

SEVERNAV S.A.

INDIVIDUAL FINANCIAL REPORTS

Issued according to **Public Finance Minister's Order no. 1802/2014**
31ST DECEMBER 2019

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SC SEVERNAV SA

Tel./Fax: 004-052-308-000/314-675;

S.C.SEVERNAV S.A.
DR.TR.SEVERIN

ADMINISTRATORS' REPORT For the financial year 2019

I. SC SEVERNAV SA PROFILE

SC SEVERNAV SA is located in Drobeta Turnu Severin, 204 Timisoarei str., Mehedinti county. The company is registered at the Registry of Commerce under no. J25/3/1990, having Fiscal Code no. 1606030, fiscal attribute RO.

The activity takes place in Drobeta Turnu Severin.

The company has no registered workstations.

Severnav's has a shareholders' equity of 12.603.865 lei, divided into 5.041.546 shares, each with a face value of 2,5 lei.

The company's shares are traded on the AERO stock exchange, having the symbol SEVE. The face value of each share is 2,50 lei.

Ownership structure on 31.12.2019, according to the consolidated sintetic structure of the owners of financial instruments.

SHAREHOLDER NAME	NO. OF SHARES	PERCENTAGE %	SHAREHOLDERS' EQUITY VALUE (LEI)
TIRLEA VICTOR	1.587.036	31.4792%	3,967,590
CFR MARFA	1,464,388	29.0464%	3,660,970
MEROLA GIANCARLO MICHELE	1,460,000	28.9594%	3,650,000
OTHER SHAREHOLDERS	530,122	10.5151%	1,325,305
TOTAL	5,041,546	100%	12,603,865

Severnav's main activity field is construction of ships and floating structures. Each activity's share in the total 2019 turnover is as follows:

Indicator	2018	Income share in turnover (%)	2019	Income share in turnover (%)
Total TURNOVER, out of which:	82.588.676	100,00%	84.168.126	100,00%
Income from ship building	79.980.743	96,84%	81.636.368	96,99%
Income from various metal constructions	373.419	0,45%	17.934	0,02%
Income from ship repairs	225.474	0,27%	0.00	0,00%
Income from selling of residual products	1.558.293	1,89%	1.608.721	1,91%
Income from rent	186.590	0,23%	185.353	0,22%
Other income	264.157	0,32%	719.750	0,86%

II. MANAGEMENT OF THE COMPANY

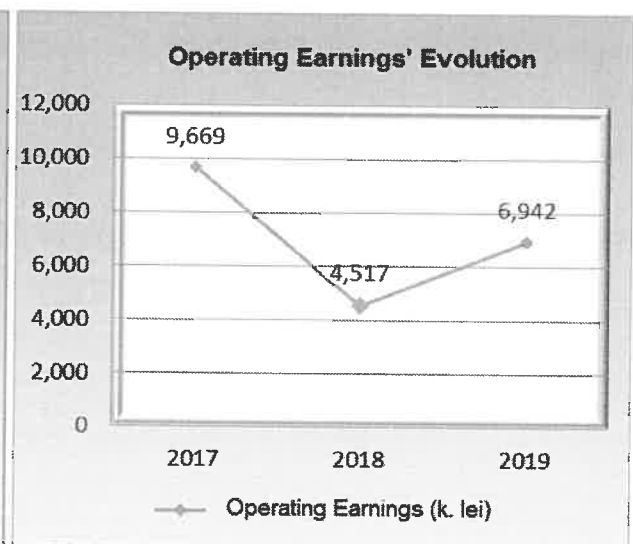
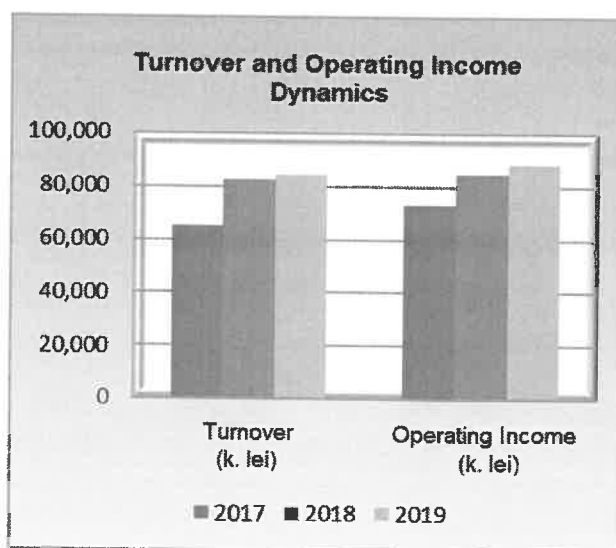
The executive management during 2019 has been performed by a team of directors lead by Mr. Tirlea Victor, as General Director, Mr. Videscu Marilen – Production Director, Mr. Borintis Grigore – Financial Director, Miu Cristian – Development Director.

The company has been administrated during 2019 by a Board of Directors, approved in a General Meeting of Shareholders, with the following members: Tirlea Victor – President, Merola Giancarlo Michele – Member, Negescu Pericle – Member, Fanica Grigorie – Member, Kessler Mihai – Member.

III. MAIN FIGURES 2019

a) Main indicators

	2017	2018	2019
Turnover (k. lei)	65.018	82.589	84.168
Operating income (k. lei)	73.064	84.766	88.372
Operating earnings (k. lei)	9.669	4.517	6.942
Financial earnings (k. lei)	-1.790	-2.036	-2.849
Net earnings (k. lei)	6.761	1.745	3.897
Equity (k. lei)	92.177	93.922	97.795
Average no. of employees	496	523	479



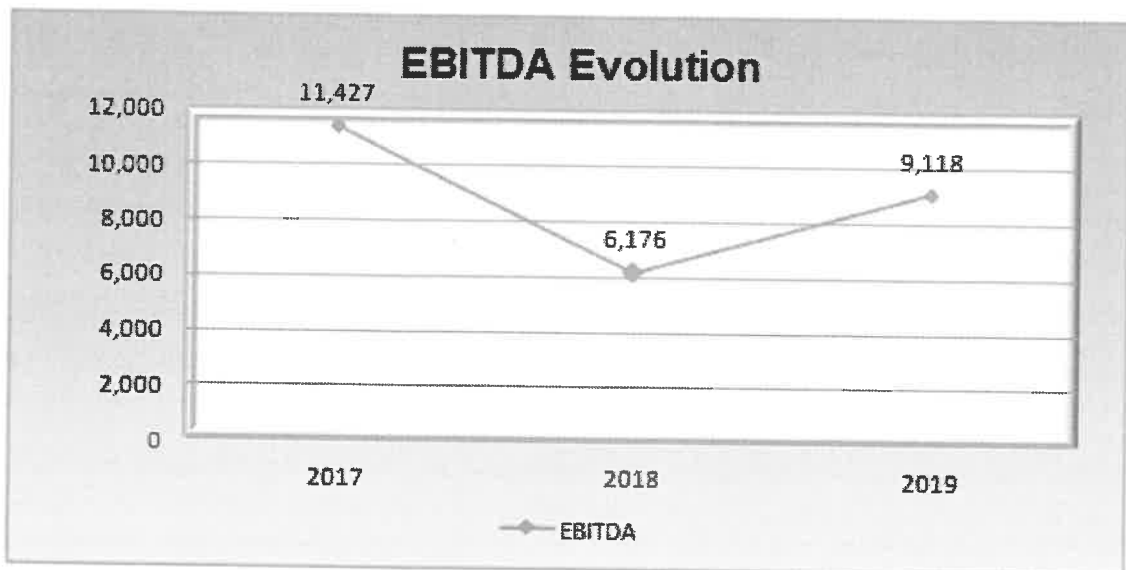
The 2019 **turnover** is 84.168 k. lei, higher by 1.579 k. lei than the 2018 one (82.589 k. lei).

Operating income which include ship building, the production of various metal constructions and the services in ship repairs, have grown over the past 3 years. Therefore, operating income have increased from 84.766 k. lei in 2018 up to 88.372 k. lei in 2019 (4% increase). The 2019 increase compared to the 2017 has been 21%.

In 2019, the potential increase of income and turnover was strongly influenced by the labor market limitations, described by: lack of qualified and unskilled personnel, depletion of the recruitment base, high fluctuation.

Operating earnings has registered a profit of 6.942 k. lei in 2019, increasing compared to the previous year 2018 with 2.425 k. lei and on a more favorable evolution of the operating expences.

Financial earnings has registered loss of 2.849 k. lei in 2019, increasing by 813 k. lei compared to 2018 (2.036 k. lei), mainly due to the expenses incurred by the bank loans committed to finance the production and investments for development.

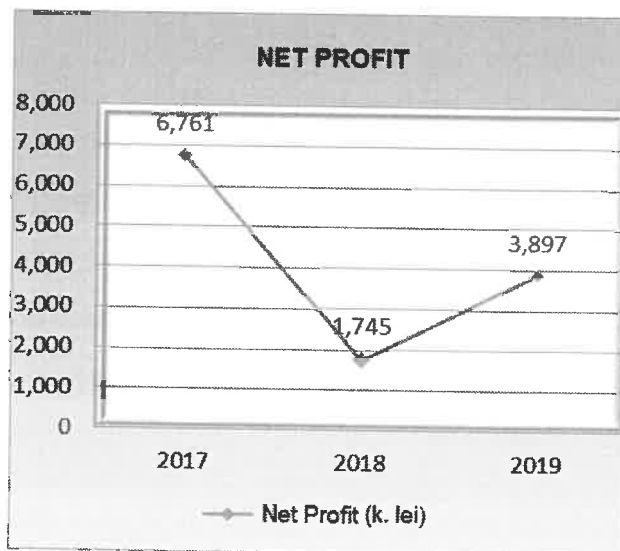


The company's yield, before interest, amortization and depreciation, was 9.118 k. lei (2018: 6.176 k. lei, 2017: 11.427 k. lei) increasing compared to 2018 and decreasing compared to 2017.

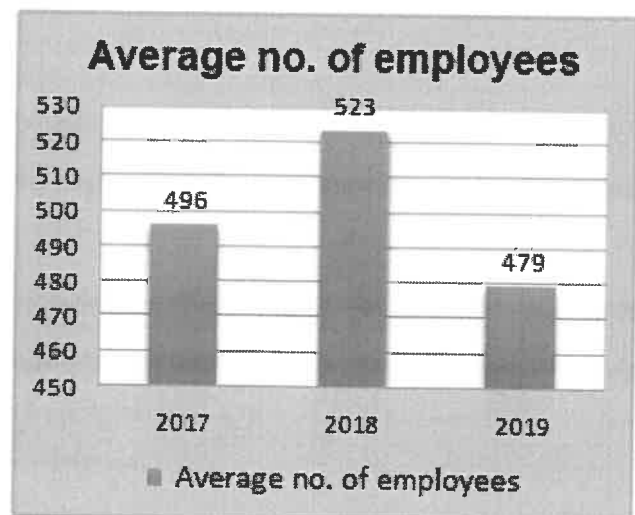
The increase in 2019 compared to 2018 in amount of 2.942 k. lei is the result of a more favorable dynamics of the expenses, but below the available potential due to the lack of production personnel.

Main disruptive factors that influenced EBITDA:

- Increasing the cost of labour force in the area, which starting with 2019 has been disconnected from productivity, tending to the erosion of competitiveness.
- Applying OUG 114/2018 for setting a dissociated minimum wage in the construction area, which lead to the qualified personnel migration to the construction area with a minimum wage granted by the state.
- The costs of setting up/hiring/ professional training of apprentices, unskilled and beginner personnel, not covered by labor productivity.
- Increasing the purchase price of materials, services and electricity.
- The cost of hiring free transportation to/from the work place granted to employees starting with 2018.
- The additional cost due to the state budget for the contribution of disabled people based on the new legislation in force from 2018.



The company's **net profit** was 3.897 k. lei and was mostly reserved for heritage consolidation (2018: 1.745 k. lei, 2017: 6.761 k. lei).



The **average number of employees** has decreased by 44 people compared to the previous year, from 523 to 479 employees, caused by the difficulty in recruiting the skilled labor force.

