.504.600 shares | 13,1718% | 3.761.500 lei |
| <u>Alti actionari</u> | <u>1.006.550 shares</u> | <u>8,8116%</u> | <u>2.516.375 lei</u> |
| TOTAL | 11.422.919 shares | 100,0000 % | 28.557.298 lei |

The evolution of the cost of the company's shares, at the Stock Exchange Bucharest, during July 2018-July 2019 as well as the amount of shares traded is given in the 2 graphics below:



Out of these graphics it may be noticed that the cost of the SNO shares, in the last 12 months, has registered a maximal value of 3,80 lei/share and a minimum one of 2,2 lei/share, and the liquidity from this period was a lower one.

During the 1st semester of 2019, the management board did not suffer any modification from the same period of the year before, in what its composition is concerned. A new administrator was appointed, namely Mr. Ciurezu Tudor, the Management Board has the following structure:

- *Mr. Mihai Fercală – president*
- *Mr. Lucian Ionescu – member*
- *Mr. Floriean Firu – member*
- *Mr. Pantea Marius Ion – member*
- *Mr. Ciurezu Tudor – member*

During the period 01.01.-30.06.2019 there were held two general ordinary meetings of the shareholders, one in 10.01.2019 and the other in 18.04.2019. The following were included in their agenda:

- AGOA from 10.01.2019:

- *The approval of the income and expenses budget and of the investment program for the year 2019.*
- *the approval of the modification of the clauses from the administration contract and of the mandate contract.*

- AGOA from 18.04.2019

- *The approval of the results from the revaluation of the tangible assets from the group of ships' transport means. The approval of recording the differences from the revaluation in the accounting registers on 31.12.2018.*

The presentation, debate and approval of the annual financial corresponding to the fiscal year 2018, based on the International Standards of Financial Reporting, based on the Management Report of the Management Board and the Report of the independent financial auditor.

Approval of allocation of the net profit realized in the year 2018. The Management Board proposed that the net profit amounting to 2.672.848 lei to be allotted to the following scopes:

- *2.513.042,18 lei, as dividends' distribution, representing 0,22 lei /share*
- *159.805,82 lei as own source of financing*

The asset discharge of the managers, for the fiscal year 2018.

Analysis of the fulfillment of the indicators and performance targets approved for the fiscal year 2018, the approval of the variable remunerations in compliance with the administration and commission contracts

Approval of the indicators and of the performance targets for the fiscal year 2019, appendix to the Administration and Mandate Contract.

The approval of the date of 12th of September 2019 as registration date for the identification of the shareholders who must undertake the results of the general ordinary meeting of the shareholders and of the date of 11th of September 2019 as ex date, in compliance with art. 129² from the CNVM Regulation no. 1/2006 further amended and abridged.

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- *The approval of the date of 30th of September 2019 as payment date of the dividends, in compliance with the provisions under art. 1293, line (2) from the CNVM no. 1/2006, further amended and abridged. The costs corresponding to the payments of the dividends will be borne by the beneficiary shareholders, from the value of the net dividend.*

- *The power of attorney of Mr. Mircea Ion Sperdea, as general manager of the company for the conclusion of the general ordinary meeting of the shareholders' resolution (AGOA) and for any other documents which are necessary to the putting into execution of the AGOA resolution and to carry out the publicity and registration forms.*

The resolution no. 45/10.01.2019 and no. 47/18.04.2019 adopted on this occasion, was published and communicated, within statutory timescale, to ASF Bucharest and the Stock Exchange Bucharest, according to the legal norms.

4. SIGNIFICANT TRANSACTIONS

During the period of the 1st semester of 2019, S.C. Şantierul Naval Orşova S.A. did not register any transactions with entities acting concerted nor with activities in which these entities could have been involved.

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STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

| <i>Reference</i> | Note | 30.06.2019 | 01.01.2019 |
|---------------------------|---|--------------------|--------------------|
| | | RON | RON |
| Assets | | | |
| Fixed assets | | | |
| <i>IAS 1.54(a)</i> | Tangible assets | 38,735,793 | 39,018,621 |
| | Freehold land and land improvements | 1,201,941 | 1,201,941 |
| | Buildings | 19,656,949 | 20,439,782 |
| | Plant and machinery, motor vehicles | 17,603,023 | 17,303,930 |
| | Fixtures and fittings [...] | 63,479 | 72,968 |
| | Tangible assets in progress | 210,401 | 0 |
| <i>IAS 1.54(c)</i> | Intangible assets | 2,181 | 3,933 |
| | Other intangible assets | 2,181 | 3,933 |
| <i>IAS 1.54(h)</i> | Trade receivables and other receivables | 100,850 | 101,327 |
| <i>IAS 1.54(o), 56</i> | Deferred tax assets | 316,657 | 61,137 |
| <i>IAS 1.60</i> | Total fixed assets | 39,155,481 | 39,185,018 |
| <i>IAS 1.54 (g)</i> | Inventories | 49,145,123 | 47,861,022 |
| <i>IAS 1.54(h)</i> | Trade receivables and other receivables | 12,859,636 | 7,379,937 |
| <i>IAS 1.55</i> | Accrued expenses | 252,569 | 55,869 |
| <i>IAS 1.54(d)</i> | Short term investments | 8,502,775 | 8,470,227 |
| <i>IAS 1.54(i)</i> | Cash and cash equivalents | 10,824,984 | 6,638,636 |
| <i>IFRS 5.38-40</i> | Non-current assets held for sale | 68,853 | 68,853 |
| <i>IAS 1.60</i> | Total Current Assets | 81,653,940 | 70,474,544 |
| | Total Assets | 120,809,421 | 109,659,562 |
| Equity | | | |
| <i>IAS 1.54(r), 78(e)</i> | Share capital | 28,557,298 | 28,557,928 |
| <i>IAS 1.55, 78(e)</i> | Share premium | 8,862,843 | 8,862,843 |
| <i>IAS 1.54(r), 78(e)</i> | Reserves | 53,330,400 | 53,054,695 |
| | Result for the period | 1,841,534 | 2,852,126 |
| <i>IAS 1.55, 78(e)</i> | Retained earnings | 6,353,858 | 6,353,858 |

