

SANTIERUL NAVAL ORSOVA S.A.
ANNUAL REPORT FOR FINANCIAL YEAR 2021

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ŞANTIERUL NAVAL ORŞOVA S.A.
Nr. RC J25/150/1991 CIF: RO 1614734
Capital social: - subscris 28.557.297,5 lei
- varsat 28.557.297,5 lei
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Codul LEI (Legal Entity Identifier): 254900UAXJ8TPIKL
Cod IBAN: RO96RNCB0181022634120001- B.C.R. Orş



ANNUAL REPORT OF THE BOARD OF DIRECTORS ACCORDING TO LAW NO. 24/2017 AND THE ASF REGULATION NO. 5/2018 concerning the issuers of financial instruments and market operations AND OF THE MFP ORDER NO. 2844/12.12.2016 FOR THE FINANCIAL YEAR CONCLUDED ON 31.12.2021

Date of the Report: 7th of March 2022

- 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: J25/150/03.04.1991;
- Regulated market where the issued securities are traded: it is a company whose shares are traded on a regulated market, respectively it is listed in the Bucharest Stock Exchange, symbol: SNO
- Subscribed and paid in share capital: 28,557,297.5 Lei
- Class, type, number and core values of securities issued by the company:11.422.919 common shares, nominative, of 2.5 Lei each;
- The company is registered with ASF– Securities Record Office – with Certificate no. 111/02.03.1998, updated on 06.10.2008 further to the increase in share capital as a result of the merger.

1. ANALYSIS OF THE COMPANY'S ACTIVITY

1.1. Description of the company's core business

a) Description of the company's core business

The main activity of "Şantierul Naval Orşova" S.A. consists in the construction of river ships (CAEN code rev.2: 3011 "Construction of ships and floating structures"). This activity represented 92,47% of the 2021 turnover, most of the ships being exclusively designed for intra-community supplies.

Although in the previous years, at Agigea Branch, the activity which highly contributed to the turnover consisted in renting the ships, especially barges, during the year 2021, the most significant activity for the branch's turnover was that of repair work of river/marine ships (71,03%). The income from the barges' rental represented 16,43% out of the 2021 turnover (26,60% during 2020). The branch's turnover has known a slight increase since the previous year, by 5,05% which also caused an increase in its total turnover by 0,1% (from 6,6% during 2020 to 6,7% during 2021).

b) Stipulation of the set up date of Şantierul Naval Orşova SA

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

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

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

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

There were no such events in 2021.

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

d) Description of assets acquisitions and/or sales:

Acquisitions and sales of assets are described in section 5.4 of this report and in the NOTES to the financial statements for 2021, which are attached to this report.

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

1.1.1. General assessment elements for the period under review (year 2021):

- | | |
|---|----------------|
| • total income, out of which: | 75.533.784 lei |
| ▪ Agigea Branch | 5.104.612 lei |
| • total costs | 75.022.945 lei |
| ▪ out of which Agigea Branch | 7.269.944 lei |
| • gross profit, out of which: | 510.839 lei |
| ▪ Agigea Branch | -2.165.332 lei |
| ▪ Orsova headquarters | 2.676.171 lei |
| • market share held: | |
| ▪ the production obtained at the headquarters addresses the market share of intra-community river ships, where the company holds a share of approximately 1 - 2%; | |
| ▪ the rental of ships (barges) through the branch was done during the last part of the year, within the country where the share is approximately 4%; | |
| • as of 31.12.2021, the company's available funds in accounts amounted to 17.452.475 Lei, out of which: | |
| ▪ 3.094.120 lei in the Lei account | |
| ▪ 14.347.867 lei in the foreign currency accounts | |
| ▪ 6.254 lei, petty cash | |
| ▪ 4.234 lei other values, in petty cash | |

The main characteristics of the year 2021, compared with the previous years, could be shortly synthesized by:

- Maintenance of a relatively low demand on the river vessel construction market, on which our company performs activity, even if a price growth was felt for the vessels sale, that was a consequence of raw materials price increase on one hand and of services, on the other hand. Even under these conditions, the company succeeded in having covered the entire production capacity for the year 2021 and also to preserve an increased level of efficiency to the head-office.
- A decrease in the activity from Agigea Branch in comparison to the previous years was noticed subsequently to the rental of the 3 barges out of 5 type vessels, that the company owns at this branch. The income from the ships' repairing activities became predominant over the branch's turnover yet not sufficient to cover the operating costs.
- Our good name which our company has on the shipbuilder market in Europe, highly contributed to obtaining new orders.
- The activity of the year 2021 was carried out in the epidemic context of the COVID-19 pandemic.

