S.C. SANTIERUL NAVAL ORSOVA S.A.
ANNUAL REPORT FOR 2018

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S.C. "ŞANTIERUL NAVAL ORŞOVA" S.A.
Nr. RC J25/150/1991 CIF: RO 1614734
Capital social: - subscris 28.557.297,5 lei
- varsat 28.557.297,5 lei
Str. Tufări, nr. 4, Orşova, 225200, Mehedinţi
Tel.: 0252/362.399; 0252/361.885; Fax: 0252/360.648
E-mail: mircea.sperdea@snorsova.ro; marketing@snorsova.ro
Codul LEI (Legal Entity Identifier): 254900UXAJ8TPIKLXG79
Cod IBAN: RO96RNCB0181022634120001- B.C.R. Orşova
Cod IBAN: RO59BRDE260SV03176142600- B.R.D. Orşova

ANNUAL REPORT OF THE BOARD OF DIRECTORS ACCORDING TO LAW NO. 297/2004 ON CAPITAL MARKET, OF THE ASF REGULATION NO. 5/2018 AND OF THE MFP ORDER NO. 2844/12.12.2016 FOR THE FINANCIAL YEAR 2018

Date of the Report: 20th of February 2019

- **Name of the trading company: S.C. ŞANTIERUL NAVAL ORŞOVA S.A.;**
- **Registered office: 4, TUFĂRI Street, ORŞOVA, MEHEDINŢI County;**
- **Telephone/fax:0252/362399 0252/360648;**
- **Single registration code issued by the Trade Register: RO 1614734;**
- **Registered number with the Trade Register: J25/150/03.04.1991;**
- **Regulated market where the issued securities are traded: it is a company whose shares are traded on a regulated market, respectively it is listed in the Bucharest Stock Exchange, symbol: SNO**
- **Subscribed and paid in share capital: 28,557,297.5 Lei**
- **Class, type, number and core values of securities issued by the company:11.422.919 common shares, nominative, of 2.5 Lei each;**
- **The company is registered with ASF – Financial Supervisory Authority – with Certificate no. 111/02.03.1998, updated on 06.10.2008 further to the increase in share capital as a result of the merger.**

1. ANALYSIS OF THE COMPANY'S ACTIVITY

1.1. Description of the company's core business

a) Description of the company's core business

The main activity of "Şantierul Naval Orşova" S.A. consists in the construction of river ships (NACE code rev.2: 3011 "Construction of ships and floating structures"). This activity represented 87.4% of the 2018 turnover, most of the ships being exclusively designed for intra-community supplies.

The same as in the previous years, at Agigea Branch, the activity which highly contributed to the turnover consisted in renting the ships, especially barges, and repairs of river/marine ships. The branch's turnover represents 11.1% of total turnover, being lower than the previous year (by 5,5%).

b) Stipulation of the set up date of S.C. Șantierul Naval Orșova SA

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

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

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

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

There were no such events in 2018.

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

d) Description of assets acquisitions and/or sales:

Acquisitions and sales of assets are described in section 4.4 of this report and in the NOTES to the financial statements for 2018, which are attached to this report.

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

1.1.1. General assessment elements for the period under review (year 2018):

- **total income, out of which:** **53.117.435 lei**
  - **Agigea Branch** **5.951.060 lei**

This is a translation of the Romanian original version of the report. In case of any disputes, the Romanian language version prevails.

- **total costs** **49.531.866 Lei**
  Agigea Branch **5.949.990 Lei**
- **gross profit/loss, out of which:** **3.585.569 lei**
  - **Agigea Branch** **1.070 lei**
  - **Orsova headquarter** **3.584.499 lei**
- **market share held:**
  - **the production obtained at the headquarters addresses the market share of intra-community river ships, where the company holds a share of approximately 1 - 2%;**
  - **the rental of ships (barges) through the branch was done especially outside the intra-community area, where the share is below 1%;**
- **as of 31.12.2018, the company's available funds in accounts amounted to 15.108.863 Lei, out of which:**
  - **7.838.275 Lei in the Lei account**
  - **7.254.436 Lei in the foreign currency accounts**
  - **12.965 Lei, petty cash**
  - **3.187 lei other values, in petty cash**

The main characteristics of the year 2018, compared with the previous years, could be shortly synthetized by:

- **Maintenance of a relatively low demand on the river vessel construction market, on which our company performs activity, even if a price growth was felt for the vessels sale, that was a consequence of raw materials price increase on one hand and of services, on the other hand. Even under these conditions, the company succeeded in having covered the entire production capacity for the year 2018 and also to preserve a level of efficiency comparable to the previous year.**
- **The request concerning the rental of the 5 ships, type barges which the company owns in Agigea Branch was decreased compared to 2017, and this was also felt in the income realized out of this activity which were to approximately ½ from those accomplished during the previous year.**
- **Our good name which our company has on the shipbuilder market in Europe, highly contributed to obtaining new orders.**
- **In the year 20178 it was completed the construction of the second ship type BITUM TANK of 110x111,45x4,75m, 1.016 tons, named "BITUMINA II". The first ship of this type was realized during the year 2017 and was appreciated on the market; the Dutch Client Rensen Driessen decided to build another tank ship of this type in 2018, too.**

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

1.1.2 The assessment of the technical level of the trading company

The activity at the head-office in Orsova is focused on the construction of river body of ships scoped to the intra-community deliveries, and the activity from Agigea Branch is based, especially on the rental activity, in the extra-community space, of several barges owned by Agigea and carrying out repair works to the ships, for third parties. For the construction of ships, the company is equipped with the technical means, the necessary specialists for this type of constructions. Thus, endowments, technical culture, organizational system, specific technological fluxes for shipbuilding, allow the execution and delivery of inland and maritime

vessels of different types and high complexity, of course, all these reported to the launching capabilities (following the slipway modernization).

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

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

In the years 2013 and 2014 was carried out the modernization and capacity increase for launching and lifting of Orsova’s slipway, and at present there are in progress of modernization/repairing works for Agigea`s slipway, which was started 2 years ago and is about to be completed during the year 2019.

In the year 2018 many welding machines and welding bogies were provided, was purchased a stacker, a cutting machine Omnicut 4600, industrial vacuum cleaners, a helicoidally compressor, TRAIBON server and other IT equipment. At Agigea Branch, the repairs and modernization of the 5 hydro-clap barges proceeded.

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

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

The implemented quality system is able to cope with the most modern requirements, and the company is certified by Lloyd Register Quality Assurance. The company is taking all the necessary measures to obtain the Quality System Certification in compliance with the new standard DIN ISO 9001:2015

SC SANTIERUL NAVAL ORSOVA SA has at its disposal:

- **A Quality Manual – revision 4/12.01.2015**
- **Procedures : - Documents control – revision 1/03.03.2011**
  - **Registration Control – revision 1/27.05.2014**
  - **Control of non-conform product – revision 2/ 12.01.2018**
  - **Corrective actions – revision 2/12.01.2015**
  - **Preventive actions – revision 2/12.01.2015**
- **Working instructions**
  - **Purchased material/products’ acceptance**
  - **Release from storages – revision 1/13.10.2012**
  - **Testing the product provided by the Client – revision 1/13.01.2012**
  - **Maintenance of the equipments– revision 1/08.11.2012**

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

- **Being part of medium-sized shipyards category, it has a great capacity to adapt to market demands and it can quickly respond to business diversification trends;**

- **good locations for both the headquarters in Orşova (where Danube enters the country) and the Agigea Branch (Constanţa harbour);**
- **pollution is at normal levels,**
- **personnel structure is balanced and correlated with the requirements of the technological process; skills level is good for all categories of staff, even in the last period the company undergoes a lack of personnel, although lately the company had to undergo a lack of working staff and also a growth of medium age of personnel, in parallel;**
- **endowment with specific fixed assets is to an acceptable level, comparable to other competing shipyards; in this respect, before the current crisis, the company started an investment programme aimed on one hand at increasing the weight of active fixed assets, and on the other hand at replacing obsolete fixed assets with more efficient ones that can lead to enhanced productivity; by means of this strategy, the company intended to ensure increased flexibility and efficiency of fixed assets and bringing them to a technical and technological level that would allow global alignment and building of products that meet the standards required by foreign partners, for both the headquarters in Orșova and the Agigea Branch;**
- **intra-community supplies and services / exports represent a significant part of the turnover (approximately 95%);**
- **for shipbuilding, there is a certain stability of intra-community clients (from Netherlands, Belgium, Germany, Austria), which demonstrates the company's seriousness;**
- **ships are sold through direct contracts with European seafarers or shipyards that reinforce ship hulls.**

The year 2018 did not bring any major modifications regarding the shipbuilding requests for marine/inland vessels, these being at a medium level, even most recent information from the ship market shows that the present situation will be preserved also during the year 2019, and also during the years to come. This is the reason why we consider that a strategy for future should be realistically analyzed, in order to can find – continuously- prices and financing policies to ensure the continuity of the activity under performance and competiveness terms.

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

In the year 2018, there were some changes in terms of main supply sources of raw materials and materials, yet it was insignificant. As in the previous years, the equipment was mainly bought from domestic ISO certified suppliers according to the European norms and standards. Starting with the year 2018, a new foreign supplier appeared, having a significant weight in the total of imports, namely MET INVEST from Ukraine (for naval plates). In terms of intra-community acquisitions, we mainly talk about those materials that are not produced in Romania or for which the clients have imposed a certain quality standard; such materials are laminated parts and paints for river/marine ships. Also, according to the handover conditions, the transport of ships to Germany/Netherlands was mainly done in a combined manner, namely on the segment Orsova-Regensburg, the transport was Romanian: CNFR NAVROM GALATI, and on the route Regensburg-Rotterdam with non-resident services providers (DUWVAARTONDERNEMING JOSON BV – THE NETHERLANDS, KLINK & KNUPPEL – GERMANY, CLASSIC CHARTER GMBH - GERMANY.

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

The main domestic suppliers of raw materials and materials, according to the value of the supplies and to their importance were:

- **S.C. ARCELOR MITTAL STEEL Galaţi: for medium and thick plates;**
- **S.C. DUCTIL Buzău: welding consumables;**
- **S.C. COS SA TARGOVISTE profiles and laminated**
- **S.C. LINDE GAZ Timişoara: technical gases**
- **S.C. NIMFA COM SRL BUC.: pipes and various profiles**
- **S.C. MAIRON S.A. GALATI variousprofiles**
- **S.C. PENTAGON SRL TECUCI: grinding stones**
- **SARA BUZAU flanges, reductions, installation elbows**
- **NORDEX TG. JIU protection equipment**

Just as during the previous years, the main foreign supplier of materials was JULIUS HANDELS GMBH from Austria for profiles and pipes, together with MET INVEST – Ukraine, as already shown;

Even if they were at a lower level than in previous year (increase 15%), collaboration with sub contractors continued and in the year 2018. These collaborations were necessary for the progress of the activity, referring to hull painting, steel construction, hull equipments, hull transport, etc. By the collaboration companies we are mentioning the most important:

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

1.1.4 Assessment of sales activity

Turnover knows a decrease of approx. 4,2%, from the previous year. It is to be mentioned that while the income from the ships' construction activity increased by approx. 2,3%, the income from the ships' renting activity decreased (the level of rentals cashed for the barges was to approx. ½ from the previous year). The turnover was realized, and specially, because of the external deliveries and services: intra community for the vessel built in Orsova and extra community for incomes resulted from renting the ships from Agigea Branch.

All 6 vessels finalized and delivered from Orsova in 2018 were scoped to be delivered to the West-European market.

Please see below a comparative statement of intra-community supplies and Romania, for the last three years, expressed in percentage of total ship delivered (according to IFRS 8):

CLIENT / BENEFICIARY	YEAR 2016	YEAR 2017	YEAR 2018
RensenDriessenShipbuilding B.V.	**47,2%**	**59,6%**	72,6%

(NL)			
Zeendecat BV (NL)	**-**	**13,8%**	**-**
Groupe Damen (NL)	**25,2%**	**-**	**-**
Vos Kaiser GmbH (DE)	**7,0%**	**-**	**-**
WPI SHIP Building BV (NL)	**6,3%**	**12,4%**	**-**
W.A.T. Driessen Holding B.V.(NL)	**5,4%**	**-**	**-**
County Council Caraș Severin (RO)	**5,2%**	**-**	**-**
BF Don Quichot B.V. (NL)	**3,7%**	**-**	**-**
ZanenShipbuilding B.V. (NL)	**-**	**14,2**	**-**
Concordia Damen Shipbuilding BV	**-**	**-**	27,4%
TOTAL	**100%**	**100%**	**100%**

According to the above mentioned information, the company Rensen Driessen continued also in 2018 to detain the first position regarding the amount of the deliveries. Contracts already signed for 2019 shows a slight decrease (approx. 3%) in what the dominant position held by the company Rensen Driessen is concerned.

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

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

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

The company's main competitors in terms of shipbuilding and repair works are the following, just as in the previous years:

- Domestic – all shipyards

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

1.1.5 Assessment of aspects related to employees / company staff

Lack of personnel continues to manifest also in the year 2018, all steps taken at executive level by recruiting new skilled workers in the trades of welders and locksmiths could not fully solve this deficit. This fact had more unfavorable consequences for company:

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

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Nevertheless, during the year 2018, the number of staff increased by 2,3% in comparison to the year 2017.

The average number of employees throughout 2018 is 351 employees compared to 343 employees in the previous year. As of 31.12.2018, the number of employees was of 372, out of which 339 at the headquarters in Orşova and 33 at the Agigea Branch.

Out of the total number, as of 31.12.2018, the situation per activity sectors is as following:

- **370 – industrial activity**
- **1 – canteen activity**
- **1 – medical activity**

The structure is as following:

- **47 – technical, financial, professional and administrative staff, out of which:**
- **40 – employees in Orsova (out of which 33 with higher studies);**
- **7 – employees in Agigea (out of which 5 with higher studies).**
- **5 foremen, out of which 5 in Orsova;**
- **320 workers, out of which:**
- **294 employees in Orsova;**
- **26 employees in Agigea.**

Personnel structure in terms of gender is as follows:

- **men – 315 persons (306 in the previous year);**
- **women - 57 persons (55 in the previous year).**

During the year 2018, a number of 72 new employees and 69 releases were registered; the latter were released through: retirements, dismissals for reasons of employee's character, expiry of the individual labour contract and with agreement from the parties, the latter being the most common cause.

In order to solve, part-wise this lack of staff, the company started a large recruiting action of qualified staff from Orsova, as well as from the surrounding areas. In order to settle a direct contact with the persons looking for a job, the company took part on various occasions, in the General Stock of the workplaces organized by AJOFM Mehedinti. Unfortunately, it was only part-wise succeeded to cover the necessary for the year 2018, this issue being present also in the year 2019.

A permanent preoccupation of the company's management was to improve the skills of its employees, following that this activity becomes a permanent one also in the next period, according to the provisions in the Labour Code.

At the level of the company, there are legally, two unions formed.

Out of the total of employees, approximately 95% are members of a union, and the relations between the administration and the employees on good terms.

Other aspects concerning the employees/the company's staff have been shown in the NOTES to the financial situations which are integer part of the present report.

