

QUARTERLY REPORT

31 MARCH 2021

CONTENTS	PAGE
Financial end Economical indicators	2 – 4
Statement of Financial Position	5 - 6
Statement of Profit or Loss and Other Comprehensive Income	7 - 8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to Separate Financial Statements	11 – 50



ŞANTIERUL NAVAL ORŞOVA S.A.
 No. RC J25/150/1991 CIF: RO 1614734
 Share capital: - issued 28.557.297,5 lei
 - paid up 28.557.297,5 lei
 No. 4. Tufări Street, Orşova, 225200, Mehedinţi
 Tel.: 0252/362.399; 0252/361.885; Fax: 0252/360.648
 E-mail: mircea.sperdea@snorsova.ro
marketing@snorsova.ro

Codul LEI (Legal Entity Identifier): 254900UAXJ8TPIKLXG79
 IBAN code: RO96RNCB0181022634120001- B.C.R. Orşova
 IBAN code: RO59BRDE260SV03176142600- B.R.D. Orşova



QUARTERLY REPORT CORRESPONDING TO THE 1st TRIMESTER OF 2021, IN COMPLIANCE WITH THE LAW NO. 24/2017 AND TO THE ASF REGULATION NO. 5/2018

concerning the issuers of financial instruments and market operations

DATE OF THE REPORT: 12.05.2021

Name of the trading company: ŞANTIERUL NAVAL ORŞOVA S.A.;
Registered office: 4, TUFĂRI Street, ORŞOVA, MEHEDINŢI County;
Telephone/fax: 0252/362399 0252/360648;
Single registration code issued by the Trade Register: RO 1614734;
Registered number with the Trade Register's Office: J25/150/03.04.1991;
Code Lei: 254900UAXJ8TPIKLXG79
Subscribed and paid in share capital: 28,557,297.5 Lei
Number of shares: 11.422.919 common shares, of 2,5 lei each;
Regulated market where the issued securities are traded: Bucharest Stock Exchange-category Standard (symbol: SNO)

A. FINANCIAL AND ECONOMICAL INDICATORS ON THE DATE OF 31st of March 2021 (APPENDIX NO. 13 TO THE ASF REGULATION no. 5/2018)

DESCRIPTION OF THE INDICATOR	CALCULATION MANNER	RESULT
1. Indicator of current cash-deposit ¹⁾	$\frac{\text{Current assets}}{\text{Current debts}}$	9,21
2. Indicator of the degree of indebtedness ²⁾	$\frac{\text{Borrowed capital} * 100}{\text{Own capital}}$	0 (zero)
3. Rotation speed of the debts - clients ³⁾	$\frac{\text{Average balance clients} * 270}{\text{Turnover}}$	21 DAYS
4. Rotation speed of the fixed assets ⁴⁾	$\frac{\text{Turnover}}{\text{Fixed assets}}$	0,81

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

NOTE:

- 1) Offers guarantees for the coverage of the current debts from the current assets. The recommended acceptable value is approximately 2.
- 2) Expresses the effectiveness of the management of credit risk, indicating potential financing issues, of cash-deposit with influences in the fulfillment of the undertaken commitments. S.C. Şantierul Naval Orşova has no crediting contract exceeding 1 year, and, subsequently, this indicator is 0 (zero)
- 3) It expresses the effectiveness of the company in collecting their account receivables, namely the number of days until the date when the debtors pay their debts towards the company
- 4) It expresses the effectiveness of the fixed assets management, by examining the turnover generated by a certain amount of fixed assets.

B. OTHER INFORMATION

In the 1st quarter of 2021, in comparison with those stipulated in BIE, the operational incomes were realized in a 139.12 %. Same time these registered an increase of 159.93 % against corresponding period of the last year:

- Stipulated in the BIE 1 st trimester 2021	22.037.600 lei
- Realized in the 1 st trimester of 2021	30.658.224 lei
- Realized on the 1 st trimester of 2020	11.794.715 lei

During this period, 2 Money Maker ships of 110 m and the second coastal type ship were completed and delivered to external clients - from the main headquarters in Orşova, which was the subject of litigation with the company VEKA Shipbuilding B.V. The 5 existing barns at the Agigea branch were not rented during this period, the COVID-19 pandemic negatively influencing the economic activity on this market segment. The individual financial statements as at 31.03.2021, respectively: Statement of financial position, Statement of profit or loss and other comprehensive income, Statement of changes in equity, Statement of cash flows and Notes to the financial statements are attached to this report, with the following clarifications:

- The numbers from the reporting forms are expressed in lei;
- The reporting data at 31.03.2021 **have not been audited** by an external independent financial auditor.
- In comparison to the provisions under BIE on the 1st trimester of 2021, the situation of the result is the following:
 - ❖ Result from operation:
 - Stipulated in the BIE 250.000 lei
 - Realized 1.039.616 lei
 - ❖ Financial result:
 - Stipulated in the BIE 50.000 lei
 - Realized 517.269 lei
 - ❖ Gross result:
 - Stipulated in the BIE 300.000 lei
 - Realized 1.556.885 lei

Şantierul Naval Orşova S.A.

Quarterly report for the period ended at 31.03.2021

During the similar period from the year 2020, the company realized a gross profit of 1.144.544 lei.

Given the financial position at 31.03.2021 as the estimation with regards at the main indicators evolution, analyzed in the context of actual socio- economical medium, generated by the COVID-19, company considers that they are created premises to realize the stipulations from BIE for the entire year 2021.

On 31.03.2021, the company did not have any bank credits contracted, and the number and the cash equivalents were amounting to 37.470.151 lei.

The company did not have any remaining obligations to the suppliers, to the state budget, to its employees or any other creditors, all of them having been paid up within the legal/contractual due date.

Company has done in the 1st quarter of 2021 investments expenses in amount of 876.598 lei, against 660.000 lei, as they were prevailed in BIE, in the period corresponding of the past year were registered such nature expenses in amount of 1.447.283 lei.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2021

<i>Reference</i>	Note	31.03.2021	31.12.2020
		RON	RON
Assets			
Fixed assets			
<i>IAS 1.54(a)</i>	Tangible assets	37.444.579	37.417.314
	Freehold land and land improvements	1.201.941	1.201.941
	Buildings	16.618.361	16.999.328
	Plant and machinery, motor vehicles	16.420.760	16.373.915
	Fixtures and fittings [...]	46.036	53.638
	Tangible assets in progress	3.157.481	2.788.492
<i>IAS 1.54(b)</i>	Investment property	508.019	508.019
<i>IAS 1.54(c)</i>	Intangible assets	5.394	6.192
	Other intangible assets	5.394	6.192
<i>IAS 1.54(h)</i>	Trade receivables and other receivables	10.172	417.495
<i>IAS 1.54(o), 56</i>	Deferred tax assets	34.181	79.048
<i>IAS 1.60</i>	Total fixed assets	38.002.345	38.428.068
<i>IAS 1.54 (g)</i>	Inventories	16.273.058	34.611.321
<i>IAS 1.54(h)</i>	Trade receivables and other receivables	14.867.117	1.185.231
<i>IAS 1.55</i>	Accrued expenses	322.908	130.348
<i>IAS 1.54(d)</i>	Short term investments	3.879.955	3.857.609
<i>IAS 1.54(i)</i>	Cash and cash equivalents	37.470.151	30.825.273
<i>IFRS 5.38-40</i>	Non-current assets held for sale	18.637	18.637
<i>IAS 1.60</i>	Total Current Assets	72.831.826	70.628.419
	Total Assets	110.834.171	109.056.487
Equity			
<i>IAS 1.54(r), 78(e)</i>	Share capital	28.557.298	28.557.298
<i>IAS 1.55, 78(e)</i>	Share premium	8.862.843	8.862.843
<i>IAS 1.54(r), 78(e)</i>	Reserves	51.777.818	51.777.818
	Result for the period	1.512.018	4.653.501
<i>IAS 1.55, 78(e)</i>	Retained earnings	12.205.522	7.743.844

