

POLITICS CONCERNING THE FORECASTS

Contents

Chapter 1. Introduction. Concept of forecasts – theoretical approach.....	2
Chapter 2. Elements concerning the realization of the forecasts at the company's level.....	2
Chapter 3. Publication of the politics related to the forecasts.....	4
Chapter 4. Final dispositions	4

Considering the requirements from the Code of Corporate Governance from the BVB, The managing Board of Șantierul Naval Orșova S.A. decided the endorsement of the present Politics concerning the forecasts.

Chapter 1. Introduction. Concept of forecasts – theoretical approach

Starting from the highly alert rhythm of the changes occurring at present, the companies must show concern for the relative acknowledgement of the future in order to be prepared to meet the unknown.

“The present contains the future” – Voltaire.

The economical forecast, although no accurate definition may be given, because of the various existing opinions among the experts, it may represent the process through which events are anticipated and the assessment of the future progress of certain economical and financial indicators is realized, with regards to phenomena, in general, that are not directly controlled by the party involved in the forecasting process.

The most significant scope of the forecast is that of reducing the risk of the decision-making process. By knowing even partially, the risks of a future activity we may anticipate the imposed measures in order to prevent the negative effects of the external factors of exposure.

As it is stipulated by John Naisbitt „human being survives only through their ability to act in the present, based on past experiences, with consequences in the future”

The forecast and planning represent two different processes, yet they both have an assessing feature and concern the future and a strong interdependence exists in between. The economical forecast is usually focused on the external environment while planning deals with the internal environment within a company and which to a great extent may be controlled.

In other words, whenever future is concerned, we cannot state that an event is impossible or that it may happen with absolute certainty neither in the external environment and nor internally.

Through its very nature, the forecasting politics features a high level of uncertainty, the effective results differing significantly from the initial projections.

Chapter 2. Elements concerning the realization of the forecasts at the company's level

At the level of the company Șantierul Naval Orșova S.A., there has not been established any special department that would focus on the politics of forecasting. Nonetheless, at the level of the departments, offices and sub-offices there is continuous concern on the analysis of the future directions and tendencies of the various categories of activities and indicators.

Considering the specific nature of the activities, the company draws up a business plan for a period of 2 years.

POLITICS OF SANTIERUL NAVAL ORȘOVA S.A CONCERNING THE FORECAST

On a yearly basis, the income and expenses budget and the investment schedule are being established and after, they must undergo the approval of the Managing Board and the assent from the General Ordinary Meeting of the Shareholders, in compliance with the legal provisions.

The income and expenses budget may be appreciated as a complex and correlated system of financial indicators, yet also as a package of shares compiled in a final document that expresses the effectiveness of the general activity of the company by cumulating the incomes, the expenses and the results of the fiscal year from all the sub-units considered as responsibility centers.

The budget is the main management control instrument, the most used, representing a short-term forecast of the desired results, carried out in order to settle accurately and undertake the responsibilities concerning the accomplishment of such results.

During the drawing up of the business plan, of the income and expenses budget and of the investment planning, the company relies on the most recent information available at a macro, sectoral and company levels.

The information sources at a macro-economical level have been established from the information supplied by the special departments of the intergovernmental and national authorities, namely: The European Commission, The International Monetary Fund, The Central European Bank, The Organization for Cooperation and Economical Development (OCDE), The National Commission of Forecast, The Institute of Economical Forecast next to the Romanian Academy, The National Institute of Statistics, Romania's National Bank, as well as a series of private companies specialized in market studies, yet also a series of special publications such as: Financial Times, Metal Bulletin edited by Euromoney Global Limited, the economic newspaper BURSA, Ziarul financiar, etc.

An important source of documentation concerning the forecasts on the market of ships' building is represented in the reports received by means of the professional association ANCONAV.

SANTIERUL NAVAL ORȘOVA has been, over 20 years, member of the Association of the Ships Building in Romania, ANCONAV, representing the interests of the shipyards and those of the producers, distributors of installations and raw materials in Romania nationally and worldwide, as well. ANCONAV is a responsible partner in the relationship with the representatives of the Romanian government, actively supporting the promotion of the interests within the members of this association.

At their turn ANCONAV is a member of SEA Europe (the European association of the ships' constructors and producers of equipments), being an active member in several working groups of interest for the Romanian industry. In this position, they have access to a whole amount of studies and information concerning the evolution of the specialized market as well as of the perspective and tendencies of this sector of activity at a European and worldwide level.

The main directions that are being studied by the company concerning the forecasts refer to:

- The tendency for the request evolution and of the costs of the ships on the sector of interest for SNO;
- The tendency of the manpower;
- The forecasts concerning inflation;

POLITICS OF SANTIERUL NAVAL ORȘOVA S.A CONCERNING THE FORECAST

- Forecasts concerning the evolution of the exchange rate, given that over 90% of the cashing is in Euro currency;
- Forecasts concerning the evolution of the steel price;
- Fiscal and monetary politics.

At the level of the executive management and of the managing board, the execution of the income and expenses budget is being constantly monitored, in order to analyze the accomplishment of the scope proposed and to settle the imposed actions in the case when negative variation has been detected.

Chapter 3. Publication of the politics related to the forecasts

The politics concerning the forecasts are to be published on the internet page of the company, and the forecasts as such will be included in the Annual Report.

In compliance with the legal applicable framework of the listed companies (the CNVM Regulation no. 1 / 2006) further amended and abridged, yet also the OMFP no. 2844/2016), the Annual Report of the administrators must include also the viewpoints on the activity of the commercial company, namely:

- Presentation and analysis of the tendencies, of the parts, events or coefficients of uncertainty that affect or might affect the liquidity of the commercial company in comparison with the same period of the previous year;
- Presentation and analysis of the effects of the capital expenses, either current or anticipated over the financial statements of the commercial company in comparison to the same period of the previous year;
- Presentation and analysis of the events, trades and economical changes affecting significantly the incomes from the base activity.

Chapter 4. Final dispositions

The present Politics regarding the forecasts has been approved during the meeting by the Managing Board, on the date of 13.04.2018.

It may be revised or updated whenever necessary, with observance of the legal applicable provisions or if new regulations occur with regards to these politics.

.....
The undersigned Fonea Cristina, certified translator and interpreter for English and French, based on the Authorization no. 24740 from 31.03.2009, issued by the Ministry of Justice in Romania, I certify that this is a true and accurate translation of the document submitted to me which has been carried out without prejudicing its content or meaning.....

CERTIFIED TRANSLATOR AND INTERPRETER,
FONEA CRISTINA