1.1.6 Assessment of the impact of the company's core business on environment

As a whole of actions, documents or programmes that identify, describe and assess the potential material effects on environment, the environmental policy of SC Santierul Naval Orsova SA is closely related to both the company's economic policy and compliance with the principles of the European Directives on environment protection (EC Directive 2002/42/EC, SEA Directive 2001/42/CE and Habitats Directive 92/43/EC, Directive 2004/35/CE with regard to liability for environmental damage and DRM Directive, given that the entire company's activity is developed in an area protected by law, focusing on the following main directions:

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

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

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

In the same idea, in the summer of 2017, fresh water network was passed from over the earth in underground, eliminating thus the syncope produced in winter periods, when the over terrain pipes were fractured regularly, stopping normal supply with fresh water.

During 2018, the company fulfilled all the obligations resulting from the Environment Permit no. 21/27.02.2013, valid for a period of 10 years, until 27.02.2023, complying also with the obligation of self-monitoring discharged wastewater imposed by the Waste Water Management Permit no.144/11.05.2018, avoiding the occurrence of any effect with a negative impact on the environment.

1.1.7 Assessment of research and development activities

During 2018 the company did not record any research and development expenses, and for 2019 it does not intend to incur such expenditure, due to the fact that the technical design of the built ships is usually provided by clients or they use designs bought in previous years with the right to use them at new constructions to be done in the future.

1.1.8 Assessment of company activities regarding risk management

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

Therefore, the list of potential risk sources could include:
-market risk
-price risk
-currencies risk
-environment risk

-information security risks
-Cash-flow risk, etc.

As it was shown before, the decrease of ship request, accompanied by lowering of selling prices, as an effect of worldwide economic crisis, affected in latest years, including 2018, directly, the company's activity.

To overcome this difficult period, the executive staff had to initiate actions and program aimed at helping with costs management, thus ensuring its resistance on the river ship market. This aims at reducing costs according to the evolution of foreign markets, which continues to be a basic concern of the company's management.

Considering the estimates/forecasts on the exchange rate developments for 2018, the company made some transactions for covering the currency risk (hedging) same as in the past periods. These operations with derivates were effective, being concluded at a parity, more over the official one from the respective period, which contributed to a big measure at assurance of supplementary financial incomes to contribute to coverage of expenses of this nature. Favourable rate difference registered in the year 2018 from such operations overcome 200 thousands lei.

Also, to assure a better security of informatics system and data basis, company continued action started in the previous years- when a project of reconstruction of computer network and bought an informatics system based on Oracle technology – by purchasing new IT equipments which ensure security.

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

1.1.9 Perspectives on the company's activity

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

- **the company has over 28 years of experience in shipbuilding and repairs; these are performed at quality standards imposed by foreign clients and the company's name is already well-known to the West-European shipbuilders;**
- **the financial crisis has resulted in reduced demand for ships and price decreases, so that starting with 2009 the company was forced to resize its headcount; this action continued until early 2013; as of 2014, no layoffs have been done;**
- **In the present, the company has concluded contracts for 2019 which assure 100% of production capacity for the entire year. Negotiation which are done in the present, for new contracts signing, give us a perspective of activity continuation, by new contract signing, for the next years also**
- **as regards the Agigea Branch, it currently has 8 ships (hydro-clap barges, marine tugboats, floating cranes, which are described at section 2.1 b of this report), out of which 5 barges have been repaired and obtained the exploitation authorisations; the branch also has endowments and capacities required for shipbuilding and repairs.**
- **Considering the concluded contracts, the production structure and salary costs evolution and those with raw materials and materials, the company has foreseen in the Budget of income and expenses a volume of incomes increased in comparison, with the past year, with approx. 15,5%. Gross profit budgeted for the year 2019 will know also an increase approx. 0,4% (realized in the year 2018 :3.585.569 lei, budgeted for 2019: 3.600.000 lei).**
- **the company also intends for 2019 to have higher investments compared to 2018, mainly consisting in:**

- **Continue works for finalising the modernisation of the slipway at Agigea, namely replacement of wedge bogies ; this will increase safety of ships lifting-launching operations;**
- **Welding machines acquisitions, especially for the head-office in Orsova (welding techniques and robots)**
- **IT equipments for data secure and informatics network modernization Agigea**
- **Purchase of chamfering machine by grinding**
- **Press and SDV for plate trimming**
- **Purchase of cart crane 5tf profiles**
- **Improvement and modernizations works at the headquarter in Orsova and access ways**
- **Ensuring heating and ventilation in the productions halls**
- **Purchase of special tools and devices**
- **Purchase of transport means (land cruiser)**

2 COMPANY’S FIXED ASSETS

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

a) The fixed assets at the headquarters in Orşova are mainly formed of:

- **a lifting-launching hold of 1,800 t with ten wires on a length of 100 linear meters – used for launching ships with a maximum length of 135 linear meters and a width of 15 linear meters, which one was modernized in 2014;**
- **a technological platform that allows the simultaneous assembly of 5 ships and the execution of sections and block sections related to shipbuilding;**
- **5 portal cranes of 80+25 t purchased in recent years for the assembling platform and 2 portal cranes of 16 t together with 2 magnetic beams for handling plates in the plates warehouse and the blasting station; these offer much more safety and lead to increased productivity by replacing the existing crane trucks, which were obsolete;**
- **1 cutting machine in OMNIMAT coordinates based on computer programmes and 3 with OMNICUT plasma, commissioned in 2007 and 2009 and 2018;**
- **Hydraulic press for plate bending , bought in 2017**
- **Compressors (4 pcs.) type ACU 9 L8 from HAFI;**
- **a horizontal automated blasting and painting line purchased in 2009 for plates of up to 3000 mm width;**
- **buildings, storages, material warehouses, administrative building, a floating dock;**
- **cranes of 10 - 50 t, welding and painting equipment, plate rolling machine, 2 hydraulic bending-off presses for profiles of 200 t for profiles moulding at the retreat areas (stern, fore part), etc.**

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

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

b) At the Agigea Branch, the company owns 210 square meters of land located in Constanța, with a building where the company’s former administrative headquarters was

located until 2009, before the merger. Currently, the company's offices are in Agigea, and the building in Constanța was let, in the past years; in the year 2016 was putted in conservation, lacking solutions for renting. The cadastral in tabulation work was suspended until the litigation with the Town Hall in Constanta is closed, this litigation concerns certain amendments brought to this building by the old owner. At present this building is not used any longer. The land of 57,710 square meters in Agigea, where the branch currently develops its activity, is property of the State-Owned Company "Administraţia Porturilor Maritime Constanţa" (Administration of Maritime Harbours), and the branch has a usage contract for the harbour area with this company.

Main fixed assets owned by the Branch are the same as previous years, mentioning that within the year 2018 were done a series of expenses for repairing and modernizations of the vessel barges and slipway.

Regarding the slipway, within year 2015 was done the first stage of replacing damaged railways, in the year 2016 was solved problem of traction system for vessels launching, improvement action continues also along 2017 and 2018.In 2019, the investment plan considered also the replacement of the wedge bogies at this stowage.

The branch's main fixed assets are:

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

- **building and launching slipway for lifting ships, has 14 files, on whom can be executed works of launching/lifting up vessels, with the following sizes:**
    - **maximum length = 90,00 m**
    - **maximum width = 18,00 m**
    - **maximum height = 3,60 m**
    - **empty weight of the ship = 1,800 t**

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

2.2 Description and analysis of the company's properties of wear degree

At 31.12.2018 the company proceeded to re-evaluation, in scope of report by accounting the financial situation, of some fixed assets, in compliance with accounting policies of the company and with the principle according to which this operation should be done regularly enough, thus they are shown into accounting to their right value, reflecting the results of this assessment in the financial situations drawn up for that year. It is about the groups of assets: constructions and ships.

The net book value of the company's non-current assets as of 31.12.2018, after re-assessment is presented below:

The revaluation was performed by a company authorised by ANEVAR (*National Association of Certified Evaluators)*, and the results were recorded and disclosed in the financial situations of the year 2018; the company has done a special report in regards to the results of this operation detailed, in order to be presented to shareholders for approval, report which completes this presentation.

Part of the fixed assets from the category of equipment was in conservation in the past years and was in the same situation at 31.12.2018. For this category of fixed assets (other than

DENOMINATION	BALANCE AS OF 01.01.2018	BALANCE AS OF 31.12.2018
LAND	1.201.941	1.201.941
CONSTRUCTIONS	17.354.334	20.439.782
TECH. INSTAL. AND TRANSP. MEANS	16.456.333	17.199.019
OTHER INSTALL, EQUIP. AND FURNIT.	87.979	72.968
REAL ESTATE INVESTMENTS	21.412	104.911
ASSETS IN PROGRESS	161.845	0
TOTAL	**35.283.844**	**39.018.621**

buildings) there were constituted depreciations in the total value of 338.059 lei.

Part of the lands and buildings were re-classified as fixed assets held in scope of selling, approved by the administrators during the previous years to be sold by bidding. Their value on 31.12.2018 amounts 68.053 lei (account 311).

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

Parallel to it, the company carried out an assessment of the buildings for tax payment, the last assessment of such a type being realized on 31.12.2015.

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

At this moment, the company has no litigations regarding property rights.

3 MARKET OF SECURITIES ISSUED BY THE COMPANY AND CORPORATE GOVERNANCE

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

The shares of S.C. Şantierul Naval Orşova are listed and traded since 1998 at the Bucharest Stock Exchange with the symbol SNO. In this moment shares are traded on STANDARD

category. S.C. Depozitarul Central S.A. keeps the shareholders' registry, according to the contract no. 24494 dated 17 May 2007.

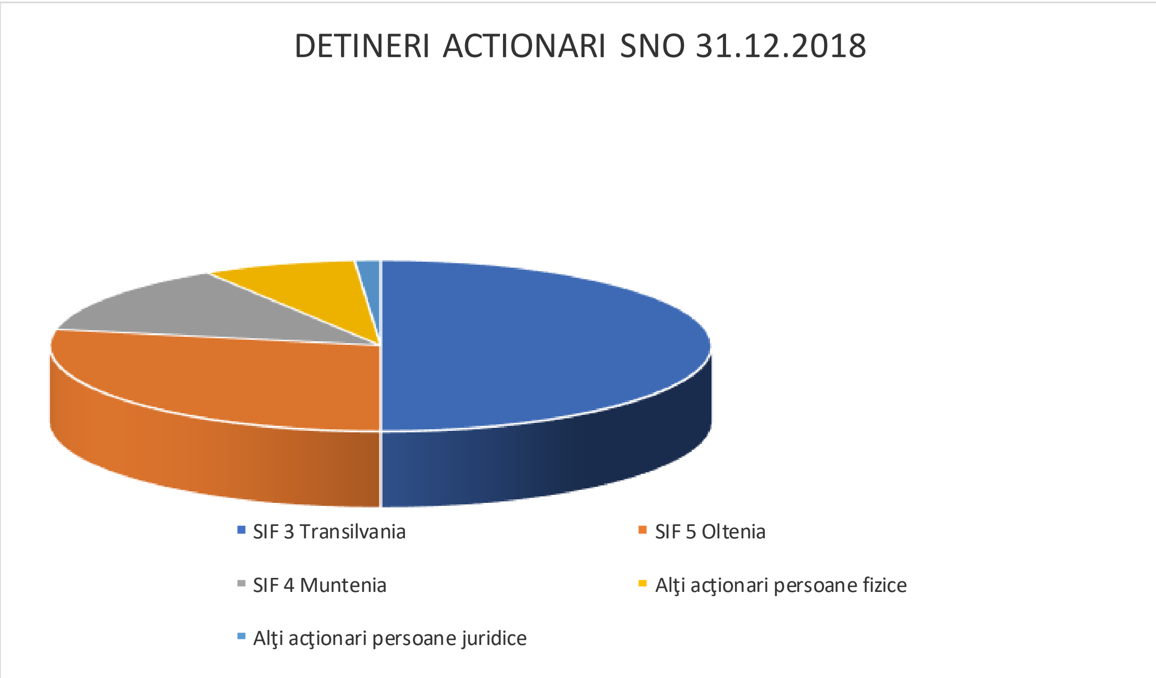
The company's securities are not traded on other domestic or foreign markets.

The share capital of S.C. Şantierul Naval Orşova SA did not register changes in 2018.

According to the shareholders' registry, as of 31.12.2018, the structure of shareholders is as following:

	Number of shares	Amount (Lei)	Percentage (%)
SIF 3 Transilvania	5.711.432	14.278.580	49,9998
SIF 5 Oltenia	3.200.337	8.000.843	28,0168
SIF 4 Muntenia	1.504.600	3.761.500	13,1718
Other shareholders natural persons	854.504	2.136.260	7,4806
Other shareholders legal persons	152.046	380.115	1,3311
	11.422.919	28.557.298	100,000

SIF = financial investment company



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

Compared to the shareholder's structure as of 31 December 2017, no modification has been noticed in what the ownership of significant shareholders are concerned, yet a slight increase of shareholders legal persons has been noticed, compared to shareholders natural persons. The company's shares are ordinary and indivisible.

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

According to the law, each share subscribed and paid in by shareholders gives them the right to a vote in the General Meeting of Shareholders, the right to elect or to be elected in the

company's governing bodies, the right to participate in profit distribution or any other rights deriving from the shareholder position.

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

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

As it can be see, variation interval was included between 2,35 lei/share and 3.00 lei/share (27.6%), during the previous year.

3.2 Description of company's policy on dividends

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

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

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

During the entire period where the dividends' distribution was approved, their payment was done within the term concluded by the General Meeting of the Shareholders, without being registered delays or complaints from the share holders.

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

In the year 2012 and 2013, the company registered losses, thus dividends distribution was not possible.

In the years 2014 and 2015, the company registered a profit, this was used for partial coverage of losses from the previous years.

In the year 2017, after covering losses from previous years from " Other reserves", the net profit for the year 2016 amounting to 2.614.643 lei was distributed, according to the Decision of the Ordinary General Meeting of Shareholders from 07 April 2017 for:

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

At the general Ordinary Meeting of the Shareholders (AGOA) on the date of 13.04.2018, the net profit for the year 2017 was allotted (after having deducted the 5% legal reserves and having constituted reserves from the financial facilities) amounting to 1.897.715 lei, for the following scopes:

- 1.827.667,04 lei, as dividends, representing 0,16 lei/share gross dividend

- 70.047,96 lei, as own financing source (available for the company).

3.3 Description of any activities relating to purchasing own shares

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

3.4 Number and nominal value of shares hold by subsidiaries

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

3.5 Issuance of bonds and/or debt securities

The company did not issue bonds or other debt securities in 2018 or in prior years, hence there are no liabilities towards holders of such securities.

4 MANAGEMENT OF THE ISSUER

4.1 The General Meeting of Shareholders (AGOA) of 17.04.2015 appointed the company's new Board of Directors for a period of 4 years, with the following structure:

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

Following, during the year 2016, in the general meeting of shareholders from April 2016, Board of Directors was completed with the fifth administrator, being chosen in this function Mr.Pantea Marius Ion-member. In May 2018 one of the administrators, namely Mr. Voiculescu Dan, terminated his mandate. In January 2019, instead of Mr. Voiculescu Dan was temporarily appointed, until the general ordinary meeting of the shareholders, Mr. Ciurezu Tudor, according to art. 137^2 from the Law of trading companies no. 31/1990, republished, further amended and abridged.

