

INDIVIDUAL SEPARATE FINANCIAL STATEMENTS AT 30.06. 2018

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BIANNUAL REPORT

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

DATE OF THE REPORT: 06th of August 2018

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

During the 1st semester 2018, S.C. Şantierul Naval Orşova S.A. carried out a profitable activity, both in comparison to the period corresponding to the previous year and also at the level stipulated in the BVC.

The turnover showed a slight decrease from the period corresponding to last year, namely 4,2%, especially because of the structure of the production realized (type of ships built), relating to the scope of our activity, yet it was by 2,1% bigger 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 (86%) and the rest (approx. 14%) 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 4.429.648 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 4 ships amounting to 4.628.075 Euro.

In comparison to the provisions from the BVC, the income from operation were realized 102,5%, and the gross income 234,1% as there will be further shown.

According to the cost centers we may find that:

- the main office recorded on the 30.06.2018 a gross income of 1.484.670, while during the period corresponding to the previous year a 559.645 lei loss was recorded;*
- the branch in Agigea realized a level of the gross profit of 458.429 lei, in decrease from the period corresponding to the previous year when the value of 744.449 lei (61,6%) 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:

- Failure to complete the litigations with the company Veka for the 2 coastal ships built during the previous years for which the arbitration procedure was retaken to the International Arbitrage Board from Rotterdam; up to the present, no resolution was settled for this litigation. This fact triggers, further on, additional costs for the ships' docking and additional payments in connection to solving this litigation.*

- *The real working conditions at the main head-office, namely the carrying out of the activity in opened spaces (under the clear sky) in the most part of the year and subsequently the dependence on the unfavorable weather conditions highly influenced the work productivity.*
- *Just as in all the last years, the lack of qualified staff represented an inconvenience during the progress of the company's activity during the 1st semester of 2018 and still represents a permanent concern of the human resources department of the company for the upcoming period, against prevailing it.*

*In what the **transactions with the affiliated parties** are concerned, during the period of analysis, their volume was insignificant and resumes to the hotel services which the company S.C. ARO PALACE rendered to our company and which amount for the 6 months of this year the sum of 1.316 lei. We mention that SIF 3 TRANSILVANIA SA holds the control both at our company (it holds 50% of the stock market) and also to S.C. ARO PALACE, where it holds 85,74%.*

II. DETAILED INFORMATION CONCERNING:

1. THE ECONOMICAL AND FINANCIAL SITUATION

a) Balance sheet elements at 30.06.2018

The assets, capitals and debts at 30.06.2018, in comparison to the same period of the previous year, are thus:

		No.	Sold at		%
		row	30.06.2018	30.06.2017	
A		B	1	2	3
FIXED ASSETS					
I. TANGIBLE ASSETS		01	34.741.859	35.986.706	96,54
II. INTANGIBLE ASSETS		02	17.343	46.765	37,09
III. FINANCIAL ASSETS		03	101.271	28.271	358,22
FIXED ASSETS-TOTAL (row.01 to 03)		04	34.860.473	36.061.742	96,67
CURRENT ASSETS					
I. FUNDS		05	47.961.518	41.874.154	114,54
II. DEBTS		06	13.197.740	9.548.170	138,22

III. SHORT-TERM FINANCIAL INVESTMENTS		07	6.647.237	6.576.950	101,07
IV. CASH AND ACCOUNTS AT BANKS		08	9.423.029	9.963.482	94,58
CURRENT ASSETS - TOTAL (row.05 to 08)		09	77.229.524	67.962.756	113,64
ADVANCED EXPENSES		10	209.453	159.796	131,08
DEBTS WHICH MUST BE PAID WITHIN ONE YEAR		11	19.174.275	14.058.010	136,39
CURRENT NET ASSETS/CURRENT NET DEBTS (row.09 +10 -11)		12	58.264.702	54.064.542	107,77
TOTAL ASSETS MINUS CURRENT DEBTS (row.04 +12)		13	93.125.175	90.126.284	103,33
DEBTS WHICH MUST BE PAID IN MORE THAN A YEAR		14	3.652.198	3.607.874	101,23
COMMISSIONS		15	238.719	151.589	157,48
ADVANCED INCOMES		16	2.793	-	-
CAPITAL AND RESERVES					
I CAPITAL (row 18 to 23) out of which:		17	24.905.100	24.949.424	99,82
-subscribed and paid capital		18	28.557.298	28.557.298	100,00
-unpaid subscribed capital		19			
-adjustment of the share capital (ct.1028)	Sold C	20		-	
	Sold D	21			
-other elements of the capital (ct.103)	Sold C	22			
	Sold D	23	3.652.198	3.670.874	99,49
II. CAPITAL PREMIUMS		24	8.862.843	8.862.843	100,00
III. RESERVES FROM REEVALUATION		25	24.703.271	25.040.878	98,65
IV. RESERVES (ct.1061+1063+1068)		26	23.667.781	22.656.780	104,46
V. REPORTED RESULT, EXCEPT FOR	SOLD	27	5.617.410	4.809.748	