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2021 (continued)

<i>Reference</i>	Note	<u>31.03.2021</u>	<u>31.12.2020</u>
		RON	RON
Profit appropriation		-	(191.823)
Other elements of equity		(3.995.732)	(4.028.932)
Total equity		98.919.767	97.374.549
Liabilities			
Long-term liabilities			
<i>IAS 1.54(o), 56</i>	Deferred tax liabilities	4.003.936	4.037.136
<i>IAS 1.60</i>	Total long-term liabilities	4.003.936	4.037.136
Current liabilities			
<i>IAS 1.54(k)</i>	Trade payables and other debts, including derivatives	7.165.628	6.619.329
	Deferred income	-	215
<i>IAS 1.54(l)</i>	Provisions	744.840	1.025.258
<i>IAS 1.60</i>	Total current liabilities	7.910.468	7.644.802
	Total Liabilities	11.914.404	11.681.938
	Total Equity and Liabilities	110.834.171	109.056.487

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AT 31 MARCH 2021

<i>Reference</i>	<i>Note</i>	<u>31.03.2021</u>	<u>31.03.2020</u>
		RON	RON
Continuing operations			
<i>IAS 1.82(a)</i>	Income	30.588.442	9.099.356
<i>IAS 1.99,103</i>	Other income	69.782	2.695.359
	Total Operational Income	30.658.224	11.794.715
	Expenses related to inventories	(11.539.291)	(3.279.245)
	Utility expenses	(698.302)	(427.678)
	Employee benefits expenses	(9.652.100)	(4.506.652)
	Depreciation and amortization expenses	(1.304.193)	(926.324)
	Gains/losses on disposal of property	0	(141.308)
	Increase/(Decrease) of receivables allowances and inventory write-down	2.330.959	400
	Increase/(Decrease) of provision expenses	280.418	206.313
<i>IAS 1.99, 103</i>	Other expenses	(9.036.099)	(1.817.525)
	Total Operational expenses	(29.618.608)	(10.892.019)
	The result of operational activities	1.039.616	902.696
	Financial income	546.435	257.114
<i>IAS 1.82(b)</i>	Financial expenses	(29.166)	(15.266)
	Net financial result	517.269	241.848
<i>IAS 1.85</i>	Result before taxation	1.556.885	1.144.544
	Current income tax expenses	0	(222.715)
	Deferred income tax expenses	(303.118)	(33.010)
	Deferred income tax income	258.251	-
<i>IAS 1.85</i>	Result for continuing operations	1.512.018	888.819
<i>IAS 1.82(f)</i>	Result for the period	1.512.018	888.819
	Other comprehensive income		
<i>IAS 1.82(g)</i>	Reevaluation of tangible assets	0	(142.228)
<i>IAS 1.85</i>	Other comprehensive income after taxation	0	(142.228)

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AT 31 MARCH 2021 (continued)

<i>Reference</i>	Note	<u>31.03.2021</u>	<u>31.03.2020</u>
		RON	RON
<i>IAS 1.82 (i)</i> Total comprehensive income for the period		1.512.018	746.591
Attributable profit			
<i>IAS 1.83(b)(ii)</i> Shareholders		1.512.018	888.819
Profit for the period		1.512.018	888.819
Total attributable comprehensive income			
<i>IAS 1.83(b)(ii)</i> Shareholders		1.512.018	746.591
Earnings per share			
<i>IAS 33.66</i> Basic earnings per share		0,13	0,08
<i>IAS 33.66</i> Diluted earnings per share		0,13	0,08
Continuing operations			
<i>IAS 33.66</i> Basic earnings per share		0,13	0,08
<i>IAS 33.66</i> Diluted earnings per share		0,13	0,08

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

<i>Reference</i>		STATEMENT OF CHANGES IN EQUITY								
		Attributable to equity holders								
		Share capital	Share premium account	Revaluation reserve	Other reserves	Retained earnings	Result for the period	Other elements of equity	Profit appropriation	Total equity
	Balance at December 31, 2019	<u>28.557.298</u>	<u>8.862.843</u>	<u>28.083.462</u>	<u>24.108.475</u>	<u>7.431.918</u>	<u>3.205.050</u>	<u>(4.290.219)</u>	<u>(198.765)</u>	<u>95.760.062</u>
<i>IAS</i>	Loss/ Net profit for the year	-	-	-	-	3.205.050	1.448.451	-	-	4.653.501
<i>1.106(d)(i)</i>	Profit appropriation	-	-	-	-	-	-	-	(191.823)	(191.823)
	Transfer in reserve	-	-	(350.964)	456.608	(151.624)	-	261.287	198.765	414.072
	Revaluation reserve	-	-	(519.763)	-	-	-	-	-	(519.763)
	Dividends	-	-	-	-	(2.741.500)	-	-	-	(2.741.500)
	Balance at December 31, 2020	<u>28.557.298</u>	<u>8.862.843</u>	<u>27.212.735</u>	<u>24.565.083</u>	<u>7.743.844</u>	<u>4.653.501</u>	<u>(4.028.932)</u>	<u>(191.823)</u>	<u>97.374.549</u>
<i>IAS</i>	Loss/ Net profit for the year	-	-	-	-	4.653.501	(3.141.483)	-	-	1.512.018
<i>1.106(d)(i)</i>	Profit appropriation	-	-	-	-	-	-	-	-	-
	Transfer in reserve	-	-	-	-	(191.823)	-	33.200	191.823	33.200
	Balance at March 31, 2021	<u>28.557.298</u>	<u>8.862.843</u>	<u>27.212.735</u>	<u>24.565.083</u>	<u>12.205.522</u>	<u>1.512.018</u>	<u>(3.995.732)</u>	<u>≡</u>	<u>98.919.767</u>