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

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

According to the legal provisions and those included in the company's articles of incorporation, the Board of Directors had a couple of meetings in 2018, in order to analyse and discuss the company's current issues, which fall under the responsibility of this governing body.

The main issues discussed, analysed and approved in the meetings of the Board of Directors in 2018 refer to:

- **organizational measurements precursory to the General Meeting of Shareholders from 13.04.2018,**
- **substantiation of the BVC, analysis of accomplishment in comparison to the BVC provisions,**
- **analysis of accomplishment of the investment program for the year 2018**
- **approval of transaction for protecting the exchange rate, hedging type,**
- **approval of external contracts for ships' construction,**
- **analysis of developments in the litigation with VEKA Netherlands at the Court of Arbitration in Rotterdam, including restart of arbitration,**
- **approval of global ceilings in relationships with banks,**
- **approval of internal audit plans and analysis of the internal audit engagements' conclusions,**
- **approval of goods' disposals and decommissioning,**
- **approval of the collective labour contract negotiated with the unions during2018/2019, solving various current issues on the meeting agenda, namely wages claims etc.**

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

At 31.12.2018 the executive management has the following structures:

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

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

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

2018, Mr Sperdea Mircea held a number of 12,000 shares, representing 0.11 % of the share capital.

Mr Caraiman Gheorghe was transferred in 1992 from S.C. Textila Cazanele Orşova from the same position, and on of 31.12 2018 he helds a number of 1,000 shares, representing 0.01% of the share capital.

Mr Stoinel Florin graduated the Mechanics Faculty of the Timisoara "Politechnica" University in 1995 and was immediately employed as an engineer with the Design Department of S.C. Şantierul Naval Orşova SA. During 01.10.1998 - 14.11.2005 he was the head of the Design Department within S.C. Santierul Naval Orsova SA. During the period 01.10.1998-14.11.2005 he has worked as head of the design department, andon 15.11.2005 he was appointed technical manager in charge with preparation of the fabrication process. On 31.12.2018 he held a number of 400 shares in S.C.Şantierul Naval Orşova SA.
Mr CândeaAlexandru graduated the Gheorghe Asachi Mechanics Faculty in Iaşi, with a major in Machinery Construction Technology in 1977. Starting with March 2004 he was chief engineer at the former company Servicii Construcţii Maritime SA Constanţa, being transferred from MIHEI Shipping Constanţa and starting with February 2007 he was General Manager at the same company. In 2008, after the merger between the two companies, he became branch manager. On 31.12.2018, he did not hold shares in SNO.

Except for the general manager, who has a mandate agreement with the company, as already mentioned, all the other directors are appointed as executive directors by the Board of Directors and they are employees of the company with employment contracts concluded for indefinite period.
The company does not have knowledge of agreements or family relationships between the directors and other persons due to which the above-mentioned.

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

4.4 Other aspects on CORPORATE GOVERNANCE

The General Extraordinary Meeting of Shareholders on 06.04.2012 approved the new form of the company's articles of incorporation. This new concept of articles of incorporation aimed at eliminating from the old content of some provisions that are reproductions of legal texts regulating the functioning of companies, hence simplifying and clarifying the statutory provisions on one hand and on the other hand, this will generate much more stability, meaning that it will not require changes and adaptation to the legal changes in the field.
For the internal control, the Board of Directors has contracted the internal audit to an authorised company; respectively S.C. ASSOCIATED BUSINESS AUDITORS S.R.L. Timişoara. More details regarding the fee and other information can be found in the Notes of the financial situations.
According to the provisions under the Code of Corporate Governance of BVB, the issuer S.C. Șantierul Naval Orșova S.A. publishes on its website details of maximum importance for shareholders, respectively:

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

The current Board of Directors consists only of non-executive members and the decision-making process of this management body is not dominated by a person or a group of persons, due to its organisation. The election of the members of the Board of Directors is based on a transparent procedure, nominations are public. The company performs activities related to social responsibility and environment, and instructed employees are appointed for handling these issues.

At the CA level 2 committees were formed : Audit Committee and Retribution Committee between the administrators. At the same time it has been published the Internal Operation Regulation of the Managing Board, Audit Committee and Retribution Committee. During the year 2018 were issued the politics related to the previsions. As well, during the year 2018, the assessment of the administrators was carried out.

Considering the shareholders' structure, according to which approx. 91% of the shares are owned by the three SIFs (SIF3, SIF4, SIF5), the administrators were proposed/elected as being their representatives, thus at the present moment none of the administrators is independent.

5 FINANCIAL-ACCOUNTING SITUATION

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

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

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

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

The audit of the financial statements for 2018 was performed by A.B.A. AUDIT SRL Timisoara, based on the contract no. 405/22.07.2013, whose initial validity was for 2 years and subsequently prolonged, for 2 more years and in 2017 was prolonged for 3 more years, until 30.04.2020, in according with AGOA resolution from 07.04.2017.

5.1 Financial position as of 31.12.2018

According to IFRS, as of 31.12.2018, the financial position compared to the last 2 years is as following:

ASSETS, LIABILITIES, EQUITY	*31.12.20178 Lei*	*31.12.2017 Lei*	*31.12.2016 Lei*	*YEAR 2018/2017 GROWTH/ DECREASE (%)*
I. Total tangible assets, out of which:	**39.018.621**	**35.283.844**	**36.351.595**	**110,58**
- land and constructions	21.641.723	18.556.275	20.248.639	**116,62**
- technical installations and transportation means	17.303.930	16.477.745	15.343.289	**105,01**
- other tangible assets	72.968	249.824	759.667	**29,20**
II. Intangible assets	**3.933**	**33.227**	**56.102**	**11,83**
III. Real estate investments	**0**	**0**	**0**	**0**
IV. Other non-current assets	**162.464**	**200.498**	**138.554**	**81,03**
A. TOTAL NON-CURRENT ASSETS	**39.185.018**	**35.517.569**	**36.546.251**	**110,32**
I. Inventories	**47.861.022**	**42.125.722**	**38.953.852**	**113,61**
II. Trade receivables and other receivables	**7.379.937**	**6.685.934**	**3.944.403**	**110,38**
III. Other short-term financial investments	**8.470.227**	**8.363.880**	**6.116.440**	**101,27**
IV. Cash and cash equivalents	**6.638.636**	**9.566.768**	**15.360.927**	**69,39**
V. Receivables related to current tax	**68.853**	**68.853**	**0**	**100,00**
VI. Expenses paid in advance	**55.869**	**23.394**	**42.990**	**238,81**
B.TOTAL CURRENT ASSETS	**70.474.544**	**66.834.551**	**64.418.612**	**105,44**
TOTAL ASSETS	**109.659.562**	**102.352.120**	**100.964.863**	**107,13**
I. Equity	**28.557.298**	**28.557.298**	**28.557.298**	**100,00**
II. Social capital adjustments	**-**	**-**	**23.496.414**	**-**
III. Share premium	**8.862.843**	**8.862.843**	**8.862.843**	**100,00**
IV. Reserves	**53.054.695**	**48.265.387**	**53.243.274**	**109,92**
V. Other reserves from IAS29 application	**-**	**-**	**16.962.110**	**-**
VI. Profit/Loss of the year	**2.852.126**	**2.721.336**	**2.792.859**	**104,80**
VII. Profit/Loss carried forward	**6.353.858**	**5.555.872**	**(1.075.167)**	**114,36**
VIII. Carried forward coming fom first time application of IAS29	**-**	**-**	**(40.458.524)**	**-**
VI. Profit distribution	**(179.278)**	**(823.621)**	**(178.216)**	**21,76**
VII. Other equity elements	**(4.498.960)**	**(3.718.330)**	**(3.721.670)**	**120,99**
C.TOTAL EQUITY	**95.002.582**	**89.420.785**	**88.481.221**	**106,24**
I. Liabilities related to deferred tax	**4.498.960**	**3.718.330**	**3.721.670**	**120,99**
D. TOTAL LONG TERM LIABILITIES	**4.498.960**	**3.718.330**	**3.721.670**	**120,99**

ASSETS, LIABILITIES, EQUITY	*31.12.20178 Lei*	*31.12.2017 Lei*	*31.12.2016 Lei*	*YEAR 2018/2017 GROWTH/ DECREASE (%)*
I. Short term loans	-	-	-	-
-II. Trade payables and other payables, including derivatives	**9.618.869**	**8.422.623**	**8.167.598**	**114,20**
III. Advance registered incomes	**2.277**	**3.308**	-	**68,83**
IV. Provisions	**536.874**	**787.074**	**594.374**	**68,21**
E. TOTAL CURRENT LIABILITIES	**10.158.020**	**9.213.005**	**8.761.972**	**100,25**
TOTAL EQUITY AND LIABILITIES	**109.659.562**	**102.352.120**	**100.964.863**	**107,13**

Non-current assets: This category of assets, even totally registered an increase of 10,3% against last year, especially subsequently to the revaluation operation (scoped for the financial reporting) of the construction groups, namely ships, realized on 31.12.2018, yet also subsequently to the purchase realized for the modernization of the activity as well as of the capitalization of the repairs/modernizations of the hydro-flap barges, as already shown.

Stocks registered an increase with 13,6 %, especially based on the production in execution (14,6 %) and stocks from materials stored. Big fluctuation of in progress production, from a period to another, can be explained by the long cycle of manufacturing for the vessels, and this fact reveals a good preparation of the fabrication process for the year 2019.

Trade receivables and other receivables In total active assets, a significant growth is also met at trade receivables and other receivables, especially on the base of the sold of invoices remained not cashed at 31.12.2018 at the headquarter in Orsova and at Agigea Branch., by 9,6%. A good part of these receivables were liquidated during the beginning of 2019, by cashing in. Other information related to the trade receivables and other receivables can be found in the Notes to the financial situations.

Cash and cash equivalents, registered a decrease by 30,6 % against 2017, as a direct connection to the increase of the receivables from the previous position.

Totally, current assets know an increase by 5,4 %.

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

Own capitals, even if they register a total growth of 6,2%, especially because of the increase of reserves, and within those the reserves from revaluation (increase by 18,19% from the previous year).

The increase of the reserves from revaluation triggered also the calculation of an additional delayed tax, reflected in other elements of own capital (increase by 21%).

Otherwise, the provisions have known a decrease by 32%, especially because of the non taken leaves and benefices by the employees.

The internal capitals and debts have known an increase by 7,1% overall.

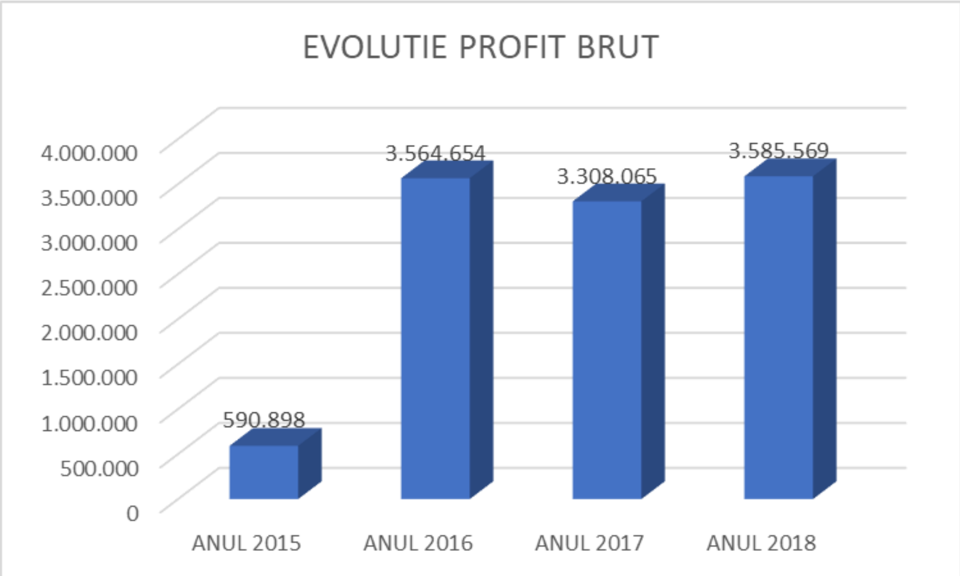
5.2 PROFIT AND LOSS (COMPREHENSIVE INCOME)

The gross result prior to taxation realized in the year 2018 is above the one realized in 2017 (increase by 8,4%), but also above the one stipulated in the BVC, the exceeding registered is by 2,4%. These accomplishments were possible under the conditions in which the turnover for 2018 registered a decrease, from the previous year by 2,4%.

In comparison to the previous year and BVC provisions, the gross profit evolution is presented as follows:

- Gross profit provisioned in BVC year 2018	**3.500.000 lei**
- Gross profit realized in 2087	**3.585.569 lei**
- Gross profit obtained in 2017	**3.308.065 lei**

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



The evolution of the profit in 2018, in comparison to the previous year and to the BVC provisions, it is to be noticed that while at the main headquarters, from shipbuilding resulted the increase-doubling- of the gross result, at Agigea Branch, unfortunately, the things were below the expectations. Although, through the income and expenses budget was provided the realization of a gross profit of 1.663.630 lei to this subunit, because of the impossibility to find solutions for rental, during the entire year, of the 5 barges which represent the main source of income, the branch registered a gross income of only 1.070 lei.

In the table below there are written, synthetically, in structure, the realizations of the year 2018 in comparison to those from the previous year and to the provisions from the income and expenses budget, with the stipulation that the income and expense of the2 years have been shown according to the provisions from the OMFP no. 2.844/2016 for the approval of the Regulations according to the Standards of Financial Reporting.

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INDICATORS	***ACHIEVEMENTS PRIOR YEAR (2017)***	***FI NANCIAL YEAR 2018***	***COMPLISHMENT DEGREE (%) 2018 COMPARED TO:***	***INDICATORS***

		BVC PROVISIONS	*ACHIEVEMENTS*			*BVC PROVISIONS*
TOTAL INCOME, out of which:	**55.808.494**	**64.846.000**	**53.117.435**	**5.951.060**	**95,18**	**81,91**
- Operating income	**54.698.760**	**63.746.000**	**52.518.555**	**5.813.492**	**96,01**	**82,39**
- Financial income	**1.109.734**	**1.100.000**	**598.880**	**137.568**	**53,97**	**54,44**
TOTAL EXPENSES, out of which:	**52.500.429**	**61.346.000**	**49.531.866**	**5.949.990**	**94,35**	**80,74**
- operating expenses	**51.913.852**	**60.246.000**	**49.008.941**	**5.850.667**	**94,40**	**81,35**
- financial expenses	**586.577**	**1.100.000**	**522.925**	**99.323**	**89,15**	**47,54**
GROSS PROFIT / LOSS BEFORE TAX, out of which:	**3.308.065**	**3.500.000**	**3.585.569**	**1.070**	**108,39**	**102,44**
- operating profit/loss	**2.784.908**	**3.500.000**	**3.509.614**	**(39.315)**	**126,02**	**100,27**
- financial profit/loss	**523.157**	**-**	**75.955**	**38.245**	**14,52**	**-**
CURRENT AND DEFERRED PROFIT TAX (PAYABLE OR RECEIVABLE -/+)	**(586.729)**	**(532.000)**	**(733.443)**	**-**	**125,01**	**137,87**
NET PROFIT / LOSS	**2.721.336**	**2.968.000**	**2.852.126**	**-**	**104,81**	**96,1**
NUMBER OF SHARES	**11.422.919**	**11.422.919**	**11.422.919**	**-**	**100,00**	**100,00**
NET PROFIT / LOSS PER SHARE (Lei/share)	**0,2382**	**0,2598**	**0,2497**	**-**	**104,83**	**96,11**

5.2.1 Analysis of operating activity

In 2018 was finalized and delivered a number of 6 vessels (in 2017:7 vessels), in total value of 9.831 thousands of Euro (in 2017: 9.777thousands of Euro), respectively 45.747 thousands of lei (in 2017: 44.734 thousands of lei), at an average parity of 4.6532 lei/€ (in 2017: 4.5754 lei/€), against a rate of 4.55 lei/euro having taken in consideration for the BVC substantiation. The failure to accomplish the budgeted incomes is caused, especially, by the delay of the delivery terms of a ship, which initially, according to the contract (C311) should have been delivered in 2018, yet after the execution of certain additional works ordered by the client and by common agreement with the latter, the delivery term was delayed for January 2019. Subsequently, during the current year (2018), the following types of ships were delivered:

- **1 BITUM TANk 110 ml length**
- **2 TANks with a length of 110 ml;**
- **1 TANk with a length of 85 ml.**
- **1 CONTAINER SHIP OF110 M LENGTH**
- **1 CONTAINER SHIP OF 90 M LENGTH**

Decline of the vessels market registered in the past years, as a consequence of movements produced on external market, especially the decrease of the goods transport volume, but also of the big number of the vessels in progress, at several shipyards worldwide, continued also in 2018 as it was shown.