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STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019 (continued)

| <i>Reference</i> | Note | 30.06.2019 | 01.01.2019 |
|------------------------------|---|--------------------|--------------------|
| | | RON | RON |
| Profit appropriation | | (115,898) | (179,278) |
| Other elements of equity | | (4,407,949) | (4,498,960) |
| Total equity | | 94,422,086 | 95,002,582 |
| Liabilities | | | |
| Long-term liabilities | | | |
| <i>IAS 1.54(o), 56</i> | Deferred tax liabilities | 4,407,949 | 4,498,960 |
| <i>IAS 1.60</i> | Total long-term liabilities | 4,407,949 | 4,498,960 |
| Current liabilities | | | |
| <i>IAS 1.54(k)</i> | Trade payables and other debts, including derivatives | 13,490,557 | 9,618,869 |
| | Deferred income | 8,296,575 | 2,277 |
| <i>IAS 1.54(l)</i> | Provisions | 192,254 | 536,874 |
| <i>IAS 1.60</i> | Total current liabilities | 21,979,386 | 10,158,020 |
| | Total Liabilities | 26,387,335 | 14,656,980 |
| | Total Equity and Liabilities | 120,809,421 | 109,659,562 |

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AT 30 JUNE 2019

| <i>Reference</i> | Note | 30.06.2019 | 30.06.2018 |
|---|--|---------------------|---------------------|
| | | RON | RON |
| Continuing operations | | | |
| <i>IAS 1.82(a)</i> <i>IAS 1.99,103</i> | Income | 24,057,704 | 22,013,677 |
| | Other income | 2,671,248 | 2,695,978 |
| | Total Operational Income | 26,728,952 | 24,709,655 |
| | Expenses related to inventories | (9,022,291) | (8,196,805) |
| | Utility expenses | (611,448) | (467,388) |
| | Employee benefits expenses | (9,442,064) | (8,407,999) |
| | Depreciation and amortization expenses | (1,946,246) | (1,893,696) |
| | Gains/losses on disposal of property | (19,144) | 0 |
| | Increase/(Decrease) of receivables allowances and inventory write-down | (20) | 95,122 |
| | Increase/(Decrease) of provision expenses | 344,620 | 548,355 |
| <i>IAS 1.99, 103</i> | Other expenses | (4,179,627) | (4,448,113) |
| | Total Operational expenses | (24,876,220) | (22,770,524) |
| | The result of operational activities | 1,852,732 | 1,939,131 |
| | Financial income | 668,491 | 267,394 |
| <i>IAS 1.82(b)</i> | Financial expenses | (203,265) | (263,426) |
| | Net financial result | 465,226 | 3,968 |
| <i>IAS 1.85</i> | Result before taxation | 2,317,958 | 1,943,099 |
| | Current income tax expenses | (725,109) | (280,747) |
| | Deferred income tax expenses | (56,902) | (265,692) |
| | Specific taxation expenses | (6,836) | (6,836) |
| | Deferred income tax income | 312,423 | 182,391 |
| <i>IAS 1.85</i> | Result for continuing operations | 1,841,534 | 1,572,215 |
| <i>IAS 1.82(f)</i> | Result for the period | 1,841,534 | 1,572,215 |
| | Other comprehensive income | | |
| <i>IAS 1.82(g)</i> | Reevaluation of tangible assets | 0 | (90,955) |
| <i>IAS 1.85</i> | Other comprehensive income after taxation | 0 | (90,955) |

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AT 30 JUNE 2019 (continued)

| <i>Reference</i> | Note | 30.06.2019 | 30.06.2018 |
|--|-------------|-------------------|-------------------|
| | | RON | RON |
| <i>IAS 1.82 (i)</i> Total comprehensive income for the period | | 1,841,534 | 1,481,260 |
| Attributable profit | | | |
| <i>IAS 1.83(b)(ii)</i> Shareholders | | 1,841,534 | 1,572,215 |
| Profit for the period | | 1,841,534 | 1,572,215 |
| | | | |
| Total attributable comprehensive income | | | |
| <i>IAS 1.83(b)(ii)</i> Shareholders | | 1,841,534 | 1,481,260 |
| Earnings per share | | | |
| <i>IAS 33.66</i> Basic earnings per share | | 0,16 | 0,14 |
| <i>IAS 33.66</i> Diluted earnings per share | | 0,16 | 0,14 |
| Continuing operations | | | |
| <i>IAS 33.66</i> Basic earnings per share | | 0,16 | 0,14 |
| <i>IAS 33.66</i> Diluted earnings per share | | 0,16 | 0,14 |

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Separate financial statements in accordance with IFRS at 30.06.2019