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

STATUS OF THE TREASURY CASH FLOW

<i>IAS 113</i>	<i>1.10(d),</i>	For the fiscal year completed	31.03.2021	31.03.2020
		Treasury Cash Flow for operating activities		
		Profit of the period	1.512.018	888.819
		Adjustment for:		
		Depreciation of intangible and tangible assets	850.130	926.324
		Gain/losses from the sale of the tangible assets	-	141.308
		Net expenses / (net income) with provisions	(280.418)	(206.313)
		Depreciation of current assets	(2.330.959)	(400)
		Expense on the current income tax	-	222.715
		Expenses on the delayed income tax	303.118	33.010
		Income from the delayed income tax	(258.251)	-
		Cash Flow from operating activities before the amendment of the working capital	(204.362)	2.005.463
		Amendment of the working capital:		
		Stocks modification	20.425.168	(4.165.478)
		Modification of the commercial account receivables and of other account	(13.397.233)	(652.351)
		Modification of the advanced expenses	(192.560)	(103.496)
		Modification of the commercial debts and of other debts	912.933	3.327.116
		Cash flow generated from operating activities	7.543.946	411.254
<i>IAS 7.10</i>	<i>7.35</i>	Paid interests	(6.835)	(6.835)
		Net cash flow from operating activities	7.537.111	404.419
		Treasury Cash Flow from investment activities		
<i>IAS 7.31</i>		Cashed interests	7.752	47.987
<i>IAS 7.16(a)</i>		Tangible and intangible assets acquisition	(876.598)	(1.447.283)
		Short term investments	22.346	1.331.504
<i>IAS 7.10</i>		Net cash used in investment activities	(891.192)	(67.792)
		Treasury cash flow from financing activities		
<i>IAS 7.17(d)</i>		Paid dividends	(1.041)	(2.034)
<i>IAS 7.10</i>		Net cash from (used in) financing activities	(1.041)	(2.034)
		Net increase/decreases of the cash flow and of the cash flow equivalents	6.644.878	334.593
		Cash Flow and equivalents from 1st of January	30.825.273	13.939.382
		Cash flow and cash flow equivalents at 31th of March	37.470.151	14.273.975

Şantierul Naval Orşova S.A.

Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS**

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

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

IAS 1.51(a)-(c) The separate financial statements in accordance with IFRS have been prepared for the period 01.01.2021-31.03.2021. The Company's main activity is: **construction of ships and floating structures (NACE code: 3011)**.

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

a. Statement of compliance

IAS 1.16 The company has prepared the annual financial statements for the period 01.01.2021-31.03.2021.in accordance with International Financial Reporting Standards as adopted by European Union, applicable to companies whose securities are admitted to trading on a regulated market, according to the Order of the Minister of Finance no. 881/2012 regarding the application of International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market and the Order of the Minister of Finance no. 2844/2016 approving the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, including subsequent amendments and additions.

IAS.10.17 The financial statements have been authorized for issue by the Board of Directors on May 12th, 2021.

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

IAS 1.117(a) Investment properties

- Buildings
- Naval means of transport.

a. Functional currency and presentation currency

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

b. Professional judgements and key assumptions

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

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

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

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

c. New International Financial Standards not applied by the Company

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

- IFRS 17 "Insurance Contracts", issued on 18 May 2017, with effect from 1 January 2023.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

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

d. Presentation of financial statements

IAS 8.28(f) The Company applies IAS 1 *Presentation of Financial Statements* (2007) revised, which has been enforced on 1 January 2009. As a result, the Company presents in the Statement of Changes in Equity all changes related to shareholders' equity, while changes in equity unrelated to shareholders are presented in the Statement of Comprehensive Income.

Comparative information has been presented so that they are in accordance with the revised standard. As the impact of change in accounting policy is reflected only on presentation aspects, there is no impact on earnings per share.

IAS 1 Presentation of Financial Statements is basis for the financial statements presentation to ensure comparability both with the entity's financial statements for previous periods and with the financial statements of other entities.

The Company has adopted a presentation based on liquidity in the Statement of Financial Position and a presentation of income and expenses according to their nature in the Statement of Comprehensive Income, considering that these methods of presentation provide more relevant information than other methods that have been permitted by IAS 1.

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

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

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

Expenses representing inventories consumption, depreciation of fixed assets, interest expenses, employee expenses etc. and which according to the IFRS stipulations, are included in some assets value, are recognized during the period depending on their nature. Complementarily, the accounting records related to assets in progress, on recognize of the related income accounts.

In preparation of the annual accounting reports, as well as those submitted during the year to the territorial units of the Ministry of Public Finance, which are prepared in accordance with the format established by the Ministry of Public Finance, the Company which, according to IAS 1, has chosen to present the analysis of expenses using a classification based on their nature, does not present either the value of these expenses or the value of the corresponding revenues as it is stipulation by OMFP 2844 of December 12, 2016 for approving the Accounting Regulations compliant with International Financial Reporting Standards.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

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

e. Standards and interpretations available in the current period

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

IAS 1	Presentation of financial statements	Fundamental Accounting Principles, structure and content of financial statements, mandatory posts and the concept of true and fair view, completed with amendments applicable from 1 January 2013.
IAS 2	Inventories	Defining of the accounting process applicable to inventories in the historical cost system: evaluation (first in - first out, weighted average cost and net realisable value) and the perimeter of allowed costs.
IAS 7	Statement of Cash Flows	Analysis of cash variations, classified into three categories: cash-flows from operating activities, cash-flows from investing activities, cash-flows from financing activities.
IAS 8	Accounting policies, Changes in Accounting Estimates and Errors	Defining the classification, the information that need to be disclosed and the accounting treatment of certain items in the income statement.
IAS 10	Events after the reporting period	Requirements for when events after the reporting period should generate an adjustment to the financial statements: definitions, terms and conditions, particular cases (dividends)
IAS 12	Income Taxes	Definition of tax accounting processing on the period result and detailed stipulations on deferred taxes, supplemented by amendments applicable from 1 January 2013.
IAS 16	Property, plant and equipment	Accounting treatments, net book value calculation and relevant principles regarding depreciation for most types of property, plant and equipment.
IAS 17	Leases	Defining lessee and lessor, accounting treatments regarding location-financing contracts and simple location contracts.
IAS 18	Revenue	Revenue recognition principles for ordinary activities from certain types of transactions and events (fair value principle, the principle of linking expenditure to income, the percentage of advancement services, asset sharing, etc.)
IAS 19	Employee benefits	Accounting principles regarding employee benefits: short and long term benefits, post-employment benefits, advantages on equity and allowances on termination of employment, with revisions made in 2011, applicable from January 1, 2013.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

<i>Reference</i>	NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS	
<i>IAS 1.112(a)</i>	2. Basis of preparation (continued)	
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Accounting principles for direct or indirect public aid (clear identification, concept of fair value, restraining subsidized connection etc.).
IAS 21	The Effects of changes in Foreign Exchange Rates	Accounting treatments of abroad activities, foreign currency transactions and restating financial statements of a foreign entity.
IAS 23	Borrowing Costs	The definition of borrowing costs and accounting treatments: the notion of qualifying asset, how to capitalize borrowing costs in the amount of qualifying assets.
IAS 24	Related Party Disclosures	Details of related party relationships and transactions (legal and natural persons) who exercises control or significant influence over one of the group's companies or the management.
IAS 26	Accounting and Reporting by Retirement Benefit Plans	Principles and information on the retirement schemes (funds), distinguishing defined contribution schemes and defined-benefit.
IAS 27	Separate Financial Statements	IAS 27 outlines when an entity must consolidate another entity, how to account for a change in ownership, how to prepare separate financial statements, and related disclosures. The financial statements prepared by the company for year ended 31 December, 2014 are separate financial statements, therefore, consolidated financial statements are not applicable in this case. The Transilvanian Financial Investment Company, headquartered in Braşov, Nicolae Iorga Street, No. 2, holds, in present, 49,9998% of the share capital of SC Şantierul Naval Orşova SA, so, they have obligation to prepare the consolidated financial statements.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