IV. COMMERCIAL ACTIVITY

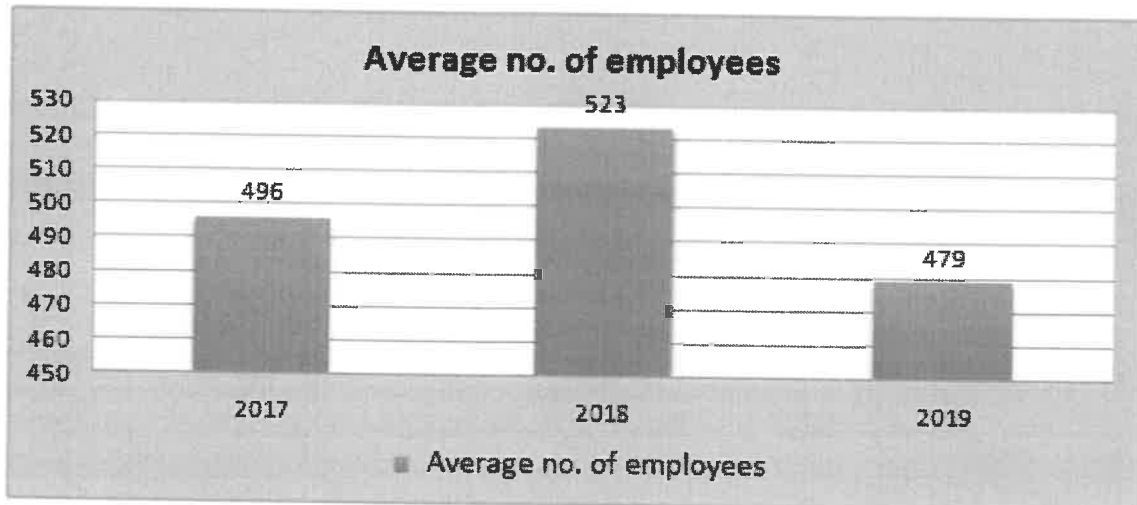
The most important part of the turnover (96,99%) has been achieved from selling of inland vessels, followed by income from selling of residual products (1,91%), income out of various metal constructions (0,02%), income from rent (0,22%), other income (0,86%).

The company's entrances continued to be promoted on the European Shipbuilding Market, either directly to customers, or by participating in specialized fairs organized in the Netherlands and Germany. Adequate budgets have been allocated for this purpose.

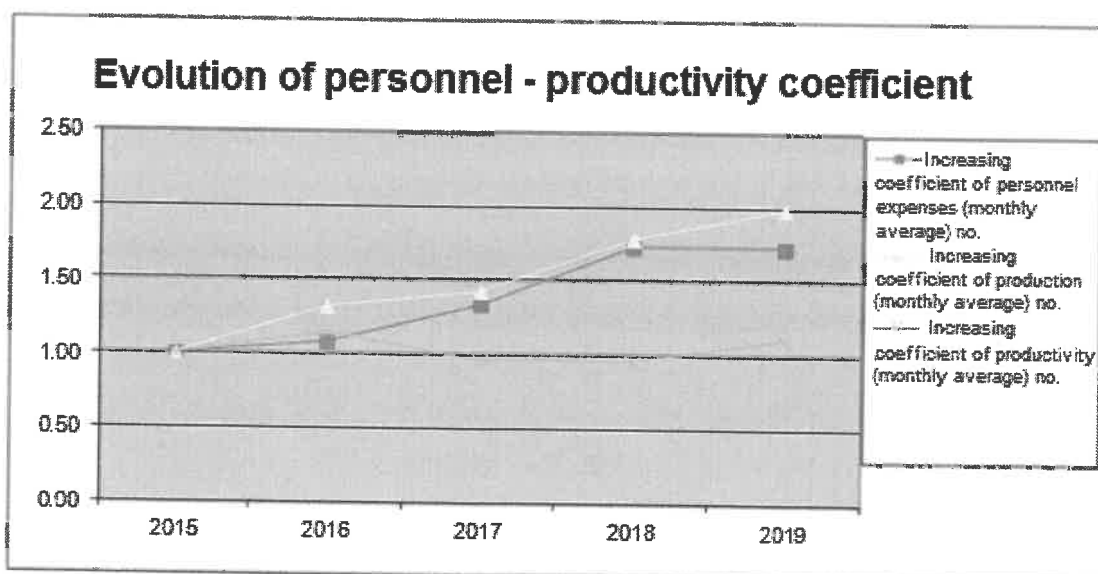
In the portfolio, the company has firmly concluded contracts, with a cumulative value of 23.362.500 EUR, which ensures production capacity scheduled for 2020, some of them expanding in 2021.

V. HUMAN RESOURCES

The average no. of employees has decreased from 523 people in 2018, to 479 people in 2019 and 496 people in 2017.



The evolution of labor productivity indicators for 2015 -2019 is:



Starting in 2018, the human resources market available for shipbuilding has become very limited in volume and quality. As a result of the disappearance of vocational schools, there are no longer available qualified persons to be recruited. The first option is to recruit and prepare unskilled personnel on the

company's costs, assuming in the same time the decreasing of the labor productivity and the overall performance of the company.

Therefore, starting with 2018, our own school of welders and locksmiths apprentices was set up, and in partnership with a local high school, we developed technical vocational education.

The biggest challenge facing society in the financial year 2019 was the recruitment of the labor force needed to sustain the increase of turnover. In order to meet the production needs, non-qualified personnel was hired for qualification at the workplace, but this led to a very large fluctuation with corresponding costs and without covering the potential demands for shipbuilding.

The dynamic of personnel fluctuation during 2016-2019 was:

Period	In	Out	No. at the end of the period	Fluctuation %
Year 2016	160	89	493	18%
Year 2017	170	207	456	45%
Year 2018	248	162	542	30%
Year 2019	117	168	491	34%
TOTAL 2016-2019	695	626	495	127%

Between 2016 and 2019, the number of departed people (fluctuation) reported to average number of personnel for this period was 127%. There were hired 695 people, 626 people left, corresponding to an average annual number of 495 people.

VI. FINANCIAL REPORTS ANALYSIS

1. FIX ASSETS REPORT

SC Severnav SA disposes of (lei)

Non-current asset name	Gross Value		Valoare contabila neta	
	Balance on 01.01.2019	Balance on 31.12.2019	Balance on 01.01.2019	Balance on 31.12.2019
0	1	2	3	4
a) Intangible assets				
Setting-up and development expences, patents, concessions, commercial resources	152.295	108.039	145.950	92.733
Other intangible asset	467.680	2.356.428	-	1.856.060
Advances and intangible assets in progress	-	163.487	-	163.488
Total intangible assets	619.975	2.627.954	145.950	2.112.281
b) Tangible assets				
Land and land development	60.269.701	60.269.701	60.269.701	60.269.701
Buildings	30.399.591	32.463.038	25.459.253	26.420.190
Technological equipment and machinery	23.588.413	30.426.944	4.532.339	11.498.412
Other tangible assets	234.396	708.672	95.104	481.285
Assets in progress	602.898	10.086.776	602.898	10.086.776
Advances for tangible assets	224.465	6.627.587	224.465	6.627.587
Total tangible assets	115.319.464	140.582.718	91.183.760	115.383.951
c) Financial assets	9.153	8.000	9.153	8.000
Total	115.948.592	143.218.672	91.338.863	117.504.232

According to the above stated information, the company's heritage has the following structure:

- Land area of 315.091,94 sqm, having an actual market value of 60.270 mii.lei, representing 51% of the total net non-current assets;
- Buildings having an actual market value of 26.420 k. lei, representing 22% of the total net non-current assets;

- Technological equipment and machinery having a net value of 11.498 k. lei, representing 10% of the total net non-current assets;
During 2019, Severnav SA used for investments 12.455.819 lei, out of which: new investments cumulate 11.340.675 lei and modernizing 1.115.144 lei. There are still being implemented (with performance term in 2020) investments value of 16.877.851 lei.

2. CURRENT ASSETS REPORT

a) On 31.12.2019 the Stock's situation was as follows (lei)

Name	2018	2019
Raw materials and consumables	17.965.467	19.316.022
Production in progress	18.060.998	19.598.973
Finished goods and merchandise	0	0
Advances	959.289	899.164
TOTAL	36.985.754	39.814.159

The stocks of raw materials and consumables represented 49% of the total current assets registered on 31.12.2019.

Production in progress, in value of 19.599 k. lei, refers to vessels launched in production with delivery term in 2020.

The advance of inventories of 899 k. lei refers to advances paid for the acquisition of raw material and materials for shipbuilding.

b) Inventory Report

The planning and development of the inventory process has been carried out according to the Accounting Law no. 82/1991, to OMFP no. 2861/2009 regarding inventory and on the basis of decisions no. 314/06.11.2019, 311/06.11.2019, 312/06.11.2019 si 313/06.11.2019 issued by the general director of the company.

According to these decisions, all assets, liabilities and shareholders' equity have been inventoried. The inventory results have been registered in the annual financial reports.

c) Receivables Report

The value of the company's net receivables on 31.12.2019 was of 10.768 k. lei, out of which:

	Receivables	Balance on 31.12.2018	Balance on 31.12.2019
1	Commercial receivables – including affiliated entities / other involved parties	0	0
2	Commercial receivables – third parties	13.791.820	8.940.619
	Total commercial receivables	13.791.820	8.940.619
3	Commercial receivables provisions	(1.138)	(704)
4	Net commercial receivables	13.790.682	8.939.915
5	Other receivables	1.021.621	1.829.377
6	Other receivables provisions	(1.222)	(1.222)
7	Net other receivables	1.020.399	1.828.155
8	Total commercial receivables and other receivables	14.811.081	10.768.070

The balance of third parties receivables at December 2019 includes amounts for the construction of the vessels to be delivered in 2020.

Other receivables includes mainly: VAT to be recovered from the state budget 1.004.326 lei (asked and agreed to be compensated with state payables), VAT under settlement 26.518 lei, sundry debtors, etc. For the debtors with a questionable collection, provisions of 1.222 lei have been registered.

3. COMPANY'S DEBT REPORTS

On 31.12.2019 the company has registered the following debts (lei)

	Debts	Balance on 31.12.2018	Balance on 31.12.2019	Maturity of the balance on 31.12.2019	
				Less than 1 year	Over 1 year
1	Debenture loans	0	0	0	0
2	Amounts owed to credit institutions	40.254.776	54.726.466	37.612.669	17.113.797
3	Advances cashed for orders	9.548.364	16.026.367	16.026.367	0
4	Commercial debts – suppliers, affiliated entities and other involved parties	0	0	0	0
5	Commercial debts – third parties suppliers	1.695.877	3.728.182	3.728.182	0
6	Commercial effects to be paid	0	0	0	0
7	Amounts owed to affiliated entities	0	0	0	0
8	Debts to the state budget	1.114.450	1.015.111	1.015.111	0
9	Other debts	1.802.449	1.620.937	1.175.465	445.472
11	Total	54.415.916	77.117.063	59.557.794	17.559.269

- 71% are current banks loans. Out of these, 1.426 k. lei are current activity credit line and 36.187 k. lei are production loans, contracted for the signed commercial contracts and 17.114 k. lei represents a long term credit used to upgrade and modernize the company's production capacity; 21% are current receivables cashed as advances from clients (crediting clients), temporary registered in debts until the delivery of the ships;
- 5% are debts to suppliers;
- 1% are current debts towards the state budget;
- 2% are current debts (salaries, wage withholdings, etc).

According to their maturity, the debts are 77% – less than 1 year and 23% – over 1 year.

During this whole period of time the debt evolution has been determined by the need to support the production and assignation of resources for equipment investments.

All the company's debts are strictly correlated with its production and sale, each debt and maturity having identified the source of payment.

4. PROFIT AND LOSS ACCOUNT REPORT

	Indicators name	Financial year		
		2018	2019	2019/2018(%)
1	OPERATING INCOME	84.766.003	88.372.348	104%
2	OPERATING EXPENSES, out of which:	80.249.493	81.430.557	101%
	a) Raw materials, consumables and other materials expenses	39.812.201	38.894.775	98%
	b) External expenses (with electricity and water)	1.468.732	1.764.132	120%
	c) Merchandise expenses	143.212	550.896	385%
	d) Personnel expenses	27.215.362	26.690.527	98%
	e) Adjusted value regarding tangible and intangible assets	1.659.941	2.175.847	131%
	f) Adjusted value regarding current assets	(13.541)	723	
	g) External services expenses	7.621.497	9.862.387	129%
	h) Expenses regarding other income taxes, taxes and related payments	932.660	837.598	90%

	i) Other expenses	1.544.590	655.055	42%
	j) Adjusted value regarding provisions	(133.370)		
3	OPERATING PROFIT	4.516.510	6.941.791	154%
4	FINANCIAL INCOME	1.124.722	1.210.888	108%
5	FINANCIAL EXPENSES	3.160.800	4.059.985	128%
6	LOSS	2.036.078	2.849.097	140%
7	Income tax	735.423	195.926	27%
8	NET PROFIT	1.745.009	3.896.768	223%

Total operating income in 2019 amounting to 88.372 k. lei have increased by 4% compared to the ones realized in 2018. During the same period, the operating expenses were in amount of 81.431 k. lei, increasing by 1% compared to 2018.

Financial income, mostly due to positive foreign exchange rate differences, have increased to 86 k. lei 2019 compared to 2018, from 1.125 k. lei to 1.211 k. lei, caused, on one hand, by the eur/ron exchange rate evolution and on the other hand, by the specificity of long term production, partially financed by advances from clients.

Financial expenses, in the amount of 4.060 k. lei have increased by 899 mii.lei compared to 2018. In 2019 they included exchange rate expences in value of 2.338 k. lei and 1.721 k. lei expenses with banking interests.