Reference STATEMENT OF CHANGES IN EQUITY

IAS
1.108,109

Attributable to equity holders

| | Share capital | Share premium account | Revaluation reserve | Other reserves | Retained earnings | Result for the period | Other elements of equity | Profit appropriation | Total equity |
|--|--------------------------|-------------------------|--------------------------|--------------------------|-------------------------|-------------------------|---------------------------|-------------------------|--------------------------|
| Balance at December 31, 2017 | <u>28,557,298</u> | <u>8,862,843</u> | <u>24,794,226</u> | <u>23,471,161</u> | <u>5,555,872</u> | <u>2,721,336</u> | <u>(3,718,330)</u> | <u>(823,621)</u> | <u>89,420,785</u> |
| IAS 1.106(d)(i) Loss/ Net profit for the year | - | - | - | - | 2,721,336 | 130,970 | - | - | 2,852,126 |
| Profit appropriation | - | - | - | - | - | - | - | (179,278) | (179,278) |
| Transfer in reserve | - | - | (1,875,194) | 278,742 | (95,683) | - | (780,630) | 823,621 | (1,649,144) |
| Revaluation reserve | - | - | 6,385,760 | - | - | - | - | - | 6,385,760 |
| Dividends | - | - | - | - | (1,827,667) | - | - | - | (1,827,667) |
| Balance at December 31, 2018 | <u>28,557,298</u> | <u>8,862,843</u> | <u>29,304,792</u> | <u>23,749,903</u> | <u>6,353,858</u> | <u>2,852,126</u> | <u>(4,498,960)</u> | <u>(179,278)</u> | <u>95,002,582</u> |
| IAS 1.106(d)(i) Loss/ Net profit for the year | - | - | - | - | 2,852,126 | (1,010,592) | - | - | 1,841,534 |
| Profit appropriation | - | - | - | - | - | - | - | (115,898) | (115,898) |
| Transfer in reserve | - | - | - | 275,705 | (339,084) | - | 91,011 | 179,278 | 206,910 |
| Dividends | - | - | - | - | (2,513,042) | - | - | - | (2,513,042) |
| Balance at June 30, 2019 | <u>28,557,298</u> | <u>8,862,843</u> | <u>29,304,792</u> | <u>24,025,608</u> | <u>6,353,858</u> | <u>1,841,534</u> | <u>(4,407,949)</u> | <u>(115,898)</u> | <u>94,422,086</u> |

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STATUS OF THE TREASURY CASH FLOW

| <i>IAS 1.10(d), 113</i> | For the fiscal year completed | 30.06.2019 | 30.06.2018 |
|-----------------------------|--|--------------------|-------------------|
| | Treasury Cash Flow for operating activities | | |
| | Profit of the period | 1.841.534 | 1.943.099 |
| | Adjustment for: | | |
| | Depreciation of intangible and tangible assets | 2.119.675 | 2.107.747 |
| | Net expenses / (net income) with provisions | (344.620) | (548.355) |
| | Expense on the current income tax | 725.109 | 280.747 |
| | Specific activities tax expenses | 6.836 | 6.836 |
| | Expenses on the delayed income tax | 56.902 | 265.692 |
| | Income from the delayed income tax | (312.423) | (182.391) |
| | Incomes from investment grants | (515) | (515) |
| | Cash Flow from operating activities before the amendment of the working capital | 4.093.013 | 3.872.860 |
| | Amendment of the working capital: | | |
| | Stocks modification | (1.284.101) | (5.766.943) |
| | Modification of the commercial account receivables and of other account | (5.697.965) | (6.411.634) |
| | Modification of the advanced expenses | (196.700) | (186.059) |
| | Modification of the commercial debts and of other debts | 8.904.403 | 8.318.653 |
| | Cash flow generated from operating activities | 5.818.650 | (173.123) |
| <i>IAS 7.35</i> | Paid interests | (285.362) | (372.843) |
| <i>IAS 7.10</i> | Net cash flow from operating activities | 5.533.288 | (545.966) |
| | Treasury Cash Flow from investment activities | | |
| <i>IAS 7.31</i> | Cashed interests | 31.605 | 46.186 |
| <i>IAS 7.16(a)</i> | Tangible and intangible assets acquisition | (1.343.600) | (1.359.834) |
| | Short term investments | (32.548) | 1.716.643 |
| <i>IAS 7.10</i> | Net cash used in investment activities | (1.344.543) | 402.995 |
| | Treasury cash flow from financing activities | | |
| <i>IAS 7.17(d)</i> | Paid dividends | (2.397) | (768) |
| <i>IAS 7.10</i> | Net cash from (used in) financing activities | (2,397) | (768) |
| | Net increase/decreases of the cash flow and of the cash flow equivalents | 4.186.348 | (143.739) |
| | Cash Flow and equivalents from 1st of January | 6.638.636 | 9.566.768 |
| | Cash flow and cash flow equivalents at 30th of June | 10.824.984 | 9.423.029 |

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Reference **NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS**

IAS 1.51(a)-(c) The separate financial statements in according with IFRS have been prepared for period 01.01.2019-30.06.2019. 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 1st semester of 2019 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 August 08th, 2019.

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

a. 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.

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

b. 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.

c. 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 17 "Insurance Contracts", issued on 18 May 2017, with effect from 1 January 2021.
- Amendments to the conceptual framework references of the IFRS, issued on 29 March 2018 with effect from 1 January 2020.
- Amendments to IFRS "Business Combinations", issued on 22 October 2019, with effect from January 1, 2020
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," as of 31 October 2018, with effect from 1 January 2020. "

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

d. 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.

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.

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

e. 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 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. |

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Separate financial statements in accordance with IFRS at 30.06.2019

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

| | | |
|--------|--|--|
| 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 Brașov, Nicolae Iorga Street, No. 2, holds, in present, 49,9998% of the share capital of SC Șantierul Naval Orșova SA, so, they have obligation to prepare the consolidated financial statements. |

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

| | | |
|--------|--|--|
| IAS 28 | Investments in associates | 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). |

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Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

| | | |
|--------|--|---|
| IAS 38 | Intangible Assets | Definition and accounting treatments for intangible assets, recognition and measurement policies on the processing costs for research and development etc. |
| 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 9 | Financial instruments | The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting of financial instruments. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted. |

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Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

| | | | |
|---------|---|-----------|--|
| IFRS 10 | Consolidated Financial Statements | Financial | 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. |
| IFRS 15 | Revenue from Contracts with Customers | | IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2018. On 12 April 2016, clarifying amendments were issued that have the same effective date as the standard itself. |

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Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

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 INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

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 Orșova 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 Construcții 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 Orșova, 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 Orșova, 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 Orșova, 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.