Even so, under these terms, SC SANTIERUL NAVAL ORSOVA SA succeeded in having covered the entire capacity of production in Orsova and Agigea branch, where all the 5 barges were rented partially.

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

5.2.2 Analysis of financial income and expenses

Considering that the largest part of the sales (over 98%) were accomplished from external sales and servicing, the company was permanently exposed to the monetary risk (parity lei/euro). Hence, during 2018, the company continued the measures to protect the exchange rate, through hedging operations, the profit from these transactions being over 200 thousand lei. Thus from the financial activity, there has been realized a profit of 75.955 lei (during the previous year the profit recorded was 523.157 lei). More information related to the named influences may be found in the Notes to the financial situations.

The company did not contract bank credits during 2018. Subsequently, on 31.12.2018, the company did not have credits and had enough availabilities in the account to support the financing of its current activity, but also that for the investments, out of internal sources.

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

5.2.3 Provisions and impairment

Analyzing seniority of materials stocks, of some vessels with manufacturing in progress, of which selling value is estimated to be under the costs level registered until now, also the shares held to other companies, litigious receivable proceeded to an increase or decrease of those already constituted, in compliance with their real situation on 31.12.2018, resulting the following situation (provisions sold and depreciations at the end of the year):

		- Lei-
a)	For impairment of tangible assets	338.058,77
b)	For impairment of financial assets (shares hold at KRITOM Greece (Crete)	684,495,00
c)	Provisions for litigation, holidays and retirement bonus	536.873,65
d)	Adjustment for impairment of inventories	7.072.045,32
e)	Adjustment for impairment of receivables (clients/debtors)	3.265.719,55
	TOTAL PROVISIONS AND IMPAIRMENT	**11.897.192,29**

Compared to the previous year, no major changes may be seen in their structure.

Regarding the volume of depreciation at stock materials, approx. 93%from total amounts represents depreciation for those 2 coaster vessels coaster type, for which the company is in a litigation, for several years with the Dutch company Veka; description of this litigation can be found at point 4.5 of the present report.

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

5.3 Analysis of the result and net profit distribution

Gross profit realized at 31.12.2018 is amounting to 3.585.569 lei. Given the legal provisions on profit tax calculation, according to the legal provisions, the company has considered the non-taxable income and the non-deductible expenses for its determination, as these are similar to income/expenses elements. It was also considered that for the activity at

the canteen which is administered by the company, the company owes a specific tax according to the Law no. 170/2016.

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

Non-deductible expenses consist of provisions for litigations, impairment of current assets, tangible assets and financial assets, uncertain clients, untaken holidays related to 2018 and other salary rights, fines and penalties and other expenses, including sponsorships.

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

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

No.	Indicator	Amount
1.	Gross profit	3.585.569
2.	Profit tax + specific tax	733.443
3.	**Net profit (1-2),**	**2.852.126**
4	Legal reserves (5%)	179.278
5.	**NET PROFIT TO BE DISTRIBUTED**	**2.672.848**

T the general ordinary meeting of the shareholders, for approval of the financial situations for the year 2018 the distribution manner of the net profit for the year 2018 will be settled, according to the data above.

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

For obtaining guarantee letters, the opening of credit letters, for suppliers, and also for a possible covering of the necessary of financing sources, the company continued also in 2018 to benefit from the bank's support, according to the real needs of the company. In the year 2018 the company had the ceiling for the multi-options and multi foreign exchange, approved by BRD, 2 million Euro, ceiling proved to be enough for the financing needs of the company.

At the same time, the company benefited from a limit for currencies risk covering in amount of 2.069.000 USD, on an increase by 39% from the year 2017.

These ceilings were guaranteed with a mix of guarantees consisting of mortgages, pledges, assignment of receivables on export contracts (guarantee letters opened for external contracts) and cash collateral in amount of 401.000 EURO.

These ceilings were used specially for issuance of bank guarantee advance payment letters, the company not needing bank credits during 2018.

As of 31.12.2018, this ceiling was not used, the guarantee letters issued within this ceiling were out of validity.

Investment expenses realized in 2018 knew a decrease by 27,4% compared the former year. In figures/In absolute digits, the expenses volume was at a level of 2.343.567 lei (in the year 2017: 3.227.542 lei) from which:

- **1.235.559 Lei in Orșova**
- **1.108.008 Lei in Agigea**

As from the BVC it is registered a realization degree of 35,2% (the BVC provided a value of the investments of 6.643.000 lei).

This is a translation of the Romanian original version of the report. In case of any disputes, the Romanian language version prevails.

The failure to realize the numbers proposed in the BVC has been caused by the fact that a part of the investments provided for the year 2018 required technical documentation for realization, documentation which due to the complexity of the scope was realized with delay which led to delays in the execution term of the named scope of investment for the year 2019. For example: documentation for the replacement of the launching bogies at the slipway in Agigea, documentation for the crane for handling the profiles in the warehouse. As well, some of the equipments purchased were acquired at costs which were smaller than what had been estimated. Some investment activities could not be realized in the year 2018, being included, again, on the list of investments for the year 2019 due to failure to find competitive suppliers/renders which might offer the guarantee of quality.

At headquarter in Orsova was put into operation the following most important objectives:

- **Cutting machine OMNICUT 4600, with high definition plasma**
- **welding equipments**
- **magnetic devices for fixing the profiles and plates**
- **industrial vacuum cleaners**
- **modernizations and provision of additional devices to the already existing installations**
- **helicoidally compressor**
- **TRAIBON server and IT equipment**

The purchase of these equipments was scoped to reduce the physical effort, to increase productivity of work, to remove the manual cleaning of the difficult and thin spaces, to reduce the manpower costs, to secure the IT systems.

At the branch in Agigea, out of a total of expenses for this scope, over 50% refers to repair works and modernization carried out to the barges type MIDIA, namely 740.190 lei. Likewise, the modernization of the slipway belonging to the branch was continued. All these expenses were capitalized (increased the inventory value of the respective fixed means), and on 31.12.2018, the company did no longer have investment scopes remaining to be accomplished.

During 2018, no transfer of assets was registered, only discarding of certain fixed means which could no longer be used in the production process.

During the period analyzed the company did not contract any credits for investment, all the acquisitions of fixed means were carried out of internal sources.

During the entire year, the company ensured a financial balance, thus its obligations to the suppliers, to the working staff and to the state budget, as well as to the banks and other creditors could be paid in time.

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

5.5 Litigation; actions before courts

On of 31.12.2018, the company had several domestic litigations and 1 action in progress before the Court of Arbitration for transports and marines TAMARA from Rotterdam - Netherlands.

Synthesizing the files at the Romanian courts, they refer to:

- **employment litigations:1 file on the role of Mehedinti Court in these, the company has quality of intimate for pretensions (patrimonial responsibility) for the amount of 962 lei and an older file at The High Court of Cassation and Justice, where the company is intimate in contradictory with the employee Basaraba Dorina, in filter procedure;**

- **commercial litigations: 1 file at the Court in Satu Mare in which our company claims the amount of 4.554 lei. In this file, the counter plaintiff INNOTEHNIC claimed, at their turn a non-conventional claim for the amount of 24.383 lei.**
- **At Agigea Branch are rolling many dossiers from past years, in divert stages, in which our company is intimate.**
  The only newly occurred action during the year 2018 is the one in which the Town Hall Constanta formed a sue petition for our company to oblige us to cancel certain works of modification realized without a building permit to the head-office building (inventory no. 130192) in Constanta (no. 42 Avram Iancu Street). IN this file, the claim of the Town Hall in Constanta was accepted, and our company, at its turn, formed an appeal which is to be solved, the first term being in March 2019.

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

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

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

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

Having in mind that both companies signed an agreement regarding closing this litigation, was concluded to be suspended, temporarily, litigation from Maritime Arbitration Court from Rotterdam. Even if more than one year from the conclusion of the agreement had passed, the Dutch company doesn`t respect the assumed obligations, so our company requested during the year 2017 the restarting of the procedures at the Arbitration Court.

During the year 2018, at a first term, the arbitrators issued only partially in relation to the vessel that was the subject of the C247 contract, giving a new deadline on February 13, 2019, the deadline for submitting new documents and evidence . At the time of this report, the decision of the referees is expected.

The company has set up impairments for all these amounts.

6 INVENTORY OF PATRIMONY AS OF 31.12.2018

The company has performed an annual stock take of assets and liabilities for 2018 according to the provisions of the Order of the Minister of Public Finances no. 2861/2009 and to the Manual with the inventory procedures issued at the level of the company. In this respect, there are internal decisions for the set-up of a central stock take commission and respectively sub-commissions for all units within the company, the headquarters and Agigea branch.

The main conclusions of the stock take are the following:

- **At the inventory of fixed assets, the commission found differences and objects of inventory in usage, in the sense that the people in charge with the management of these assets shared various fixed assets or objects of inventory**

without drawing up the corresponding documents. These situations were solved, operatively, on spot, by the commission appointed for each inventory.

- **At the other inventories no differences were noticed in the quantity or value between the documents and the real situation;**
- **On the occasion of the inventory, the commissions noticed the existence of certain assets which should be taken out of the inventory. The proposals of the commission are cassation or taking out of operation and they will be discussed and analyzed at the level of the managing board, from the point of view of their necessity and opportunity of this measure, after which they will be submitted for the approval of the Management Committee;**
- **For the unusable or damaged materials, separate inventory lists were created, and they are to be analyzed by the special commissions within the company, and according to the conclusions, it will be proceed accordingly.**
- **At the head-office in Orsova, certain materials were detected to belong to third parties in temporary custody on the date of the inventory. For these assets, separate lists were drawn up and sent for confirmation, to the owners of the named assets, according to the legal provisions;**
- **For the annual inventory of the patrimony, also external auditors were present in compliance with the legal obligations which are to be considered applicable, and they checked at random, various inventories for existence of real stock; no deficiencies were detected.**

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

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

STATEMENT OF COMPLIANCE WITH THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE as of 31.12.2018

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

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

A.8	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	YES	
A.9	The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	YES	
A.10	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	YES	
A.11	The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the Nomination Committee should be independent.	NOT IN CASE	Company is included in the standard category
SECTION B -System of risk management and internal control			
B.1	The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and most the audit committee should be independent.	PARTIALLY	During the year the Audit Committee was established between the members of the Board of Directors. The Board of Directors does not currently have independent members, given the shareholder structure, according to A4
B.2	The Audit Committee should be chaired by an independent non-executive member.	NO	According B1 will be realized during 2019
B.3	Among its responsibilities, the Audit Committee should undertake an annual assessment of the system of internal control.	YES	
B.4	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management’s responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	YES	
B.5	The Audit Committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	YES	
B.6	The Audit Committee should evaluate the efficiency of the internal control system and risk management system.	YES	
B.7	The Audit Committee should monitor the application of statutory and generally accepted standards of internal auditing. The Audit Committee should receive and evaluate the reports of the internal audit team.	YES	

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

	The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. […] The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review.		
SECTION D -adding value to the investor relations			
D.1	The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	YES	
D.1.1	Principal corporate regulations: the articles of association, general shareholders' meeting procedures.	YES	
D.1.2	Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	YES	
D.1.3	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	YES	
D.1.4	Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	YES	
D.1.5	Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	YES	
D.1.6	The name and contact data of a person who should be able to provide knowledgeable information on request;	YES	
D.1.7	Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	YES	
D.2	A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of	YES	

	net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.		
D.3	A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	YES	
D.4	The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect at the earliest as of the next general meeting of shareholders.	YES	
D.5	The external auditors should attend the shareholders' meetings when their reports are presented there.	YES	
D.6	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	YES	
D.7	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	YES	
D.8	The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	YES	
D.9	A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	NO	Organization of such events will be realized during 2019 by the Board of Directors and executive management, if it will such requests from investors. In this moment, we appreciate that the information offered by yearly reports, current reports and periodic reports are complete and offers a high degree of transparencies, as so can take decision aware of the cause
D.10	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities,	YES	Company has not such a policy. This request is in Board of

	and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.		Directors attention.

Reference	**STATEMENT OF FINANCIAL POSITION**			
IAS 1.10(a), 113	**As at 31 December**	*Note*	**2018**	**2017**
			RON	**RON**
	Assets			
	Fixed assets			
IAS 1.54(a)	Tangible assets	*15*	39,018,621	35,283,844
	Freehold land and land improvements	*15*	1,201,941	1,201,941
	Buildings	*15*	20,439,782	17,354,334
	Plant and machinery, motor vehicles	*15*	17,303,930	16,477,745
	Fixtures and fittings […]	*15*	72,968	87,979
	Tangible assets in progress	*15*	0	161,845
IAS 1.54(c)	Intangible assets	*16*	3,933	33,227
	Other intangible assets	*16*	3,933	33,227
IAS 1.54(h)	Trade receivables and other receivables	*17*	101,327	101,243
IAS 1.54(o), 56	Deferred tax assets		61,137	99,255
IAS 1.60	**Total fixed assets**		**39,185,018**	**35,517,569**
IAS 1.54 (g)	Inventories	*18*	47,861,022	42,194,575
IAS 1.54(h)	Trade receivables and other receivables	*19*	7,379,937	6,685,934
IAS 1.55	Accrued expenses	*19*	55,869	23,394
IAS 1.54(d)	Short term investments	*20*	8,470,227	8,363,880
IAS 1.54(i)	Cash and cash equivalents	*21*	6,638,636	9,566,768
IFRS 5.38-40	Non-current assets held for sale		68,853	68,853
IAS 1.60	**Total Current Assets**		**70,474,544**	**66,834,551**
	Total Assets		**109,659,562**	**102,352,120**
	Equity			
IAS 1.54(r), 78(e)	Share capital	*22*	28,557,928	28,557,298
IAS 1.55, 78(e)	Share premium	*22*	8,862,2843	8,862,843
IAS 1.54(r), 78(e)	Reserves	*22*	53,054,695	48,265,387
	Result for the period	*22*	2,852,126	2,721,336
IAS 1.55, 78(e)	Retained earnings	*22*	6,353,858	5,555,872

Reference	**STATEMENT OF FINANCIAL POSITION (continued)**			
IAS 1.10(a), 113	**As at 31 December**	Note	**2018** **RON**	**2017** **RON**
	Profit appropriation	*22*	(179,278)	(823,621)
	Other elements of equity	*22*	(4,498,960)	(3,718,330)
	Total equity		**95,002,582**	**89,420,785**
	Liabilities			
	Long-term liabilities			
IAS 1.54(o), 56	Deferred tax liabilities		4,498,960	3,718,330
IAS 1.60	**Total long-term liabilities**		**4,498,960**	**3,718,330**
	Current liabilities			
IAS 1.54(k)	Trade payables and other debts, including derivatives	*27*	9,618,869	8,422,623
	Deferred income		2,277	3,308
IAS 1.54(l)	Provisions	*26*	536,874	787,074
IAS 1.60	**Total current liabilities**		**10,158,020**	**9,213,005**
	Total Liabilities		**14,656,980**	**12,931,335**
	Total Equity and Liabilities		**109,659,562**	**102,352,120**

The separate financial statements were approved by the Board of directors on February 20, 2019.