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

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

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

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

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

IFRS 10	Consolidated Statements	Financial	Establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
IFRS 11	Joint Arrangements		Establishing principles for financial reporting for entities that hold interests in jointly controlled commitments..
IFRS 12	Disclosure of Interests in Other Entities		Requires an entity to disclose information that will enable users of its financial statements to evaluate: the nature and risks associated with interests held in other entities; and the effects of those interests on the financial position, financial performance and its cash flows.
IFRS 13	Fair value measurement		The definition of fair value, establishing, in a single IFRS, a framework for measuring fair value, requiring the presentation of information on fair value.
IFRS 15	Revenue from Contracts with Customers		IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2018. On 12 April 2016, clarifying amendments were issued that have the same effective date as the standard itself.
IFRS 16	Leasing contract		Its objective is to standardize the way in which financial and operational leasing contracts are recognized in order to have a better comparability in the financial statements between the entities that use different types of contracts.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

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

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

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

a. Foreign currency

(i) Transactions in foreign currency

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

b. Financial instruments

(ii) Share capital

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

c. Tangible Assets

IAS 16.73 (a) (i) Recognition and evaluation

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

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

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

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

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

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

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

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

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

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

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

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

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

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

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

On December 31, 2019, the Company proceeded to reevaluate tangible assets such as shipbuilding buildings and means of transport located in the branch Agigea using the opinion of an independent external evaluator.

On December 31, 2020, the Company proceeded to reevaluate tangible assets such as shipbuilding buildings and means of transport located at the branch Agigea using the opinion of an independent external evaluator.

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

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

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

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

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

Maintenance and repairs of tangible assets are recorded as an expense when incurred. Significant improvements of tangible non-current assets that increase the value or useful life or significantly increase the capacity to generate economic benefits are capitalized as asset. Assets that have the nature of inventory objects, including tools are recorded as an expense when purchased and are not included in the account value of the tangible assets.

(ii) Reclassification to investment property

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

(iii) Depreciation of tangible non-current assets

Depreciation is the equivalent to irreversible impairment of an asset, as a result of normal use, natural factors, technical progress or other causes. Fixed assets' depreciation shall be accounted as an expense (recognized in profit or loss).

The company uses straight-line depreciation method for all tangible assets owned, by dividing the book value equally, over its useful life. The depreciation method is applied consistently to all assets of the same type and with identical conditions of use. If tangible assets are placed in conservation, the company did not account the depreciation expense, instead at the end of the period, the company will record a corresponding expense adjustment for the impairment of the asset. The degree of impairment will be determined as much as possible by a certified evaluator. A significant change in the conditions of use of tangible assets or aging may justify a revision of the useful life. Also, if the tangible non-current assets are placed in conservation (their use is discontinued for a long period), the useful life can be revised.

The residual value and service life shall be reviewed at least at each financial year end.

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

<u>Asset</u>	<u>Years</u>
Constructions	5 - 45
Equipment	3 - 20
Other equipment and furniture	3 - 30

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

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

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

(iv) Derecognition

The account value of a fixed asset shall be derecognised:

- when disposed, or
- when no future economic benefits are expected from its use or disposal.

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

d. Intangible Assets

(1) Cost

(i) *Software*

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

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

(ii) *Other intangible assets*

All other intangible assets are recognized at cost.

Intangible assets are not revalued.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

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

117(a)

(2) Amortization

(i) *Software*

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

(ii) *Other intangible assets*

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

e. Investment property

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

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

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

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

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

f. Inventories

Inventories are assets:

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

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

117(a)

Measurement of inventories

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

Cost of inventories

The primary basis for accounting inventories is the cost .

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

Price differences over the cost of acquisition or production should be disclosed separately in the accounts and are recognized in cost of the asset.

Regarding the method of valuation, the company used, until December 31, 2010, the weighted average cost method, but starting from January 1, 2011, the company is using the first-in - first out method.

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

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

117(a)

g. Impairment

(i) Financial assets (including receivables)

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

If in a subsequent period, an event occurring after the recognition of the impairment will determine an increase of the asset's value, the impairment will be reversed.

h. Employee benefits

The Company makes payments to pension funds, health funds, unemployment funds, allowances and vacations for all staff. These expenses are recognized in the statement of comprehensive income for the period covered. At retirement, the company granted, as a stimulant, between one and four salaries to every person who ceases contractual relationship with the company.

The Company does not operate any other pension plan or retirement benefits so it has no other obligations in respect of pensions.

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

i. Provisions

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

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

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

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

(2) Provisions for litigation

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

(3) Provisions for guarantees

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

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

117(a)

j. Revenue

Revenue refers to goods sold and services rendered.

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

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

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

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

IFRS 7.20,24 **k. Financial income and expenses**

Interest income is recognized as the income generates, on an accrual basis using the effective interest method in proportion to the relevant time, based on the principal and the effective rate over the period to maturity or a shorter period if this period is link to transaction costs, when it is established that the company will obtain such income.

Income from financial assets or dividends receivable from entities in which the Company is a shareholder, are recognized in the financial statements of the financial year in which they are approved by the General Meeting of each entity.

l. Income tax

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

Income tax obligation for the reporting period and prior periods is recognized to the extent that is not paid.

If the amounts paid on the current and prior periods exceed the amounts due for those periods, the excess is recognized as recoverable amount.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

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

Recognition of deferred tax assets and liabilities

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

4. Determination of fair value

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

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

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

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

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

4. Determination of fair value (continued)

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

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

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

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

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

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

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

5. Incomes

		<u>31.03.2021</u>	<u>31.03.2020</u>
<i>IAS 18.35(b) (i)</i>	<i>Sales of goods</i>	29.527.361	8.362.809
<i>IAS 18.35(b) (ii)</i>	<i>Rendering of services</i>	1.061.081	736.547
	Total	<u>30.588.442</u>	<u>9.099.356</u>

Incomes for first three months of the year 2021 are higher with 34.26 % compared with those corresponding to same period of past year, with three river vessels delivered (in trim. I of last year was delivered a ship). These include the second coastal vessel that was the subject of the dispute with VEKA. Services, mainly ship repairs, registered an increase of 44.06%, the significant increase in revenues from this activity being carried out by the Agigea branch.