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

1.1.2 The assessment of the technical level of the trading company

The work scope of the company is diverse, the two head-offices having different purposes, yet complementary for achieving the scope. Thus, the activities carried out consist in: the construction and

delivery of river ships, in the intra-community area (head-office in Orsova), rental of their own barges in the intra and extra-community area and repair of the ships belonging to third parties (Agigea branch). For the construction of ships, the company is equipped with the technical means, the necessary specialists for this type of constructions. Thus, endowments, technical culture, organizational system, specific technological fluxes for shipbuilding, allow the execution and delivery of inland and maritime vessels of different types and high complexity,

Şantierul Naval Orsova makes available for its clients a wide range of products. At present, it is possible to build any type of river ship for transport of goods (containers, fuel transport tanker, chemical products, food products, pharmaceutical) yet also the building of coaster vessels and passenger vessels.

Company management team manifested and manifest a continuously preoccupation for production process modernization through the acquisition of most modern tools specifically for shipbuilding. Being aware that the company should maintain an appropriate equipment level in according to the actual requests, major investments were done, for the acquisition of modern machinery, tools and equipment specific to shipbuilding. Training courses were done, qualified employees were selected, experience share within the country and abroad, yet also modernization of the already existing installations both at the head-office in Orsova and also at the branch in Agigea. Likewise, competitive equipment specific to shipyards has been imported, respectively (electric cranes 80+25t, board cutting machines with numerical control, painting and blasting equipment, welding sources in gas protective environments) and IT equipment, together with the necessary licenses and programs for a good operation.

If during the years 2013 and 2014 was carried out the modernization and capacity increase for launching and lifting of Orsova's slipway, and at present there are in progress of completion of the modernization/repairing works for Agigea's slipway, which was started 4 years ago and is about to be completed during the year 2022 (initially this action should have been completed during the year 2019, but this could not have been achieved because of objective reasons with reference to the delayed delivery of the 14 new wedge bogies which should replace the old ones, namely locking the slipway with the second coaster, respectively with the ships brought to repairing).

In the year 2021, for the head-office in Orsova, several welding machines, effective and automate were procured, as well as an OMNICUT cutting machine, two VTB-18000 air-heaters, an air dryer, an under-pressure pump and a belt saw, IT equipment. Likewise, the process of repair and modernization of the transport and lifting equipment carried on, the blasting station and the vertical quay were modernized.

At Agigea branch they proceeded with the repair and modernization of the launching slipway, 3 WELDYCAR bogies were procured together with two hydraulic pumps, an electrical forklift and two HYSTER forklifts, two welding equipments. As well, a container barrack was modernized into a storage place.

The long and fruitful collaboration with partners from the Netherlands may be attributed to the fact that the company, had been aiming at meeting their requirements, especially, by rigorously observing the quality standards imposed. Special care was given to the execution of the touch up work, especially in the esthetical areas.

The implemented quality system is able to cope with the most modern requirements, and the company is certified by Lloyd Register Quality Assurance. The company has obtained during the year 2019 also the Quality System Certification in compliance with the new standard DIN ISO 9001:2015 (the certificate no. 10186440 field "Construction and repair of ships and boats").

SANTIERUL NAVAL ORSOVA SA has at its disposal:

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

The favourable technical situation of Orşova Shipyard represents the premises for long-lasting progress and is given by the following facts:

- good locations for both the headquarters in Orşova (town situated on the Danube's bank) and the Agigea Branch (Constanța harbour);
- adjustment to the market demands is highly possible, the medium-sized shipyard opens the perspective of business diversity;
- pollution is at normal levels, (pollution does not constitute any disturbing factor);
- range of external deliveries and services is beyond 95% from the turnover;
- personnel structure is balanced and correlated with the requirements of the technological process; we have noticed, though, an increase of medium age of personnel, in parallel;
- endowment with specific fixed assets is to an acceptable level, comparable to other competing shipyards; in this respect and many years ago, the company has started an investment programme aimed, on one hand, at increasing the weight of active fixed assets, and on the other hand at replacing obsolete fixed assets with more efficient ones that can lead to enhanced productivity; by means of this strategy, the company intended to ensure increased flexibility and efficiency of fixed assets and bringing them to a technical and technological level that would allow global alignment and building of products that meet the standards required by foreign partners;
- procurement of ships mean the conclusion of direct contract agreements with the shipyards equipping the ship hulls or with European seafarers;
- for shipbuilding, there is a certain stability of intra-community clients (from Netherlands, Belgium, Germany, Austria);

The year 2021 did not bring any major modifications regarding the shipbuilding requests for marine/inland vessels, these being at a medium level, even most recent information from the ship market shows that the present situation will be preserved also during the year 2022, and also during the years to come. This is the reason why we consider that a strategy for future should be realistically analyzed, in order to can find – continuously- prices and financing policies to ensure the continuity of the activity under performance and competitiveness terms.

