

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

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

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INDEPENDENT AUDITORS' REPORT

(Free translation)*

To the Shareholders of
ȘANTIERUL NAVAL ORȘOVA S.A

Unmodified auditor's opinion

1. We have audited the accompanying separate financial statements of Șantierul Naval Orșova SA („the Company”), with headquarters in Orsova, Tufari Street, No. 4, identified by unique tax registration number RO1614734, which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to separate financial statements for the year ended.

2. Separate financial statements at December 31, 2020, are identified as follows:

- Revenues:	73,660,173 RON
- Net profit:	3,813,501 RON
- Total assets:	109,216,487 RON

3. In our opinion, the separate financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Accounting Law no. 82/1991, republished, including subsequent amendments and additions, Order of the Minister of Public Finance of Romania no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and the Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, including subsequent amendments and additions.

** The English version is a translation of the original in Romanian for information purposes only. In case of a discrepancy, the Romanian original will prevail.*

Basis for unmodified auditor's opinion

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

Emphasis of matters

5. Without further qualifying our opinion, we consider necessary to draw attention related to following issues:

5.1. As it is presented at Note 29 Financial Instruments which present that 64.53% from Company turnover registered in financial exercise ended at December, 31 2020 is realised by commercial partner Rensen Driessen Shipbuilding B.V. (Nederland) (71.63% for year ended at December 31, 2019). This fact involve a commercial risk due the significant dependence by a single client.

5.2. The current climate of public health crisis generated by the COVID-19 epidemic that led in Romania to the declaration of the state of emergency, respectively of the state of alert, implicitly determines the existence of a risk regarding the possibility of unpredictable evolutions regarding the level of economic and financial indicators budgeted by the Company, respectively the reconsideration of the aspects that were the basis for estimating the bookvalues for the Company's assets. The management of the financial situation of the Company depends on the way in which the management approaches the future socio-economic events and conditions present in the difficult environment in which it operates.

Key audit matters

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

i) Revenue recognition

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

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

ii) Inventories evaluation

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

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

Other Information – Management Report

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

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

In relation to the audit of the individual financial statements for the year ended at December, 31st 2020, it is our responsibility to read that other information and, in doing so, to assess whether that other information is materially inconsistent with the financial statements or with this knowledge that we obtained during the audit whether they appear to be significantly denatured.

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

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

- a) The information presented in the Directors' Report for the financial year for which the financial statements have been prepared is consistent, in all significant aspects, with the financial statements;
- b) Directors' Report has been prepared in all significant aspects in accordance with Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, chapter III, points 15-20;

In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the separate financial statements for the year ended December, 31st 2020, we are required to report whether we have identified significant misstatements in the Directors' Report. We have nothing to report on this issue.

Other matters

8. We mention that our duty was limited strictly to the realization of the statutory audit regarding the separate financial statements of the Company at December 31st, 2020, not being assigned to perform the audit of the consolidated financial situations if it was the case.

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

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

Responsibility of management and those responsible for governance for financial statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

19. We were appointed by the General Meeting of Shareholders at the date of 10 April 2020, as a result of a public selection of tenders in the statutory audit, for the audit of the financial statements of the Company for the financial year ended on 31 December 2020. The total uninterrupted period of our commitment is 16 years, covering the financial years from 31 December 2005 to 31 December 2020.

We confirm that:

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

Timișoara, March 4, 2021

On behalf of

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Registered in the Electronic Public Register with the No. FA305/23 December 2002

Dr. Bunget Ovidiu Constantin

Registered in the Electronic Public Register with the No. AF1739/14 August 2006