THE REPORTED RESULT COMING FROM THE FIRST APPLICATION OF THE IAS 29 (CT.117)	C				116,79
	SOLD D	28		-	
VI. REPORTED RESULT, EXCEPT FOR THE REPORTED RESULT COMING FROM THE FIRST APPLICATION OF THE IAS 29 (CT.118)	SOLD C	29		-	
	SOLD D	30		-	
VII. PROFIT OR LOSS AT THE END OF THE REPORTING PERIOD (CT.121)	SOLD C	31	1.572.215	56.388	2.788,21
	SOLD D	32		-	
<i>Profit allocation</i>		33	97.155	9.240	1.051,46
OWN CAPITALS - TOTAL (row. 17+24+25+26+27-28+29-30+31-32-33)		34	89.231.465	86.366.821	103,32
<i>Public assets (ct.1026)</i>		35			
CAPITALS – TOTAL (row.34+35)		36	89.231.465	86.366.821	103,32

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

- The fixed assets record totally a 3,4% decrease, decrease which is normal, considering that at this category of assets, due to their depreciation, the natural tendency is of decrease from one period to another; although the company registered a significant amount of acquisitions of fixed assets during this period, still per total, the fixed assets have registered a decrease.
- The current assets have increased, totally, by 13,6% especially based on the receivables and stocks, the availabilities in the cash and bank accounts have known a decrease by 5,4%; the increase of the receivables and decrease of the availabilities is explained by the fact that on 30.06.2018, c/value of a ship delivered in June (the 90% share of the value, namely 1.686.098 euro) remained uncollected, being cashed during the month of July 2018, according to the contractual provisions.
- The advanced expenses have been raised by 31,1% especially because of the increase of certain insurance policies for death and employees' accidents;
- A significant growth (36,4%) is registered by the Debts with due date of up to one year. In the structure, there can be noticed a 43,9% increase of the advance commercial

debts and of the debts related to the state budget (22,2%) and a decrease of the debts related to the staff (11,7%), namely "Other debts" - payment dividends (17,4%).

- Debts which must be paid within a period which exceeds one year have known a 1,2% insignificant increase and refer to the delayed tax.
- The commissions have known a 57,5% growth, especially of those corresponding to the non-taken leaves and litigations.
- In what the company as a total is concerned, the own capitals show 3,3% increase, especially in what the legal reserves are concerned (4,5%) and of the net profit which knew a significant increase, namely from 56.388 lei to 1.572.215 lei (2.688,2

Subsequently to the above stipulated, the total of the asset and liability at the end of the 1st semester of 2018 has registered an increase from the period corresponding to the previous year, namely from 104.184.294 lei on 30.06.2017 to 112.299.450 lei on 30.06.2018.

Other information concerning the assets, debts and own capitals can be found in the Notes to the financial situations concluded on 30.06.2018, attached to the present report.

b) Profit and loss account

On 30.06.2018 the operational incomes were amounting 24.709.655 lei, having the following structure:

- | | |
|---|----------------|
| - Sales of goods (constructions and ship bodies) | 20.601.448 lei |
| - Rendering of services | 1.412.229 lei |
| - Income from rentals (especially from renting the ships from
The Agigea branch) | 2.569.912 lei |
| - Other operational incomes | 126.066 lei |

From the previous year there has been registered a drop in the operational income by 3,8% while the corresponding expenses have registered a decrease by 11,5% which made that the profit from the operational activity be fairly superior to the 1st semester of 2017 (1.939.131 lei on 30.06.2018 from 54.240 lei during the 1st semester of 2017).

The gross profit on 30.06.2018, amounting totally 1.943.099 lei, is thus presented in structure:

1.939.131 lei out of the operation activity
3.968 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 103% the gross profit was realized 234%.

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 2018, 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 30.06.2018, in comparison to 30.06.2017 and with the provisions from the income and expenses budget.

DESCRIPTION OF THE INDICATOR	REALIZED		PROVIDED IN THE B.V.C. SEM.I 2018	%	
	30.06.2018	30.06.2017		2018/2017	Realiz./BVC
TURNOVER	24.583.589	25.656.032	24.100.000	95,82	102,01
INCOME FROM OPERATION	24.709.655	25.697.951	24.100.000	96,15	102,53
EXPENSES FROM OPERATION	22.770.524	25.752.191	23.270.000	88,42	97,85
PROFIT/LOSS FROM OPERATION	1.939.131	-54.240	830.000	-	233,63
FINANCIAL INCOME	267.394	629.914	540.000	42,45	49,52
FINANCIAL EXPENSES	263.426	390.870	540.000	67,39	48,78
PROFIT FROM THE FISCAL ACTIVITY	3.968	239.044	0	1,66	-
TOTAL GROSS PROFIT/LOSS	1.943.099	184.804	830.000	1.051,44	234,11
Tax on delayed profit/income from the tax on delayed profit	(370.884)	(128.416)	(126.160)	288,81	293,98
NET PROFIT/LOSS	1.572.215	+56.388	703.840	2.788,21	223,38

Other information concerning the incomes and expenses can be found in the Notes to the fiscal situations concluded on 30.06.2018, attached to the present report.

c) Cash flow

During the 1st semester of 2018 the company had enough liquidities available, thus the contracting of bank credits was not necessary. The cash and cash equivalent on 30.06.2018 amounts 9.423.029 lei (on 30.06.2017: 9.963.482 lei)

On 30th of June 2018, the company had available the following approved limits:

- *2.000.000 Euro limit multi-options and multi-estimates at BRD-GSG, to the same level with that from the previous year.*

- 2.069.000 USD limit for the coverage of the currency risk, increased by 580.000 USD from the previous year.

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 2018, 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 3 ships, as shown, out of which:

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

All the 3 ships were delivered to the main external beneficiary: Rensen Driessen- The Netherlands.

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 30.06.2018, being thus rented 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 2018 and the first half of the year 2019. 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 2018 was 352 employees (on 30.06.2017 the number was 332).