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

In the year 2021, there were some major changes in terms of main supply sources of raw materials and materials, yet it was insignificant. As in the previous years, the equipment was mainly bought from

domestic ISO certified suppliers according to the European norms and standards. Still, when after analyzing the quality-cost ratio, it turned to be more favourable to the import or intra-community procurement, the company chose that version; we especially refer to the ship plates, stainless steel plates, pipes, profiles. In terms of intra-community acquisitions, we mainly talk about those materials that are not produced in Romania or for which the clients have imposed a certain quality standard; such materials are laminated parts and paints for river/marine ships. Also, according to the handover conditions, the transport of ships to Germany/Netherlands was mainly done on the segment Orsova-Regensburg, and on the route Regensburg-Rotterdam with non-resident intra-community services providers (CLASSIC CHARTER GMBH – GERMANY, VIGILIA TRADING BV – THE NETHERLANDS) .

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

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

•LIBERTY GALATI:	for medium and thick plates;
•DUCTIL Buzău:	welding consumables;
•LINDE GAZ Timișoara:	technical gases
•S.C. PENTAGON SRL TECUCI:	grinding stones
•NIMFA COM SRL BUC.:	pipes and various profiles
•MAIRON S.A. GALATI	various profiles
•TRIVALENT RM. VALCEA	pipes and various profiles
•NORDEX TG. JIU	safety gloves and glasses, filters
•EURONERA DISTRIBUTION	gloves, screens, safety goggles, filters

Just as during the previous years, the main foreign supplier of materials:

- JULIUS HANDELS GMBH from Austria for profiles and pipes,
- OUTOKUMPU STAINLESS, for naval plates
- NELF MARINE PAINTS

Even if they were at a lower level than in previous years, collaboration with sub contractors continued also in the year 2021. These collaborations were necessary for the progress of the activity, referring to hull painting, steel construction, hull equipments, hull transport, etc. Among the collaboration companies we are mentioning the most important:

- MANELI SERV	ship painting;
-GRIMEX SRL TARGU JIU	ship equipment parts and metal constructions
-ELECTROSCOICA MAR SRL	metallic structures
-ECO STEEL SOLUTION SRL	for the ships' repair activity
- BERG BANAT	zinc coating

1.1.4 Assessment of sales activity

Turnover knows an increase of approx. 4,06 %, from the previous year. It is to be mentioned that while the income from the ships' construction activity increased by approx. 4,16 %, the income from the

ships' renting activity decreased by 35,10% and the income from the ships' repairing activity have known an increase by 14,17% from the year 2020. The turnover was realized, and specially, due to the external deliveries and services: intra community for the vessel built in Orsova and extra community for incomes resulted from renting the ships and repair of ships, from Agigea Branch.

All 7 vessels finalized and delivered from Orsova in 2021 were scoped to be delivered to the West-European market, among which there was the second coastal ship out of the two which constituted the litigation with the company VEKA.

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

<u>CLIENT / BENEFICIARY</u>	<u>YEAR</u> <u>2019</u>	<u>YEAR</u> <u>2020</u>	<u>YEAR</u> <u>2021</u>
RensenDriessenShipbuilding B.V. (NL)	71,36%	64,53%	67,76%
VEKA Shipbuilding B.V. (NL)	-	18,32%	17,88%
Vos Kaiser GmbH (DE)	12,27%	-	-
Vos Interceptor (NL)	-	17,15%	-
ZanenShipbuilding B.V. (NL)	16,10%	-	-
TEAMCO BV	-	-	14,02%
ASTO B.V.	-	-	0,34%
TOTAL	100%	100%	100%

According to the above mentioned information, the company Rensen Driessen continued also in 2021 to detain the first position regarding the amount of the deliveries.

The contractual payment terms were ensured either through advance payments from 10% up to 75% and payment of the difference through letter of credits.

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

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

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

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

1.1.5 Assessment of aspects related to employees / company staff

Lack of personnel continues to manifest also in the year 2021, yet only to a small extent, all steps taken at executive level by recruiting new skilled workers in the trades of welders and locksmiths who will replace those who left, especially because of retirement. Related to the company's staff, we may conclude the following:

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

Nevertheless, during the year 2021, the number of staff increased by 4,01% in comparison to the year 2020.

The average number of employees throughout 2021 is 359 employees compared to 374 employees in the previous year. As of 31.12.2021, the number of employees was of 361, out of which 314 at the headquarters in Orșova and 47 at the Agigea Branch.