Reference	**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**			
IAS 1.10(b), 81(a)	**For the financial year ended at 31 December**	**Note**	**2018**	**2017**
			RON	**RON**
	Continuing operations			
IAS 1. 82(a) *IAS 1.99,103*	Income	*5*	48,260,373	46,410,605
	Other income	*6*	4,258,182	8,288,155
	Total Operational Income		**52,518,555**	**54,698,760**
	Expenses related to inventories	*7*	(17,371,788)	(18,403,244)
	Utility expenses	*8*	(953,687)	(963,108)
	Employee benefits expenses	*9*	(18,644,811)	(18,369,572)
	Depreciation and amortization expenses	*15,16*	(3,661,009)	(4,722,484)
	Gains/losses on disposal of property		(14,560)	2,891
	Increase/(Decrease) of receivables allowances and inventory write-down	*10*	45,466	(162,901)
	Increase/(Decrease) of provision expenses	*26*	250,201	(192,700)
IAS 1.99, 103	Other expenses	*11*	(8,658,753)	(9,102,734)
	Total Operational expenses		**(49,008,941)**	**(51,913,852)**
	The result of operational activities		**3,509,614**	**2,784,908**
	Financial income	*12*	598,880	1,109,734
IAS 1.82(b)	Financial expenses	*12*	(522,925)	(586,577)
	Net financial result	***12***	**75,955**	**523,157**
IAS 1.85	**Result before taxation**		**3,585,569**	**3,308,065**
	Current income tax expenses	*13a*	(681,653)	(604,309)
	Deferred income tax expenses	*13a*	(528,170)	(314,242)
	Specific activities tax expenses	*13b*	(13,672)	(13,671)
	Deferred income tax income		490,052	345,493
IAS 1.85	**Result for continuing operations**		**2,852,126**	**2,721,336**
IAS 1.82(f)	**Result for the period**		**2,852,126**	**2,721,336**
	Other comprehensive income			
IAS 1.82(g)	Reevaluation of tangible assets		4,510,567	(246,652)
IAS 1.85	**Other comprehensive income after taxation**		**4,510,567**	**(246,652)**

Reference	**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)**			
IAS 1.10(b), 81(a)	**For the financial year ended at 31 December**	**Note**	**2018**	**2017**
			RON	**RON**
IAS 1.82 (i)	**Total comprehensive income for the period**		**7,362,693**	**2,474,684**
	Attributable profit			
IAS 1.83(b)(ii)	Shareholders	*23*	2,852,126	2,721,336
	Profit for the period		**2,852,126**	**2,721,336**
	Total attributable comprehensive income			
IAS 1.83(b)(ii)	Shareholders		7,362,693	2,474,684
	Earnings per share			
IAS 33.66	Basic earnings per share	***23***	0.64	0.24
IAS 33.66	Diluted earnings per share	***23***	0.64	0.24
	Continuing operations			
IAS 33.66	Basic earnings per share	*23*	0.64	0.24
IAS 33.66	Diluted earnings per share	*23*	0.64	0.24

The separate financial statements were approved by the Board of Directors on February 20, 2019.

Reference **STATEMENT OF CHANGES IN EQUITY**

IAS 1.108,109 **Attributable to equity holders**

Reference		Share capital	Share premium account	Revaluation reserve	Other reserves	Retained earnings	Result for the period	Other elements of equity	Profit appropriation	Total equity
	Balance at December 31, 2016	**52,053,712**	**8,862,843**	**25,040,878**	**45,164,506**	**(41,533,691)**	**2,792,859**	**(3,721,670)**	**(178,216)**	**88,481,221**
IAS 1.106(d)(i)	Loss/ Net profit for the year	-	-	-	-	2,792,859	(71,523)	-	-	2,721,336
	Profit appropriation	-	-	-	-	-	-	-	(823,621)	(823,621)
	Transfer in reserve	-	-	(716,707)	(4,731,235)	6,122,764		3,340	178,216	856,378
	Revaluation reserve	-	-	470,055	-	-	-	-	-	470,055
	Dividends	-	-	-	-	(2,284,584)				(2,284,584)
	Allowances from application of IAS 29	(23,496,414)	-	-	(16,962,110)	40,458,524	-	-	-	0
	Balance at December 31, 2017	**28,557,298**	**8,862,843**	**24,794,226**	**23,471,161**	**5,555,872**	**2,721,336**	**(3,718,330)**	**(823,621)**	**89,420,785**
IAS 1.106(d)(i)	Loss/ Net profit for the year	-	-	-	-	2,721,336	130,970	-	-	2,852,126
	Profit appropriation	-	-	-	-	-	-	-	(179,278)	(2,006.945)
	Transfer in reserve	-	-	(1,875,194)	278,742	(95,683)		(780,630)	823,621	(1,649,144)
	Revaluation reserve	-	-	6,385,760	-	-	-	-	-	6,385,700
	Allowances from application of IAS 29	-	-	-	-	-	-	-	-	0
	Dividends	-	-	-	-	(1,827,667)	-	-	-	(1,827,667)
	Balance at December 31, 2018	**28,557,298**	**8,862,843**	**29,304,792**	**23,749,903**	**6,353,858**	**2,852,126**	**(4,498,960)**	**(179,278)**	**95,002,582**

The separate financial statements were approved by the Board of Directors on February 20, 2019.

Reference	**STATEMENT OF CASH FLOWS**			
IAS 1.10(d), 113	**For the financial year ended at 31 December**	**Note**	**2018** **RON**	**2017** **RON**
	Cash flows from operating activities			
	Profit for the period		2,852,126	2,721,336
	Adjustments for:			
	Amortization of intangible assets		4,004,449	4,700,692
	Depreciation of fixed assets		33,569	17,031
	Net expenses/(net income) with provisions		(250,201)	192,700
	Expenses from revaluation of assets		6.975	0
	Earnings from the sale of assets		0	(2,891)
	Loss from the sale of tangible assets		14,560	0
	Profit from the assets held for sale		0	(9,369)
	Current income tax expenses		681,653	604,309
	Specific activities tax expenses		13,672	13,671
	Deferred income tax expenses		528,170	314,242
	Deferred tax income		(490,052)	(345,493)
	Cash - flows from operating activities before changes in working capital		**7,394,921**	**8,206,228**
	Changes in working capital			
	Changes related to inventories		(5,735,300)	(3,240,723)
	Changes related to trade receivables and other receivables		(656,356)	(2,773,190)
	Changes in accrued expenses		(32,475)	19,596
	Changes in trade payables and other liabilities		1,006,541	66,168
	Cash generated / (used) from / (in) operating activities		**1,977,331**	**2,278,079**
	Income tax paid		(660,426)	(382,621)
IAS 7.10	**Net cash from operating activities**		**1,316,905**	**1,895,458**
	Cash flows from investing activities			
IAS 7.31	Interest received		44,423	17,129
IAS 7.16(a)	Purchases of tangible and intangible assets		(2,343,567)	(3,236,623)
	Short term investments		(106,347)	(2,247,440)
IAS 7.10	**Net cash used in investing activities**		**(2,405,491)**	**(5,466,934)**

Reference	**STATEMENT OF CASH FLOWS (continued)**			
IAS 1.10(d), 113	**For the financial year ended at 31 December**	**Note**	**2018**	**2017**
	Cash flows from financing activities			
IAS 7.17(d)	Proceeds from loans / (loans refunds)		0	0
	Paid dividends		(1,839,546)	(2,222,682)
IAS 7.10	**Net cash from (used in) financing activities**		**(1,839,546)**	**(2,222,682)**
	Net cash and cash equivalents decreases		**(2,928,132)**	**5,794,159**
	Cash and cash equivalents at 1 January		9,566,768	15,360,927
	Cash and cash equivalents at 31 December		**6,638,636**	**9,566,768**

The separate financial statements were approved by the Board of Directors on February 20, 2019.

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

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

IAS 1.51(a)-(c) The separate financial statements in according with IFRS have been prepared for the year ended 31 December 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 year ended 31 December 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 February 20th, 2019.

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

IAS 1.117(a) Investment properties

- Plant
- Naval means of transport

a. Functional currency and presentation currency

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

Reference **NOTES TO SEPARATE FINANCIAL 2018 STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

b. Professional judgements and key assumptions

The preparation of financial statements in accordance with IFRS requires the use of management's professional judgment, estimates and assumptions which affects the application of accounting policies and the reported value of assets, liabilities, income and expenses. Actual results may differ from estimated values.

The estimates and assumptions are reviewed regularly. Revisions of estimates are recognized in the period in which the estimate was revised and in future periods affected by the change.

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

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

c. New International Financial Standards not applied by the Company

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

- IFRS 17 "Insurance Contracts", issued on 18 May 2017, with effect from 1 January 2021.
- Annual Improvements to the IFRS Standards for the Period 2015-2017, issued on December 12, 2017, with effect from 1 January 2019.
- Amendments to IAS 19 "Change Planning, Reducing or Settlement Planning" appeared on 7 February 2018 with effect from 1 January 2019.
- Amendments to the conceptual framework references of the IFRS, issued on 29 March 2018 with effect from 1 January 2020.
- Amendments to IFRS "Business Combinations", issued on 22 October 2019, with effect from January 1, 2020
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," as of 31 October 2018, with effect from 1 January 2020. "

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

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

IAS 8.30 For the financial year ended on 31 December 2017, the company has not applied the provisions of IFRS 15. In accordance with the provisions of IAS 8 (paragraph 30), the company must evaluate and show what is the impact of IFRS 15 ”Income from contracts with customers” with effect from 1 January 2018. The company has analyzed the 5 steps provided by IFRS 15 and takes into consideration to identify separately each contract, since it concerned a single ship supply, and the obligations laid down in the contracts only affects the delivery of a ship, its price is clearly determined and is thus allocated to each vessel, income being recognized as it is been carried out under an obligation assumed by the company - to deliver the vessel in accordance with the protocols of deliverance by the beneficiaries. The company has appreciated that there are 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.

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

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

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

Reference	**NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**
IAS 1.112(a)	**2. Basis of preparation (continued)**

e. Standards and interpretations available in the current period

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

IAS 1	Presentation of financial statements	Fundamental Accounting Principles, structure and content of financial statements, mandatory posts and the concept of true and fair view, completed with amendments applicable from 1 January 2013.
IAS 2	Inventories	Defining of the accounting process applicable to inventories in the historical cost system: evaluation (first in - first out, weighted average cost and net realisable value) and the perimeter of allowed costs.
IAS 7	Statement of Cash Flows	Analysis of cash variations, classified into three categories: cash-flows from operating activities, cash-flows from investing activities, cash-flows from financing activities.
IAS 8	Accounting policies, Changes in Accounting Estimates and Errors	Defining the classification, the information that need to be disclosed and the accounting treatment of certain items in the income statement.
IAS 10	Events after the reporting period	Requirements for when events after the reporting period should generate an adjustment to the financial statements: definitions, terms and conditions, particular cases (dividends)
IAS 12	Income Taxes	Definition of tax accounting processing on the period result and detailed stipulations on deferred taxes, supplemented by amendments applicable from 1 January 2013.
IAS 16	Property, plant and equipment	Accounting treatments, net book value calculation and relevant principles regarding depreciation for most types of property, plant and equipment.
IAS 17	Leases	Defining lessee and lessor, accounting treatments regarding location-financing contracts and simple location contracts.
IAS 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.

Reference	**NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

IAS 38	Intangible Assets	Definition and accounting treatments for intangible assets, recognition and measurement policies on the processing costs for research and development etc.
IAS 39	Financial Instruments: Recognition and Measurement	Recognition and measurement principles regarding financial assets and liabilities, the definition of derivatives, hedge accounting operations, the issue of fair value etc.
IAS 40	Investment Property	Establishing the evaluation method: fair value model or cost model, transfers between different categories of assets etc.
IFRS 1	First-time Adoption of International Financial Reporting Standards	The procedures for financial statements according to IAS / IFRS optional exemptions and mandatory exceptions to retrospective application of IAS / IFRS, supplemented by amendments applicable from 1 January 2013.
IFRS 5	Non-current Assets Held for Sale and Discontinued Operation	Defining an asset held for sale and discontinued operations, and the, evaluation of these elements.
IFRS 7	Financial Information: Disclosures	Financial information related to financial instruments are referring primarily to: (i) information about the significance of financial instruments; and (ii) information about the nature and extent of risks arising from financial instruments, supplemented by amendments applicable from 1 January 2013.
IFRS 9	Financial instruments	The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting of financial instruments. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted.

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

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

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

a. Foreign currency

(i) Transactions in foreign currency

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

b. Financial instruments

(ii) Share capital

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

c. Tangible Assets

IAS 16.73 (a) (i) Recognition and evaluation

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

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

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

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

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

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

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

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

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

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

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

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

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

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

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

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

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

(ii) Reclassification to investment property

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

IAS 1.112(a)
117(a)

3. Significant accounting policies (continued)

(iii) Depreciation of tangible non-current assets

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

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

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

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

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

Reference	**NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**
IAS 1.112(a) 117(a)	**3. Significant accounting policies (continued)**

(iv) Derecognition

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

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

d. Intangible Assets

(1) Cost

(i) Software

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

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

(ii) Other intangible assets

All other intangible assets are recognized at cost.

Intangible assets are not revalued.

(2) Amortization

(i) Software

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

(ii) Other intangible assets

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

e. Investment property

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

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

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

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

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

f. Inventories

Inventories are assets:

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

Measurement of inventories

Inventories are required to be stated at the lower value between cost and net realizable value.

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

Cost of inventories

The primary basis for accounting inventories is the cost .

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

Reference	**NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**
IAS 1.112(a) 117(a)	**3. Significant accounting policies (continued)**

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

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

g. Impairment

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

h. Employee benefits

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

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

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

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

i. Provisions

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

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

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

(2) Provisions for litigation

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

(3) Provisions for guarantees

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

Reference	**NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

IAS 1.112(a) 117(a)

3. Significant accounting policies (continued)

j. Revenue

Revenue refers to goods sold and services rendered.