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;
- The evolution of the legislation concerning the level of the national minimum wage and of the other wages' measures announced by the Government;
- Recruitment of the qualified human resources, especially welders and constructors fitter, as well as the stability 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 taking over by the company Veka of 2 coastal ships built during the previous years and for which an arbitration was requested at the Court in Rotterdam, trial suspended for a period to give the other party the possibility to clarify the contractual terms with the end client, in view of taking over these ships. As the company Veka did not consider the undertaken commitments, the Management Board decided the restarting of the trial.

2.2 **The Investment expenses** during the first semester of this year summed up 1.359.834

lei, a decrease from the period corresponding to the previous year, when there were registered 2.126.883 lei (on 30.06.2017). The amount accomplished is lower even from the provisions under the BVC where the amount of 2.700.000 lei was estimated for this period.

The low level of the investment expenses during the first semester of the year 2018 has been caused by certain delays in contracting and delivering some machinery and

investment scope which arrived in July – August, 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. 2/3 have been located at Agigea Branch and refer to the capitalization of the repair/modernization of ships (hydro-flap barges) expenses and repair works of the launching cargo from this sub-unit.

The investment expenses from the site in Orsova refer to the purchase of certain special welding equipment (KBUG 3002/240V welding machines and welding bogies), forklift YTO CPCD 25 as well as to the modernization of the already existing equipments.

2.3 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 30.06.2018 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 2018, being equal to that from 31.12.2017, 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 2018 is concerned, in comparison to 30.06.2017, this recorded certain modifications, in the sense that one of the significant shareholders, namely SIF Oltenia increased its owning share from 25,45% to 28,02%, on behalf of other shareholders where there has been registered a decrease from 11,37% to 8,81%.

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 acţionari</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 August 2017-August 2018 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 3,15 lei/share and a minimum one of 2,6 lei/share, and the biggest amount of traded shares was in the last part of the year 2017.

During the 1st semester of 2018, the management board did not suffer any modification from the same period of the year before, in what its composition is concerned. One of the administrators, namely Mr. Voiculescu Dan resigned, and following this resignation, the Management Board has the following structure:

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

The general ordinary meeting of the shareholders, the only one organized this year, was during the period 01.01-30.06.2018 and included the main points in the agenda:

- *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 31.12.2017.*

- *The presentation, debate and approval of the annual financial corresponding to the fiscal year 2017, 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 2017. The Management Board proposed that the net profit amounting to 1.897.715 lei to be allotted to the following scopes:*
 - *1.827.667,04 lei, as dividends' distribution, representing 0,16 lei gross dividend/share*
 - *70.047,96 lei as own source of financing*
- *Approval of the allocation of the amount of 29.417 lei, profit existing in the result reported coming from the cancellation by the courts of trial of certain control acts.*
- *The asset discharge of the managers, for the fiscal year 2017*
- *Analysis of the fulfillment of the indicators and performance targets approved for the fiscal year 2017, the variable remunerations in compliance with the administration and commission contracts*
- *Approval of the indicators and of the performance targets for the fiscal year 2018.*
- *Presentation, debate and approval of the incomes and expenses budget draft and of the investment program for the year 2018.*
- *The approval of the date of 3rd of July 2018 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 2nd of July 2018 as ex date, in compliance with art. 129² from the CNVM Regulation no. 1/2006 further amended and abridged.*
- *The approval of the date of 16th of July 2018 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. 45/13.04.2018 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 2018, S.C. Santierul Naval Orsova 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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Şantierul Naval Orşova S.A.**Separate financial statements in accordance with IFRS at 30.06.2018**

	Retained earnings from the application for the first time of IAS 29	0	0
	Profit appropriation	(97.155)	(823.621)
	Other elements of equity	(3.652.198)	(3.718.330)
	Total equity	89.231.465	89.420.785
	Liabilities		
	Long-term liabilities		
<i>IAS 1.54(o), 56</i>	Deferred tax liabilities	3.652.198	3.718.330
<i>IAS 1.60</i>	Total long-term liabilities	3.652.198	3.718.330
	Current liabilities		
<i>IAS 1.54(k)</i>	Trade payables and other debts, including derivatives	19.174.275	8.422.623
	Advance registered incomes	2.793	3.308
<i>IAS 1.54(l)</i>	Provisions	238.719	787.074
<i>IAS 1.60</i>	Total current liabilities	19.415.787	9.213.005
	Total Liabilities	23.067.985	12.931.335
	Total Equity and Liabilities	112.299.450	102.352.120

Reference	STATEMENT OF COMPREHENSIVE INCOME			
IAS 1.10(b), 81(a)	For the financial year ended at 30 iune	Note	2018	2017
			RON	RON
	Continuing operations			
IAS 1. 82(a) IAS 1.99,103	Income	5	22.013.677	21.766.994
	Other income	6	2.695.978	3.911.069
	Total Operational Income		24.709.655	25.678.063
	Expenses related to inventories	7	(8.196.805)	(9.401.291)
	Utility expenses	8	(467.388)	(537.618)
	Employee benefits expenses	9	(8.407.999)	(8.525.085)
	Depreciation and amortization expenses	14,15	(1.893.696)	(2.411.265)
	Gains/losses on disposal of property		0	414
	Increase/(Decrease) of receivables allowances and inventory write-down	10	95.122	(1.198)
	Increase/(Decrease) of provision expenses		548.355	442.785
IAS 1.99, 103	Other expenses	11	(4.448.113)	(5.299.045)
	Total Operational expenses		(22.770.524)	(25.732.303)
	The result of operational activities		1.939.131	(54.240)
	Financial income	12	267.394	629.914
IAS 1.82(b)	Financial expenses	12	(263.426)	(390.870)
	Net financial result	12	3.968	239.044
IAS 1.85	Result before taxation		1.943.099	184.804