Out of the total number, as of 31.12.2021, the situation per activity sectors is as following:

- 359 – industrial activity
- 1 – canteen activity
- 1 – medical activity

The structure is as following:

- 45 – technical, financial, professional and administrative staff, out of which:
 - 38 – employees in Orsova (out of which 32 with higher studies);
 - 7 – employees in Agigea (out of which 5 with higher studies).
- 5 foremen, out of which 5 in Orsova;
- 311 workers, out of which:
 - 271 employees in Orsova;
 - 40 employees in Agigea.

Personnel structure in terms of gender is as follows:

- men – 309 persons (325 in the previous year);
- women - 52 persons (51 in the previous year).

During the year 2021, a number of 56 new employees and 77 releases were registered; the latter were released through: retirements, dismissals for reasons of employee's character, expiry of the individual labour contract and with agreement from the parties, the latter being the most common cause.

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

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

Out of the total of employees, approximately 76% are members of a union, and the relations between the administration and the employees on good terms.

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

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

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

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

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

It is worth mentioning the maintenance of insignificant impact on the environment in activity of heating and hot water supplying for the company's employees, following the conservation from 01.09.2010 of heating plant. The heating of our company (administrative centre and locker rooms) being done presently helped by 8 (eight) water heating power plants, with 36 kw power each, and one of 24 KW, type ROMSTAL EKCO. L.1, with boilers of high capacity for hot water provision.

In the same idea, in the second half of 2019, the modernization of the company's cranes started, operation which is carried on also at the moment, in order to restrict influence on the environmental factors.

During 20201, the company fulfilled all the obligations resulting from the Environment Permit no. 21/27.02.2013, valid for a period of 10 years, until 27.02.2023, approved by the National Agency for Environment Protection Mehedinti for the years 2021 and 2022, complying also with the obligation of self-monitoring discharged wastewater imposed by the Waste Water Management Permit no.108/20.08.2020, avoiding the occurrence of any effect with a negative impact on the environment. (proof is the inspection documents issued by the representatives of the environment authorities that are without any measure of correction during 2021).

1.1.7 Assessment of research and development activities

Just as in the previous years, during 2021 the company did not record any research and development expenses, and for 2022 it does not intend to incur such expenditure, due to the fact that the technical design of the built ships is usually provided by clients or they use designs bought in previous years with the right to use them at new constructions to be done in the future.

1.1.8 Assessment of company activities regarding risk management

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

Also, therewith the company felt and still feels, fully, the effects of the economic and financial worldwide crisis.

Therefore, the list of potential risk sources could include:

- market risk
- price risk
- currencies risk
- environment risk
- information security risks
- cash-flow risk, etc.

As it was shown before, the decrease of ship request, accompanied by lowering of selling prices, as an effect of worldwide economic crisis, affected in latest years, including 2021, directly, the company's activity.

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

Considering the estimates/forecasts on the exchange rate developments for 2021, the company made some small transactions for covering the currency risk (hedging). These operations with derivatives were effective, being concluded in 2020 and completed in 2021 at a parity, above the official one from the respective period, which contributed to an unfavourable difference in the exchange rate for 2021 from such operations to be of approximately 34 thousands of lei.

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

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

1.1.9 Perspectives on the company's activity

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

- the company has over 29 years of experience in shipbuilding and repairs; these are performed at quality standards imposed by foreign clients and the company's name is already well-known to the West-European shipbuilders;

- the financial crisis has resulted in reduced demand for ships and price decreases, so that starting with 2009 the company was forced to resize its headcount; this action continued until early 2013; as of 2014, no layoffs have been done;
- At present, the company has concluded contracts for 2022 which assure 100% of production capacity. Negotiations which are done in the present, for new contracts signing, give us a perspective of activity continuation, by new contract signing, for the next years also, to this date contracts existing also for the year 2023;
- with regards to the Agigea Branch, it currently has 6 ships (hydro-clap barges, floating cranes, which are described at section 2.1 b of this report), out of which 5 barges have been repaired and obtained the exploitation authorisations; because of the pandemic, during the year 2021, they were lent only during the last part of the year, and at present the branch avails of the necessary facilities and capacity in order to carry out ship building and repair works, the activity of ship repair works having known an increase from the previous years.
- Considering the concluded contracts, the production structure and salary costs evolution and those with raw materials and materials, the company has foreseen in the Budget of income and expenses for the year 2022 on an amount of income, expenses and profit that are close to the one accomplished during the year 2021.
- the company also intends for 2022 to have higher investments, consisting in:
 - o Continue works for finalising the modernisation of the slipway at Agigea, namely replacement of wedge bogies; this work will be finished during 2022 and will increase safety of ships lifting-launching operations;
 - o Welding machines acquisitions, especially for the head-office in Orsova (welding techniques and robots)
 - o IT equipments
 - o Purchase of ventilation systems
 - o Purchase of machinery and equipment for mechanical cutting, profiling
 - o Purchase of photo-voltaic plants
 - o Purchase of special tools and devices
 - o Modernization of cranes
 - o Modernization of technical platforms, inner roads and buildings
 - o Modernization/purchase of rolled mill

2 COMPANY'S FIXED ASSETS

2.1 The company's main production capacities are located at the headquarters in Orșova (4 Tufări Street, Orșova, Mehedinți county), and at the branch in Agigea, at the premises of Constanța South Harbour, Constanța County.