The Board of Directors submits to the approval of the General Shareholders' Meeting the following distribution of net profit:

- 194.838 lei for legal reserve;
- 3.701.929 lei reserves from reinvested profit in 2019;

5. CAPITAL REPORT

	INDICATORS	31.12.2018	31.12.2019
1	TOTAL CAPITALS, out of which	93.921.928	97.794.895
2	Subscribed and paid share capital	12.603.865	12.603.865
3	Reevaluation reserves	76.321.563	75.415.923
4	Legal reserves	1.689.510	1.884.349
5	Other reserves	12.281.705	12.505.993
6	Retained earnings – loss from previous years	(23.921.855)	(23.921.855)
7	Retained earning – accounting errors correction	1.808.961	1.785.160
8	Retained earnings – reevaluation reserves	11.095.333	12.000.973
9	Current profit	1.745.009	3.896.768

Shareholders' equity have increased by 3.873 k. lei compared to the previus period, from 93.922 k. lei to 97.795 k. lei.

Retained earnings mostly includes the losses registered during 2007-2008 and unrecovered until 31.12.2019:

- Loss generated during 2007 financial year: 5.972.707 lei.
- Loss generated during 2008 financial year: 17.949.148 lei.

6. MAIN ECONOMIC-FINANCIAL INDICATORS

	Year 2018	Year 2019
1. Liquidity indicators		
Quick ratio indicator	1.06	0.98
Immediately liquidity indicator	0.49	0.40
2. Risc indicators		
Indebtedness ratio	42%	45%
3. Activity indicators		
Clients turnover ratio	40	47
Suppliers turnover ratio	11	12

Non current assets turnover ratio	0.91	0.75
Assets turnover ratio	0.52	0.48

Quick ratio has declined, registering an 8% decrease from 1,06 to 0,98, current assets evolving below debts, influenced by the allocated resources to the development production capacity investments.

Immediately liquidity has registered a decrease from 0.49 to 0.40 determined by the work in progress stock to be delivered in 2020.

Indebtedness ratio has increased from 42% in 2018 to 45% in 2019, as an effect of the bank loans commitment used for investments in the increase and efficiency of the production capacity.

VII. THE CORPORATE MANAGEMENT

VII.1. General provisions

(1) The corporate governance system of SEVERNAV SA includes the set of rules set out in the Articles of Incorporation and other internal regulations, by which the management and control of SEVERNAV SA activity is regulated.

(2) The corporate governance system of SEVERNAV SA aims at achieving the following general objectives:

- a) Respecting the rights and legitimate interests of shareholders;
- b) Fair, equal and just treatment of shareholders;
- c) Respecting the rights and legitimate interests of interest holders;
- d) Defining clear rolls, skills and responsibilities for the Board of Directors and executive management;
- e) Integrity, ethical behaviour and professional competence of the management team and employees of SEVERNAV SA;
- f) Activity transparency and correct presentation of future results and prospects of SEVERNAV SA;
- g) Sustainable development of SEVERNAV SA.
- h) Implementation and application of the Corporate Governance Code of the Bucharest Stock Exchange

VII.2. Company leadership

1. The General Meeting of Shareholders may be Ordinary or Extraordinary. The powers and conditions of the meeting of general meetings are presented in the Articles of Incorporation of Severnav SA, in the contents of Chapter V, Articles 12 – 22.

The last update of the Articles of Incorporation was made in 2018 and entered in force on 18.10.2018. The Articles of Incorporation of Severnav SA can be publicly consulted on the company's website (www.severnav.ro)

The general powers of the general meetings are those stipulated by the Law no. 31/1990 of the Commercial Companies. The specific competences and limits agreed by the shareholders of Severnav SA are represented by the AGEA Agreement for the approval of credit ceilings exceeding EUR 10 million ad by a 2/3 of the voting rights presented and represented at AGEA for the change of the main object of activity, changing the value of the share capital, changing the legal form, merging, dividing or voluntary liquidation of the company.

2. The Board of Directors of Severnav SA consists of 5 members, 4 non-executive members and the President of the Board of Directors holds also the General Director position. Members of the Board of Directors are elected for a term of office of 4 years.

The powers of the Board of Directors are contained in the Articles of Incorporation at Chapter VI, Articles 24-28.

During financial year 2019, the Board of Directors of Severnav SA met in a number of 7 sessions.

VII.3. Corporate Governance Code of Bucharest Stock Exchange

Severnav SA adhered to the Corporate Governance Code of Bucharest Stock Exchange in 2016. The code represents a set of rules recommended to issuers whose shares are traded on the AeRO Market of Bucharest Stock Exchange, governed by the „Apply or Explain” principle, which obliges the company to give explanations when it is considered that a rule is not appropriate or necessary.

From the provisions of Section A – Board of Directors' Responsibilities and B – Internal Control System, Severnav SA fulfills all the requirements of the Code.

Related to Section C, Severnav SA did not publish the remuneration of the Board of Directors' Members and General Director, given that they are established by the Ordinary General Meeting of Shareholders and any financial bonuses are approved in the same forum.

Related to Section D of the Corporate Governance Code of Bucharest Stock Exchange, the company did not publish materials of continuous information in English language, as no interest of foreign investors in the company's share was determined. The company owns an English website. The company website contains the provisions of paragraphs D.1.1. - D.1.7 of the code.

The General Meeting did not implement a dividends policy, because the company did not complete the process of building and renewing its production capacities. The eventual allocation of dividends will be proposed by the Board of Directors and approved by the OGAS, but, at this moment, it is not intended to develop a specific policy.

Related to the forecasting policy specified in paragraph D.3 of the Code, Severnav SA did not elaborate such a policy, which is difficult to achieve in the context of the specific activity of building medium-sized ships, where the construction of one landmark takes a long period – several months or years.

Severnav SA meets the provisions of paragraph D.4 of the Code and strives to attract as many shareholders as possible to the General Meetings.

The company is not currently targeting the publication of materials in English language and meetings with the financial analysts, as no significant interest of foreign or institutional investors in the acquisition of financial instruments has been identified so far.

VIII. COMPANY MODIFICATIONS

The balance sheet and the profit and loss account have been completed on the basis of the 31 December 2019 trial balance, and the compulsorily registers and journals are operated to the current day.

The Company's accounting evidence is kept according to:

- Accounting Law 82/1991 (republished)
- Accounting regulations complying with the 4th Directive of the Economic European Community and International Accounting Standards
- The Finance Ministry Order 1802/2014 concerning the approval of accounting regulations complying with the European directives.

President of the Board of Directors

Tirlea Victor





SC SEVERNAV SA

Tel./Fax: 004-052-308-000/314-675;

S.C. SEVERNAV SA Adimistrators' Statement

The administrators of SC Severnav SA hereby acknowledge that they take full responsibility regarding the completion of the Annual Financial Reports of the company at 31 December 2019.

Severnav's administrators confirm the following information concerning the Annual Financial Reports at 31 December 2019:

- a) The Annual Financial Reports are completed in accordance with the accounting procedures agreed by the Economic European Community Directive;
- b) The accounting policies used to complete the Annual Financial Reports are complying with the accounting rules applied by OMFP 1802/2014;
- c) The Annual Financial Reports offer a correct and real image of the assets, liabilities, financial position, profit and loss account and the other information regarding the day to day activity;
- d) The Board of Director's Report consists in a correct analysis of the development and performance of the company, as well as in a description of the main risks and weak points of the current activity;
- e) The company works under continuity conditions.

The present declaration is in accordance with the provisions of art. 30 from the Accounting Law no. 82/1991 republished.

**President of the Board of Directors,
Tirlea Victor**



COUNTY: MEHEDINTI	PROPERTY FORM: 34
LEGAL ENTITY: S.C. SEVERNAV S.A.	PREDOMINANT ACTIVITY
ADDRESS: DROBETA TURNU SEVERIN	(CAEN group): shipbuilding
Calea Timisoarei no. 204	
TELEPHONE: 0252 / 308000	CAEN GROUP CODE: 3011
COMMERCIAL REGISTER NO.: J/25/003/1990	FISCAL CODE: 1606030

**BALANCE SHEET at
31 December 2019**

	Name	No. rd.	Balance at		
			01 January 2018	31 December 2018	31 December 2019
A		B	2	3	3
A.	NON CURRENT ASSETS				
	I. INTANGIBLE ASSETS				
	1. Setting up costs	1			
	2. Development costs	2		145.950	92.733
	3. Concessions, patents, licences, trademarks and similar rights and assets and other intangible assets	3			1.856.060
	4. Goodwill	4			
	5. Advances and intangible assets in progress	5			163.488
	TOTAL (rd. 01 la 05)	6		145.950	2.112.281
	II. TANGIBLE ASSETS				
	1. Lands and buildings	7	84.921.855	85.728.954	86.689.891
	2. Plant and machinery	8	3.097.333	4.532.339	11.498.412
	3. Other plant and machinery and fixtures and fittings	9	82.198	95.104	481.285
	4. Tangible assets in progress	10	358.898	602.898	10.086.776
	5. Advances and tangible assets in progress	11	120.000	224.465	6.627.587
	TOTAL (rd. 07 la 12)	12	88.580.284	91.183.760	115.383.951
	III. FINANCIAL ASSETS				
	1. Investments in related parties	13			
	2. Loans to related parties	14			
	3. Investments in associates	15			
	4. Loans to parties related by participation interests	16			
	5. Investments owned as assets	17			
	6. Other loans	18	23.476	9.153	8.000
	TOTAL (rd. 13 la 18)	19	23.476	9.153	8.000
	NON CURRENT ASSETS – TOTAL	20	88.603.760	91.338.863	117.504.232
B.	CURRENT ASSETS				
	I. STOCKS				
	1. Raw materials and consumables	21	13.447.109	17.965.467	19.316.022
	2. Work in progress	22	17.705.893	18.060.998	19.598.973
	3. Finished goods and merchandise	23			
	4. Advances for stock purchasing	24	1.897.453	959.289	899.164
	TOTAL (rd. 21 la 24)	25	33.050.455	36.985.754	39.814.159
	II. RECEIVABLES				
	1. Commercial receivables	26	3.928.409	13.790.682	8.939.915
	2. Receivables from related parties	27			
	3. Receivables from parties related by participation interests	28			
	4. Other receivables	29	427.444	1.020.399	1.828.155
	5. Subscribed and not paid in share capital	30			
	TOTAL (rd. 26 la 30)	31	4.355.853	14.811.081	10.768.070

Notes from 1 to 10 are integral part of financial reports.

SEVERNAV SA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
at 31 December 2019
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	III. SHORT TERM INVESTMENTS				
	1. Shares in related parties	32			
	2. Other short term investments	33			
	TOTAL (rd. 32 la 33)	34			
	IV. PETTY CASH AND BANK ACCOUNTS	35	4.323.236	17.251.463	12.970.726
	CURRENT ASSETS (rd. 25 + 31 + 34 + 35)	36	41.729.544	69.048.298	63.552.955
C.	ACCRUED EXPENSES	37	163.090	57.133	
D.	DEBTS: AMOUNTS TO BE PAID WITHIN ONE YEAR				
	1. Debenture loans, separate position for loans for convertible bond issue	38			
	2. Amounts owed to credit institutions	39	22.693.325	40.254.776	37.612.669
	3. Advances cashed for orders	40	11.148.535	9.548.364	16.026.367
	4. Commercial debts – suppliers	41	1.849.333	1.695.877	3.728.182
	5. Bills of exchange payable	42			
	6. Amounts owed to related parties	43			
	7. Amounts owed to parties related by participation interests	44			
	8. Other debts, including fiscal and social security debts	45	2.099.338	2.179.712	2.190.576
	TOTAL (rd. 38 la 45)	46	37.790.531	53.678.729	59.557.794
E.	NET CURRENT ASSETS / NET CURRENT DEBTS	47	4.102.103	4.523.712	(986.353)
	(rd. 36 + 37 - 46 - 64)				
F.	TOTAL ASSETS MINUS CURRENT DEBTS	48	92.705.863	95.862.575	116.517.879
	(rd. 20 + 47)				
G.	DEBTS: AMOUNTS TO BE PAID IN MORE THAN A YEAR				
	1. Debenture loans, separate position for loans for convertible bond issue	49			
	2. Amounts owed to credit institutions	50			17.113.797
	3. Advances cashed for orders	51			
	4. Commercial debts – suppliers	52			
	5. Bills of exchange payable	53			
	6. Amounts owed to related parties	54			
	7. Amounts owed to parties related by participation interests	55			
	8. Other debts, including fiscal and social security debts	56	356.362	737.187	445.472
	TOTAL (rd. 49 la 56)	57	356.362	737.187	17.559.269
H.	PROVISIONS				
	1. Provisions for employees benefits	58	133.370	0	0
	2. Provisions for taxes	59	0	0	0
	3. Other provisions	60	0	0	0
	TOTAL (rd. 58 la 60)	61	133.370	0	0
I.	DEFERRED INCOME				
	1. Investment subsidies	62	39.212	1.203.460	1.163.715
	2. Deffered income - total	63		10.902.990	4.981.514
	(rd. 64 + 65), out of which:				
	Amounts to be recalculated within one year	64			
	Amounts to be recalculated over a period of time longer	65			

Notes from 1 to 10 are integral part of financial reports.