6. Other incomes

	<u>31.03.2021</u>	<u>31.03.2020</u>
Income from rents (other than rent real estate investments)	66.203	1.282.765
Income from asset sales	-	1.407.032
Other operational incomes	3.579	5.562
Total	<u>69.782</u>	<u>2.695.359</u>

In the period 01.01 - 31.03.2021 these incomes are at a lower level than the one achieved in the corresponding period of the previous year (decrease by 97.41%). The amounts realized during this period and registered at the position of rental income are mainly related to the contracts for renting spaces located in the patrimony of the Agigea branch. The 5 barns in the branch's records were not rented in the first 3 months of this year, this market segment being influenced by the effects of the COVID-19 pandemic.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

7. Outgoings on stocks

	<u>31.03.2021</u>	<u>31.03.2020</u>
Expenses with raw materials	6.219.594	1.789.232
Expenses of consumable materials, from whom:	5.055.904	1.336.936
Expenses of auxiliary materials	4.316.527	1.145.919
Expenses of fuel	318.260	86.287
Expenses with spare parts	290.139	60.201
Expenses of other consumable materials	130.978	44.529
Expenses regarding materials of nature inventory items	180.484	92.831
Expenses of unstocked materials	77.105	52.777
Expenses regarding goods	6.259	7.562
Received discount	(55)	(93)
Total	<u>11.539.291</u>	<u>3.279.245</u>

In total, there is an increase in inventory costs by 251.89% compared to the corresponding period of the previous year, this increase being due to the structure and volume of production achieved in the reference period. A significant influence in this increase is represented by the expenses of this nature related to the construction of the second coast that was completed and delivered at the end of March. Expenses representing consumption of inventories that, according to the provisions of IFRS, are included in the value of certain assets are recognized during the period depending on their nature. Accordingly, the accounting records the value of current assets in the income statement. We specify that the Company, according to IAS 1, has chosen to present the analysis of expenses using a classification based on their nature, and therefore does not present either the value of these expenses or the value of the corresponding income.

8. Utilities outgoings

	<u>31.03.2021</u>	<u>31.03.2020</u>
Expenses with energy	681.113	417.246
Expenses with water	17.189	10.432
Total	<u>698.302</u>	<u>427.678</u>

In the first quarter of 2021, utility expenditures increased compared to the first quarter of 2020 (by 63.28%), this in the conditions in which the realized production (revenues) increased, but also the supply tariffs experienced a slight increase. . We point out that an influencing factor in this increase is also the method of presenting expenses using a classification based on their nature, according to IAS 1.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

IAS 1.104 **9. Staff costs**

	<u>31.03.2021</u>	<u>31.03.2020</u>
Personnel expenses	8.944.013	4.254.524
Expenses with contributions to compulsory social insurance	708.087	252.128
Total	<u>9.652.100</u>	<u>4.506.652</u>

In the period 01.01-31.03.2021, the personnel expenses increased by 114.17% compared to the corresponding period of 2020. As with the other categories of expenditure, and in the presentation of personnel expenditure, a factor influencing this increase is the method of presenting expenditure using a classification based on its nature. Therefore, this increase is mainly due to the volume and structure of production made and sold in this quarter compared to the corresponding period last year, a significant influence having the costs of this type allocated to the second coastal. The salary increases, granted by the company during 2020, have a low share in the increase presented. In the same proportion with the increase of the expenses with the salaries, the expenses regarding the labor insurance contribution, with the insurances and the social protection increased.

10. Value adjustment of current asset

	<u>31.03.2021</u>	<u>31.03.2020</u>
Losses(Profit) on receivables and various debtors	(444)	(400)
Gains or (-) losses on financial assets and liabilities held for trading, net	(2.330.515)	-
Total	<u>(2.330.959)</u>	<u>(400)</u>

The amounts shown above relate to the adjustment of depreciation on stocks and other claims made in trim.I 2021. In March 2021, following the sale of the second cost, the sums for which depreciation was set up in previous years were brought back to income.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

<i>IAS 1.97</i>	11. Other outgoings	<u>31.03.2021</u>	<u>31.03.2020</u>
	Expenses with maintenance and repairs	184.119	26.584
	Expenses with royalties, managed locations and rents	859.255	110.894
	Expenses with premium insurance	43.029	17.081
	Expenses with commissions and fees	4.485	7.311
	Protocol, advertising and advertising expenses	6.678	12.177
	Goods and personel transport expenses	3.404.938	252.519
	Travel expenses, secondments and transfers	3.798	5.790
	Postage and telecommunications expenses	13.656	11.395
	Banking services expenses	12.182	14.976
	Other expenses for services performed by third parties	4.154.499	967.816
	Expenses with other taxes and fees	97.981	104.097
	Expenses for environment protection	1.933	1.926
	Expenses with fixed assets for selling	-	249.305
	Other operational expenses	249.546	35.654
	Total outgoings	9.036.099	1.817.525

In the period 01.01 - 31.03.2021, there is an increase in the other expenditure item. By 397,16 %, the main factors of influence in this increase being the volume and structure of production, three vessels being delivered during this period (compared to one vessel delivered in q1 2020). but also the method of presenting expenses using a classification based on their nature - that is, the increase is largely due to the coastal vessel, which was completed and delivered this quarter.

In the context of those presented above, it is found significant increase in indirect section expenditure items (maintenance and repair expenses, with royalties, management sites and rents, transport of goods and personnel, other expenditure on services performed by third parties accrued by ships delivered), but also a slight decrease in administrative costs.

The increase recorded under Other operating expenses is also due to the coastal type vessel, respectively are included the expenses occasioned by the dispute with the company VEKA- arbitration expenses, court, for which the company constituted depreciations in the previous years.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

IAS 1.86 **12.** Financial income and expenses

Recognized in the profit or loss account:

		<u>31.03.2021</u>	<u>31.03.2020</u>
<i>IFRS 7.20 (b)</i>	Interest income from bank deposits	7.755	14.986
<i>IAS 21.52 (a)</i>	Incomes from exchange rates differences	538.680	242.128
	Total financial incomes	546.435	257.114
<i>IAS 7.20 (b)</i>	Interests expenses	-	-
<i>IAS 21.52 (a)</i>	Expenses from exchange diferences rates	29.166	15.266
	Total financial expenses	29.166	15.266
	Net financial result	<u>517.269</u>	<u>241.848</u>

In connection with the above amounts, the following details are given:

- interest income is related to bank deposits and current account availability;
- due to the evolution of the exchange rate, but also to the hedging contracts concluded through BRD, the income from the exchange rate differences was higher than the expenses from the exchange rate differences.
- in the analyzed period of 2021, the company did not have bank credits, so it did not register interest with this title.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

13a. Expenditure on profit tax

	<u>31.03.2021</u>	<u>31.03.2020</u>
a) Expenditure on current profit tax		
IAS 12.80 (a) Current period	-	222.715
IAS 12.80 (b) Adjustments of previous periods		
b) Deferred income tax expense		
IAS 12.80 (c) Initial recognition and reversal of temporary differences	303.118	33.010
IAS 12.80 (g) Changes in previously unrecognized temporary differences		
IAS 12.80 (f) Recognition of previously unrecognized tax los		
Total profit tax expenses (a+b)	303.118	255.725
IAS 12.81 (c) Reconciliation of effective tax rate		
Profit of the period	1.586.286	1.173.562
Non-deductible expenses	247.680	15.267
Non-taxable incomes	2.610.933	206.313
Elements similar to incomes (amortisation after reevaluation 2003)	207.502	668.214
Deduction of legal reserve	-	57.226
Taxable profit	-	1.593.504
Expense with the current profit tax	-	254.961
Sponsorship	-	7.500
Bonus	-	24.746
Profit after taxation	1.586.286	950.847

13b. Specific tax expenses

Starting with the year 2017, with the entry into force of Law no.170 / 2016 regarding the specific tax for certain activities, the company owes this type of tax for the activity of the canteen that operates under its subordination. We mention that in the Company's premises a working canteen operates, its activity being codified CAEN 5629 "Other food services n.c.a." and registered in the constitutive act of the company as a secondary activity.