During the year 2021, no major change was produced in their consistency, the biggest expenses of investment were those related to the repair, replacement and modernization of the existing ones, as shown. We stipulate the fact that the two lands, amounting to 4.924 sm surface, owned in Orsova, in Gratca area, were sold through bidding at the end of the year 2021.

a) The company owns 85.790 square meters of land, confirmed by Land Registry excerpts, to the administrative building;

The fixed assets at the headquarters in Orșova are mainly formed of:

- a lifting-launching hold of 1,800 t with ten wires on a length of 100 linear meters – used for launching ships with a maximum length of 135 linear meters and a width of 15 linear meters, which one was modernized in 2014;
- a technological platform that allows the simultaneous assembly of 5 ships and the execution of sections and block sections related to shipbuilding;
- 5 portal cranes of 80+25 t purchased in recent years for the assembling platform and 2 portal cranes of 16 t together with 2 magnetic beams for handling plates in the plates warehouse and the blasting station and also a 5 to Gantry crane, purchased during the year 2019; these offer much more safety and lead to increased productivity by replacing the existing crane trucks, which were worn out and obsolete;
- 1 cutting machine in OMNIMAT coordinates based on computer programs and 4 with OMNICUT plasma, commissioned in 2007 and 2009, 2018 and 2021;
- Hydraulic press for plate bending, bought in 2017
- Compressors (4 pcs.) type ACU 9 L8 from HAFI;
- a horizontal automated blasting and painting line purchased in 2009 for plates of up to 3000 mm width;
- buildings, storages, material warehouses, administrative building, a floating dock;
- cranes of 10 - 50 t, welding and painting equipment, plate rolling machine, 2 hydraulic bending-off presses for profiles of 200 t for profiles moulding at the retreat areas (stern, fore part), etc.

b) At the Agigea Branch, the company owns 210 square meters of land located in Constanța, with a building where the company's former administrative headquarters was located until 2009, before the merger. Currently, the company's offices are in Agigea, and the building in Constanța, in the year 2016 was put in conservation, lacking solutions for renting. During the last period of 2019 this building was rented, being re-classified as real estate investment. The rental contract was extended up to the end of 2023, including clauses with regards to the renegotiation of the fee at every 5 years and a value of the annual rent subject to indexation. The cadastral intabulation work was suspended until the litigation with the Town Hall in Constanta is closed, this litigation concerns certain amendments brought to this building by the old owner. During the first half of the year 2022, the works ordered by the The surface of 57,710 square meters in Agigea, where the branch currently develops its activity, is property of the State-Owned Company "Administrația Porturilor Maritime Constanța" (Administration of Maritime Harbours), and the branch has a usage contract for the harbour area with this company.

Main fixed assets owned by the Branch are the same as in the previous years, mentioning that within the year 2021 were carried on a series of expenses for repairing and modernizations of the slipway.

Regarding the slipway, within year 2015 was done the first stage of replacing damaged railways, in the year 2016 was solved problem of traction system for vessels launching, improvement action continues also along 2017 and 2018. In 2019, the investment plan considered also the replacement of the wedge bogies at this stowage. The 14 bogies which must be replaced had been fabricated in the year 2019, part-wise replaced during 2020, following that during 2021, the replacement is finalized.

The main existing endowments from Agigea branch are:

- 6 marine ships of different types and capacities, out of which:

- 5 MIDIA hydro-clap barges 940 m³ (with own propulsion);
- 1 floating crane of 60 t without propulsion;
- building and launching slipway for lifting ships, has 14 files, on whom can be executed works of launching/lifting up vessels, with the following sizes:
 - maximum length = 90,00 m
 - maximum width = 18,00 m
 - maximum height = 3,60 m
 - empty weight of the ship = 1,800 t
- 1 travelling crane 16 feet x 16 m/ 8 feet x 32 m;
- 2 KB cranes 674,25 feet x 15m/8 feet x 35m;
- 1 portal crane of 80 t purchased in 2008;
- a horizontal automated painting and blasting line purchased in 2009 for plates up to 3000 mm width;
- production halls (for metallic works, engine assembly, ship equipment);
- technical gas network;
- workshops for woodwork activities, electric repairs, turnery (with the possibility of processing parts with a maximum diameter of 600 mm and maximum length of 11.000 mm with a gantry crane of 5 feet x 16,5 m), etc;
- covered and uncovered storage areas:
- material warehouse 60 x 60 = 3600 square meters;
- work platform 40 x 30 = 1200 square meters;
- work platform 120 x 40 = 4800 square meters.