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Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

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.

On December 31, 2018, the Company proceeded to reevaluate tangible assets such as shipbuilding buildings and means of transport both at the head office in Orşova and at Agigea branch 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.

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Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

(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:

| <u>Asset</u> | <u>Years</u> |
|-------------------------------|--------------|
| 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.

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

(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.

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

(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 INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

117(a)

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 INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

117(a)

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 INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

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 INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

117(a)

1. 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 INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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 INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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.

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5. Incomes

| | | <u>30.06.2019</u> | <u>30.06.2018</u> |
|--------------------------|-----------------------|--------------------------|--------------------------|
| <i>IAS 18.35(b) (i)</i> | Sales of goods | 21.988.201 | 20.601.448 |
| <i>IAS 18.35(b) (ii)</i> | Rendering of services | 2.069.503 | 1.412.229 |
| | Total | <u>24.057.704</u> | <u>22.013.677</u> |

Incomes in the 1st half-year 2019 growth with 9.29 % compared with those corresponding to same period of past year.

On first half-year 2019 was delivered 3 ships, same as 1st half-year 2018. Services rendering registered a significant growth (146.55%), but these has not a significant percent from turnover.

6. Other incomes

| | | <u>30.06.2019</u> | <u>30.06.2018</u> |
|--|---|--------------------------|--------------------------|
| | Income from rents (other than rent real estate investments) | 2.628.675 | 2.569.912 |
| | Revenue from damages and penalties | - | - |
| | Other operational incomes | 42.573 | 126.066 |
| | Total | <u>2.671.248</u> | <u>2.695.978</u> |

The amounts entered in the rental income position refer in particular to the rents arising from the exploitation of the ships (hydroclap salenders) under lease, existing in the Agigea branch.

In the first semester of this year, these revenues are at a level close to the one achieved in the corresponding period of the previous year, the 5 hydroclap salender from the branch record being rented only in certain months.

There is a decrease of other operating revenues, mainly of the incomes from various recovered salary debts.

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| <i>Reference</i> | <i>NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS</i> | |
|------------------|---|--------------------------|
| | 7. Outgoings on stocks | |
| | | <u>30.06.2019</u> |
| | | <u>30.06.2018</u> |
| | Expenses with raw materials | 5.160.703 |
| | Expenses of consumable materials, from whom: | 3.472.012 |
| | Expenses of auxiliary materials | 2.904.107 |
| | Expenses of fuel | 225.994 |
| | Expenses with spare parts | 251.203 |
| | Expenses of other consumable materials | 90.708 |
| | Expenses regarding materials of nature inventory items | 154.930 |
| | Expenses of unstocked materials | 74.282 |
| | Expenses regarding goods | 184.233 |
| | Received discount | (23.869) |
| | Total | <u>9.022.291</u> |
| | | <u>8.196.805</u> |
| | 8. Utilities outgoings | |
| | | <u>30.06.2019</u> |
| | | <u>30.06.2018</u> |
| | Expenses with energy | 590.533 |
| | Expenses with water | 20.915 |
| | Total | <u>611.448</u> |
| | | <u>467.388</u> |
| <i>IAS 1.104</i> | 9. Staff costs | |
| | | <u>30.06.2019</u> |
| | | <u>30.06.2018</u> |
| | Personnel expenses | 8.777.920 |
| | Expenses with contributions to compulsory social insurance | 664.144 |
| | Total | <u>9.442.064</u> |
| | | <u>8.407.999</u> |
| | Medium number of employees | 357 |
| | | 352 |

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Reference **NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS**

10. Value adjustment of current asset

| | <u>30.06.2019</u> | <u>30.06.2018</u> |
|---|-------------------|------------------------|
| Losses on receivables and various debtors | 20 | (95.122) |
| Total | <u>20</u> | <u>(95.122)</u> |

IAS 1.97

11. Other outgoings

| | <u>30.06.2019</u> | <u>30.06.2018</u> |
|--|-------------------------|-------------------------|
| Expenses with maintenance and repairs | 61.084 | 59.351 |
| Expenses with royalties, managed locations and rents | 230.967 | 446.526 |
| Expenses with premium insurance | 71.480 | 43.931 |
| Expenses with commissions and fees | 9.077 | 8.988 |
| Protocol, advertising and advertising expenses | 19.918 | 12.878 |
| Goods and personel transport expenses | 1.085.403 | 904.556 |
| Travel expenses, secondments and transfers | 47.758 | 139.413 |
| Postage and telecommunications expenses | 22.626 | 19.548 |
| Banking services expenses | 51.460 | 40.996 |
| Other expenses for services performed by third parties | 2.356.100 | 2.501.757 |
| Expenses with other taxes and fees | 191.781 | 217.550 |
| Expenses for environment protection | 7.358 | 7.176 |
| Other operational expenses | 24.615 | 45.443 |
| Total outgoings | <u>4.179.627</u> | <u>4.448.113</u> |

In the first half of 2019, there is a decrease of the expenses with the rents, as a consequence of the renegotiation of the contract with APM Constanta for the rent related to the land on which the activity of the branch is carried out, public domain in property of APM. Next, we will refer to some of the above expenses by weighting in the Other expenses position. The expenses related to the transport of goods and persons, mainly refer to the transport of river vessels built at the main headquarters, from Orşova to the delivery point indicated in the commercial contracts, respectively Regensburg or Rotterdam. These expenses registered an increase over the corresponding period last year (by 20%). The expenses with the displacements and the secondments record a significant decrease compared to the similar period of the previous year (by 65.74%) due to the fact that the allowances in foreign currency due to the crews of the rented ships decreased, the allowances that represented the highest weight in this category of expenses. During this period they were rented abroad without crew. The amount of the expenses representing works performed by third parties (subcontractors) refers to shipbuilding and painting activities carried out with subcontractors; and these expenses registered a decrease (5.82%) due to the fact that in the first part of this year, the company resorted to a lesser extent to subcontractors, especially the metal construction part.