For the year 2021, expenses with specific due tax for this activity is in amount of 13.672 lei.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

IAS 16 **14. Tangible non-current asset**

		Land and buildings	Machines and equipments	Furniture and fixtures	Work in progress	Total
	Costs or assumed costs					
<i>IAS 16.73 (d)</i>	Balance at 1 January 2021	21.336.506	55.393.007	469.450	2.788.492	79.987.455
<i>IAS 16.73 (e)(i)</i>	Acquisitions	-	507.609	-	387.609	895.218
<i>IAS 16.73 (e)(ii)</i>	Outgoings of non current asset	-	97.318	-	18.620	115.938
<i>IAS 16.73 (d)</i>	Balance at March 31, 2021	21.336.506	55.803.298	469.450	3.157.481	80.766.735
	Depreciation and losses from depreciation					
<i>IAS 16.73 (d)</i>	Balance at 1 January 2021	3.135.237	39.019.092	415.812	-	42.570.141
<i>IAS 16.73 (d)(vii)</i>	Depreciation during the year	380.967	460.763	7.602	-	849.332
<i>IAS 16.73 (d)(ii)</i>	Outgoings of non current asset	-	97.317	-	-	97.317
<i>IAS 16.73 (d)</i>	Balance at March 31, 2021	3.516.204	39.382.538	423.414	-	43.322.156
<i>IAS 1.78 (a)</i>	Accounting values					
	Balance at 1 January 2021	<u>18.201.269</u>	<u>16.373.915</u>	<u>53.638</u>	<u>2.788.492</u>	<u>37.417.314</u>
	Balance at March 31, 2021	<u>17.820.302</u>	<u>16.420.760</u>	<u>46.036</u>	<u>3.157.481</u>	<u>37.444.579</u>

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

IAS 16 **14. Tangible non-current asset (continued)**

On 31 March 2021, land has a book value of 1,201,941 RON and represents an area of 86,000 square meters, of which:

- 85,790 square meters at its headquarters in Orşova and
- 210 square meters at its Branch in Agigea, Constanta County.

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

The company has completed cadastral situation for the entire area of the premises owned by Orşova headquarters. The company has completed the land register for the whole situation in the area of property at its headquarters in Orşova.

Revaluation of tangible non-current assets

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

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

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

At 31 December 2009, the Company proceeded to the revaluation of buildings and special constructions, both at the headquarters in the town of Orşova and at Agigea branch, using the opinion of independent external evaluators. The reflection method of the revaluation in the company's bookings was to eliminate the depreciation from the book value of assets. The amount of the revaluation surplus was credited to revaluation reserve balance for those targets whose fair value was higher than the net book value, and for the other purposes for which the fair value has been less than the book value a reduction of the existing revaluation surplus was reflected affecting operating expenses for the purposes for which revaluation reserves were not previously recognized or the recognized revaluation reserve was insufficient to cover the decrease.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

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

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

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

For the fixed assets that are under conservation at Agigea branch, an impairment of 155,474 RON was recognized, at the end of 2013; at 31.12.2012 the impairment was 6,739 RON.

At 31 December 2014, the company proceeded to the revaluation of means of naval transport using the opinion of some independent external evaluators, applying the same rules and methods regarding the registration of the resulting differences.

For the fixed assets that are under conservation at Agigea branch, an impairment of 195,218 RON was recognized, at the end of 2014; at 31.12.2013 the impairment was 155,474 RON.

At 31 December 2015, the company proceeded to the revaluation of means of naval transport, both at headquarters in the town of Orşova and Agigea branch using the opinion of some independent external evaluators. The reflection method of the revaluation in the company's bookings was to eliminate the depreciation from the book value of assets. The amount of the revaluation surplus was credited to revaluation reserve balance for those targets whose fair value was higher than the net book value, and for the other purposes for which the fair value has been less than the book value a reduction of the existing revaluation surplus was reflected affecting operating expenses for the purposes for which revaluation reserves were not previously recognized or the recognized revaluation reserve was insufficient to cover the decrease.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

For constructions and ships, an increase amounted at 2,181,569 RON was recorded. However analyzed individually, there are positions that present decreases, their total value is amounted at 3,591,056 RON, out of which 3,416,821 RON were incurred from revaluation surplus previously recorded for these items and 174,235 RON were supported on costs.

Please note that further information regarding the revaluation can be found in the Administrators' report prepared and presented separately in the general meeting of shareholders.

Valuation techniques used by the evaluator for fixed assets under IFRS 13.91, were as follows:

- The cost approach for naval means of transport and for fixed assets in conservation
- The income approach for leased buildings (investment properties).

On December 31, 2016, the company proceeded to the revaluation of fixed assets amounted to the nature of shipping assets, using the same external independent evaluator's opinion and based on the same rules on recording differences in results. In the ordinary general meeting of shareholders, the results of this reassessment will be presented as visually distinct agenda. For fixed assets placed in conservation at Agigea branch was recognized an impairment at the end of the year 2016 total of 287,458.76 RON (to 31.12.2015 this impairment was of 252,756,17 RON).

On December 31, 2017, the company proceeded to the revaluation of fixed assets amounted to the nature of shipping assets, using the same external independent evaluator's opinion and based on the same rules on recording differences in results. In the ordinary general meeting of shareholders, the results of this reassessment will be presented as visually distinct agenda.

For fixed assets placed in conservation at Agigea branch was recognized an impairment at the end of the year 2017 total of 304,490.18 RON (to 31.12.2016 this impairment was of 287,458.76 RON)

On December 31, 2018, the company proceeded to re-evaluate the property, buildings and ships, both at the headquarters of Orşova and at Agigea branch using the opinion of independent external evaluators. The method of reflecting revaluation in the Company's accounts was that of eliminating depreciation from the carrying amount of assets. With the value of the revaluation surplus, the balance of revaluation reserves was credited for those items whose fair value was higher than net book value, and for the other objectives for which the fair value was less than the net book value reflected the decrease of the existing revaluation surplus and / or the impairment of operating expenses in the case of previously unrecognized

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

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

revaluation reserves or recognized revaluation reserves was insufficient to cover the decrease. In both the construction group and the ship, by total group, there are increases, totaling 5,330,995 RON. However, individually analyzed were positions where there were decreases, their total value being 1,054,765 RON, out of which: 1,047,790 RON were borne from the revaluation surplus previously recorded in these positions and the amount of 6,975 was incurred on costs.

At December 31, 2019, the Company proceeded to reevaluation the tangible assets of the nature of the means of ship transport, using the opinion of the same independent external evaluator and based on the same rules regarding the recording of the resulting differences.