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

At 31.12.2021, the company proceeded to re-evaluation of the group of ships and "Constructions", in compliance with accounting policies of the company reflecting the results of this assessment in the financial situations drawn up for that year. The net book value of the company's non-current assets as of 31.12.2021, after re-assessment is presented below:

DENOMINATION	BALANCE AS OF 01.01.2021	BALANCE AS OF 31.12.2020
LAND	1.201.941	1.201.941
CONSTRUCTIONS	20.060.165	16.999.328
TECH. INSTAL. AND TRANSP. MEANS	15.641.959	16.351.202
OTHER INSTALL, EQUIP. AND FURNIT.	64.602	53.638
REAL ESTATE INVESTMENTS	-	22.713
ASSETS IN PROGRESS	3.564.578	2.788.492
TOTAL	40.533.245	37.417.314

The revaluation was performed by a company authorised by ANEVAR (*National Association of Certified Evaluators*), and the results were recorded and disclosed in the financial situations of the year 2021; the company has done a special report in regards to the results of this operation detailed, in order to be presented to shareholders for approval, report which completes this presentation.

Part of the fixed assets from the category of equipment was in conservation in the past years and was in the same situation at 31.12.2021 while others were taken out of use during the year. For this category of fixed assets (other than buildings) there were constituted depreciations in the total value of 435.721 lei.

Part of the lands and buildings were re-classified as fixed assets held in scope of selling, approved by the administrators during the previous years to be sold by bidding, during the year 2021 the last assets were valued by sale, as already shown, namely the two lands from Gratca area.

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

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

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

3 MARKET OF SECURITIES ISSUED BY THE COMPANY AND CORPORATE GOVERNANCE

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

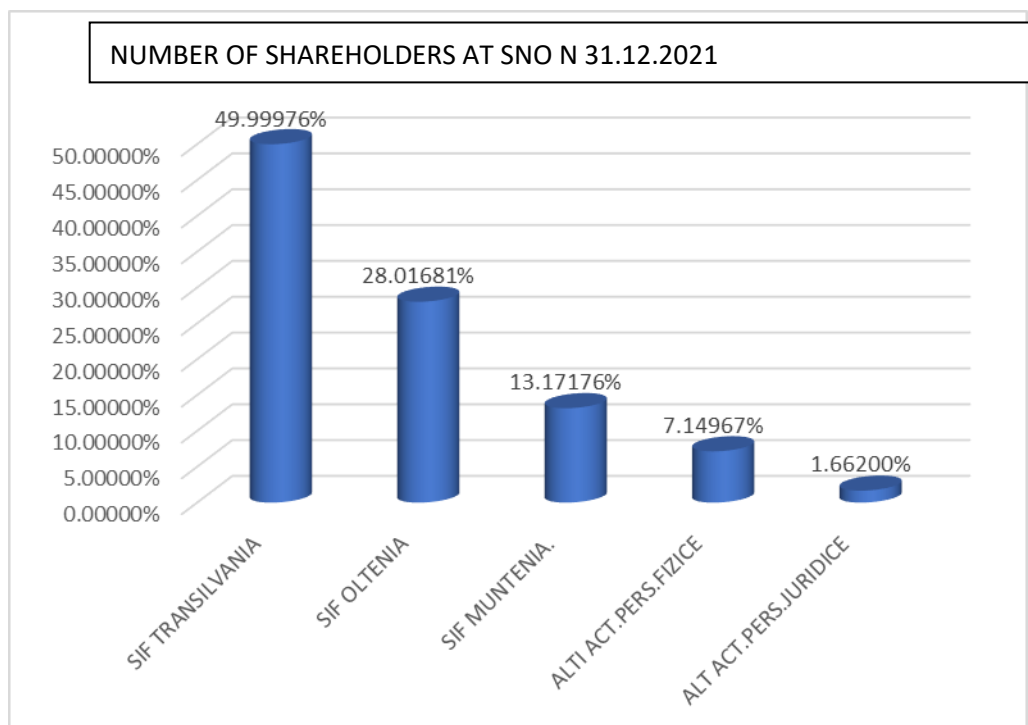
The shares of Şantierul Naval Orşova are listed and traded since 1998 at the Bucharest Stock Exchange with the symbol SNO. In this moment shares are traded on STANDARD category. S.C. Depozitarul Central S.A. keeps the shareholders' registry, according to the contract no. 24494 dated 17 May 2007.

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

The share capital of Şantierul Naval Orşova SA did not register changes in 2021.