Şantierul Naval Orşova S.A.
Separate financial statements in accordance with IFRS at 30.06.2018

	Current income tax expenses	13	(280.747)	(71.898)
	Deferred income tax expenses	13	(265.692)	(304.519)
	Deferred income tax income		182.391	248.001
	Specific taxation expenses		(6.836)	0
IAS 1.85	Result for continuing operations		1.572.215	56.388
IAS 1.82(f)	Result for the period		1.572.215	56.388
	Other comprehensive income			
IAS 1.82(g)	Reevaluation of tangible assets		(90.955)	0
IAS 1.85	Other comprehensive income after taxation		(90.955)	0
IAS 1.82 (i)	Total comprehensive income for the period		1.481.260	56.388
	Attributable profit			
IAS 1.83(b)(ii)	Shareholders		1.572.215	56.388
	Profit for the period		1.572.215	56.388
	Total attributable comprehensive income			
IAS 1.83(b)(ii)	Shareholders		1.481.260	56.388
	Earnings per share			
IAS 33.66	Basic earnings per share		0.14	0,00
IAS 33.66	Diluted earnings per share		0.14	0,00
	Continuing operations			
IAS 33.66	Basic earnings per share		0.14	0,00
IAS 33.66	Diluted earnings per share		0.14	0,00

STATUS OF CAPITAL AMENDMENTS

-lei-

IAS 1.108,109

IAS 1.108,109

		Responsibilities of the Comapny's shareholders								
		Social capital	Capital premiums	Revaluatio n reserve	Reserves	Reported result	Result of the fiscal year	Other elements from capital	Profit relocation	Capital total
	Sold at 31 December 2016	<u>52.053.712</u>	<u>8.862.843</u>	25.040.878	45.164.506	<u>(41.533.691)</u>	<u>2.792.859</u>	<u>(3.721.670)</u>	<u>(178.216)</u>	<u>88.481.221</u>
IAS 1.106(d)(i)	Net profit/loss of the year	-	-	-	-	2.792.859	(71.523)	-	-	2.721.336
	Profit relocation	-	-	-	-	(2.284.584)	-	-	(823.621)	(3.108.205)
	Transfer in reserves	-	-	(716.707)	(4.731.235)	6.122.764	-	3.340	178.216	856.378
	Revaluation reserves	-	-	470.055	-	-	-	-	-	470.055
	Adjustment from applying IAS 29	(23.496.414)	-	-	(16.962.110)	40.458.524	-	-	-	0
	Sold at 31 December 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)	Net profit/loss of the year	-	-	-	-	2.721.336	(1.149.121)	-	-	1.572.215
	Profit relocation	-	-	-	-	(1.827.667)	-	-	(97.155)	(1.924.822)
	Transfer in reserves	-	-	(90.955)	196.620	(832.131)	-	66.132	823.621	163.287
	Adjustment from applying IAS 29	-	-	-	-	-	-	-	-	-
	Sold at 30 June 2018	<u>28.557.298</u>	<u>8.862.843</u>	<u>24.703.271</u>	<u>23.667.781</u>	<u>5.617.410</u>	<u>1.572.215</u>	<u>(3.652.198)</u>	<u>(97.155)</u>	<u>89.231.465</u>

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STATUS OF THE TREASURY CASH FLOW

<i>IAS 1.10(d), 113</i>	For the fiscal year completed	30.06.2018	30.06.2017
	Treasury Cash Flow for operating activities		
	Profit of the period	1.943.099	184.804
	Adjustment for:		
	Depreciation of intangible and tangible assets	2.107.747	2.411.265
	Net expenses / (net income) with provisions	(548.355)	(442.785)
	Gain from the sale of the tangible assets	0	(414)
	Expense on the current income tax	280.747	71.898
	Expenses on the delayed income tax	265.692	304.519
	Income from the delayed income tax	(182.391)	(248.001)
	Incomes from investment grants	(515)	0
	Cash Flow from operating activities before the amendment of the working capital	4.962.734	2.281.286
	Amendment of the working capital:		
	Stocks modification	(5.766.943)	(2.920.302)
	Modification of the commercial account receivables and of other account receivables	(6.411.634)	(5.535.763)
	Modification of the advanced expenses	(186.059)	(116.806)
	Modification of the commercial debts and of other debts	7.228.779	3.553.245
	Cash flow generated from operating activities	(173.123)	(2.738.340)
<i>IAS 7.31,32</i>	Paid interests	(372.843)	(71.898)
<i>IAS 7.10</i>	Net cash flow from operating activities	(545.966)	(2.810.238)
	Treasury Cash Flow from investment activities		
<i>IAS 7.31</i>	Cashed interests	46.186	186
<i>IAS 7.16(a)</i>	Tangible and intangible assets acquisition	(1.359.834)	(2.126.883)

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	Short term investments	1.716.643	(460.510)
<i>IAS 7.10</i>	Net cash used in investment activities	402.995	(2.587.207)
	Treasury cash flow from financing activities		
	Paid dividends	(768)	0
<i>IAS 7.10</i>	Net cash from (used in) financing activities	(768)	0
	Net increase/decreases of the cash flow and of the cash flow equivalents	(143.739)	(5.397.445)
	Cash Flow and equivalents from 1st of January	9.566.768	15.360.927
	Cash flow and cash flow equivalents at 30th of June	9.423.029	9.963.482

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

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

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

IAS 1.51(a)-(c) The separate financial statements in according with IFRS have been prepared for period 01.01.2018-30.06.2018. 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 2018 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 10th, 2018.