SEVERNAV SA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
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	than one year				
	TOTAL (rd. 62 + 63)	66	39.212	12.106.450	6.145.229
J.	CAPITAL AND RESERVES				
	I. CAPITAL				
	1. Subscribed and paid in share capital	67	12.603.865	12.603.865	12.603.865
	2. Subscribed and not paid in share capital	68			
	3. Patrimony (autonomous companies)	69			
	TOTAL (rd. 67 la 69)	70	12.603.865	12.603.865	12.603.865
	II. PREMIUM RELATED TO CAPITAL	71			
	III. REEVALUATION RESERVES	72	77.081.454	76.321.563	75.415.923
	IV. RESERVES				
	1. Legal reserves	73	1.565.488	1.689.510	1.884.349
	2. Statutory or contractual capital reserve	74	421.859	1.818.558	5.520.487
	3. Reserves representing the reevaluation reserve surplus	75			
	4. Other reserves	76	6.288.767	12.281.705	12.505.993
	TOTAL (rd. 73 la 76)	77	8.276.114	15.789.773	19.910.829
	Own shares	78			
	Earnings related to equities	79			
	Losses related to equities	80			
	V. RETAINED PROFIT OR LOSS	81			
		82	11.777.452	11.017.561	10.135.722
	VI. CURRENT PROFIT OR LOSS	83	6.760.991	1.745.009	3.896.768
		84			
	Profit appropriation	85	768.053	1.520.721	3.896.768
	SHAREHOLDERS' EQUITY - TOTAL (rd. 70+71+72+77-78+79-80+81-82+83-84-85)	86	92.176.919	93.921.928	97.794.895
	Public patrimony	87			
	CAPITAL - TOTAL (rd. 86 + 87)	88	92.176.919	93.921.928	97.794.895

General Director,
TIRLEA VICTOR

Signature

Company's stamp



Issued,
BORINTIS GRIGORE
 Financial Director

Signature

Registry number

SEVERNAV SA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
at 31 December 2019
(all the values are in lei ("RON"), unless otherwise specified)

PROFIT AND LOSS ACCOUNT on 31.12.2019

	Name		NO.	Fiscal year	
				Concluded on 31.12.2018	Concluded on 31.12.2019
A			rd.	1	2
1	Turnover (rd. 02 +03-04+ 05+06)		1	82.588.676	84.168.126
	Sold production		2	82.443.458	83.609.424
	Income out sold merchandise		3	145.218	558.702
	Given commercial discounts		4		
	Income from interests collected by no longer existing entities that still have leasing contracts in progress		5		
	Income from operating grants for the net turnover		6		
2	Income from in progress production costs	Sold C	7	518.242	2.086.283
		Sold D	8	0	0
3	Capitalised company production for its own purposes		9	927.086	1.315.587
4	Income from operating subsidies		10	662.509	718.339
5	Oter operating income		11	69.490	84.013
	OPERATING IMCOME - TOTAL		12	84.766.003	88.372.348
	(rd. 01 + 07 - 08 + 09 +10+ 11)				
6	a) Raw materials and consumables expenses		13	38.235.720	37.759.658
	Other materials expenses		14	1.576.481	1.135.117
	b) Other external expenses (electricity and water)		15	1.468.732	1.764.132
	c) Merchandise expenses		16	143.212	550.896
	Received commercial discounts		17	1.791	1.383
7	Personnel expenses (rd. 18+19), out of which:		18	27.215.362	26.690.527
	a) Salaries and wages		19	26.346.832	25.786.219
	b) Social security and insurance expenses		20	868.530	904.308
8	a) Adjusted values concerning to tangible and non-tangible assets (rd. 22 - 23)		21	1.659.941	2.175.847
	a.1) Expenses		22	1.659.941	2.175.847
	a.2) Income		23		
	b) Adjusted values concerning current assets (rd. 25 - 26)		24	(13.541)	723
	b.1) Expenses		25	112.450	1.157
	b.2) Income		26	125.991	434
9	Other operating expenses (rd. 28 la 31)		27	10.098.747	11.355.040
	8.1. Expenses concerning third parties services		28	7.621.497	9.862.387
	8.2. Expenses with other income taxes, taxes and similar payments		29	932.660	837.598
	8..3. Environment protection expenses			138.312	142.524
	8.34. Other expenses		30	1.406.278	512.531
	Expenses with interests collected by no longer existing entities that still have leasing contracts in progress		31		
	Adjustments regarding provisions (rd. 33 - 34)		32	(133.370)	
	- Expenses		33		
	- Income		34	133.370	

Notes from 1 to 10 are integral part of financial reports.

SEVERNAV SA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
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	OPERATING EXPENSES - TOTAL		35	80.249.493	81.430.557
	(rd. 13 la 16 -17+18 + 21 + 24 + 27+32)				
10	OPERATING PROFIT OR LOSS				
	- Profit (rd. 12 - 35)		36	4.516.510	6.941.791
	- Loss (rd. 35 - 12)		37		
11	Income from participating interests		38		
	- out of which income from affiliated entities		39		
12	Income from other investments and loans part of fixed assets		40		
	- out of which income from affiliated entities		41		
13	Income from interests		42	204	
	- out of which income from affiliated entities		43		
	Other financial income		44	1.124.518	1.210.888
	FINANCIAL INCOME - TOTAL (rd. 38 + 40 + 42 + 44)		45	1.124.722	1.210.888
14	Adjusted values concerning financial assets and investments owned as current assets (rd. 47 - 48)		46		
	- Expenses		47		
	- Income		48		
15	Expenses with interests		49	1.574.830	1.721.461
	- out of which, expenses in relation with affiliated entities		50		
	Other financial expenses		51	1.585.970	2.338.524
	FINANCIAL EXPENSES - TOTAL (rd. 46 + 49 + 51)		52	3.160.800	4.059.985
	FINANCIAL PROFIT OR LOSS:				
	- Profit (rd. 45 - 52)		53		
	- Loss (rd. 52 - 45)		54	2.036.078	2.849.097
16	CURRENT PROFIT OR LOSS:				
	- Profit (rd. 12 + 45 - 35 - 52)		55		
	- Loss (rd. 35 + 52 - 12 - 45)		56		
17	Extraordinary income		57		
18	Extraordinary expenses		58		
19	EXTRAORDINARY ACTIVITY PROFIT OR LOSS:				
	- Profit (rd. 57 - 58)		59		
	- Loss (rd. 58 - 57)		60		
	TOTAL INCOME (rd. 12 + 45 + 57)		61	85.890.725	89.583.236
	TOTAL EXPENSES (rd. 35 + 52 + 58)		62	83.410.293	85.490.542
	GROSS PROFIT OR LOSS:				
	- Profit (rd. 61 - 62)		63	2.480.432	4.092.694
	- Loss (rd. 62 - 61)		64		
20	Income tax		65	735.423	195.926
21	Other taxes not mentioned to the a/m items		66		

Notes from 1 to 10 are integral part of financial reports.

SEVERNAV SA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
at 31 December 2019
(all the values are in lei ("RON"), unless otherwise specified)

22	NET FISCAL YEAR PROFIT OR LOSS			
	- Profit (rd. 63 - 65 - 66)	67	1.745.009	3.896.768
	- Loss (rd. 64 + 65 + 66);(rd. 65 + 66 - 63)	68		

General Director,
TIRLEA VICTOR

Signature
 Company's stamp



Issued,
BORINTIS GRIGORE
 Financial Director

Signature
 Registry number

SEVERNAV SA
MODIFICATIONS OF SHAREHOLDERS' EQUITY REPORT
for financial year concluded at 31 December 2019
(all the values are in lei ("RON")), unless otherwise specified)

2019

Name	Balance at the beginning of the fiscal year	Increases		Decreases		Sold la sfarsitul exercitiului financiar
		Total, out of which:	Through transfer	Total, out of which:	Through transfer	
Subscribed share capital	12.603.865	-	-	-	-	12.603.865
Patrimony	-	-	-	-	-	-
Premium related to capital	-	-	-	-	-	-
Reevaluation reserves	76.321.563	-	-	905.640	905.640	75.415.923
Legal reserves	1.689.510	194.839	-	-	-	1.884.349
Reserves from reinvested profit	1.818.558	3.701.929	-	-	-	5.520.487
Reserves representing the reevaluation reserve surplus	0	-	-	-	-	0
Other reserves	12.281.705	224.288	-	-	-	12.505.993
Own shares	-	-	-	-	-	-
Earnings related to equities	-	-	-	-	-	-
Losses related to equities	-	-	-	-	-	-
Retained earning representing the unappropriated profit or the not covered loss	-	-	-	-	-	-
Retained earning from correcting accounting errors	Sold C 23.921.855 Sold D 1.808.961	-	-	23.801	23.801	23.921.855 1.785.159
Retained earnings from reevaluation reserves	Sold C 11.095.333 Sold D -	906.976	906.976	1.336	1.336	12.000.973
Retained earnings from transiting to applying accounting rules according to the European Economic Communities Directives	Sold C - Sold D -	-	-	-	-	-
Profit or loss of the financial year	Sold C 1.745.009 Sold D -	3.896.768	-	1.745.009	1.745.009	3.896.768
Retained earnings	Sold D 1.520.721	3.896.768	-	1.520.721	1.520.721	3.896.768
Total shareholders' equity	93.921.928	5.028.032	906.976	1.155.065	1.155.065	97.794.895



Issued,
BORINTIS GRIGORE
 Financial Director
 Signature *[Signature]*

General Director,
TIRLEA VICTOR
 Signature *[Signature]*

SEVERNAY SA
MODIFICATIONS OF SHAREHOLDERS' EQUITY REPORT
for financial year concluded at 31 December 2019
(all the values are in lei ("RON"), unless otherwise specified)

Company's stamp

Registry number

SEVERNAV SA
MODIFICATIONS OF SHAREHOLDERS' EQUITY REPORT
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2018

Name	Balance at the beginning of the fiscal year	Increases		Through transfer	Decreases		Balance at the beginning of the fiscal year
		Total, out of which:			Total, out of which:		
Subscribed share capital	12.603.865	-	-	-	-	-	12.603.865
Patrimony	-	-	-	-	-	-	-
Premium related to capital	-	-	-	-	-	-	-
Reevaluation reserves	77.081.454	-	-	-	759.891	-	76.321.563
Legal reserves	1.565.488	124.022	-	-	-	-	1.689.510
Reserves from reinvested profit	421.859	1.396.699	-	-	-	-	1.818.558
Reserves representing the reevaluation reserve surplus	0	-	-	-	-	-	0
Other reserves	6.288.767	5.992.938	-	-	-	-	12.281.705
Own shares	-	-	-	-	-	-	-
Earnings related to equities	-	-	-	-	-	-	-
Losses related to equities	-	-	-	-	-	-	-
Retained earning representing the unappropriated profit or the not covered loss	-	-	-	-	-	-	-
	Sold C	-	-	-	-	-	-
	Sold D	23.921.855	-	-	-	-	23.921.855
	Sold C	1.808.961	-	-	-	-	1.808.961
	Sold D	-	-	-	-	-	-
Retained earning from correcting accounting errors	Sold C	10.335.442	769.607	9.717	9.717	9.717	11.095.333
	Sold D	-	-	-	-	-	-
Retained earnings from reevaluation reserves	Sold C	-	-	-	-	-	-
Retained earnings from transiting to applying accounting rules according to the European Economic Communities Directives	Sold D	-	-	-	-	-	-
Profit or loss of the financial year	Sold C	6.760.991	1.745.009	-	6.760.991	6.760.991	1.745.009
	Sold D	-	-	-	-	-	-
Retained earnings	Sold D	768.053	752.668	-	-	-	1.520.721
Total shareholders' equity		92.176.919	9.275.607	9.717	7.530.599	7.530.599	93.921.928

General Director,
TIRLEA VICTOR



Signature

Issued,
BORINTIS GRIGORE
 Financial Director

Signature

SEVERNAY SA
MODIFICATIONS OF SHAREHOLDERS' EQUITY REPORT
for financial year concluded at 31 December 2019
(all the values are in lei ("RON")), unless otherwise specified)

Company's stamp

Registry number

CASH FLOW REPORT

for financial year concluded at 31 December 2019

(all the values are in lei ("RON"), unless otherwise specified)

Note:

During 2019 shareholders' equity has increased by 3.872.967 lei, mainly due to the 2019's profit.

On 31.12.2019 the capital of SC Severnav SA has the following structure:

- Subscribed and paid share capital 12.603.865 lei,
- Reevaluation reserves 75.415.923 lei,
- Legal reserves from previous years' profit 1.884.349 lei,
- Other reserves 12.505.993 lei, consisting mainly from premium subscribed for the increase of share capital 2004 in amount of 6.288.767 lei, retained profit of 2017 in amount of 5.992.938 lei and retained profit of 2018 in amount of 224.288 lei.
- Retained reevaluation reserves from sales/cashings/depreciation fiscally non-deductable in amount of 12.000.973 lei, from previous years including 2019,
- Net profit of fiscal year 2019 in amount of 3.896.768 lei,
- Retained losses (-) from 2007-2008, unrecovered, with a balance of 23.921.855 lei, out of which:
 - o Loss from fiscal year 2007: 5.972.707 lei.
 - o Loss from fiscal year 2008: 17.949.148 lei.
- Profit (+) from retained corrections of accounting errors in amount of 1.785.159 lei, from previous years

The final balance of shareholder's equity on 31.12.2019 was 97.794.895 lei.