According to the shareholders' registry, as of 31.12.2021, the structure of shareholders is as following:

<u>Shareholders</u>	<u>Number of shares</u> <u>Percentage</u>	<u>Amount</u> (Lei)	(%)
SIF 3 Transilvania	5.711.432	14.278.580	49,9998
SIF 5 Oltenia	3.200.337	8.000.843	28,0168
SIF 4 Muntenia	1.504.600	3.761.500	13,1718
Other shareholders natural persons	816.701	2.041.752	7,1497
Other shareholders legal persons	189.849	474.623	1,6620
	<u>11.422.919</u>	<u>28.557.298</u>	<u>100,000</u>



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

Compared to the shareholder's structure as of 31 December 2020, no modification has been noticed in 31.12.2021, in what the ownership of significant shareholders are concerned, yet a slight increase of shareholders legal persons has been noticed, compared to shareholders natural persons. The company's shares are ordinary and indivisible.

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

According to the law, each share subscribed and paid in by shareholders gives them the right to a vote in the General Meeting of Shareholders, the right to elect or to be elected in the company's governing bodies, the right to participate in profit distribution or any other rights deriving from the shareholder position.

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

The evolution in share of the company Santierul Naval Orsova SA, for one year, respectively for 5 years, together with the amount of shares traded during this period, has been represented in the graph below (source: Stock Exchange Bucharest).

ANNUAL REPORT OF THE BOARD DIRECTORS FOR FINANCIAL YEAR 2021

Published on TradingView.com, February 08, 2022 10:06:24 EET
BVB:SND, D D:5,7000 H:5,7000 L:5,7000 C:5,7000



TradingView

Published on TradingView.com, February 08, 2022 10:07:21 EET
BVB:SND, M O:5,5000 H:5,7000 L:5,5000 C:5,7000



TradingView

According to the data shown on the BVB site, the variation range of the trading cost from the previous year was between 3,74 lei/share and 7,09 lei/share (increase by 89,57%). Related to the last 5

years, we notice that the smallest trading cost was registered at the beginning of April 2016 (2,3026 lei/share), and the biggest price was recorded at the beginning of May 2021 (7,3 lei per share).

3.2 Description of company's policy on dividends

With retrospection on the last 10 years, we may conclude on the following, in relation to the policy of dividends:

- Approach regarding net profit was different, in compliance with the level of profit, shareholder's interests and respecting the legal dispositions.

- Up to 2009, as long as amounts in the income statement were more significant, the General Meeting of Shareholders approved the distribution of dividends from net profits, which represented approximately 50-60% of net profit. The value in Lei/share was between 0.4-0.75 Lei/share. Size, in absolute value of the gross dividend per share, was established according to the performances of the company. During the entire period where the dividends' distribution was approved, their payment was done within the term concluded by the General Meeting of the Shareholders, without being registered delays or complaints from the share holders.

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

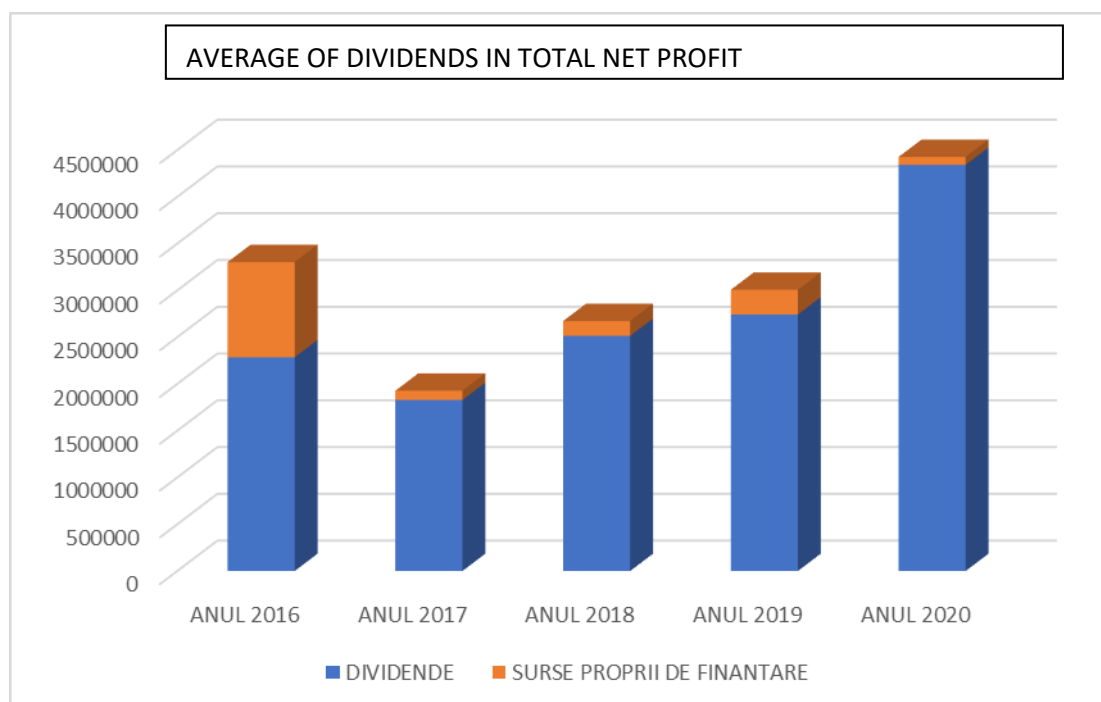
- In the year 2012 and 2013, the company registered losses, thus dividends distribution was not possible.