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

IAS 1.117(a)

- Investment properties
- Plant
- Naval means of transport

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

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

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.

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.

IAS 1.122,125,129,130 Information regarding professional judgments that are critical in applying accounting policies which can significantly affect the values presented in the financial statements are included in the following notes:

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

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:

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

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

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

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

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

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

IAS 8.30 In accordance with the provisions of IAS 8 (paragraph 30), the company must evaluate and show what is the impact of IFRS 15 "Income from contracts with customers" with effect from 1 January 2018. The company has analyzed the 5 steps provided by IFRS 15 and takes into consideration to identify separately each contract, since it concerned a single ship supply, and the obligations laid down in the contracts only affects the delivery of a ship, its price is clearly determined and is thus allocated to each vessel, income being recognized as it is been carried out under an obligation assumed by the company - to deliver the vessel in accordance with the protocols of deliverance by the beneficiaries. The company appreciates that there will be no differences in the recognition of income as a result of IFRS 15 with effect from 1 January 2018.

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.

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

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

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

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

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

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

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

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

IAS 28	Investments in 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	<p>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.</p> <p>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.</p>
IAS 31	Interests in Joint Ventures	Accounting principles and policies to joint venture operations performed assets or holdings in a joint venture.
IAS 32	Financial instruments: presentation	Rules of presentation (classification of debt equity, expenses or income/equity).
IAS 33	Earnings per Share	Principles of determination and representation of earnings per share.
IAS 36	Impairment of Assets	Key definitions (recoverable amount, fair value less costs of disposal, value in use, cash-generating units), the frequency of impairment tests, accounting for the impairments, and for goodwill impairment.
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Defining provisions and approach of estimating provisions, individual cases examined (including the problem of restructuring).
IAS 38	Intangible Assets	Definition and accounting treatments for intangible assets, recognition and measurement policies on the processing costs for research and development etc.

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

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

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

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

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 SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

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 SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

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.

Regarding the accounting treatment of revaluation differences, these were made in accordance with IAS 16 as follows:

If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the carrying amount of an asset is impaired as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent that the revaluation surplus shows a credit balance for the asset. Reduction recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The Company has used the net value model. The amount of the revaluation surplus was credited to revaluation reserve balance for those non-current assets which fair value was higher than the net book value. For the non-current assets which fair value has been less than the carrying amount, firstly the revaluation surplus has been decreased and after that if necessary it has been reflected as an operating expense in the profit and loss statement.

Maintenance and repairs of tangible assets are recorded as an expense when incurred. Significant improvements of tangible non-current assets that increase the value or useful life or significantly increase the capacity to generate economic benefits are capitalized as asset.

Assets that have the nature of inventory objects, including tools are recorded as an expense when purchased and are not included in the account value of the tangible assets.

(ii) Reclassification to investment property

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

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

IAS 1.112(a) **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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Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS
ADOPTED BY EU

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.

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

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.

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

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.

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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).

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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.

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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 SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

4. Determination of fair value (continued)

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

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

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

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

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

4. Determination of fair value (continued)

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

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

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

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

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

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

5. Revenue

		<u>30.06.2018</u>	<u>30.06.2017</u>
<i>IAS 18.35(b) (i)</i>	Sales of goods	20.601.448	20.972.879
<i>IAS 18.35(b) (ii)</i>	Rendering of services	1.412.229	794.115
	Total	<u>22.013.677</u>	<u>21.766.994</u>

The incomes on the first semester of 2018 represent 98,2% from those from the period corresponding to the previous year. The income was realized mainly based on the production of ships in Orsova. During this period there were delivered abroad a number of 3 body ships amounting to 4.429.648 Euro.

During the corresponding period of the last year, there were delivered 4 ships amounting to 4.628.075 Euro.

6. Other income

	<u>30.06.2018</u>	<u>30.06.2017</u>
Rental income (other than rental of investment property)	2.569.912	3.889.037
Income from compensations and penalties	-	-
Other operating incomes	126.066	22.032
Total	<u>2.695.978</u>	<u>3.911.069</u>

The amounts written under the rent income refer especially to the rents coming from the operation of the ships (hydro-flap barge) in rental status, existing at Agigea Branch.

During the first semester from this year a decrease has been registered also to this income in comparison to the previous year, the 5 barges belonging to the barge, being registered only during certain months, some of them are under modernization/repair during the Ist semester 2018.