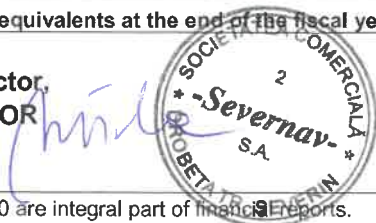
CASH FLOW REPORT

for financial year concluded at 31 December 2019

(all the values are in lei ("RON"), unless otherwise specified)

Indirect Method

Name	Fiscal year	
	Previous	Current
A	1	2
Cash flows from operating activities:		
Net profit before tax and extraordinary elements	1.746.602	4.092.694
Adjustments for:		
Amortization and depreciation for tangible assets	1.659.941	2.130.468
Amortization and depreciation for intangible assets	0	45.336
Provisions for depreciation of reversed/canceled assets	0	0
Movements of provisions for current assets, net	-13.541	723
Movements of other provisions, net	-133.370	0
Interest expenses	0	0
Interest income	0	0
Loss / (profit) from assets' sale (non current assets)	0	0
Retained earnings corrections	0	0
Exchange rate differences from receivables and debts reevaluation	0	0
Paid income tax	733.830	195.926
Operating profit before changes in the working capital	3.993.462	6.465.147
Decrease / (Increase) of commercial receivables and of other nature	-10.455.228	4.043.011
Decrease / (Increase) of other receivables and advance expenses	105.957	0
Decrease / (Increase) of stocks	-3.935.299	-2.828.405
(Decrease) / Increase of commercial debts and of other nature	1.314.889	9.213.025
Income from grants	662.509	718.339
Paid interests	0	0
Cash generated by the operating activity	-8.313.710	17.611.117
Cash flows from investments activities:		
Payments for purchasing of tangible and non tangible assets	-4.359.497	-29.045.695
Cashing from the sale of tangible and non tangible assets	0	0
Cashed interests	0	0
Net cash flow from investments activities	-4.359.497	-29.045.695
Cash flows from financing activities:		
Loans	71.934.516	70.829.537
Loan repayments	-44.047.386	-57.098.089
Paid dividends	0	0
Payment of financial leasing contract debts	-710.866	-575.409
Paid interests	-1.574.830	-1.721.461
Net cash flow from financing activities	25.601.434	11.434.578
Net decrease of cash flow and equivalents	12.928.227	-4.280.737
Cash flow and equivalents at the beginning of the fiscal year	4.323.236	17.251.463
Cash flow and equivalents at the end of the fiscal year	17.251.463	12.970.726

General Director,
TIRLEA VICTORIssued,
BORINTIS GRIGORE
Financial Director

SEVERNAV SA

CASH FLOW REPORT

for financial year concluded at 31 December 2019

(all the values are in lei ("RON"), unless otherwise specified)

Signature

Company's stamp

Signature

Registry number

SEVERNAV SA
NOTES TO INDIVIDUAL FINANCIAL REPORTS
for the fiscal year concluded at 31 December 2019
(all the values are in lei ("RON"), unless otherwise specified)

NOTE 1: NON CURRENT ASSETS

2019

Non current asset name	Gross value				Value adjustments (amortization and adjustments for depreciation or loss of value)			
	Balance at 01.01.2019	Increases	Concessions, transfers and other discounts	Balance on 31.12.2019	Balance on 01.01.2019	Current fiscal year adjustments	Discounts	Balance on 31.12.2019
0	1	2	3	4 = 1 + 2 - 3	5	6	7	8 = 5 + 6 - 7
a) Intangible asstes								
Setting-up and development expences, patents, concessions, commercial resources	-	-	-	-	-	-	-	-
Other intangible assets	619.975	1.888.748	44.256	2.464.467	474.025	45.336	3.688	515.673
Advances and intangible assets in progress	0	0	0	163.487				
Total intangible assets	619.975	1.888.748	44.256	2.627.954	474.025	45.336	3.688	515.673
b) Tangible assets								
Lands and land development	60.269.701			60.269.701				
Buildings	30.399.591	2.067.458	4.010	32.463.038	4.940.337	1.104.650	2.139	6.042.848
Technological equipment and machinery	23.478.364	8.025.336	1.076.756	30.426.944	19.056.074	937.724	1.065.265	18.928.533
Other tangible assets	234.396	474.276		708.672	139.292	88.094	0	227.386
Advances and tangible assets in progress	937.412	34.229.302	18.452.351	16.714.363				
Total tangible asstes	115.319.463	44.796.373	19.533.117	140.582.718	24.135.703	2.130.468	1.067.404	25.198.767
c) Financial assets								
	9.153	6.000	7.153	8.000				
Total	115.948.591	46.854.608	19.584.526	143.218.672	24.609.728	2.175.804	1.071.092	25.714.440

SEVERNAV SA
NOTES TO INDIVIDUAL FINANCIAL REPORTS
for the fiscal year concluded at 31 December 2019
(all the values are in lei ("RON"), unless otherwise specified)

Non current asset name	Net Accounting Value 1 Ianuarie 2019	Net Accounting Value 31 decembrie 2019
	0	
a) Intangible assets		
Setting-up and development expenses, patents, concessions, commercial resources	145.950	92.733
Other intangible assets	-	1.856.060
Advances and intangible assets in progress	-	163.488
Total intangible assets	145.950	2.112.281
b) Tangible assets		
Land and land development	60.269.701	60.269.701
Buildings	25.459.253	26.420.190
Technological equipment and machinery	4.422.290	11.498.412
Other tangible assets	95.104	481.285
Tangible assets in progress	712.947	10.086.776
Advances	224.465	6.627.587
c) Financial assets	9.153	8.000
Total	91.338.863	117.504.232

NOTA 1: NON CURRENT ASSETS (sequel)**1.a. Intangible assets**

On 31st of December 2019 the intangible assets are represented by licences and specific shipbuilding software in value of 2.356.428 lei, incompletely amortized.

On 31st of December 2019 the company has registered development expenses in value of 108.039 lei.

1.b. Tangible assets**Tangible assets reevaluation**

All company's lands and buildings have been reevaluated, reevaluation differences have been transferred to account 1052 "Reevaluation differences".

For the new values depreciation has been calculated starting with January 1st of next year.

Starting with the 1st of May 2009 the reevaluation reserve is being taxed as the respective asset depreciates and at the moment of sale/cashing.

The non-current assets are being depreciated by means of the straight-line method. The length of useful life and depreciation ratio used are those required by The Law no. 15/1990 for fixed assets and the Catalogue concerning the classification and regular life expectancy of fixed assets – approved by HG no. 2.139/30.11.2004.

1.c. Assets owned in financial leasing or bought on installments

On 31st December 2019, the Company registered as financial leasing fixed assets with an accounting value of 810.248 lei. The assets owned in financial leasing or bought on installments are free of any liens due to leasing or installments debts.

1.d. Encumbered assets / mortgage guarantees

On December 31st 2019 the company had encumbered assets in favour of creditors (financial institutions) part of the company's assets.

Encumbered assets are the following:

Patrimonial guarantees	Guarantee value (EUR)	Explanations regarding the value of the mortgage	Guaranteed amount EUR	What does the guaranteed amount represent	Observations
Mortgage rank I, II, III, IV in Shipbuilding Sector cad. no. 956/1	3.515.550	Report Cebuc Marian Viorel	14,000,000.00 3,700,000.00 6,800,000.00	Current activity guarantee	Commercial Contract 925, 927, 928, 930, 931,171, 172,173, 174
Mortgage rank I, II, III, IV in Outfitting Sector cad. no. 956/2	978.750	Report Cebuc Marian Viorel	14,000,000.00 3,700,000.00 6,800,000.00	Current activity guarantee	Commercial Contract 925, 927, 928, 930, 931,171, 172,173, 174
Mortgage rank I, II, III, IV in Outfitting Sector cad. no. 956/5	421.500	Report Cebuc Marian Viorel	14,000,000.00 3,700,000.00 6,800,000.00	Current activity guarantee	Commercial Contract 925, 927, 928, 930, 931,171, 172,173, 174
Mortgage rank I, II, III, IV in Maintenance Sector cad. no. 956/6	826.500	Report Cebuc Marian Viorel	14,000,000.00 3,700,000.00 6,800,000.00	Current activity guarantee	Commercial Contract 925, 927, 928, 930, 931,171, 172,173, 174

NOTES TO INDIVIDUAL FINANCIAL REPORTS**for the fiscal year concluded at 31 December 2019***(all the values are in lei ("RON"), unless otherwise specified)*

Mortgage rank I,II, III in Quai Sector 2 cad. no. 958/3	381.975	Report Cebuc Marian Viorel	3,700,000.00	Current activity guarantee	Contract comercial 925, 927, 928, 930, 931,171, 172,173, 174
Mortgage rank I, II, III in Repairing Ship Sector cad. no. 958/1	333.075	Report Cebuc Marian Viorel	3,700,000.00	Current activity guarantee	Contract comercial 925, 927, 928, 930, 931,171, 172,173, 174
Mortgage rank I in AI Constructions cad. no. 958/4	609.000	Report Cebuc Marian Viorel	3,700,000.00	Current activity guarantee	Contract comercial 925, 927, 928, 930, 931,171, 172,173, 174
Mortgage rank I,II, III in Wood Processing Sector 2 cad. no. 958/5	163.725	Report Cebuc Marian Viorel	3,700,000.00	Current activity guarantee	Contract comercial 925, 927, 928, 930, 931,171, 172,173, 174
Mortgage rank I, II, III pe PAFS Sector cad. no. 53531	524.775	Report Cebuc Marian Viorel	3,700,000.00	Current activity guarantee	Contract comercial 925, 927, 928, 930, 931,171, 172,173, 174
Mortgage rank I, II, III in Hot Metal Processing Sector cad. no. 56194	209.925	Report Cebuc Marian Viorel	3,700,000.00	Current activity guarantee	Contract comercial 925, 927, 928, 930, 931,171, 172,173, 174
Mortgage rank I, II, III, IV in Warehouse Sector cad. no. 55145	381.000	Report Cebuc Marian Viorel	14,000,000.00 3,700,000.00 6,800,000.00	Current activity guarantee	Contract comercial 925, 927, 928, 930, 931,171, 172,173, 174
Mortgage rank I, II in Loading-Unloading Quai Sector cad. no. 956/3	254.475	Report Cebuc Marian Viorel	11,000,000.00 3,700,000.00 6,800,000.00	Current activity guarantee	Contract comercial 925, 927, 928, 930, 931,171, 172,173, 174
Mortgage rank I, II in Quai Tryals Sector cad. no. 956/4	244.350	Report Cebuc Marian Viorel	14,000,000.00 3,700,000.00 6,800,000.00	Current activity guarantee	Contract comercial 925, 927, 928, 930, 931,171, 172,173, 174
Mortgage rank I, II in Oxygen Factory Sector cad. no. 956/8	144.825	Report Cebuc Marian Viorel	14,000,000.00 3,700,000.00 6,800,000.00	Current activity guarantee	Contract comercial 925, 927, 928, 930, 931,171, 172,173, 174
Mortgage rank I CTZ	310.100	Report Cebuc Marian Viorel	350.000,00	Current activity guarantee	Contract comercial 925, 927, 928, 930, 931,171, 172,173, 174
TOTAL	9.299.525		24.850.000,00		

1.e. Others

The gross accounting value of the tangible assets completely depreciated on 31st of December 2019 is 15.099.334 lei (2018: 14.113.818 lei).

Severnav SA put into operation in 2019 investments in value of 12.455.819 lei, out of which new investments 11.340.675 lei and modernization 1.115.144 lei. There are still being implemented (with performance term in 2020) investments value of 16.877.851 lei.

NOTES TO INDIVIDUAL FINANCIAL REPORTS**for the fiscal year concluded at 31 December 2019***(all the values are in lei ("RON"), unless otherwise specified)***1.f. Financial assets**

The company owned on 31.12.2019 financial assets in value of 8.000 lei consisting in judiciary taxes.

NOTE 2: PROVISIONS

Provision name	Balance at the beginning of the fiscal year	Transfer into account	Transfer out of the account	Balance at the end of the fiscal year
0	1	2	3	4 = 1 + 2 - 3
Litigations' provisions	0	0	0	0
Pensions and collateral obligations provisions	0	0	0	0
Taxes' provisions	0	0	0	0
TOTAL	0	0	0	0

At the end of 2019 the final balance of provisions is 0 lei.

NOTA 3: PROFIT DISTRIBUTION

Profit distribution	Fiscal year concluded on 31.12.2018	Fiscal year concluded on 31.12.2019
Retained earnings at the beginning of the fiscal year...	-23.921.855	-23.921.855
Retained net profit:	1.745.009	3.896.768
- legal reserve	124.022	194.838
- coverage of the accounting loss	0	0
- dividends	0	0
- others	1.396.699	3.701.929
Profit carried forward at the end of the fiscal year	224.288	0

A net profit of 3.896.768 lei has been achieved and registered in 2019 fully distributed for reserves regarding the reinvested profit, according to the legal provisions.