At December 31, 2020, the Company proceeded to reevaluation the tangible assets of the nature of the means of ship transport, using the opinion of the same independent external evaluator and based on the same rules regarding the recording of the resulting differences

In order to carry out these operations, the company turned to the specialized services of the evaluator DARIAN DRS S.A., headquarters in Timisoara.

Valuation techniques used by the evaluator for fixed assets under IFRS 13.91, were as follows:

- The cost approach for naval means of transport and for fixed assets in conservation
- The income approach for leased buildings (investment properties).

According to IFRS 13, valuation at fair value of buildings and means of naval shipping supposed taking into consideration the characteristics of the assets, which users of financial statements would consider in determining the price of the asset at the balance sheet date. Fair value determination was carried out by an independent external evaluator and shall be treated as level 2 under IFRS 13 for the data taken into account in determining the fair values as at 31 December 2020, the date of financial reporting. At the company level, there has not been any change of the level presented by IFRS 13 for the data taken into account in determining the fair values. Also, the maximum amount for assets valued at fair value does not differ from the current amount of use.

Impairment losses and subsequent reversals

At the end of the year 2020 for fixed assets in conservation at Agigea Branch, was done also depreciation test, being recognized a total depreciation of 406.522,02 lei, depreciation maintained at March 31, 2021.

Reference **NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS**

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

Pledged or mortgaged non-tangible asset

To guarantee the multi-option and multi-currency global limit, in value of 2,000,000 (as to same level like 2020), made available by BRD-GSG SA, the Company established the following::

- First rank mortgage on the following properties: Repair hall, New Hall, Thermal power station, Compressors Station and PSI Shed, Operating Group, Cafeteria, Merged building, all including land, toate împreună cu terenul aferent, properties assessed according to the Guarantee Monitoring Report at EUR 1,512,800 market value, registered in the Land Book Register under the numbers 1133, 1146, 1121, 1145, 1134, 1135 and 1132;
- Security interest with dispossession on a deposit in value of 401.201 EUR.
- Assignment of receivables as collateral on receipts in a total value of 5.209.000 EUR, resulting from the commercial contracts concluded by the Company with third parties, not cashed up at 31.03.2021.

Non-tangible asset under construction

On 31.03.2021 the company has unfinished investment objectives in the amount (mainly slipway modernization at Branch Agigea) of 3.157.481 lei (4.080.417 lei on 31.03.2020)

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

IAS 38 **15. Intangible assets**

<i>IFRS 3.61 IAS 38.118 (c), (e)</i>		Other assets	Total
	Cost		
<i>IFRS 3.B67 (d)(viii),IAS 38.118</i>	Balance at 1 January 2021	1.077.700	1.077.700
<i>IAS 38.118(e)</i>	Acquisitions	-	-
	Outgoings of intangible assets	-	-
<i>IAS 38.118</i>	Balance at 31 of March 2021	1.077.700	1.077.700
	Depreciation and amortisation losses		
<i>IFRS 3.B67 (d)(i),IAS 38.118</i>	Balance at 1 January 2021	1.071.508	1.071.508
<i>IAS 38.118(e)(vi)</i>	Amortisation during the year	798	798
	Outgoings of fixed assests	-	-
<i>IFRS 3.B67 (d)(viii),IAS 38.118</i>	Balance at 31 of March 2021	1.072.306	1.072.306
	Accounting values		
<i>IAS 38.118(c)</i>	Balance at 1 January 2021	<u>6.192</u>	<u>6.192</u>
<i>IAS 38.118(c)</i>	Balance at 31 of March 2021	<u>5.394</u>	<u>5.394</u>

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

IAS 39 **16. Other investments, including derivative financial instruments**

The securities are recognized in the financial statements in accordance with IAS 27 (revised in 2010), IAS 36 (revised in 2009), IAS 39 (revised in 2009) and IFRS 7 (issued in 2008). From the corroboration of the provisions of the 4 standards, the company adopted the following policy for the recognition and evaluation of the shares and the securities:

- investments in subsidiaries, jointly controlled entities and associated entities are recognized at cost value;

- short-term investments held for sale not quoted on the stock exchange are recorded at cost, for the impairments being made adjustments (the treatment for the depreciation of these securities is established by IAS 39 paragraph 63);

- Short-term investments held for sale listed on the stock exchange are recorded at fair value (the value of the last trading day of the year), any gains or losses to be recognized in the capital situation. If there is objective evidence of impairment (as presented in paragraph 59 of IAS 39), as well as in the case of foreign exchange losses and gains, the loss of value will be recognized in the profit and loss account.

Other investments	31.03.2021			31.03.2020		
	Accounting value	Imparment adjustments	Net value	Accounting value	Imparment adjustments	Net value
Long term investments						
Shares detained at Kritom	684.495	684.495	0	684.495	684.495	0
Other titles detained on long term	0	0	0	0	0	0
Total investments on long term	684.495	684.495	<u>0</u>	684.495	684.495	<u>0</u>

Şantierul Naval Orşova S.A.

Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

IAS 39 **16. Other investments, including derivative financial instruments (continued)**

In 1993, S.C. Servicii Construcţii Maritime S.A. ("SCM"), a company acquired by Şantierul Naval Orşova S.A. during the financial year ended 31 December 2008, made with the Anonymous Society "Domik Kritis", based in Crete, a joint venture named "Kritom Shipping Company", based in the city Iraclio, Crete. The share capital owned by SCM at Kritom Shipping Company was 49%:

- the total share capital of this company was 1,230,600 euro, consisting of a total number of 4,200 shares of 293 euro / share,
- SCM, at that time held 2,058 shares, respectively 602,994 euros (49%), and Domiki Kritis held 2,142 shares worth 627,606 euros (51%)

According to the latest information received from the Greek authorities, the Greek partner proceeded, without our consent, by virtue of the provisions of art.3.4 of the Convention establishing the company, to double the share capital of Kritom, reaching 2,461,200 euros (8,400 shares), from which:

- The joint-stock company "Domiki Kritis", which has since become Aristodimos E. Lidakis SA, holds 1,857,620 euros, the equivalent of 6,340 shares, representing 75.48%, and
- Santierul Naval Orsova holds 2,060 shares worth 603,580 euros, respectively 24.52% of the share capital.

The founding convention of the Kritom Shipping Company provides that the duration of the company is for the period 1993-2012. However, in 2012, the Greek shareholder, without consulting the Company, and using the dominant position in the General Meeting decided to extend the duration of the company by 25 years, until 2037.

At the moment, based on the information we have, the company is active but due to result of the pandemic and the lockdown situation in Greece , it does not generate revenue.

For more information about the current situation of Kritom and to clarify all aspects of administration, Şantierul Naval Orşova contacted a law firm that will represent us in court and support our interests as a shareholder.

In accordance with IFRS 13, fair value evaluation of short term investments assumes taking into consideration the characteristics that market participants would consider in determining the price of the asset at the measurement date. Fair value determination was made according to the available information on the interbank market and is assimilated to the first level required by IFRS 13 for data taken into account in determining the fair values at December 31, the reporting date.