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7. Expenses related to inventories

	<u>30.06.2018</u>	<u>30.06.2017</u>
Raw materials	5.076.547	5.126.707
Consumables, including:	2.929.437	4.042.549
<i>Auxiliary materials</i>	2.513.338	3.504.722
<i>Fuel</i>	173.737	230.502
<i>Spare parts</i>	161.988	171.074
<i>Other consumables</i>	80.374	136.251
Materials in the form of small inventory	127.783	127.855
Materials not stored	61.049	100.545
Goods for resale	2.807	4.391
Trade discounts received	(818)	(756)
Total	<u>8.196.805</u>	<u>9.401.291</u>

8. Utility expenses

	<u>30.06.2018</u>	<u>30.06.2017</u>
Electricity	458.336	520.576
Water	9.052	17.042
Total	<u>467.388</u>	<u>537.618</u>

IAS 1.104 **9. Personnel expenses**

	<u>30.06.2018</u>	<u>30.06.2017</u>
Salaries	7.839.611	6.854.181
Social security contributions	568.388	1.670.904
Total	<u>8.407.999</u>	<u>8.525.085</u>
Number of employees	352	332

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10. Values adjustment for current assets

	<u>30.06.2018</u>	<u>30.06.2017</u>
losses from receivables and sundry debtors	(95.122)	1.198
Total	<u>(95.122)</u>	<u>1.198</u>

IAS 1.97

11. Other expenses

	<u>30.06.2018</u>	<u>30.06.2017</u>
Maintenance and repair expenses	59.351	69.908
Royalties and rental expenses	446.526	392.224
Insurance premiums	43.931	64.714
Commissions and fees	8.988	41.538
Protocol, promotion and advertising	12.878	14.353
Transport of goods and personnel	904.556	1.188.568
Travel	139.413	448.720
Postage and telecommunications	19.548	23.081
Bank commissions and similar charges	40.996	54.559
Other third party services	2.501.757	2.791.561
Other taxes, duties and similar expenses	217.550	184.612
Expenses with the environment protection	7.176	4.019
Other operating expenses	45.443	21.188
Total	<u>4.448.113</u>	<u>5.299.045</u>

Further on, reference will be made to certain expenses from above which are important for Other Expenses.

The expenses with transport of goods and people, they refer to the transport of river ships built at the main head-office, in Orșova, the handover point indicated in the business contracts, namely Regensburg or Rotterdam. These expenses register a drop with 24% against corresponding period from past year, specially caused by lower number of hulls delivery in 1st H 2018 (3 hulls) against 1st H 2017 (4 hulls).

The expenses with conveyances and detachment mainly refer to the currency compensations for the staff from the rented boats, during the time when they were rented abroad, and, as it can be seen from the comparative report above, they record an important decrease (69%) because also incomes resulted from vessels renting lowered by one side and other side crews for vessels exploitation was assured mainly by external clients.

The sum of expenses representing works carried out by third parties (subcontractors) refers to the ship building activities and painting work carried out by means of subcontractors; these expenses have also registered decreases (10,4%) justified by the fact that in the first part of this year, the company resorted to subcontractors less, especially at the steel structures' part.

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

Recognized in income statement

		<u>30.06.2018</u>	<u>30.06.2017</u>
<i>IFRS 7.20 (b)</i>	Interest income related to deposits	47.105	1.547
<i>IAS 21.52 (a)</i>	Income from exchange rate differences	220.289	628.367
	Total financial revenue	267.394	629.914
<i>IAS 7.20 (b)</i>	Interest expense		-
<i>IAS 21.52 (a)</i>	Exchange rate differences expenses	263.426	390.870
	Total financial expenses	263.426	390.870
	Net financial result	<u>3.968</u>	<u>239.044</u>

Concerning the above mentioned amounts, the following stipulations are made:

- The incomes from interests are corresponding to the bank deposits and the money available from the current account;
- During the first semester of 2018 the company did not contract bank credits, thus no interest was registered on behalf of it.

13. a. a) Income tax expenses

		<u>30.06.2018</u>	<u>30.06.2017</u>
	Current income tax expenses		
<i>IAS 12.80 (a)</i>	Current period	280.747	71.898
<i>IAS 12.80 (b)</i>	Adjustments of previous periods		
	b) Deferred income tax expenses		
<i>IAS 12.80 (c)</i>	Initial recognition and reversal of temporary differences	265.692	304.519
<i>IAS 12.80 (g)</i>	Changes in previously unrecognized temporary differences		
<i>IAS 12.80 (f)</i>	Recognition of previously unrecognized tax losses		
	Total income tax expenses	546.439	376.417
<i>IAS 12.81 (c)</i>	c)Reconciliation of effective tax rate		
	Profit for the period	1.989.674	184.804
	Non-deductible expenses	13.537	87.270
	Non-taxable incomes	651.712	524.702
	Elements similar to incomes (reduction in value revaluation)	509.702	711.228
	Legal reserve	97.155	9.240
	Taxable profit	1.764.046	449.360
	Expense with curent profit tax	282.247	71.898
	Sponsorships	1.500	-
	Profit after tax	280.747	112.906

13.b Expenses with specific tax

Starting with year 2017, same time with Law 170/2016 appliance regarding specific tax for some activity, company due this type of tax for cantina`s activity which is functioning in his subsidiary. Mention the fact that inside Company has activity a workers cantina, this activity being codified NACE 5629 “ Other activities for alimentation n.c.a.” and it is transcript in constitution(establishment) act as secondary activity.