Retained earnings in value of -23.921.855 lei represents un-recovered losses from 2007 and 2008 fiscal years.

NOTE 4: THE ANALYSIS OF THE OPERATING EARNINGS

	Previous	Current
1. Net turnover	82,588,676	84,168,126
2. Cost of sold goods and performed services, out of which (3 + 4 + 5)	71,002,012	70,478,133
3. Current activity expenses	56,541,484	56,430,990
4. Auxiliary activity expenses	1,061,785	761,067
5. Indirect production expenses	13,398,743	13,286,076
6. Gross earnings corresponding to the net turnover (1 - 2)	11,586,664	13,689,993
7. Selling expenses		
8. General and administrative expenses	7,203,524	6,748,202
9. Other operating income	133,370	

NOTES TO INDIVIDUAL FINANCIAL REPORTS**for the fiscal year concluded at 31 December 2019***(all the values are in lei ("RON"), unless otherwise specified)*

10. Operating earnings (6 - 7 - 8 + 9)	4,516,510	6,941,791
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The expenses mentioned in note 4 include the following:

- current activity expenses: expenses directly related to the shipbuilding process, raw material and consumables expenses, production personnel expenses, etc;
- auxiliary activity expenses: company's current repair expenses;
- indirect production expenses: indirect personnel and related expenses, maintenance expenses of the building lane, etc;
- general and administrative expenses: general maintenance expenses;
- other operating income: transition of the provisions' reversals.

NOTES TO INDIVIDUAL FINANCIAL REPORTS**for the fiscal year concluded at 31 December 2019***(all the values are in lei ("RON"), unless otherwise specified)***NOTE 5: RECEIVABLES AND DEBT SITUATION**

	Receivables	Balance on 31.12.2018	Balance on 31.12.2019	Liquidity term for the balance on 31.12.2019	
				Sub 1 an	Peste 1 an
	Commercial receivables				
1	Commercial receivables – including affiliated entities/other involved parties	0	0	0	0
2	Commercial receivables – third parties	13.791.820	8.940.619	8.940.619	0
3	Total commercial receivables	13.791.820	8.940.619	8.940.619	0
4	Commercial receivables provisions	(1.138)	(704)	(704)	0
5	Commercial receivables, net	13.790.682	8.939.915	8.939.915	0
	Other receivables and debits				
6	Receivables amounts from affiliated entities	0	0	0	0
7	Receivables amounts from entities with investments in associates	0	0	0	0
8	Other receivables	1.021.621	1.829.377	1.829.377	0
9	Other receivables provisions	(1.222)	(1.222)	(1.222)	0
10	Other receivables, net	1.020.399	1.828.155	1.828.155	0
11	Subscribed but not paid share capital	0	0	0	0
12	Total commercial receivables and other receivables	14.811.081	10.768.070	10.768.070	0

For conditions and terms regarding receivables from affiliated entities, see Note 10b.

Commercial receivable towards third parties at December 2019 includes amounts for the construction of the vessels to be delivered in 2020.

The company's receivables are based on firm contracts.

In 2019 receivables were evaluated at the estimated fair value to be realized, forming the following depreciations:

- for the customers in process of cashing or in dispute, the sum of 704 lei.
- For the debtors – former employees, the amount of 1.222 lei representing unrecovered debts.

Other receivables' structure includes mainly: VAT to be recovered from the state budget 1.004.326 lei (asked and agreed to be compensated with state payables), VAT under settlement 26.518 lei, sundry debtors, etc. For the debtors with a questionable collection, provisions of 1.222 lei have been registered.

The line of other net receivables is detailed in the following table:

Receivables	Balance at 31 December 2018	Balance at 31 December 2019	Maturities		
			Less than 1 year	1 - 5 years	Over 5 years
Sundry debtors	4.824	9.117	9.117	0	0
Receivable tax income		169.529	169.529	0	0
Other receivables regarding the state budget (VAT, medical leaves to be recovered)	775.859	1.401.404	1.401.404	0	0
Other receivables	240.938	249.327	249.327	0	0
Total other receivables	1.021.621	1.829.377	1.829.377	0	0
Adjusted value for other receivables	(1.222)	(1.222)	(1.222)	0	0
Other receivables, net	1.020.399	1.828.155	1.828.155	0	0

NOTES TO INDIVIDUAL FINANCIAL REPORTS**for the fiscal year concluded at 31 December 2019***(all the values are in lei ("RON"), unless otherwise specified)*

The movements in commercial receivables and other receivables adjustment have been as follows:

	31 December 2018	31 December 2019
On 1st of January	128.351	2.360
Growth during the year	0	0
Summs considered expenses	-	-
Reversals throughout the year	125.991	434
ON 31st of December	2.360	1.926

At the beginning of the 2019, the balance of receivables depreciation was 2.360 lei, out of which:

- for the customers in process of cashing 1.138 lei,
- for sundry debtors (former employees) 1.222 lei.

During 2019, in the structure of receivables depreciation, the following changes have occurred:

- for cashed clients a provision of 434 lei has been reversed.

At the end of 2019, the balance of receivables depreciation in value of 1.926 lei represented:

- customers in process of cashing 704 lei;
- debtors – former employees, in amount of 1.222 lei for unrecovered debts.

Debts

	Debts	Balance on 31.12.2018	Balance on 31.12.2019	Maturity term for the balance on 31.12.2019		
				Less than 1 year	1 - 5 years	Over 5 years
1	Debtore loans	0	0	0	0	0
2	Amounts owed to credit institutions	40.254.776	54.726.466	37.612.669	9.635.069	7.478.728
3	Advances cashed for placed orders	9.548.364	16.026.367	16.026.367	0	0
4	Commercial debts – suppliers affiliated entites and others	0	0	0	0	0
5	Commercial debts – third party suppliers	1.695.877	3.728.182	3.728.182	0	0
6=2+3 +4+5	Total commercial debts	51.499.017	74.481.015	57.367.218	0	0
7	Bills of exchange payable	0	0	0	0	0
8	Amounts owed to affiliated entites	0	0	0	0	0
9	Amounts owed to parties related by participation interests	0	0	0	0	0
10	Debts towards the state budget	1.114.450	1.015.111	1.015.111	0	0
11	Other debts	1.802.449	1.602.937	1.175.465	445.472	0
12	Total	54.415.916	77.117.063	59.557.794	10.080.541	7.478.728

- ✓ 71% are current banks loans. Out of these, 1.426 k. lei are current activity credit line and 36.187 k. lei are production loans, contracted for the signed commercial contracts and 17.114 k. lei represents a long term credit used to upgrade and modernize the company's production capacity;
- ✓ 21% are current receivables cashed as advances from clients (crediting clients), temporary registered in debts until the delivery of the ships;
- ✓ 5% are debts to suppliers;
- ✓ 1% are current debts towards the state budget;
- ✓ 2% are current debts (salaries, wage withholdings, etc).

NOTES TO INDIVIDUAL FINANCIAL REPORTS

for the fiscal year concluded at 31 December 2019

(all the values are in lei ("RON"), unless otherwise specified)

According to their maturity, the debts are 77% – less than 1 year, 13% over 1 year and 10% over 5 years. The debt evolution has been determined by the need to support the production, and assignation of resources for equipment investments.

All the company's debts are strictly correlated with its production and sale, each debt and maturity having identified the source of payment.

NOTE 6: PRICIPLES, POLICIES AND ACCOUNTING METHODS

A. Basics of preparing financial situations

A.1. General informations

These are Individual Financial Reports of S.C. SEVERNAV S.A. issued according to Public Finance Minister's Order no. 1802/2014 and Accounting Law no. 82/1991 republished.

The Financial Reports refers just to S.C. SEVERNAV S.A.

The company has no other branches so it does not require consolidation.

The accounting records have been written in lei ("RON") at a historical cost, excepting the reports where the just value has been used, in compliance with the accounting policies of the company and OMFP 1802/2014.

Those financial reports are presented in k. lei ("RON"), except the cases when an other currency is not specifically mentioned.

A.2. The use of accounting estimations

The recording of the Company's financial reports in compliance with OMFP 1802/2014, with its further modifications, requires the Company's management to make estimates and assumptions that affect the reported values of income, expences, assets and liabilities, as well as to present the debts and contingent assets at the end of each period. However, the inevitable degree of uncertainty of these estimations and assumptions might result in a future important adjustment of the accounting value of registered assets and liabilities.

A.3. Activity continuity

The Company's activity, the fabrication cycle of a vessel can be between 6-12 months can arise unpredictable variations of future cashflow. The management has looked into the issue of drawing the financial reports on the basis of activity continuity.

On 31st of December 2019, the company has reported net current assets of 116.517.879 lei (31 December 2018: 95.862.575 lei). For the year concluded on 31st of December 2019, the company has reported an operating profit of 6.941.791 lei (2018: 4.516.510 lei, profit) and a financial loss of 2.849.097 lei (2018: 2.036.078 lei, loss). The financial losses are caused by the foreign currency reevaluation at the exchange rate communicated by the NBR at the end of each period and by the interest paid for the ongoing credit facilities contracted with different banks.

On 31st of December 2019, the company's current debts have exceeded the current assets by 986.353 lei (31 decembrie 2018: current assets exceeded the current debts by 4.523.712 lei). The company's management is continuously looking into the growth of current assets and diminishing debts, mainly by: cost cutting projects and production efficiency. The management considers that those measures will result in improving the company's capacity to deal with activity continuity.

In its portofolio, the company has a number of 10 firm concluded contracts, with a cumulative value of 23.362.500 EUR, which ensures the production capacity scheduled for 2020, some of them extending to 2021.

For fiscal year 2020 the company has predicted revenues of aprox. 20.208.300 EUR.

The estimates of the management aim that the activity will generate short term profit. During this period, the company mainly depends on banks' financial support, by means of credit facilities.

The management considers the current contract portofolio as well as the future opportunities to be sufficient to allow the activity to continue.

Currency exchange

The foreign currency transactions are transformed into lei using the exchange rate valid at the date of the transaction.

Exchange rates used for the conversion of foreign currency balances on 31st of December 2019 have been 1 EUR = 4,7793 RON, respectively 1 USD = 4,2608 RON.

Monetary assets and liabilities expressed in foreign currency (cash and other similar elements, such as bank deposits, receivables and payables in foreign currency) are evaluated and reported using the exchange rate communicated by the National Bank of Romania, valid for the last day of each month of the fiscal year 2019. Foreign exchange differences, positive or negative, between the rate at the date of the recording of the receivables or payables and the rate used for reporting done in previous situations, are being registered as financial income or expenses, as the case may be.

C. Comparative reports

Should the values of the precedent reports not be comparable to those of the current period, the situation is presented and justified in written notice, without modifying the figures of the previous year.

D. Non current assets

Non current assets are assets generating future economic benefits and owned for a period longer than one year. Those assets are initially registered at the purchasing cost / production cost / reevaluated cost and adjusted where necessary.

Intangible assets

D.1. Intangible assets

Software

The cost of purchasing software are capitalized and depreciated by use of linear method.

D.2. Fixed assets

Cost / Evaluation

The initial cost of tangible assets consists of the purchasing price, including all import taxes and unrecovered purchasing taxes and any direct costs generated by the transport and installing the asset. The expenses generated after the fixed asset has been installed, such as repairs, maintenance and administrative costs, are usually registered in the profit and loss account in the period they have occurred. Should it be proven that these expenses resulted in a growth of future expected economical benefits due to using an element of these fixed assets over the initially evaluated performance, the expense is capitalized in the value of the asset.

Fixed assets in progress includes the construction costs, the costs of the tangible assets and any other direct expenses. These do not depreciate until the relevant assets are not finalized and installed. The maintenance and repair costs of the fixed assets are included in the profit and loss account as they appear. The investments in tangible assets are considered a part of assets under the form of future expenses. In order to be capitalized they must lead to improving their initial technical parameters and to obtaining future economical benefits, additional to those initially estimated.

The expenses with the modernization of long term assets taken for rent, are capitalized in the tenant's books and are amortized during the lease, or are considered expenses for that period, depending on the economic benefits that might result out of the modernization. At the lease expiration period, if those assets have been capitalized, they are transferred to the tenant (sold or other way transferred).

NOTES TO INDIVIDUAL FINANCIAL REPORTS**for the fiscal year concluded at 31 December 2019***(all the values are in lei ("RON"), unless otherwise specified)*

In case of the replacement of an asset's spare part, the company recognizes the cost of the partial replacement, the accounting value of the replaced part being removed from the books with its depreciation, should the necessary information be available.

If a tangible asset element is being reevaluated, then all the other assets from its group should be reevaluated, except the case when there is no active market for the respective asset. If the fair value of a tangible asset can no longer be determined by reference to an active market, the value of the asset in the balance sheet must be the last reevaluated value, minus the cumulated adjustments.

Depreciation

The period of economical use is the period destined for an asset to be used by a company. Depreciation is being calculated using the linear depreciation method for the life expectancy of the assets. Land does not depreciate.