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

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

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

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

IFRS 7.20,24

k. Financial income and expenses

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

117(a)

l. Income tax

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

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

Recognition of deferred tax assets and liabilities

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

4. Determination of fair value

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

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 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 2018 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 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

5. Revenue

Reference		2018 RON	2017 RON
IAS 18.35(b) (i)	Sales of goods	46,281,042	45,218,605
IAS 18.35(b) (ii)	Rendering of services	1,979,331	1,192,000
IAS 18.35(b) (iv)	Commissions	-	-
IAS 40.75 (f) (i)	Incomes from rental of investment properties	-	-
	Total	**48,260,373**	**46,410,605**

Although the sales of goods registered an increase of 2.3% in 2018 compared to the previous year, compared to the provisions of BVC, there is an achievement of 84.5%. This failure is attributable to the proceeds from the sale of the ships built at the Orsova headquarters. In 2018, the company managed to complete and hand over to 6 external ships, compared to 7, which were taken into account at the foundation of the BVC for the financial year 2018. One of the ships scheduled to be delivered initially in 2018, due to additional works requested by the customer and with his agreement was delivered in January 2019. In the previous year (2017) 7 ships were delivered, but with the indication that their structure and complexity was different from one year to another. Even though the company had the entire production capacity of 2018 covered, the shipbuilding / shipping market continued to be deficient.

The ship repair activity, although declining, didn't known significant changes from the previous year. The main client was still NAVROM GALATI.

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

6. Other income

	2018 RON	2017 RON
Rental income (other than rental of investment property)	4,096,37	8,208,356
Income from compensations and penalties	-	35,573
Other operating incomes	161,807	44,226
Total	**4,258,182**	**8,288,155**

Same as last year, the amounts entered in the position of rental income relates mainly to those from ship exploitation (5 hydro clap barge) rented at Agigea branch. Last year, when these ships was rented for almost the entire year in the extra-community space, in 2018, due to the low demand for this type of ship, it could be leased for relatively short periods and at a lower price. In 2018 repair works were completed on a part of hydro clap barge, so at the beginning of 2019 it was rented again in Turkey. These presentations are made by the Company in accordance with IFRS 8.

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

7. Expenses related to inventories

	2018	2017
	RON	RON
Raw materials	10,811,449	11,198,578
Consumables, including:	6,137,900	6,749,063
Auxiliary materials	5,258,139	5,927,004
Fuel	387,978	360,564
Spare parts	321,228	283,739
Other consumables	170,555	177,756
Materials in the form of small inventory	268,075	285,155
Materials not stored	148,933	163,643
Goods for resale	6,395	8,131
Trade discounts received	(964)	(1,326)
Total	**17,371,788**	**18,403,244**

8. Utility expenses

	2018	2017
	RON	RON
Electricity	328,455	935,081
Water	25,232	28,027
Total	**953,687**	**963,108**

In 2018, utilities expenditures decreased slightly compared to last year, given that the output (revenues) increased and supply tariffs increased (on electricity) or remained unchanged (on water).

IAS 1.104 **9. Personnel expenses**

	2018	2017
	RON	RON
Salaries	17,500,076	14,809,488
Social security contributions	1,144,735	3,560,084
Total	**18,644,811**	**18,369,572**
Number of employees	**351**	**343**

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

Total salary expenditures recorded an insignificant increase (1.5%), and the structure shows a significant increase in wage costs and a decrease in contributions. These variations are the effect of applying tax legislation on the transfer, from 1 January 2018, of social security and health insurance contributions from employer to employee (OUG No 79/2017).

10. Receivables allowances and inventories write-down

	2018	2017
	RON	**RON**
Bad debts written off	8,235	504,303
Impairment of current assets	82,615	379,896
Income from current assets Impairment	(136,316)	(721,298)
Total	**(45,466)**	**162,901**

The above amounts refer to the adjustment of depreciation for inventories and other receivables incurred in the year 2018. The amounts written off in income from the cancellation of impairments made in previous years are greater than the amount of unrecognized impairment.

IAS 1.97

11. Other expenses

	2018	2017
	RON	**RON**
Maintenance and repair expenses	175,128	200,777
Royalties and rental expenses	858,603	885,128
Insurance premiums	108,462	112,186
Commissions and fees	17,563	50,921
Protocol, promotion and advertising	30,003	44,935
Transport of goods and personnel	1,790,367	2,072,680
Travel	183,971	885,454
Postage and telecommunications	38,573	45,396
Bank commissions and similar charges	74,788	94,926
Other third party services	4,874,926	4,239,831
Other taxes, duties and similar expenses	413,355	374,916
Expenses with the environment protection	13,481	8,830
Losses from the fair value of investment property	-	26,204
Other operating expenses	68,959	60,550
Compensations, fines and penalties	10,574	-
Total	**8.658.753**	**9,102,734**

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

Both on the total and the structure the level of the above expenditures did not register significant deviations compared to the previous year, the ones with significant weight referring to:

- expenditure on the transport of goods and persons, costs that are closely related to the volume of sales revenue. These relate in particular to the transport of river ships built at the main premises on the route: Orsova - Rotterdam, or other points of delivery in the Netherlands or Germany, indicated in the commercial contracts. While 7 ships were delivered in 2017, 6 ships were delivered in 2018, which also led to a lower level of spending of this kind. Please note that, in accordance with the contractual provisions, the transfer of the ownership right shall be effected with the surrender of the vessels at these points, during which the vessels are insured by the Company, according to the contractual clauses.

- As the lack of personnel manifested itself in 2018, in order to ensure the timely delivery of the ships, the company underwent some shipbuilding works and their volume increased compared to 2017 (increase by 15%).

- However, as regards the level of travel and subsistence expenses, they decreased by approx. 80%, and mainly relates to the allowances in foreign currency due to crews on leased vessels while they were rented out, given that chartering of vessels in 2018 was made with the charterer's crew.

- Auditors' fees: in 2018 - 67,767 lei, including VAT, fees to statutory auditors (in the financial year 2017 these amounts amounted to 64,929 lei, including VAT), and for the internal audit services, the amounts paid in the financial year 2018 were 39,906 lei, including VAT (for the financial year 2017 the fees of 39,339 lei, including VAT included) were paid. In 2018, the company did not have any tax consultancy services.

Reference	**NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

Recognized in income statement

		2018	2017
		RON	**RON**
IFRS 7.20 (b)	Interest income related to deposits	44,894	17,537
IAS 21.52 (a)	Income from exchange rate differences	553,986	1,092,197
	Total financial revenue	**598,880**	**1,109,734**
IAS 21.52 (a)	Exchange rate differences expenses	522,925	586,577
	Total financial expenses	**522,925**	**586,577**
	Net financial result	**75,955**	**523,157**

Regarding the structure of the financial revenues and expenditures, the following explanations are made:

- the interest income is related to the bank deposits made during the year, and the largest share of them is the interests related to a deposit of 401,000 Euros, constituted as a guarantee to BRD to guarantee a global ceiling of 2,000,000 Euros;
- In 2018, the company did not contract bank loans, did not use credit lines and therefore did not record bank interest charges.
- Expenditures on exchange differences were lower than income from exchange differences, so that for the year 2018 the company recorded a profit of 31,061 lei (in 2017: 505,620 lei). And in 2018, in order to protect itself against currency exchange depreciation, the company had hedging transactions.

NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU

13a.Income tax expenses

		2018	2017
	Current income tax expenses	**RON**	**RON**
IAS 12.80 (a)	Current period	681,653	604,309
IAS 12.80 (b)	Adjustments of previous periods	-	-
	Deferred income tax expenses		
IAS 12.80 (c)	Initial recognition and reversal of temporary differences	528,170	314,242
IAS 12.80 (g)	Changes in previously unrecognized temporary differences	-	-
IAS 12.80 (f)	Recognition of previously unrecognized tax losses	-	-
	Total income tax expenses	**1,209,823**	**918,551**
IAS 12.81 (c)	**Reconciliation of effective tax rate**		
	Profit for the period	3,683,660	3,396,095
	Non-deductible expenses	505,924	1,207,979
	Non-taxable incomes	745,597	1,236,683
	Elements similar to expenses	-	-
	Legal reserve	179,278	169,805
	Revaluation surplus transferred to retained earnings	1,017,496	1,298,821
	Loss to be recovered from previous exercises	-	-
	Profit for the financial year	4,282,205	4,496,407
	Sponsorships	3,500	5,000
	Tax facilities regarding re-invested profit	-	110,116
	Total income tax	618,653	604,309
	Profit after tax	2,865,798	2,735,007
	Loss for the financial year for which no deferred tax asset was recognized	-	-

13b. Expenditure with the specific activity

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

For the year 2018, the expenditure with specific activity due for this activity is in the amount of 13,672 RON, (13,671 RON for financial year 2017).

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

14. Deferred tax assets and liabilities

On May 1, 2009, the stipulations of Emergency Government Ordinance no. 34 were enforced, which have limited the deductibility of certain expenses in calculating the income tax. The greatest influence is due to the non-deductibility of revaluation surpluses transferred to retained earnings since 2004, the impact on income tax expenses of the Company being significantly.

On 31 December 2018, the revaluation reserve related to revaluations after 1 January 2004 has decreased from the previous year and is amounted to 17,513,412 RON.

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

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

	ASSETS		**LIABILITIES**		**NET**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Tangible Non-Current Assets	155,988	210,329	907,934	75,209	(751,946)	135,120
Employee Benefits	57,429	97,493	95,547	66,241	(38,118)	31,252
Receivables/liabilities	432,623	248,001	432,623	248,001	-	
Tax incentives	-	-	28,684	131,780	(28,684)	(131,780)
Net Deferred tax assets/liabilities	**646,040**	**555,823**	**1,464,788**	**521,231**	**(818,748)**	**34,592**

Reference	**NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**
IAS 16	**15. Tangible Non-Current Assets**

		Land and buildings	Machines and Equipment	Furniture and fixtures	Work in progress	Total
		RON	RON	RON	RON	RON
	Cost or assumed cost					
IAS 16.73 (d)	Balance at 1 January 2018	22,513,107	53,279,616	560,822	161,845	76,515,390
IAS 16.73 (e)(i)	Acquisition	427,881	2,150,396	10,634	372,797	2,961,708
IAS 16.73 (e)(ii)	Disposals of tangible non-current assets	19,193	399,070	82,253	534,642	1,035,428
	Net reevaluation	(1,280,072)	269,113	-	-	(1,010,959)
IAS 16.73 (d)	Balance at 31 December 2018	21,641,723	55,300,55	488,933	-	77,430,711
	Depreciation and impairments					
IAS 16.73 (d)	Balance at 1 January 2018	3,956,832	36,801,871	472,843	-	41,231,546
IAS 16.73 (d)(vii)	Depreciation for the year	1,757,148	2,192,471	25,645	-	3,975,264
IAS 16.73 (d)(vi)	Reversal of impairment losses	-	(33,569)	-	-	(33,569)
IAS 16.73 (d)(ii)	Disposal of tangible non-current assets	5,713,980	1,031,125	82,523	-	6,828,289
IAS 16.73 (d)	Balance at 31 December 2018	-	37,996,125	415,965	-	38,412,090
IAS 1.78 (a)	**Net book value**					
	Balance at 1 January 2018	**18,556,275**	**16,477,745**	**87,979**	**161,845**	**35,283,844**
	Balance at 31 December 2018	**21,641,723**	**17,303,930**	**72,968**	**-**	**39,018,621**

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

On 31 December 2018, land has a book value of 1,201,941 RON and represents an area of 86,000 square meters, of which:
• 85,790 square meters at its headquarters in Orşova and
• 210 square meters at its Branch in Agigea, Constanta County.

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

Revaluation of tangible non-current assets

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

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

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

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

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

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

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

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

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

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

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

Valuation techniques used by the evaluator for fixed assets under IFRS 13.91, were as follows:
• The cost approach for naval means of transport and for fixed assets in conservation
• The income approach for leased buildings (investment properties).

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

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

With the value of the revaluation surplus, the balance of revaluation reserves was credited for those items whose fair value was higher than net book value, and for the other objectives for which the fair value was less than the net book value reflected the decrease of the existing revaluation surplus and / or the impairment of operating expenses in the case of previously unrecognized revaluation reserves or recognized revaluation reserves was insufficient to cover the decrease. In both the construction group and the ship, by total group, there are increases, totaling 5.330.995 lei. However, individually analyzed were positions where there were decreases, their total value being 1,054,765 lei, out of which: 1,047,790 lei were borne from the revaluation surplus previously recorded in these positions and the amount of 6,975 was incurred on costs.
In order to carry out these operations, the company turned to the specialized services of the evaluator DARIAN DRS S.A., headquarters in Timisoara.
Valuation techniques used by the evaluator for fixed assets under IFRS 13.91, were as follows:
• The cost approach for naval means of transport and for fixed assets in conservation
• The income approach for leased buildings (investment properties).

According to IFRS 13, valuation at fair value of buildings and means of naval shipping supposed taking into consideration the characteristics of the assets, which users of financial statements would consider in determining the price of the asset at the balance sheet date. Fair value determination was carried out by an independent external evaluator and shall be treated as level 2 under IFRS 13 for the data taken into account in determining the fair values as at 31 December 2018, the date of financial reporting. At the company level, there has not been any change of the level presented by IFRS 13 for the data taken into account in determining the fair values. Also, the maximum amount for assets valued at fair value does not differ from the current amount of use.

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

- RON-

Name	Land	Plant	Equipment (Means of transport)
Fair value at 31.12.2018	1,201,941	20,439,782	11,623,668
Revaluation surplus	572,314	18,331,910	4,637,048
Net book value according to cost model	629,627	2,107,872	6,986,620

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

Impairment losses and subsequent reversals

At the revaluation on December 31, 2018, the depreciation test for the fixed assets under conservation was performed at the Agigea branch, and after processing the respective data resulted a depreciation, in the balance, of 338,059 lei, related to other fixed assets than the buildings. In the previous year, the value of depreciation was 304,490 lei.

Pledged or mortgaged tangible assets

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

- First rank mortgage on the following properties: Repair hall, New Hall, Thermal power station, Compressors Station and PSI Shed, Operating Group, Cafeteria, Merged building, all together with the related land, buildings assessed in accordance with the Warranty Monitoring Report at 1,512,800 EUR market value, registered in the Land Registry under the following numbers 1133, 1146, 1121, 1145, 1134, 1135 and 1132;
- Security interest with dispossession on a deposit in value of 401,000 EUR.
- Warrant in form of Assignment of receivables in total value of 14,945,000 EUR, resulting from signed contracts, from which 8 (seven) uncollected contracts at 31.12.2018 amounted at 11,197,000 EUR.

Tangible assets in progress:

On December 31, 2018, the company had no unfinished investment targets.

Changes in Accounting Estimates

On the occasion of the revaluation made on 31 December 2018, some of the fixed assets that were fully depreciated have been assigned a new use value, which has led to a reconsideration of the lifetime, which will be used from 2019 onwards accounting depreciation.