For the year 2018, expenses with specific due tax for this activity is in amount of 13.671 lei, from whom the one afferent for 1st H 2018 :6836 lei

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IAS 16 **14. Tangible Non-current Assets**

		Land and buildings	Machines and Equipment	Furniture and fixtures	Work in progress	Total
		RON	RON	RON	RON	RON
	Cost or assumed cost					
IAS 16.73 (d)	Balance at 1 January 2018	22.513.107	53.279.616	560.822	161.845	76.515.390
IAS 16.73 (e)(i)	Acquisition	-	1.384.790	-	230.632	1.615.422
IAS 16.73 (e)(ii)	Disposals of tangible non-current assets	-	362.882	80.303	61.276	504.461
	Net reevaluation	22.513.107	54.301.524	480.519	331.201	77.626.351
IAS 16.73 (d)	Balance at 30 June 2018					
	Depreciation and impairments	3.956.832	36.801.871	472.843	-	41.231.546
		879.173	1.200.200	12.491	-	2.091.864
IAS 16.73 (d)	Balance at 1 January 2018	-	358.615	80.303	-	438.918
IAS 16.73 (d)(vii)	Depreciation for the year	4.836.005	37.643.456	405.031	-	42.884.492
IAS 16.73 (d)(ii)	Disposal of tangible non-current assets					
IAS 16.73 (d)	Balance at 30 June 2018					
IAS 1.78 (a)	Net book value					
	Balance at 1 January 2018	<u>18.556.275</u>	<u>16.477.745</u>	<u>87.979</u>	<u>161.845</u>	<u>35.283.844</u>
	Balance at 30 June 2018	<u>17.677.102</u>	<u>16.658.068</u>	<u>75.488</u>	<u>331.201</u>	<u>34.741.859</u>

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

The lands, on the 30th of June 2018 have an accounting value of 1.201.941 lei being unchanged against 30.06.2017 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.

Mention that in 1st H 2017 was passed surface of 4.925 sm, corresponding to certain lands situated in the South part of Orsova (Gratca area), amounting to 18.637 lei, from tangible assets (account 2111) to fixed assets withheld in view of selling (ct. 311), until this moment company has not succeed to sell these lands.

The company has completed a report on the cadastral situation for the entire surface owned, at the head-office in Orsova and the cadastral situation from the Branch in Agigea for the 210 sm is to be completed.

Revaluation of tangible non-current assets

On 31 December 2004, the value of tangible non –current assets is presented at historical cost, indexed in accordance with government decisions ("GD"), which were applied by that date or at historical cost.

At 31 December 2005 the Company proceeded to revise the value of tangible assets by using the opinion of specialists, employed by the Company. At 31 December 2006, the Company proceeded to review the value of buildings and special constructions using the opinion of specialists, employed in the Company. On 31 December 2007, the Company has not proceeded to review the value of assets at the Orșova headquarters, instead, Agigea Branch conducted a revaluation of fixed assets of structures and ships group, before the merger, under the old name: SC Servicii Construcții 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 Orșova 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

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

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.

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

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

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 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.

According to IFRS 13, the assessment to the just value of the assets namely tangible assets such as buildings and the ships' transport was based on the consideration of the assets' properties which the market participants would consider at the settlement of the asset cost on the date of the assessment. The settlement of the just value was realized by an external independent expert and is assimilated to level 2 stipulated by IFRS 13 for the data considered at the establishment of the just values on the date of 31st of December, the date of the financial reporting. At the level of the Company, there wasn't any case of changing the level provided by IFRS 13 for the data considered at the settlement of the just values. Likewise, the maximum value to be used for the assets assessed to the just value does not differ from the current usable value.

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

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

- RON-

Name	Land	Plant	Equipment (Means of transport)
Fair value at 30.06.2018	1.201.941	21.311.166	11.029.928
Revaluation surplus	572.314	18.790.615	5.431.297
Net book value according to cost model	629.627	2.520.551	5.598.631

Impairment losses and subsequent reversals

For fixed assets in conservation at Agigea Branch was recognized a total depreciation for the and of the year 2017 of 304.490,18 lei (on 31.12.2016 this depreciation was 287.458,76 lei)

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
- Security interest with dispossession on a deposit in value of 400,000 EUR
- Real mortgage with dispossession to an deposit at term in amount of 400.000 EUR
- Real mortgage over receivables resulting from commercial contracts to the borrowers with third persons, financed inside facilities
- Real mortgage to the accounts opened at BRD

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IAS 38 **15. Intangible Assets**

<i>IFRS 3.61</i> <i>IAS 38.118 (c), (e)</i>		Other assets	Total
Cost		RON	RON
<i>IFRS 3.B67 (d)(viii), IAS 38.118</i>	Balance at January 1, 2018	1.229.903	1.229.903
<i>IAS 38.118(e)</i>	Acquisitions	-	-
	Disposals of intangible assets	99.983	99.983
<i>IAS 38.118</i>	Balance at June 30, 2018	1.129.920	1.129.920
Amortization and impairment			
<i>IFRS 3.B67 (d)(i), IAS 38.118</i>	Balance at January 1, 2018	1.196.676	1.196.676
<i>IAS 38.118(e)(vi)</i>	Amortization during the year	15.884	15.884
	Disposals of intangible assets	99.983	99.983
<i>IFRS 3.B67 (d)(viii), IAS 38.118</i>	Balance at June 30, 2018	1.112.577	1.112.577
Book values			
<i>IAS 38.118(c)</i>	Balance at January 1, 2018	<u>33.227</u>	<u>56.102</u>
<i>IAS 38.118(c)</i>	Balance at June 30, 2018	<u>17.343</u>	<u>17.343</u>

S.C. Șantierul Naval Orșova S.A.
Separate financial statements in accordance with IFRS at 30.06.2018

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

IAS 39 **16. Other investments, including derivatives**

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

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

Other investment	30.06.2018			30.06.2016		
	Book value	Allowance for impairment	Net worth	Book value	Impairment adjustments	Net worth
Long-term investment	684.495	684.495	0	684.495	684.495	0
Shares held at Kritom	0	0	0	0	0	0
Other shares held on long time	684.495	684.495	0	684.495	684.495	0
Total long-term investment	684.495	684.495	0	684.495	684.495	0

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

IAS 39 **16. Other investments, including derivatives (continued)**

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

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

- Anonymous Society "Domik Kritis" 4,505 shares, representing 68,62% of the share capital;
- The Company: 2,060 shares, representing 31,38% of the share capital..