Life expectancy for the main categories of tangible assets are presented in the bellow table:

Type	Years
Buildings	10-50
Production machinery	3-15
Transport vehicles	5-15

Life expectancy and depreciation methods are being periodically revised, so that a correspondence exists between the depreciation method and the estimated of economical benefits of the respective asset.

D.3. Long term selling and leasing of an asset

Long term selling of an asset followed by its lease is differently registered depending on the type of lease contract concluded between the parties:

- for a financial leasing contract there will be no record of the selling of the fixed asset because the respective transaction is not a sale, but a financial transaction. Consequently, the records will mention the financing of the tenant by the locator (ie: the cash inflow and the long term debt)
- for an operational leasing contract, the tenant registers both the sale of the fixed asset to the locator and expence with the monthly leasing installments according to the contract.

E. Depreciation of non current assets

For assets, depreciation means a process of decreasing their value.

The causes of depreciation can be:

- normal and/or anormal wear and tear due to regular and/or intense exploitation of the respective assets;
- deficient maintenance and repair works;
- the appearance of assets with higher technical and technological performance, etc.

F. Stocks

The cost of stocks includes all costs related to purchasing and processing, as well as other costs generated to transport the stocks to their current location and form, such as:

- Raw materials and consumables: the present cost (including unrecovered taxes, minus the transport), updated with the last negotiated price with the suppliers. The respective transport is registered in the account "Price differences related to raw materials".
- Production in progress: the cost of direct consumables and those with workmanship plus maintenance, at the present phase of the product cost.
- Finished products, the cost of direct consumables and those with workmanship plus maintenance, at the present cost. The difference between the sale price and the present cost of production is being registered in the account 348 "Price differences related to finished products".

Starting with the fiscal year 2016 at inventory outflow, the stocks are reevaluated and registered using the FIFO method (first in – first out). The method change for inventory outflow was approved by the Board of Directors by Decision no. 13/21.12.2015.

At the date of the balance sheet, the stocks are evaluated at the smaller value between the cost and the net achievable value. The net achievable value is the sale price estimated to be obtained during the regular activity lane, minus the estimated costs of finishing the good, if any, and the estimated costs for the sale.

Where necessary a provision is made for old stocks, slow movement stocks or stocks with defects.

In progress production is calculated by inventorying the unfinished production at the end of the period, by technical methods of evaluating the degree of completion or the phase of the technological work and evaluating it on the basis of production costs.

The cost of finished goods and in progress production include the production expenses as follows: direct consumables, energy used for technological purposes, direct workmanship and other production direct expenses, such as percentage of indirect production expenses rationally allocated as being connected to their production.

Beginning with January 1st 2011 the accounting register system of income and expenses for ship building has been modified. Severnav started to apply the IAS 15 (IAS 11) stipulations – Building contracts – according to which the income and expenses are registered step by step, accordingly to the stage of the construction.

The application of this approach has the following advantages:

- Allows the inclusion in the financial reports of the turnover, income and expenses, depending on the stage of works, these being recognized in the profit and loss account related to the accounting periods in which the respective activity is referring.
- The proceeds received from the customers are considered income related to the period in which they are collected.

G. Commercial receivables

Commercial receivables are acknowledged and registered at the original value of the invoices, minus the provisions for the uncollectable amounts. The provision is initiated when the company has proof that the receivables will not be cashed at their original maturity. The uncollectable receivables are registered as expenses in the moment they are identified.

H. Cash and cash equivalent

Cash liquidities are formed by cash, bank accounts, short term bank deposits, ceques and bills of exchange registered at cost. In the balance sheet overdrafts are included in the sums owed to credit institutions that need to be repaid in a period shorter than one year.

I. Loans

Short and long term loans are registered at the net received value, not including the costs of obtaining the loans.

The short term part of the long term loans is registered in "Debts: amounts to be paid in a period shorter than one year" and included, together with the preliminary interest at the date of the balance sheet, in "Amounts owed to credit institutions" from current debt.

J. Debts

Commercial obligations are cost registered, representing the future payable value of the obligation for the received goods and services, not depending on whether they have been invoiced to the company or not.

K. Leasing contracts

Financial leasing

The financial leasing contracts that transfer to the Company all risks and benefits of the leasing owned fixed assets are capitalized at the date of leasing commencement at their purchasing value. Leasing payments are done separately for the interest expense and leasing principal. The interest expense is directly registered in the profit and loss account.

Capitalized assets during a financial leasing contract are amortized on a constant basis, with a regular amortization policy for similar goods.

L. Provisions

Provisions are formed when the company has a current debt (legal or implicit) generated by a previous event. An outflow of resources might be necessary in order to honor the debt and the debt can be estimated correctly.

The company accountingly acknowledges a restructuring provision should the following conditions be cumulatively met:

- a) The Company has an official restructuring plan that mentions the activity or part of the activity referred to, the main locations of the restructuring plan, the approximate number of employees meant to receive compensatory payments for ceasing work, their distribution and jobs, the expenses involved, as well as the date of implementing the restructuring plan;
- b) The Company has generated expectations concerning the restructuring by beginning to implement the respective plan or by announcing its main characteristics to those affected by it.

A provision for the restructuring will include only direct costs generated by the restructuring, more specifically those which – are particularly generated by the restructuring process and are not connected to the company continuing work.

Provisions for taxes are made for the amounts owed to the state budget, considering that the respective amounts are not reflected as a debts towards the state.

Provisions are revised at the date of each balance sheet and adjusted in order to reflect the best current estimation of the management on this matter. In case that for extinguishing a debt there is no estimated outflow of resources, the provision must be canceled and resent to income.

M. Pensions and benefits following hiring

As a current activity, the company pays towards the Romanian state different benefits for its employees. All employees are included in the Romanian state pension programme. The company doesn't run any other pension programme or post-pension benefit plan and, consequently it has no obligation concerning pensions. Moreover, the Company has no obligation to offer further benefits to former or present employees.

Retiring benefits:

According to the Collective Labour Agreement, the company offers employees 1 to 2 salaries depending on the seniority in the company at the time of retirement, as follows:

- for an employee with a work seniority between 1 and 20 years, the company's policy is to offer 1 taxable gross salary;
- for an employee with a work seniority of over 20 years, the company's policy is to offer 2 taxable gross salaries.

The company's policy is to register those amounts when the payable debts is identified.

During 2019 a number of 168 employees have left the company and 117 have been hired. During 2019 there were no collective or individual dismissals.

N. Grants

Grants for assets, including non-monetary subsidies at their fair value, are register as investments grants and in the balance sheet as postponed income. Postponed income is registered in the profit and loss account as the amortization expenses are being registered or at the cassation or sale of the assets.

Income grants include all grants, other than those for assets.

Grants are registered, on a systematic basis, in the same period that the expenses for these respective grants have been registered.

O. Share capital

The share capital made out of common shares is registered at a value established on the basis of the foundation papers plus addendums, from case to case, and of the supporting documents regarding the capital payments.

The earnings or losses in connection with the issue, sale, free of charge concession or annulment of the company's shareholders' equity instruments (shares, bonds...) are directly registered in the account "Profit or loss regarding share capital instruments".

P. Income

Income are registered at the time when all major risks and benefits of owning the assets are transferred to the client. The amounts registered as income do not include sale taxes (VAT), but include given commercial discounts.

Income from services are registered at the time they are performed and corresponding to the execution stage.

Interest income are registered periodically, proportionally, as the respective income is being generated, on the basis of accruals.

Royalties are registered on the basis of accruals, according to the contract.

Q. Income taxes and taxes

The company registers taxes on income accordingly to the existing valid Romanian laws at the time of the financial reports. Debts regarding income taxes and taxes are registered during the respective period.

R. Costs of debts

The interest of the borrowed capital for financing the respective purchase, construction or production of long term fabrication cycle assets is capitalized in the production costs.

All other interest expenses are registered in the profit and loss account during the respective period.

S. Accounting errors

Accounting errors can be either from the current fiscal year, either from previous financial years. The correction of errors is done at the date of their discovery.

Errors from previous years are omissions and misstatements of the company's financial records for one or more previous fiscal years, resulting from the mistake of using or not using accurate information which:

- a) were available at the time the respective records have been approved for issuing;
- b) might have been reasonably been obtained and considered when preparing and presenting the annual financial records.

Those errors include the effects of calculation mistakes, misapplying of accounting policies, ignoring or misinterpreting events and frauds.

The correction of current year mistakes is done by usage of the profit and loss account. Correcting major previous years' mistakes is done by usage of Retained earnings.

Minor previous fiscal years errors are also corrected by use of Retained earnings. However, minor errors can also be corrected through the profit and loss account. Minor errors are those that do not influence the accounting and finance information. An error is considered major if it can influence the economic decisions of its users, decisions taken on the basis of the annual financial reports. Deciding whether an error is a minor or major one is done taken into account the nature or the individual or cumulative value of the elements.

The correction of previous fiscal years' errors does not lead to the modification of their financial reports. In this case the correction does not imply the adjustment of the comparative information presented in the financial reports. Comparative information regarding the financial position and performance, respectively the modification of the financial position, are presented in explanatory notes.

The registration of a reversal of an accounting registration of the current fiscal year can be done either by recording it with a minus (red reversal), either by the reverse registration (black reversal), depending on the accounting policy and the software used.

T. Affiliated parties and connected parties

According to OMFP 1802/2014, an entity is affiliated to a company if it is controlled by that company.

Control exists when the mother-company meets one of the following criteria:

- a) It controls the majority of the voting rights over one company;
- b) Is shareholder or associate of a company and the majority of the members of the administrative and surveillance bodies of the respective company, in office during the current or previous fiscal year and up to the moment of completing the annual financial reports, has been appointed exclusively on exercising their right to vote;
- c) Is shareholder or associate of a company and it has control over the majority voting rights of the shareholders or associates, based on an agreement signed with other shareholders or associates;
- d) Is shareholder or associate of a company and it has the right to exercise a dominant influence over that company, based on a contract signed with the respective entity or on a clause of the articles of incorporation or statute, if the applicable law allows such contracts or clauses;
- e) The mother company exercises or has the power to exercise a dominant influence or control over the company;
- f) Is shareholder or associate of the company and it has the right to appoint or dismiss the majority of the members of the administrative, management and surveillance bodies of the company;
- g) The mother company and the affiliated entity are run on a common basis by the mother company.

An entity is connected to another entity if:

- a) directly or indirectly, through one or more entities:
 - controls or is being controlled by the other entity or is under common control of the other entity (including the mother company, branches or member branches);
 - has an interest in the respective entity, which grants it major influence over this one;
 - or
 - is in common control over the other entity;
- b) it represents an associate entity of the other entity;
- c) it represents a venturer to which the other entity is associated with;
- d) it represents a key member of the management of the entity or its mother company;
- e) it represents a family member of the person mentioned under pts a) or d);
- f) it represent an entity controlled, commonly controlled or significantly influenced or for which the major voting power is given, directly or indirectly, by any person mentioned under pts d) or e); or
- g) the entity represents a posthiring benefits plan for the employees of the other entity or for the employees of any entity connected with such a company.

NOTES TO INDIVIDUAL FINANCIAL REPORTS**for the fiscal year concluded at 31 December 2019***(all the values are in lei ("RON"), unless otherwise specified)***NOTE 7: SHAREHOLDINGS AND FINANCING RESOURCES****Share capital**

	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year
	Number	Number
Subscribed capital – in shares	5.041.546	5.041.546
		lei
Nominative value of a share part	2,50	2,50
	Lei	lei
Subscribed capital - value	12.603.865	12.603.865

The company's share capital is fully paid on 31st of December 2019.

Redeemed shares

The company has no redeemed shares on 31st of December 2019 (2018: there are no redeemed shares).

Bonds

The company has not issued bonds during the fiscal year finished on 31st of December 2019 (2018: no bonds were issued).

Shareholders' structure

	Balance at the beginning of the fiscal year	%	Balance at the end of the fiscal year	%
TIRLEA VICTOR	1.587.036	31,4792	1.587.036	31,4792
CFR MARFA	1.464.388	29,0464	1.464.388	29,0464
MEROLA GIANCARLO MICHELE	1.460.000	28,9594	1.460.000	28,9594
OTHER SHAREHOLDERS	530.122	10,5151	530.122	10,5151
TOTAL	5.041.546	100,00	5.041.546	100,00

The company's shares are traded on the AERO stock exchange, having the symbol SEVE. The face value of each share is 2,50 lei.

NOTE 8: INFORMATION REGARDING EMPLOYEES, MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT AND SURVEILLANCE BODIES**8.a. Administrators, directors and the surveillance commission**

During 2019, the company has paid the following gross indemnities to the members of the Board of Directors ("C.A."):

	Previous	Current
Members of Board of Directors	232,320	232,320

The main decisional structure is the General Shareholders' Meeting. The operational management of the company is provided by the Board of Directors, the executive management is provided by 4 executive directors. The directors' salaries and any bonifications are approved by the administrators.

At the end of the fiscal year there are no guarantees or future obligations taken over by the company in the name of administrators or directors.