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

IAS 38 **16. Intangible Assets**

		Other assets	Total
IFRS 3.61 *IAS 38.118 (c), (e)*			
	Cost	**RON**	**RON**
IFRS 3.B67 (d)(viii),IAS 38.118	Balance at January 1, 2018	1,229,903	1,229,903
IAS 38.118(e)	Acquisitions	-	-
	Disposals of intangible assets	158,979	158,979
IAS 38.118	Balance at December 31, 2018	1,070,924	1,070,924
	Amortization and impairment		
IFRS 3.B67 (d)(i),IAS 38.118	Balance at January 1, 2018	1,196,676	1,196,676
IAS 38.118(e)(vi)	Amortization during the year	29,185	29,185
IAS 38.118(e)(iv)	Impairments	-	-
	Disposals of intangible assets	158,870	158,870
IFRS 3.B67 (d)(viii),IAS 38.118	Balance at December 31, 2018	1,066,991	1,066,991
	Book values		
IAS 38.118(c)	**Balance at January 1, 2018**	**33,227**	**33,227**
IAS 38.118(c)	**Balance at December 31, 2018**	**3,993**	**3,993**

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

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

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

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

		2018			**2017**	
Other investment	**Book value**	**Allowance for impairment**	**Net worth**	**Book value**	**Impairment adjustments**	**Net worth**
Long-term investment						
Shares held at Kritom	684,495	(684,495)	0	684,495	(684,495)	0
Total long-term investment	**684,495**	**(684,495)**	**0**	**684,495**	**(684,495)**	**0**

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

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

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

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

On 31 December, 2018, the Company had fully set up impairments for these securities, amounted to 684,495 RON, so the net value on 31 December 2018 was 0 RON (the same situation was registered at 31 December, 2017).

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

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

Trade receivables and other receivables

On 31 December 2018, the company had outstanding receivables amounted to 101,327 RON as follows:

- Warranty for fuel acquisition from Rompetrol	6,000 RON
- Escrow (Holland)	93,278 RON
- Warranty Orşova Customs	2,049 RON

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

18. Inventories

		2018	2017
		RON	**RON**
IAS 1.78 (c),2.36(b)	Raw materials and consumables	10,409,252	9,540,180
IAS 1.78(c), 2.36(b)	Work in progress	44,523,815	39,638,964
	Non-current assets held for sale	68,853	68,853
	Write-downs	(7,072,045)	(7,053,422)
	Inventories at net value	**47,929,875**	**42,194,575**

IAS 1.104,2.36(e)(f) For inventories made out of metal, older than 3 years, and for other inventories older than 2 years, without movement, the company adjusted the book value, making a total write-down of 7,072,045 RON. Of this total value, 6,580,703 RON, represents the write-down of production in progress related to two external orders, and was calculated as the difference between the estimated costs for these orders and contract price, as presented in the administrators report, Chapter 4.2.1.

Evolution of inventory write-downs

		2018	2017
		RON	**RON**
IAS 1.104,2.36(e,g)	Opening balance	(7,053,422)	(7,176,048)
IAS 1.104, 2.36(e,g)	Write-downs reversal	36,196	201,202
IAS 1.104, 2.36(e,g)	Write-downs	(54,819)	(78,576)
	Closing balance	**(7,072,045)**	**(7,053,422)**

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

Reference		2018	2017
		RON	**RON**
IAS 1.78 (b)	Trade receivables	9,391,785	8,891,134
	Receivables allowances	(2,890,958)	(2,962,681)
IFRS 7.8(c)	**Loans and net receivables**	**6,500,827**	**5,928,453**
	Receivables – total	**934,979**	**757,481**
	Sundry debtors	459,957	271,975
	Suppliers – debtors	180,710	157,272
	VAT receivable and under settlement	277,042	316,590
	Allowances for other receivables	(374,762)	(375,477)
	Other expenses	336,163	387,121
	Accrued expenses	**55,869**	**23,394**
	Total	**7,435,806**	**6,709,328**

Trade receivables at 31 December 2018 show an increase over the corresponding 2017 period, particularly on unpaid bills. The balance of uncollected invoices refers to current invoices, without raising any special problems regarding the collection, some of which are already collected in the first days of 2019. However, on 31.12.2018, in the records of the Agigea Branch, there were commercial receivables not collected litigated customers), older than 1 year, from previous years and for which adjustments have been made for impairment of receivables totaling 2,890,958 lei.

On December 31, 2018, amounts to be recovered from commercial partners from foreign partners (Turkey and Israel) for which our company is expected to obtain external fiscal credit after receiving the appropriate documentation consisting of certificates issued by tax authorities in these countries attests to the withholding tax deduction on income generated by the chartering of Agigea branches. The total amount of these receivables at 31 December 2018 is 232,099 EURO.

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

Currency	**2018**	**2017**
	RON	**RON**
USD	19,359	19,359
EUR	1,868,857	1,790,202
RON	596,761	473,992

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

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

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

	2018	2017
	RON	RON
On 1 January	2,962,681	3,254,685
Allowances reversed	78,130	429,159
Recognized allowances	6,407	137,155
Balance at end of period	**2,890,958**	**2,962,681**

Depreciation on trade receivables at 31.12.2018 is down 2.5% from the beginning of the year.

20. Short term investments

	2018	2017
	RON	RON
Deposits in banks in RON	6,600,000	6,500,000
Deposits in banks in foreign currency	1,870,227	1,863,880
Total	**8,470,227**	**6,363,880**

Deposits at banks in RON and foreign currency deposits in banks, presented by the company as other short term investments as at 31 December 2018 relates to deposits with a maturity of between three months and one year.

21. Cash and cash equivalents

	2018	2017
	RON	RON
Bank accounts in RON	1,238,275	3,482,692
Bank account in foreign currencies	5,384,209	6,057,167
Petty cash in RON	12,965	10,973
Petty cash in foreign currencies	-	-
Other values	3,187	15,936
Total	**6,638,636**	**9,566,768**

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

22. Capital and reserves

Share capital

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

The share capital structure on December 31, 2018 is as follows:

	Number of shares	Amount (RON)
SIF 3 Transilvania	5,711,432	14,278,580
SIF 5 Oltenia	3,200,337	8,000,843
SIF 4 Muntenia	1,504,600	3,761,500
Other individual shareholders	854,504	2,136,260
Other corporate shareholders	152,046	380,115
	11,422,919	**28,557,298**

The subscribed and paid up share capital is amounted to 28,557,298 RON, divided into a number of 11,422,919 nominal and dematerialized shares, each worth 2.50 RON.
Compared with the existing ownership structure at 31 December 2017, there are no significant changes.
The changes took place at the level of other corporate and individual shareholders, in the sense that there was a slight increase in the share of corporate shareholders to the detriment of the individual ones.

Shareholders name	**Percentage of ownership (%)**	
	2018	**2017**
SIF 3 Transilvania	49.9998	49.9998
SIF 5 Oltenia	28.0168	28.0168
SIF 4 Muntenia	13.1717	13.1717
Other individual shareholders	7.4806	7.5390
Other corporate shareholders	1.3311	1.2727
Total	**100.00**	**100.00**

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

22. Capital and reserves (continued)

Each subscribed and paid share, grants the shareholders, under the law, the right to vote in the General Meeting of Shareholders, to vote or to be elected to the governing bodies, the right to participate in the distribution of profit or any rights derived from the shareholder quality.
Owning shares involves adherence to the status and subsequent amendments.
During 2018 there were no changes in share capital.

Reserves

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

Revaluation reserves

RON

Revaluation reserve	Total reserve	Reserves taxed	Untaxed reserves
Recorded before 2004	6,388,812	-	6,388,812
Recorded at 31.12.2006	1,490,279	820,523	669,756
Recorded at 31.12.2007	3,806,215	1,325,037	2,48,178
Recorded at 31.12.2009	1,043,623	405,206	638,057
Recorded at 31.12.2012	3,514,296	1,397,870	2,116,426
Recorded at 31.12.2013	1,034,894	309,258	725,636
Recorded at 31.12.2014	158,397	56,173	102,224
Recorded at 31.12.2015	4,785,727	1,020,031	3,765,696
Recorded at 31.12.2016	227,491	39,265	188,226
Recorded at 31.12.2017	469,658	29,205	440,453
Recorded at 31.12.2018	6,385,760	-	6,385,760
TOTAL	29,304,792	5,402,568	23,902,224

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

22. Capital and reserves (continued)

IAS 1.107 **Profit appropriation / Dividends declared and paid**

In the General Meeting of Shareholders (AGOA) from 13.04.2018 the distribution of the net profit for the year 2017 in the amount of 2,721,336 lei was approved for the following destinations:

- 169,805 lei legal reserves (5%);
- 653,816 lei other reserves from tax incentives (tax exemptions for reinvested earnings);
- 1,827,667.04 lei, in the form of dividends, representing 0.16 lei / share dividend gross;
- 70,047.96 lei, as a source of own financing (available to the company).

Within the same AGAO it was approved the allocation of 29,417 lei, as a source of own financing, the profit in the result transferred as a result of the annulment by the courts of some penalties fixed by authorities.

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

23. Earnings per share

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

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

	2018	2017
Profit (loss) for the period	2,852,126	2,721,336
Dividends for unredeemed preference shares	-	
Profit (loss) attributable to ordinary shares	**2,852,126**	**2,721,336**

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

	2018	2017
Ordinary shares issued on 1 January	11,422,919	11,422,919
Effect of own shares held	-	-
Effect of share options exercised	-	-
Weighted average number of ordinary shares at 31 December	11,422,919	11,422,919

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

	2018	2017
Profit attributable to ordinary shareholders (basic)	2,852,126	2,721,336
Interest expense related to convertible bonds after tax	-	-
Profit attributable to ordinary shareholders (diluted)	**2,852,126**	**2,721,336**

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

23. Earnings per share (continued)

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

	2018	2017
Weighted average number of ordinary shares (basic)	11,422,919	11,422,919
Effect of conversion of convertible bonds	-	-
Effect of share options issued	-	-
Weighted average number of the ordinary shares (diluted) at 31 December	11,422,919	11,422,919
Earnings per share	**0.25**	**0.24**

24. Loans

IFRS 7.7,8 This note provides information about the contractual terms of the Company's interest-bearing loans, measured at depreciation cost. For more information on the Company's exposure to interest rate risk, currency risk and liquidity risk, it can be seen in Note 28 of this package of notes to the financial statements according with IFRS.

At the end of 2018 and 2017 the company had no loans contracted.
Values of guarantees provided by the Company for short-term loans are presented below:

Explanations guarantees	2018 RON	2017 RON	
Land	574,126	573,608	BRD
Buildings	6,481,422	6,475,586	BRD
Receivables	60,360,194	56,154,045	BRD
Pledge (collateral deposit)	1,870,227	1,863,880	BRD

1. On 31st of December 2018 society have approved a single overall limit to BRD guaranteed as stated below.

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

24. Loans (continued)

1. Buildings have been evaluated and taken as warranty at the following market value:

- 2013 - 1,733,000 EUR (* 4.4847 RON/EUR= 7,771,985 RON)
- 2014 - 1,733,000 EUR (* 4.4351 RON/EUR= 7,686,000 RON)
- 2014 - 640,204.14 EUR (* 4.4821 RON/EUR= 2,869,459 RON)
- 2015 - 1,615,300 EUR (* 4.5245 RON/EUR=7,308,424 RON)
- 2016 – 1,512,800 EUR (* 4.5411 RON/EUR=6,869,776 RON)
- 2017– 1,512,800 EUR (* 4.6597 RON/EUR=7,049,194 RON)
- 2018 - 1,512,800 EUR (* 4.6639 RON/EUR=7,055,548 RON)

2. Receivables -value of letters of credit that will be charged by the concerned bank (BRD):

- 2013 - 3,566,760 EUR (* 4.4847 RON/EUR= 15,995,848 RON)
- 2014 - 2,213,440 EUR (* 4.4821 RON/EUR= 9,920,859 RON)
- 2015 - 4,472,000 EUR (* 4.5245 RON/EUR= 20,233,564 RON)
- 2016 - 2,480,000 EUR (* 4.5411 RON/EUR=11,261,928 RON)
- 2017- 0 EUR (* 4.6597 RON/EUR= 0 RON)
- 2018—1,745,000EUR (*4.6639 RON/EUR=8,138,506 RON) + assignment receivables 11,197,000EUR*4,6639=52,221,688 RON

3. Pledge on a deposit in the amount of 401,000 EUR BRD, plus accrued interest of:

- 2013 - 589,000 EUR (* 4.4847 RON/EUR= 2,641,488 RON)
- 2014 - 589,000 EUR (* 4.4821 RON/EUR= 2,639,957 RON)
- 2015 - 642,714.64 EUR (* 4.5245 RON/EUR=2,907,962 RON)
- 2016 – 400,000 EUR (* 4.5411 RON/EUR=1,816,440 RON)
- 2017- 400,600 EUR (* 4.6597 RON/EUR=1,863,80 RON)

The company does not have lease contracts.

Through the ***credit agreement No. 70/31.07.2013 and the addendum no. 6 from 29.06.2018*** with BRD-GSG Orsova, the Company contracted an uncommitted credit facility as an overall limit, multi-currency and multi-options in the amount of 2,000,000 (two million) EUR, valid until 30.06.2019, and a limit to hedge foreign exchange amounting to 2,069,000 USD, rising by 39% compared to 2017 (in 2017 it was 1,489,000 USD)..

The overall unconfirmed limit has several sub-limits, as mentioned below, provided that the maximum value of sub-limits does not exceed in any moment the total amount of 2,000,000 EUR limit.

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

24. Loans (continued)

- Unconfirmed and bi-currency credit line facility in value of maximum 2,000,000 EUR, usable in the following currencies: RON and EUR;
- Facility for issuing letters of guarantee ("SGB facilities") - a maximum of 2,000,000 EUR, usable in the following currencies: RON and EUR, with an issuing date valid until 30.06.2018. Validity of guarantee letters issued shall not exceed 24 months from the issue date;
- Facility for the letters of credit opening – amounted to 500,000 EUR with maturity for 24 month.

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

25. Employee benefits

a) The remuneration of directors and administrators

The Company did not grant advances or loans to directors or administrators in the financial year ended 31 December 2018.

Wage expenses

	Financial year ended at 31 December 2018 RON	**Financial year ended at 31 December 2017 RON**
Administrators	712,643	713,432
Directors	1,060,488	774,451
	1,773,131	**1,487,883**

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

The Board of Directors is as follows:

Mr. Mihai Fercală – President

Mr. Firu Floriean – Member

Mr. Lucian Ionescu – Member

Mr. Dan Voiculescu – Member

In 2016, in the general meeting of the shareholders in April 2016, the board of directors was concluded with the fifth administrator, being elected Mr. Pantea Marius Ion, and in May 2018 one of the administrators, namely Mr. Voiculescu Dan gave his mandate.

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

25. Employee benefits (continued)

In January 2019, Mr. Voiculescu Dan was provisionally appointed until the meeting of the ordinary general shareholders' meeting, Mr. Ciurezu Tudor, on the basis of Art.137 of the Commercial Companies Law no. 31/1990, republished, with subsequent amendments and completions.