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IAS 1.86 **12.** Financial income and expenses

Recognized in the profit or loss account:

| | | <u>30.06.2019</u> | <u>30.06.2018</u> |
|----------------------|--|-----------------------|---------------------|
| <i>IFRS 7.20 (b)</i> | Interest income from bank deposits | 68.858 | 47.105 |
| <i>IAS 21.52 (a)</i> | Incomes from exchange rates differences | 599.633 | 220.289 |
| | Total financial incomes | 668.491 | 267.394 |
| <i>IAS 7.20 (b)</i> | Interests expenses | | |
| <i>IAS 21.52 (a)</i> | Expenses from exchange differences rates | 203.265 | 263.426 |
| | Total financial expenses | 203.265 | 263.426 |
| | Net financial result | <u>465.226</u> | <u>3.968</u> |

In connection with the above amounts, the following details are given:

- interest income is related to bank deposits and current account availability;
- due to the evolution of the exchange rate, but also to the hedging contracts concluded through BRD, the income from the exchange rate differences was higher than the expenses from the exchange rate differences.
- in the first half of 2019, the company did not have bank credits, so it did not register interest with this title.

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13a. Expenditure on profit tax

| | <u>30.06.2019</u> | <u>30.06.2018</u> |
|---|--------------------------|--------------------------|
| a) Expenditure on current profit tax | | |
| IAS 12.80 (a) Current period | 725.109 | 280.747 |
| IAS 12.80 (b) Adjustments of previous periods | | |
| b) Deferred income tax expense | | |
| IAS 12.80 (c) Initial recognition and reversal of temporary differences | 56.902 | 265.692 |
| IAS 12.80 (g) Changes in previously unrecognized temporary differences | | |
| IAS 12.80 (f) Recognition of previously unrecognized tax los | | |
| Total profit tax expenses (a+b) | 782.011 | 546.439 |
| IAS 12.81 (c) Reconciliation of effective tax rate | | |
| Profit of the period | 2.370.166 | 1.989.674 |
| Non-deductible expenses | 16.167 | 13.537 |
| Non-taxable incomes | 344.620 | 651.712 |
| Elements similar to incomes (amortisation after reevaluation 2004) | 684.721 | 509.702 |
| Other taxable amounts (recognized tax profit sem.I) | 1.952.643 | - |
| Deduction of legal reserve | 115.898 | 97.155 |
| Taxable profit | 4.563.179 | 1.764.046 |
| Expense with the current profit tax | 730.109 | 282.247 |
| Sponsorship | 5.000 | 1.500 |
| Profit after taxation | 1,645,057 | 1,708,927 |

13b. Specific tax expenses

Starting with the year 2017, with the entry into force of Law no.170 / 2016 regarding the specific tax for certain activities, the company owes this type of tax for the activity of the canteen that operates under its subordination. We mention that in the Company's premises a working canteen operates, its activity being codified CAEN 5629 "Other food services n.c.a." and registered in the constitutive act of the company as a secondary activity. For 2019, the expense with the specific tax due for this activity is in the amount of 13,672 lei, of which for the first half of 2019: 6,836 lei, as in the first half of 2018

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Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

IAS 16 **14. Tangible non-current asset**

| | | Land and buildings | Machines and equipments | Furniture and fixtures | Work in progress | Total |
|---------------------------|--|---------------------------|--------------------------------|-------------------------------|-------------------------|--------------------------|
| | Costs or assumed costs | | | | | |
| <i>IAS 16.73 (d)</i> | Balance at 1 January 2019 | 21,641,723 | 55,300,055 | 488,933 | - | 77,430,711 |
| <i>IAS 16.73 (e)(i)</i> | Acquisitions | - | 1,640,176 | 3,813 | 550,685 | 2,194,674 |
| <i>IAS 16.73 (e)(ii)</i> | Outgoings of non current asset | - | 44,503 | 2,883 | 340,284 | 387,670 |
| <i>IAS 16.73 (d)</i> | Balance at June 30, 2019 | 21,641,723 | 56,895,728 | 489,863 | 210,401 | 79,237,715 |
| | Depreciation and losses from depreciation | | | | | |
| <i>IAS 16.73 (d)</i> | Balance at 1 January 2019 | - | 37,996,125 | 415,965 | - | 38,412,090 |
| <i>IAS 16.73 (d)(vii)</i> | Depreciation during the year | 782,833 | 1,322,091 | 13,302 | - | 2,118,226 |
| <i>IAS 16.73 (d)(ii)</i> | Outgoings of non current asset | - | 25,511 | 2,883 | - | 28,394 |
| <i>IAS 16.73 (d)</i> | Balance at June 30, 2019 | 782,833 | 39,292,705 | 426,384 | - | 40,501,922 |
| <i>IAS 1.78 (a)</i> | Accounting values | | | | | |
| | Balance at 1 January 2019 | <u>21,641,723</u> | <u>17,303,930</u> | <u>72,968</u> | = | <u>39,018,621</u> |
| | Balance at June 30, 2019 | <u>20,858,890</u> | <u>17,603,023</u> | <u>63,479</u> | <u>210,401</u> | <u>38,735,793</u> |

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IAS 16 **14. Tangible non-current asset (continued)**

The lands, on the 30th of June 2019 have an accounting value of 1.201.941 lei and represent a surface of 86.000 sm, out of which:

- 85.790 sm to the head-office from Orsova and
- 210 sm to the office from Agigea Branch, Constanta County.