8.b. Employees

The average number of employees during 2019 (repectively 2018) is as follows:

NOTES TO INDIVIDUAL FINANCIAL REPORTS**for the fiscal year concluded at 31 December 2019***(all the values are in lei ("RON"), unless otherwise specified)*

	Previous	Current
Management personnel	4	4
Direct production personnel	376	314
Indirect production personnel	143	161
Total	523	479

Expenses regarding salaries and corresponding taxes registered during 2019 (respectively 2018) are as follows:

	Current year 2018	Current year 2019
Gross salaries for the fiscal year	24.393.567	24.040.689
Social security expenses	59.177	51.529
Health insurance expenses	254.658	305.003
Expenses for the social security of the unemployed	0	0
Expenses with the insurance contribution for the work	554.695	547.776
Expense with meal tickets	1.788.215	1.592.070
Gift vouchers expenses	165.050	153.460
Total	27.215.362	26.690.527

NOTE 9: MAIN ECONOMIC-FINANCIAL INDICATORS

	Year 2018	Year 2019
1. Liquidity indicators		
Quick ratio indicator	1.06	0.98
Immediately liquidity indicator	0.49	0.40
2. Risk indicators		
Indebtedness ratio	42%	45%
3. Activity indicators		
Clients turnover ratio	40	47
Suppliers turnover ratio	11	12
Non current assets turnover ratio	0.91	0.75
Assets turnover ratio	0.52	0.48

Quick ratio declined by 8%, from 1.06 to 0.98, current assets evolving below debts, influenced by the allocated resources to the development production capacity investments.

Immediately liquidity has registered a decrease from 0.49 to 0.40 determined by the work in progress stock to be delivered in 2020.

Indebtedness ratio has increased from 42% in 2018 to 45% in 2019, as an effect of the bank loans commitment used for investments in the increase and efficiency of the production capacity.

NOTE 10: OTHER INFORMATION**a) Information about the company**

SC SEVERNAV S.A. ("The company") is a joint-stock company founded in 1990 after the restructuring of the former enterprise ICNPC, having its head office address on Timisoarei Str. 204, Dr-Tr-Severin, Mehedinti, Romania. The company is registered at the Trade Register Office under no. J25/003/1990, having the fiscal code RO 1606030.

The company produces inland and seagoing vessels, blocksections and accessories and offers services both to inner and foreign market clients.

The company's shares are traded on the technical system of BVB, the AERO trade market, having the symbol SEVE.

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b) The method of transforming the assets, liabilities, income and expenses from foreign to local currency

Description in Note 6, item c) "Foreign exchange"

c) Information about income tax

	Previous	Current
Gross accounting profit (loss)	2.480.432	3.896.768
Elements similar to income and other restatements	0	(197.788)
Tax free income (-)	259.361	434
Deductible legal reserve	124.022	
Non deductible expenses (+)	4.238.306	1.987.075
Other elements (-)		
Taxable profit / Current (fiscal loss)	6.335.355	5.685.621
Previous fiscal loss (-)	-	-
Total taxable profit	6.335.355	5.685.621

During 2019, Severnav has registered a taxable profit of 5.685.621 k. lei.

d) Total sales – finished products

Sales on geographical areas

	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year
Export		
- Europa	80,104,295	81,636,368
- SUA, Mexic, Canada	-	-
- Africa	-	-
- Eastern Europe	-	-
- Middle East	-	-
- South America	-	-
- Other	-	-
Total Export	80,104,295	81,636,368
Internal Sales	2,484,381	2,531,758
Total sales	82,588,676	84,168,126

Sales divided on activities

	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year
Accomplished and sold production, out of which:	80,579,636	81,654,302
- vessels	79,434,055	81,636,368
- ship repairs	772,162	-
- metal constructions	373,419	17,934
- other	-	-
Miscellaneous	2,009,040	2,513,824
Total sales	82,588,676	84,168,126

e) Future events

It is not necessary.

f) Extraordinary elements and income/expenses registered in advance

There are no significant situations to be presented.

g) Rental and leasing expenses

There are no significant situations to be presented.

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On 31st of December 2019, the company has 16 fixed assets registered as financial leasings having a net accounting value of 810.248 lei. The assets owned in leasing or bought on installments are free of any leasing or installment liens and encumbrances.

h) Audit expenses

The contractual expenses for audit and consultancy services performed by the auditor during 2019 have been in the amount of 31.693 lei, out of which:

- Financial reports audit – 20.000 lei;
- Periodical audit for certification of the quality system – 11.693 lei;

i) Quotas

Taxation

All amounts due to the State budget for taxes and income taxes have been paid or registred at the date of the balance sheet report. The Romanian fiscal system is in a process of consolidation and harmonization with the European laws, allowing different interpretations of the fiscal law, which can lead to additional income taxes, taxes and penalties. In case the authorities find breaches of the Romanian laws, they can decide according to the case: the seizure of the respective amounts, further additional taxation, fining, applying penalty for late payments (calculated to the outstanding amounts). Therefore, fiscal penalties generated by breaches of the laws can lead to important amounts to be paid towards the State budget.

The company considers that it has paid on time and fully all taxes, income taxes, penalties and penalty interests, to the extent applicable.

Romanian fiscal authorities have checked VAT were calculated up to 30.04.2019.

In Romania, the fiscal year is opened for checking for a period of 5 years.

Juridical claims

Up to 31st of December 2019, the company is involved in the following on going litigations:

- 1. There are no litigations in which the company is the DEFENDANT;**
- 2. Litigations in which the company COMPLAINANT:**
 - Administrative and fiscal litigation that has as object, the obligation to do

The company's management thinks that those litigations cannot impact upon the financial situation of the company.

Financial risks

Interest rate risk

The company's exposure to the risk of interest rate modification mainly refers to the long term loans with a variable interest rate. The company's policy is to handle the interest cost by a mix of loans with fixed and variable interest.

Foreign exchange variation risk

The company deals and has loans in a different currency than the functional one (RON). The company cashes and pays in foreign currency which exposes it to foreign exchange variations.

Credit risk

The company has commercial relationships only with well known partners and mainly works on the basis of advances received from the clients. In this way the credit risk is insignificant.

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j) Commitments

j1) Lease contracts

Not the case.

j2) Credentials

On 31st of December 2019, the company doesn't have credentials.

j3) Bank guarantees

On 31st of December 2019, the company has issued Advance Payment Return Bank guarantees, as it follows:

Item No.	Guarantee type	Approved guarantee issued/not issued	Value EUR	ValueRON	Date of issue	Expiration date of BGL	Expiration date of CLG	Contract
1	Bank guarantee letter	LG/754/19/CM	700,000	3,327,940	05-04-19	31-03-20	31-03-20	171
2	Bank guarantee letter	CLG/876/19/AD	800,000	3,785,360	02-08-19	28-01-20	28-02-20	172
3	Bank guarantee letter	LG/995/19/CM	737,600	3,523,441	18-12-19	15-02-20	15-02-20	174
TOTAL			2,237,600	10,636,741				

A summary of all tangible assets owned by the company and ceased in favour of banks can be found at **Note 1 – Non current assets** at 31st of December 2019.

j4) Credentials received for the on going commercial contracts:

Item No.	Reference type	Reference No.	Original currency value EUR	Value LEI	Date of issue	Expiration date	Contract	Reference number SEVERNAV's BANK
1	Credential stand-by	NLHM0019815	1,622,500	7,716,610	25-04-19	29-02-20	172	LC/EXP/130/19/CM
2	Credential stand-by	NLHM0019961	1,622,500	7,727,481	22-05-19	11-09-20	173	LC/EXP/131/19/CM
3	Credential stand-by	ANTWLI0008404	1,635,000	7,768,049	01-10-19	30-10-20	931	LC/EXP/132/19/CM
TOTAL			4,880,000	23,212,140				

SEVERNAV SA
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k) Amounts owed to credit institutions

Current (2019)

Descriptions	Loan type	Contract's date	Maturity	Currency	Outstanding balance on 31.12.2019 RON
Production credit line	Credit line 1.700.000 EUR, increased to 3.700.000 EUR	RQ15019880740077/15.01.2015	15.01.2021	EUR	5.400.113,77
Production credit line limit	Cash credit limit 11.000.000 EUR	RQ15030331749041/08.04.2015	Pana in 09.10.2020	EUR	30.786.246,11
Bank guarantee letter limit	Non cash credit limit 3.000.000 EUR	RQ15030331749041/08.04.2015	Pana in 09.10.2020	EUR	0,00
Investments credits	Investments credits 6.800.000 EUR	RQ19060331999619/20.06.2019	19.06.2034	EUR	17.113.796,54
Production credit line	Short term credit 350.000 EUR	367/02.03.2011	19.02.2021	EUR	1.426.308,72
					54.726.465,15

Previous (2018)

Descriptions	Loan type	Contract's date	Maturity	Currency	Outstanding balance on 31.12.2019 RON
Production credit line	Credit line 1.700.000 EUR, increased to 3.700.000 EUR	RQ15019880740077/15.01.2015	15.01.2021	EUR	12.769.963,27
Production credit line limit	Cash credit limit 11.000.000 EUR	RQ15030331749041/08.04.2015	Pana in 09.10.2020	EUR	25.10.887,27
Bank guarantee letter limit	Non cash credit limit 3.000.000 EUR	RQ15030331749041/08.04.2015	Pana in 09.10.2020	EUR	0,00
Production credit line	Short term credit 350.000 EUR	367/02.03.2011	20.02.2020	EUR	1.573.925,07
					40.254.775,61

NOTES TO INDIVIDUAL FINANCIAL REPORTS**for the fiscal year concluded at 31 December 2019***(all the values are in lei ("RON"), unless otherwise specified)***l) Stocks**

	Raw materials and consumables	Production in progress	Finished goods and merchandise	Advances for stock purchasing	Total
Current	19.316.022	19.598.973	0	899.164	39.814.159
Cost	19.316.022	19.598.973	0	899.164	39.814.159
Provisions for depreciated slow movements stocks	0	0	0	0	
Previous	17.965.467	18.060.998	0	959.289	36.985.754
Cost	17.965.467	18.060.998	0	959.289	36.985.754
Provisions for depreciated slow movements stocks	0	0	0	0	

Total stocks out of the company's current assets, at the end of 2019, represent 39.814.159 lei (2018: 36.985.754 lei).

At the end of 2019 the company didn't have finished goods on stock.

On 31.12.2018 the company didn't have residual products on stock.

The company has established guarantees for the production in progress presented at note 10, item k.

The provisions movements for depreciated or slow movement stocks, as well as for correcting the negative difference between the price and the cost of the finished goods, have been as follows:

Name of the provision	Balance at the beginning of the fiscal year	Transfer into account	Transfer out of the account	Balance at the end of the fiscal year
Provision for depreciated and slow movements stocks	0	0	0	0
Provisions for finished goods and merchandise	0	0	0	0
Provisions for the depreciation of the production in progress	0	0	0	0
TOTAL	0	0	0	0

m) Petty cash and bank accounts

	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year
Cash at banks in lei	869,920	1,429,247
Cash at banks in lodgements	16,358,704	11,539,485
Petty cash - lei	22,444	1,544
Petty cash – foreign currency		
Other values	395	450
Advances / personnel debts		
Total	17.251.463	12.970.726

On 31st of Decembrie 2019 the company hasn't restricted cash representing guarantees for administrative personnel.

NOTES TO INDIVIDUAL FINANCIAL REPORTS**for the fiscal year concluded at 31 December 2019***(all the values are in lei ("RON"), unless otherwise specified)***n) Other operating expenses**

In the table below we can find the detailed operating expenses as for their nature:

	Fiscal year ended at 31 st of December 2018	Fiscal year ended at 31 st of December 2019
Expenses for transport of goods	1,999,958	2,325,559
Expenses with royalties, remote management and rents	154,579	155,152
Expenses with bank services and similar ones	530,938	573,986
Expenses with insurances	495,611	363,124
Expenses regarding commissions and charges	-	-
Expenses with maintenance and repairs	175,578	177,577
Expenses with postal and telecommunication charges	106,045	130,319
Expenses with business trips and transfers	262,729	322,446
Expenses with protocol, advertising and publicity	417,451	177,574
Other expenses with third parties services	5,955,858	7,129,303
Total	10,098,747	11,355,040

Expenses with third parties services are as follows:

	Fiscal year ended at 31 st of December 2018	Fiscal year ended at 31 st of December 2019
Services with outsourced production	819,554	1,999,640
Traning expenses - seminars and professional courses	3,390	67,670
Other income taxes, taxes and similar payments' expenses	932,660	837,598
Expenses with indemnifications donations and other transferred assets	1,406,278	512,531
Consulting and audit	39,683	31,693
Security services	651,296	658,497
Launching services, sea trials, works done during the transport of the vessel, until delivery	23,047	39,301
GL certification	110,784	63,712
Medical services	86,292	99,583
Trash collecting and transport	47,317	90,425
Diving services	131,598	122,555
Railway passage services	83,006	94,313
Others	1,620,953	2,511,785
TOTAL	5,955,858	7,129,303

General Director,
TIRLEA VICTOR

Signature

Company's stamp

Issued,
BORINTIS GRIGORE
Financial Director

Signature

Registry number