On 31 March, 2021, the Company had fully set up impairments for these securities, amounted to 684,495 RON, so the net value on 31 March 2021 was 0 RON (the same situation was registered at 31 March, 2020).

The factors that contributed to these depreciations are the distrust and lack of transparency shown by the Greek partner, which manages the company, as we have shown.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS

17. Stock

	31.03.2021	31.03.2020
IAS 1.78 (c),2.36(b) Raw materials and materials	6.300.445	10.482.978
IAS 1.78(c), 2.36(b) Production in progress	10.755.888	45.294.438
IAS 1.78(c), 2.36(b) Fixed assets detained for sale	18.637	68.853
IAS 1.78(c), 2.36(b) Finished products	-	-
IAS 1.78(c), 2.36(b) Products kept by third parties	-	-
IAS 1.78(c), 2.36(b) Goods	-	-
Impairment adjustments	(783.275)	(6.840.829)
Stocks at net value	<u>16.291.695</u>	<u>49.005.440</u>

IAS 1.104,
2.36(e)(f)

For the stocks older than 2 years (for the tin stocks older than 3 years), existing in the balance at the end of 2020 and which are maintained on 31.03.2021, the company proceeded to adjust the value accounting, constituting a total depreciation of 783,275 lei. Compared to the corresponding period of last year, there is a decrease in stocks (by 65.76%), mainly due to the production in progress, due to the completion and delivery of the two coasts that were the subject of the dispute in the form of VEKA, respectively resumption of income from related impairments. The stocks of raw materials and materials, in direct correlation with the contracted production, are also at a lower level than the one registered in the corresponding period of the previous year. On 31.03.2021, the company had registered fixed assets held for sale in the amount of 18,637 lei, representing 2 plots of land at the main headquarters in Orsova. The valuation reports have been prepared for these fixed assets, and the sale procedure is established.

18. Trade and similar receivables, other receivables and advances

	31.03.2021	31.03.2020
IAS 1.78 (b) Trade receivables in relation to related parties	-	-
Loans to executives	-	-
IAS 1.78 (b) Trade receivables	13.442.261	1.396.148
Adjustments for the impairment of trade receivables	(166.620)	(166.620)
IFRS 7.8(c) Net commercial loans and receivables	13.275.641	1.229.528
Claims - total	1.958.737	1.795.524
Different debtors	317.877	651.048
Suppliers - debtors	27.469	16.227
VAT to be recovered and not exigible	441.618	895.701
Adjustment for other receivables	(304.633)	(649.277)
Expenses registered in advance	322.908	170.615
Other receivables	1.153.498	711.210
Total	15.234.378	3.025.052

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

The movements of the Company's depreciation accounts, related to the adjustments of the trade receivables are the following:

	31.03.2021	31.03.2020
At 1st January	166.620	166.620
Impairment recovery	-	-
Constituted depreciation	-	-
Balance at the end of period	<u>166.620</u>	<u>166.620</u>

19. Trade payables and other liabilities

	31.03.2021	31.03.2020
Trade payables - short term	1.420.800	1.573.409
Social security and other taxes	1.768.954	2.111.646
Suppliers - invoices to be received	-	160
Creditors/clients	3.053.247	5.502.471
Other creditors	922.627	872.145
Total	<u>7.165.628</u>	<u>10.059.831</u>

20. Cash and cash equivalents- Lei

	31.03.2021	31.03.2020
Bank accounts in lei	2.681.576	2.224.979
Bank accounts in foreign currency(euro)	34.776.654	12.040.249
Petty cash in lei	11.838	5.468
Petty cash in foreign currency	-	-
Other values	83	3.279
Total	<u>37.470.151</u>	<u>14.273.975</u>

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

21. Capital and reserves

Capital social

IFRS 7.7
IAS
1.79(a)(i),(iii) The shareholder structure as of March 31, 2021 has not undergone changes compared to the one existing on the reference date 15.03. 2021, date chosen for the AGOA of April 16, 2021, respectively:

	Number	Amount
	Of shares	(lei)
SIF 3 Transilvania	5.711.432	14.278.580
SIF 5 Oltenia	3.200.337	8.000.843
SIF 4 Muntenia	1.504.600	3.761.500
Other corporate shareholders/individual shareholders	1.006.550	2.516.375
	<u>11.422.919</u>	<u>28.557.298</u>

The subscribed and paid up share capital is amounted to 28,557,298 RON, divided into a number of 11,422,919 nominal and dematerialized shares, each worth 2.50 RON.

The company's shares are dematerialized, ordinary and indivisible.

The identification data for each shareholder, the contribution to the share capital, number of shares owned and the participation of the shareholder in share capital are presented in the shareholder register kept by the company registry contractually designated for this purpose.

Each subscribed and paid share, grants the shareholders, under the law, the right to vote in the General Meeting of Shareholders, to vote or to be elected to the governing bodies, the right to participate in the distribution of profit or any rights derived from the shareholder quality.

During period 01.01-31.03.2021 there were no changes in share capital.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference *NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS*

21. Employees benefits

a) Remuneration of directors and administrators

The Company did not grant advances or loans to directors or administrators in first three months of the year 2021.

Wage expenses:

	Financial exercise	Financial exercises
	End at	End at
	<u>31 March 2021</u>	<u>31 March 2020</u>
	(lei)	(lei)
Administrators	146.934	220.077
Directors	324.746	263.962
	<u>471.680</u>	<u>484.039</u>

The composition of the Board of Directors on 31.03.2021 as it resulted from the expression of the shareholders' votes within the AGOA, starting with 02.10.2020, is the following:

Mr. Andanut Crinel-Valer – President

Mr. Moldovan Marius-Adrian– Vicepresident

Mrs. Dumitrescu Lucia-Carmen – member

Mr. Mihai Constantin-Marian – member

Mr. Ciurezu Tudor – member

The indemnities and other rights granted to the administrators are provided in art. 19 of the Articles of Association and in the management contracts, which were approved at the General Meeting of Shareholders on October 2, 2020. The fixed remuneration for 2021 was approved by the AGOA on April 16, 2021, at the same level as those approved by AGOA of October 2, 2020 for the period 02.10-31.12.2020. The salary and other rights due to the general manager were established by the Board of Directors, within the limits provided in art. 22 of the Articles of Incorporation and, respectively, of the Mandate Agreement concluded between the Board of Directors and the General Manager. The mandate of the current Board of Directors and of the general manager ends on October 2, 2022.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2021

Reference **NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS**

21. Employees benefits (continued)

Salaries payable at the end of the period:

	<u>31 March 2021</u> (lei)	<u>31 March 2020</u> (lei)
Administrators	28.653	42.918
Directors	30.002	23.466
	<u>58.655</u>	<u>66.384</u>

b) Employees

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

	Financial exercise Ended at <u>31 March 2021</u>	Financial exercises Ended at <u>31 March 2020</u>
Administrative staff	46	44
Direct productive staff	263	273
Indirect productive staff	61	60
	<u>370</u>	<u>377</u>

Administrator
 Dr. Ing. Crinel-Valer Andanut

Issued
 Ec. Marilena Visescu