The company put up for sale by auction two lands owned in the Gratca area, of 937 square meters and 3,988 square meters respectively, according to the decision of the administrators from 16.02.2017. At the time of making this decision, they were appropriately restated as fixed assets held for sale (account 311), in this position, also at the end of the first half of 2019.

The company has finalized the cadastral situation for the entire area owned by the head office in Orsova.

Revaluation of tangible non-current asset

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 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.

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

IAS 16 **14. Tangible non-current asset (continued)**

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 vessels group meaning maritime/fluvial transport, using services of some independent external evaluators, being registered growth and even decreases (per total a growth of 409.405 lei). With the value of revaluation surplus was credited reserves balance from revaluation of those objectives of which right value was superior to the net book value, and for the other objectives in case of whom the right value was lower than the net book value was reflected the decrease of the surplus from revaluation previously existing, being not the case of affecting of the exploitation costs in case of objectives for whom previously was not recognized a reserve from revaluation or reserve from recognized revaluation was insufficient for lowering coverage.

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. For realization of these operations the company used specialty services of the evaluator DARIAN DRS S.A., having headquarter in Timisoara. This company has a long experience and our collaboration is during for more than 4 years.

At 31 December 2015, the company proceeded to the revaluation of means of naval transport, both at headquarters in the town of Orşova 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 constructions and ships, an increase

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

IAS 16 **14. Tangible non-current asset (continued)**

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. 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 the 31st of December 2016, the company proceeded to the reevaluation of the tangible assets of the ship transport means, using the opinion of the same external independent expert assessor according to the same rules related to the registration of the resulted differences. At the general ordinary meeting of the shareholders', the results from this reevaluation shall be shown as a different point in the agenda. For the fixed means which are under preservation at Agigea Branch, a total depreciation was known for the end of 2016 of 287.458,76 lei (on 31.12.2015 this depreciation was of 252.756,17 lei).

On 31st of December 2017, Company proceeded to tangible asset of naval transport means, using same external evaluator opinion and having as basement same rules regarding resulted differences. In the General Meeting of Shareholders results of this reevaluation will be presented as a distinctive point on the agenda.

On December 31, 2018, the company proceeded to re-evaluate the property, buildings and ships, both at the headquarters of Orşova and at Agigea branch using the opinion of independent external evaluators. The method of reflecting revaluation in the Company's accounts was that of eliminating depreciation from the carrying amount of assets.

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Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

With the value of the revaluation surplus, the balance of revaluation reserves was credited for those items whose fair value was higher than net book value, and for the other objectives for which the fair value was less than the net book value reflected the decrease of the existing revaluation surplus and / or the impairment of operating expenses in the case of previously unrecognized revaluation reserves or recognized revaluation reserves was insufficient to cover the decrease. In both the construction group and the ship, by total group, there are increases, totaling 5.330.995 lei. However, individually analyzed were positions where there were decreases, their total value being 1,054,765 lei, out of which: 1,047,790 lei were borne from the revaluation surplus previously recorded in these positions and the amount of 6,975 was incurred on costs.

In order to carry out these operations, the company turned to the specialized services of the evaluator DARIAN DRS S.A., headquarters in Timisoara.

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).

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 2018, 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.

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

- lei-

| NAME | LANDS | CONSTRUCTIONS | MEANS OF TRANSPORT |
|--|-----------|---------------|--------------------|
| Fair value (gross) at 30.06.2019 | 1.201.941 | 20.439.782 | 11.623.668 |
| Differences from reevaluation | 572.314 | 18.331.910 | 4.637.048 |
| Net book value according to cost model | 629.627 | 2.107.872 | 6.986.620 |

Impairment losses and subsequent reversals

For fixed assets in conservation at Agigea Branc, was done also depreciation tes, being recognized a total depreciation of 338.059 lei, depreciation maintained at June 30, 2019.

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

IAS 16 **14. Tangible Non-current Assets (continued)**

Pledged or mortgaged non-tangible asset

To guarantee the multi-option and multi-currency global limit, in value of 2,000,000, 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 including land, toate împreună cu terenul aferent, properties assessed according to the Guarantee Monitoring Report at EUR 1,512,800 market value, registered in the Land Book Register under the numbers 1133, 1146, 1121, 1145, 1134, 1135 and 1132;
- Security interest with dispossession on a deposit in value of 400,000 EU.
- Assignment of receivables as collateral on receipts in a total value of 14,774,407EUR, resulting from the commercial contracts concluded by the Company with third parties, of which 6 (six) contracts not received on 30.06.2019 in a cumulative value of EUR 8,705,000.