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

Salaries payable at period end:

	31 December 2018 RON	31 December 2017 RON
Administrators	28,486	33,703
Directors	20,192	18,595
	48,678	**52,298**

b) Employees

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

	Financial year ended at 31 December 2018	Financial year ended at 31 December 2017
Administrative staff	46	44
Direct productive staff	253	245
Indirect productive staff	52	54
	351	**343**

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

26. Provisions

Reference		Warranty	Employee benefits	Litigations	Other Provisions	Total
		RON		**RON**	**RON**	**RON**
IAS 37.84(a)	**Balance at January 1, 2018**	**-**	**111,309**	**177,748**	**498,017**	**787,074**
IAS 37.84(b)	Provisions recognized during the current period	-	77,394	150	281,537	359,080
IAS 37.84(c)	Reversal of provisions during the current period	-	-	-	-	-
IAS 37.84(d)	Complete reversal of provisions during the current period	-	111,309	12,110	485,862	609,281
IAS 37.84(a)	**Balance at December 31, 2018**	**-**	**77,394**	**165,788**	**293,692**	**536,874**

Provisions for employee benefits

As at 31.12.1018 the company had provisions for employee benefits for retirement worth 77,394 RON (111,309 RON at 31 December 2017).

IAS 1.125 **Litigation:**

- Fees of the arbitrators for external disputes partially established in previous years, partly in the course of the year 2018 (165,788 RON).

These provisions are decreasing compared to the previous year, as a result of the fact that the company has been allowed the previous year's tax deduction actions / appeals (10% advance payment).

Other provisions: On December 31, 2018, the Company had provisions for unused rest leave of 293,692 lei (2017: 498,017 lei).

27. Trade payables and other liabilities

	2018	2017
	RON	**RON**
Trade payables - short term	7,763,879	6,672,582
Social security and other taxes	1,272,950	1,179,595
Suppliers - invoices to be received	90,751	138,353
Other creditors	491,289	432,093
Total	**9,618,869**	**8,422,623**

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

27. Trade payables and other liabilities (continued)

Short-term trade payables refer to payables to suppliers and advances received from customers, both types of liabilities registering an increase over the previous year.

28. Financial instruments

General presentation

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

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

These notes to the financial statements disclose information about the Company's exposure to each of the above risks, objectives, policies and processes for assessing and managing risk and procedures for capital management. Also, these financial statements include other quantitative information.

The general risk management

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

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

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

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

Credit risk

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

28. Financial instruments (continued)

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

Credit risk exposure

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

	Note	2018	2018
		RON	RON
Trade receivables	19	9,391,785	8,891,134
Cash and cash equivalents	21	6,638,636	9,566,768

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

	2018	2017
	RON	RON
Internal market	596,761	473,992
USD area	78,861	75,335
EUR area	8,716,163	8,341,807
	9,391,785	**8,891,134**

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

	2018	2017
	RON	RON
Wholesalers	-	-
Retailers	-	-
Final consumers	-	-
Others	9,391,785	8,891,134
TOTAL	**9,391,785**	**8,891,134**

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

28. Financial instruments (continued)

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

CLIENT / BENEFICIARY	YEAR 2018	YEAR 2017
Rensen Driessen Shipbuilding B.V. (NL)	72.6%	59.6%
WPI Ship Bulding BV (NL)	-	12.4%
Zeendecat BV (NL)	-	13.8%
Zanen Shipbuilding BV (NL)	-	14.2%
Concordia Damen Shibuiding BV	27.4%	-
TOTAL	**100%**	**100%**

In the past few years, when we had a more diversified customer structure, in the financial year 2018 shipments built at Orsova focused on two clients (Rensen and Concordia), and as a percentage there was an increase in Rensen's percentage of total deliveries (from 59.6% to 72.6%). “Salande” type of vessels from Agigea branch were leased to ARAS (Turkey).

Receivables Allowances

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

	Depreciation 2018	Gross Value 2018	Depreciation 2017	Gross Value 2017
	lei	**lei**	**lei**	**lei**
Before due	-	6,501,327	-	5,928,453
Overdue from 30 days -1 year	-	-	-	-
Overdue from more than one year or litigious	(2,890,958)	2,890,458	(2,962,681)	2,962,681
Total	**(2,890,958)**	**9,391,785**	**(2,962,681)**	**8,891,134**

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

28. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in fulfilling its contractual obligations associated with financial liabilities that are settled in cash.

The Company's approach regarding liquidity risk is to ensure, as far as possible, that it has at any moment sufficient liquidity to settle its liabilities when they fall due, both under normal conditions and under difficult conditions, without incurring material losses or jeopardizing the reputation of the Company.

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

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

IFRS 7.34 *Exposure to currency risk*

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

	2018		2017	
	EUR	**USD**	**EUR**	**USD**
	lei	**lei**	**lei**	**lei**
Trade receivables	8,716,163	78,861	8,341,807	75,335
Guaranteed bank loans		-	-	-
Trade payables	6,058,768	-	5,186,932	-

As we have shown to prevent exposure to currency risk, the Company, as in previous years, traded hedging derivatives with derivatives throughout the year 2018, transactions that were profitable.

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

Currency	**Average rate**		**Spot rate at the reporting date**	
RON	**2018**	**2017**	**2018**	**2017**
EUR	4,4908	4.5681	4,6639	4.6597
USD	3,9416	4.0525	4,0736	3,8915

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

27. Financial instruments (continued)

a. Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Interest rate risk is the risk that the value of financial instruments fluctuates due to changes in market interest rates. The company's income and cash flow may be affected by market interest rate fluctuations, but since the company has not, over the past few years, borrowed short and long-term loans ,this risk is very low for SNO

b. Capital management

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

	2018	**2017**
	RON	**RON**
Total liabilities	9,618,869	8,422,623
Cash and cash equivalents	6,638,636	9,566,768
Total shareholders' equity	**109,659,562**	**102,352,120**

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

29. Contingent assets and contingent liabilities

a. Litigation and disputes

The Company is involved in several legal actions that have risen in the normal course of business. The management of the Company considers that they will have no adverse effect on the financial performance and on the financial position of the Company. At 31.12.2018, the balance of contingent assets consisting of court actions in which the Company has the position of the accuser for damages made by former employees is amounted at 962 RON.

b. Taxation

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

c. Restructuring

In 2018, the company did not make employees disposal, with an increase in the average number of employees by 2.3% compared to the previous year (2018: 351 employees, 2017: 343 employees). The company does not have a staff restructuring plan in the future, but rather tries to find solutions to cross this period when there is a crisis of qualified labor force.

d. Administrators' remuneration

For the administration activity of the Company, on a management agreement basis, it was agreed to pay a fixed remuneration, issued in the memorandum or the decision of the General Meeting of Shareholders, and a variable remuneration in relation to the achievement of the indicators presented in the revenues and expenditures budget.

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

29. Contingent assets and contingent liabilities (continued)

The variable remuneration due to ADMINISTRATORS is approved by the Ordinary General Meeting of Shareholders approving the annual financial statements and will have as a basis the profit before tax.
Starting with 2019, according to the management agreement approved in the AGOA on January 10, 2019, the fixed remuneration of the administrators is adjusted starting with the quarter following the one in which the non-fulfillment of the indicators established by revenues and expenditures budget, respectively by weighing the degree of non-realization of the indicators “operating revenue” (50%) and “operating result” (50%).

e. Onerous contracts

An onerous contract is a contract entered with another party under which the unavoidable costs of fulfilling the terms of the contract exceed any revenues expected to be received from the goods or services supplied or purchased directly or indirectly under the contract and where the entity would have to compensate the other party if it did not fulfill the terms of the contract. These unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. As at 31 December 2018, the Company had no onerous contracts.

f. The contingent liabilities related to the environment

Environmental regulations are developing in Romania and the Company has not recorded any liability at 31 December 2018 and 31 December 2017 for any anticipated costs, including legal and consulting fees, site studies, the design and implementation of remediation plans, related to environmental matters. Management does not consider the costs associated with environmental issues to be significant.

g. Insurances taken out

At the end of 2018, the Company has concluded insurance policies for owned vehicles and tangible assets pledged and mortgaged.

g. Transfer price

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

29. Contingent assets and contingent liabilities (continued)

h. Warranty letters

On December 31, 2018, commercial banks did not issue warranty letters for the Company.

30. Related parties

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

SIF Transilvania SA is administered by a two tier Executive Board structure under the control of a Supervisory Board.
S.I.F. Transilvania aims to administrate investment portfolios and permanently identify investment opportunities in terms of ensuring a reasonable level of investment risk dispersion, in order to give shareholders the opportunity to achieve attractive performance, while increasing capital. Investment portfolios consists of stocks, bonds and other financial instruments, the main sectors in which the company holds interests are tourism, financial sector (banking and non-banking), real estate and energy.
Depository services for financial instruments held in the portfolio are provided by BRD-Groupe Societe Generale, and the Company's financial statements are audited by Deloitte Audit S.R.L. Bucuresti.
S.I.F. Transylvania is a member of the European Private Equity & Venture Capital Association (EVCA) based in Brussels, Asset Managers Association of Romania (AAF) and the Chamber of Commerce and Industry Brasov.
During the period ended at 31 December 2018, the Company conducted transactions with affiliated entities (entities controlled by SIF Transilvania SA) as follows:

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 2018 IN ACCORDANCE WITH IFRS AS ADOPTED BY EU**

30. Related parties (continued)

Acquisitions of goods and services

	2018	**2017**
	RON	**RON**
ARO Palace Braşov	1,207	1,463
Independenţa Sibiu	-2,203	488,734
TOTAL	**-996**	**490,197**

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

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

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

31. Events after the Reporting Period

(i) Exchange rate movements

On 20 February 2019, the RON/USD exchange rate was 4.1938 (this represents an appreciation of RON against USD by 2.9% compared to December 31, 2018), and the RON/EUR exchange rate was 4.7576 (this is an appreciation of RON against the EUR by 2.0% compared to December 31, 2018).

(ii) Inflation

The official inflation rate communicated by the National Statistics in 1998 was 40.6%, in 1999 it was 54.8%, in 2000 it was 40.7%, in 2001 it was 30.3%, in the year 2002 the inflation was 17.8%, in 2003 it was 14.1% , in 2004 was 9.3 %, in 2005 it was 8.6 %, in 2006 it was 4.87%, in 2007 it was 6.57%, in 2008 was 6.3%, in 2009 it was 4.74 % , in 2010 it was 7.96%, in the year 2011 it was 3.14%, in 2012 it was 4.95%, in 2013 it was 1.55%, in 2014 it was 1,07%, in 2015 it was -0,59%, in 2016 it was -1,55%, in 2017 it was 1.3% and in 2018 it was 4.6%.

The separate financial statements were approved by the Board of Directors on February 20, 2019.

STATEMENT

The undersigned Eng. Mircea Sperdea – general manager and Ec. Gheorghe Caraiman – economic manager of S.C. Şantierul Naval Orşova SA with head-office in the town of Orşova, no. 4 Tufări Street, Mehedinţi County, we state that according to our knowledge, the annual financial-accounting situation, corresponding to the year 2018 which was drawn up in compliance with the accounting standards applicable, offer an accurate and corresponding image of the real status of the assets, obligations, financial position, profit and loss management of the above mentioned company.

We stipulate that the company has no branch offices.

We set forth, as well, that the Annual Report of the Management Board of S.C. Şantierul Naval Orşova S.A. drawn up for the year 2018, comprises an accurate analysis of the progress and performances of the company together with the main risks and uncertainties specific to the activity carried out.

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

A.B.A. AUDIT S.R.L.

S.C. A.B.A. Audit S.R.L.

ADRESA: Timisoara, Str. Moise Nicoară , Nr. 11B
CUI: RO 14907434 • Nr. Inreg. ORC: J35/1537/2002
IBAN: RO43PIRB3701720663001000 • BANCA: Piraeus Bank
TEL: 0256.216.100;• FAX: 0256.205.039
E-MAIL: office.audit@abaconsulting.ro • WEB: www.abaconsulting.ro

INDEPENDENT AUDITORS' REPORT
(Free translation)

To the Shareholders of
ŞANTIERUL NAVAL ORŞOVA S.A

Unmodified auditor's opinion

1. We have audited the accompanying separate financial statements of Şantierul Naval Orşova SA („the Company"), with headquarters in Orsova, Tufari Street, No. 4, identified by unique tax registration number RO1614734, which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to separate financial statements for the year ended.

2. Separate financial statements at December 31, 2018, are identified as follows:

- Revenues:	53,117,435 RON
- Net profit:	2,852,126 RON
- Total assets:	109,659,562 RON

3. In our opinion, the separate financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Accounting Law no. 82/1991, republished, including subsequent amendments and additions, Order of the Minister of Public Finance of Romania no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and the Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, including subsequent amendments and additions.

Basis for unmodified auditor's opinion

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

Emphasis of matters

5. Without further qualifying our opinion on the separate financial statements prepared by the Company for the financial year ended December 31, 2018, we consider necessary to draw attention to Note 28 *Financial Instruments* which present that 72.6% from Company turnover registered in financial exercise ended at December, 31 2018 is realised by commercial partner Rensen Driessen Shipbuilding B.V. (Nederland) (59.6% for year ended at December 31, 2017). This fact involve a commercial risk due the significant dependence by a single client.

Key audit matters

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

i) Revenue recognition

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

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

ii) Valuation of receivables

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

Our response concerning the risks of material misstatement relating to the management assertions related to the valuation of such receivables at the reporting date, resulted in audit procedures whereby we tested the recognition of doubtful receivables as well as tests for the recalculation of the provisions for doubtful receivables according to the Company's accounting policy and, also, according to the applicable accounting regulations.

iii) Inventories evaluation

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

Our response to these risks of material misstatements with regard to valuation assumed tests by which we observed the nature of expenditure capitalized in cost of production. We tested the depreciation of stocks estimated by management of the company by taking as a basis the net realizable value of the reference established according to the Company's commercial agreements or established related to the value in use. We performed procedures whereby we obtained reasonable assurance that there are no material misstatements with respect to these assertions.

Other Information – Management Report

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

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

In relation to the audit of the individual financial statements for the year ended at December, 31st 2018, it is our responsibility to read that other information and, in doing so, to assess whether that other information is materially inconsistent with the financial statements or with this knowledge that we obtained during the audit whether they appear to be significantly denatured.

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

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

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

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

In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the separate financial statements for the year ended December, 31st 2018, we are required to report whether we have identified significant misstatements in the Directors' Report. We have nothing to report on this issue.

Other matters

8. We mention that our duty was limited strictly to the realization of the statutory audit regarding the separate financial statements of the Company at December 31st, 2018, not being assigned to perform the audit of the consolidated financial situations if it was the case.

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

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

Responsibility of management and those responsible for governance for financial statements

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

12. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

18. We were appointed by the General Meeting of Shareholders at the date of 7 April 2017, as a result of a public selection of tenders in the statutory audit, for the audit of the financial statements of the Company for the financial year ended on 31 December 2018. The total uninterrupted period of our commitment is 14 years, covering the financial years from 31 December 2005 to 31 December 2018.

We confirm that:

- Our audit opinion is in accordance with the additional report presented to the Audit Committee of the Company, which we have issued on the same date in which we have delivered this report. Also, in the conduct of our audit, we have kept the independence regarding the audited entity.
- We have not provided the Company with prohibited non-audit services, as referred to Article no. 5 paragraph (1) of the EU Regulation No 537/2014.

Timişoara, March 6, 2019

On behalf of A.B.A. AUDIT SRL

Registered with the No. 305/23 December 2002

Dr. Dumitrescu Alin Constantin

Registered with the No. 4227/29 February 2012