On June 30, 2018 the Company had fully set up impairments for these securities, amounted to 684,495 RON, so the net value was 0 RON.

Short-term investments refer to bank deposits or to ensure the overall ceiling granted by BRD or from existing availability at one time in order to obtain a more favorable interest.

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

IAS 40 **17. Investment properties**

On 30.06.2018 the company did not have property investments, as those buildings or parts of the buildings which were under rental the previous years are no longer rented at present, the building Main Office from Agigea Branch, being approved to be taken out for sale, after the completion of the cadastral situation.

18. Inventories

	<u>30.06.2018</u>	<u>30.06.2017</u>
<i>IAS 1.78 (c), 2.36(b)</i> Raw materials and consumables	12.031.881	10.521.609
<i>IAS 1.78(c), 2.36(b)</i> Work in progress	42.888.980	38.433.536
<i>IAS 1.78(c), 2.36(b)</i> Semi-products	68.853	95.057
<i>IAS 1.78(c), 2.36(b)</i> Finished goods	-	-
<i>IAS 1.78(c), 2.36(b)</i> Products held at third parties	-	-
<i>IAS 1.78(c), 2.36(b)</i> Goods	-	-
Write-downs	(7.028.196)	(7.176.048)
	<u>47.961.518</u>	<u>41.874.154</u>

Inventories at net value

IAS 1.104, 2.36(e)(f) For the stocks more than 2 years old, existing in the balance at the end of the year 2017, without circulation, the company proceeded to the adjustment of the accounting value, building a total depreciation of 7.053.422 lei. Out of this total value, the amount of 6.542.985,29 lei, concerning the depreciation of the production under fabrication corresponding to 2 external controls and was calculated as difference between the costs estimated for the respective controls and the contract cost. On 30.06.2018 the company registered tangible assets withheld in view of selling amounting to 68.853 lei, representing 2 lands and 1 buildings at the main office in Orsova. Assessment reports were concluded for these assets, following the settlement of the sale procedure, but was not founded Buyers.

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

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

		<u>30.06.2018</u>	<u>30.06.2017</u>
<i>IAS 1.78 (b)</i>	Trade receivables in relation to related party		
	Loans to directors		
<i>IAS 1.78 (b)</i>	Trade receivables	13.766.568	11.647.038
	Receivables allowances	(2.884.551)	(3.254.685)
<i>IFRS 7.8(c)</i>	Loans and net receivables	10.882.017	8.392.353
	Receivables – total	2.509.221	1.304.127
	Sundry debtors	386.178	381.811
	Suppliers – debtors	296.804	67.745
	VAT receivable and under settlement	1.741.726	695.907
	Allowances for other receivables	(375.362)	(220.332)
	Accrued expenses	209.453	159.796
	Other expenses	250.422	219.200
	Total	13.391.238	9.696.480

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

	<u>30.06.2018</u>	<u>30.06.2017</u>
	2.962.681	3.254.685
On 1 January	78.130	-
Allowances reversed	-	-
Recognized allowances	2.884.551	3.254.685
Balance at end of period		

20. Cash and cash equivalents

	<u>30.06.2018</u>	<u>30.06.2017</u>
	3.346.183	2.226.904
Bank accounts in RON	6.040.804	7.707.670
Bank account in foreign currencies	17.935	10.058
Petty cash in RON	-	-
Petty cash in foreign currencies	18.107	18.850
Other values		
	<u>9.423.029</u>	<u>9.963.482</u>
Total		

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

21. Capital and reserves

Share capital

IFRS 7.7 On 3rd of July, reference date for dividends payment for year 2017 (latest date on whom the
IAS company requested a list of shareholders from Central Depository) is as follows :
1.79(a)(i),(iii)

	<u>Number of shares</u>	<u>Amount (RON)</u>
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 (Central Depository) 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.

Owning shares involves adherence to the status and subsequent amendments.

During 2017 there were no changes in share capital.

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

22. Employee benefits**a) The remuneration of directors and administrators**

The Company did not grant advances or loans to directors or administrators in first semester of 2018.

Wage expenses

	Financial exercise ended at <u>30 June 2018</u> (RON)	Financial exercise ended at <u>30 June 2016</u> (RON)
Administrators	420.465	437.282
Directors	591.820	420.495
	1.012.285	857.777

The Board of Directors is as follows:

Mr. Mihai Fercală – President

Mr. Firu Floriean – Member

Mr. Lucian Ionescu – Member

Mr. Pantea Marius Ion - Member

In the 1st H 2018, one of administrators, respectively Mr. Voiculescu Dan, renounced to his mandates as administrator, so in the present time are 4 administrators

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

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

22. Employee benefits (continued)

Salaries payable at period end:

		<u>30 June 2018</u>	<u>30 June 2017</u>
		(RON)	(RON)
	Administrators	28.486	30.019
Directors		20.308	18.866
		48.794	48.885

b) Employees

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

	Financial exercise ended at <u>30 June 2018</u>	Financial exercise ended at <u>30 June 2017</u>
Administrative staff	44	44
Direct productive staff	255	234
Indirect productive staff	53	54
	352	332

STATEMENT

The undersigned Eng. Mircea Sperdea – general manager and Ec. Gheorghe Caraiman – 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 2018 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 2018, 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. Gheorghe Caraiman