Non-tangible asset under construction

On 30.06.2019 the company has unfinished investment objectives in the amount of 210,401 lei (331,201 lei on 30.06.2018)

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Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

IAS 38 **15. Intangible assets**

| <i>IFRS 3.61 IAS 38.118 (c), (e)</i> | | Other assets | Total |
|--|---|---------------------|---------------------|
| | Cost | | |
| <i>IFRS 3.B67 (d)(viii),IAS 38.118</i> | Balance at 1 January 2019 | 1,070,924 | 1,070,924 |
| <i>IAS 38.118(e)</i> | Acquisitions | - | - |
| | Outgoings of intangible assets | 1,092 | 1,092 |
| <i>IAS 38.118</i> | Balance at 30 of June 2019 | 1,069,832 | 1,069,832 |
| | Depreciation and amortisation losses | | |
| <i>IFRS 3.B67 (d)(i),IAS 38.118</i> | Balance at 1 January 2019 | 1,066,991 | 1066,991 |
| <i>IAS 38.118(e)(vi)</i> | Amortisation during the year | 1,449 | 1,449 |
| | Outgoings of fixed assests | 789 | 789 |
| <i>IFRS 3.B67 (d)(viii),IAS 38.118</i> | Balance at 30 of June 2019 | 1,067,651 | 1,067,651 |
| | Accounting values | | |
| <i>IAS 38.118(c)</i> | Balance at 1 January 2019 | <u>3,933</u> | <u>3,933</u> |
| <i>IAS 38.118(c)</i> | Balance at 30 of June 2019 | <u>2,181</u> | <u>2,181</u> |

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Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

IAS 39 **16. Other investments, including derivative financial instruments**

The securities are recognized in the financial statements in accordance with IAS 27 (revised in 2010), IAS 36 (revised in 2009), IAS 39 (revised in 2009) and IFRS 7 (issued in 2008). From the corroboration of the provisions of the 4 standards, the company adopted the following policy for the recognition and evaluation of the shares and the securities:

- investments in subsidiaries, jointly controlled entities and associated entities are recognized at cost value;
- short-term investments held for sale not quoted on the stock exchange are recorded at cost, for the impairments being made adjustments (the treatment for the depreciation of these securities is established by IAS 39 paragraph 63);
- Short-term investments held for sale listed on the stock exchange are recorded at fair value (the value of the last trading day of the year), any gains or losses to be recognized in the capital situation. If there is objective evidence of impairment (as presented in paragraph 59 of IAS 39), as well as in the case of foreign exchange losses and gains, the loss of value will be recognized in the profit and loss account.

| Other investments | 30.06.2019 | | | 30.06.2018 | | |
|---------------------------------------|-------------------------|------------------------------|------------------|-------------------------|------------------------------|------------------|
| | Accounting value | Imparment adjustments | Net value | Accounting value | Imparment adjustments | Net value |
| Long term investments | | | | | | |
| Shares detained at Kritom | 684.495 | 684.495 | 0 | 684.495 | 684.495 | 0 |
| Other titles detained on long term | 0 | 0 | 0 | 0 | 0 | 0 |
| Total investments on long term | 684.495 | 684.495 | <u>0</u> | 684.495 | 684.495 | <u>0</u> |

Reference **NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS**

IAS 39 **16. Other investments, including derivative financial instruments (continued)**

In 1993, S.C. Maritime Construction Services S.A. ("SCM"), a company absorbed by S.C. Orșova S.A. Shipyard during the financial year ended December 31, 2008, together with the Joint-stock company "Domiki Kritis", a joint venture with the name "Kritom Shipping Company", with its headquarters in the city of Iraclio, Crete, was established in Crete. The share held by SCM in the capital of Kritom Shipping Company was 49%. According to the data available in the Company's records, Kritom has increased its share capital twice, without consulting the SCM, so that a lawyer was hired to verify the legality of the share capital increases.

The joint-stock company "Domiki Kritis" presents the total value of the share capital of "Kritom Shipping Company" at the level of 1,923,545 euros, consisting of 6,565 shares, worth 293 euros each, and the structure of the two shareholders:

- The limited company "Domiki Kritis": 4,505 shares, representing 68.62% of the share capital;
- The company: 2,060 shares, representing 31.38% of the share capital.

As of June 30, 2019, the Company had made adjustments for the total depreciation of these securities, ie at the level of 684,495 lei, so that the net value was 0 lei.

The factors that contributed to the formation of these impairments are of a litigious nature, as shown above. The Convention for the establishment of the Kritom Naval Company stipulates that the duration of the company is for the period 1992-2012. From the steps taken, from the data and information we hold, it does not result with certainty whether the company is still in operation or not.

This financial asset is part of the financial assets category at amortized cost according to IFRS 7.8.

Short-term investments refer to bank deposits constituted either to guarantee the global ceiling granted by BRD, or from the existing availabilities at a given time in order to obtain the most advantageous interest.

17. Stock

| | 30.06.2019 | 30.06.2018 |
|--|--------------------------|--------------------------|
| <i>IAS 1.78 (c), 2.36(b)</i> Raw materials and materials | 14.983.871 | 12.031.881 |
| <i>IAS 1.78(c), 2.36(b)</i> Production in progress | 41.233.297 | 42.888.980 |
| <i>IAS 1.78(c), 2.36(b)</i> Fixed assets detained for sale | 68.853 | 68.853 |
| <i>IAS 1.78(c), 2.36(b)</i> Finished products | - | - |
| <i>IAS 1.78(c), 2.36(b)</i> Products kept by third parties | - | - |
| <i>IAS 1.78(c), 2.36(b)</i> Goods | - | - |
| Impairment adjustments | (7.072.045) | (7.028.196) |
| Stocks at net value | <u>49.213.976</u> | <u>47.961.518</u> |

IAS 1.104,
2.36(e)(f)

For stocks older than 2 years (for sheet stocks older than 3 years), existing on balance at the end of 2018, without movement, the company adjusted the book value, constituting a total impairment of 7,072 .045 lei. From this total value, the amount of 6,580,703 lei, concerns the depreciation of the production under production related to 2 external orders, and was calculated as the difference

Reference NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS

17. Stock (continued)

between the estimated costs for the respective orders and the contract price. On 30.06.2019 the company had registered fixed assets held for sale in the amount of 68,853 lei, representing 2 lands and 1 building at the main headquarters in Orsova. The valuation reports were prepared for these fixed assets, and the sale procedure will be established.

18. Trade and similar receivables, other receivables and advances

| | | 30.06.2019 | 30.06.2018 |
|---------------------|---|-------------------|-------------------|
| <i>IAS 1.78 (b)</i> | Trade receivables in relation to related parties | - | - |
| | Loans to executives | - | - |
| <i>IAS 1.78 (b)</i> | Trade receivables | 14.585.657 | 13.766.568 |
| | Adjustments for the impairment of trade receivables | (2.890.458) | (2.884.551) |
| <i>IFRS 7.8(c)</i> | Net commercial loans and receivables | 11.695.199 | 10.882.017 |
| | Claims - total | 1.417.006 | 2.509.221 |
| | Different debtors | 404.817 | 386.178 |
| | Suppliers - debtors | 265.467 | 296.804 |
| | VAT to be recovered and not exigible | 226.294 | 1.741.726 |
| | Adjustment for other receivables | (375.262) | (375.362) |
| | Expenses registered in advance | 252.569 | 209.453 |
| | Other receivables | 643.121 | 250.422 |
| | Total | 13.112.205 | 13.391.238 |

The movements of the Company's depreciation accounts, related to the adjustments of the trade receivables are the following:

| | 30.06.2019 | 30.06.2018 |
|-------------------------------------|-------------------------|-------------------------|
| At 1st January | 2.890.958 | 2.962.681 |
| Impairment recovery | 500 | 78.130 |
| Constituted depreciation | - | - |
| Balance at the end of period | <u>2.890.458</u> | <u>2.884.551</u> |

S.C. Şantierul Naval Orşova S.A.**Separate financial statements in accordance with IFRS at 30.06.2018****Reference NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS****19. Cash and cash equivalents**

| | 30.06.2019 | 30.06.2018 |
|-----------------------------------|--------------------------|-------------------------|
| Bank accounts in lei | 3.229.488 | 3.346.183 |
| Bank accounts in foreign currency | 7.562.356 | 6.040.804 |
| Petty cash in lei | 16.116 | 17.935 |
| Petty cash in foreign currency | - | - |
| Other values | 17.024 | 18.107 |
| Total | <u>10.824.984</u> | <u>9.423.029</u> |

20. Capital and reserves**Capital social**

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

The structure of the shareholders as of June 30, 2019 did not change from the one existing on the reference date of April 4, 2019, date chosen for the OGMS of April 18, 2019, respectively:

| | Number Of shares | <u>Amount</u> (lei) |
|--|-----------------------------|--------------------------------|
| 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/individual shareholders | 1.006.550 | 2.516.375 |
| | <u>11.422.919</u> | <u>28.557.298</u> |

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. 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 contractually designated for this purpose.

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.

During first half-year 2019 there were no changes in share capital

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

21. Employees benefits

a) Remuneration of directors and administrators

The Company did not grant advances or loans to directors or administrators in first semester of 2019.

Wage expenses:

| | Financial exercise | Financial exercises |
|----------------|----------------------------|----------------------------|
| | End at | End at |
| | <u>30 June 2019</u> | <u>30 June 2018</u> |
| | (lei) | (lei) |
| Administrators | 485.510 | 420.465 |
| Directors | 570.243 | 591.820 |
| | <u>1.055.753</u> | <u>1.012.285</u> |

Board of Directors at 30.06.2019 is as follows:

Mr. Mihai Fercală – President

Mr. Firu Floriean – member

Mr. Lucian Ionescu – member

Mr. Ciurezu Tudor– member

Mr. Pantea Marius Ion - member

In the first semester of 2019, the Board of Directors has undergone a change in the aspect of the component, on the vacant post following the resignation of Mr. Voiculescu Dan being named Mr. Ciurezu Tudor. The allowances and other rights granted to the administrators are provided in art. 35 of the Articles of Incorporation and in the management contracts that were approved in the general meeting of the shareholders on April 17, 2015, and the salaries and other rights due to the executive management were established by the Board of Directors, within the limits provided in art. 35 of the Articles of Incorporation and respectively of the Contract of mandate concluded between the Board of Directors and the Director General.

Reference **NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS**

21. Employees benefits (continued)

Salaries payable at the end of the period:

| | <u>30 June 2019</u> | <u>30 June 2018</u> |
|----------------|----------------------------|----------------------------|
| | (lei) | (lei) |
| Administrators | 38.907 | 28.486 |
| Directors | 37.600 | 20.308 |
| | <u>76.507</u> | <u>48.794</u> |

b) Employees

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

| | Financial exercise Ended at <u>30 June 2019</u> | Financial exercises Ended at <u>30 June 2018</u> |
|---------------------------|--|---|
| Administrative staff | 46 | 44 |
| Direct productive staff | 275 | 255 |
| Indirect productive staff | 36 | 53 |
| | <u>357</u> | 352 |

Administrator

Dr. Ec. Mihai Fercală

Issued

Ec. Marilena Visescu

STATEMENT

The undersigned PhD Ec. Mihai Fercala – president of Management Board and Ec. Marilena Visescu – economic manager of S.C. Santierul Naval Orsova SA, with headquarters in the town of Orsova, no. 4 TUFARI str., Mehedinti County, we state that according to our knowledge, the financial-accounting semester situation, corresponding to the semester I 2019 which was conceived in compliance with the applicable accounting standards (IFRS), shows an accurate and corresponding image to the reality in what the assets, obligations, financial position, profit and loss account of the company above mentioned are concerned.

We mention that the company has no affiliates.

We state as well, that the Report of the Management Committee of SC Santierul Naval Orsova SA, conceived for semester I of the year 2019, shows accurately and completely all the information supplied for this period of time.

PRESIDENT OF THE MANAGEMENT BOARD: PhD Ec. Mihai Fercala

ECONOMIC MANAGER: Ec. Marilena Visescu