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

In the year 2016, after covering losses from previous years from "Other reserves", the net profit for this year was distributed according to the Decision of the Ordinary General Meeting of Shareholders from 07 April 2017 for: the payment of a gross dividend amounting to 0,2 lei/share

- - For the fiscal year 2017, a gross dividend of 0,16 lei/share was approved, for 2018, the amount of the gross dividend was 0,22 lei/share and during 2019 the gross dividend approved was 0,24 lei/share.
- - for the year 2020, the General Meeting of the Shareholders have approved the allotment of the gross profit amounting to 1 leu/share, out of which 0,38 lei/share allotted from the net profit of the year 2020 and 0,62 lei/share as gross additional share allotted from the result reported.
- - during the year 2021, the company has not registered any net profit.

The evolution of the average of dividends and own financing sources in total net profit, during the last 5 years has been represented in the graph below:



3.3 Description of any activities relating to purchasing own shares

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

3.4 Number and nominal value of shares hold by subsidiaries

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

3.5 Issuance of bonds and/or debt securities

The company did not issue bonds or other debt securities in 2021 or in the previous year, hence there are no liabilities towards holders of such securities.

4 MANAGEMENT OF THE ISSUER

4.1 Șantierul Naval Orșova S.A. is unitarily managed by the Managing Board consisting of 5 members, appointed by the General Meeting of the Shareholders through cumulated vote. The General Meeting of Shareholders (AGOA) of 02.10.2020 appointed the company's new Board of Directors for a period of 4 years, with the following structure:

- MISTER ANDANUT CRINEL-VALER – Romanian citizen, aged 63, engineer. On 31.12.2020 did not own any shares, of the company's social capital;

- MISTER MOLDOVAN MARIUS-ADRIAN – Romanian citizen, aged 40, economist. On 31.12.2020 did not own any shares, of the company's social capital;
- MISS DUMITRESCU LUCIA-CARMEN – Romanian citizen, aged 58, engineer. On 31.12.2020 did not own any shares, of the company's social capital;
- MISTER CIUREZU TUDOR – Romanian citizen, aged 66, economist. On 31.12.2020 owned a number of 16.500 shares, representing 0,14% from the company's social capital;
- MISTER MIHAI CONSTANTIN-MARIAN – Romanian citizen, aged 54, lawyer. On 31.12.2020 did not own any shares, of the company's social capital;

Upon the request of the main shareholder, SIF Transilvania, on the date of 28.12.2021, a new managing board was chosen, through the cumulative voting, for a period of 4 years, with the following consistency:

- MISTER ROȘCA RADU-CLAUDIU – Romanian citizen, aged 49, economist. On 31.12.2021, he did not own any shares, of the company's social capital;
- MISTER ENESCU RADU-VALENTIN – Romanian citizen, aged 52, engineer. On 31.12.2021, he did not own any shares, of the company's social capital;
- MISTER SPERDEA MIRCEA-ION – Romanian citizen, aged 68, engineer. On 31.12.2021 owned a number of 12.000 shares, representing 0,11% of the company's social capital;
- MISTER ZOESCU MIHAI – Romanian citizen, aged 42, economist On 31.12.2021, he did not own any shares, of the company's social capital;
- MISTER MIHAI CONSTANTIN-MARIAN – Romanian citizen, aged 55, lawyer. On 31.12.2021 did not own any shares, of the company's social capital;

Additional information on the shareholders' professional preparation and experience, may be obtained from their CVs which may be consulted on the company's website: www.snorsova.ro, section: Investors/Corporative management-Managing Board& Executive management.

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

According to the legal provisions and those included in the company's articles of incorporation, the Board of Directors had several meetings (12) in 2021, either physical or online, by phone and e-mail, in order to analyse and discuss the company's current issues, which fall under the responsibility of this governing body.

The main issues discussed, analysed and approved in the meetings of the Board of Directors in 2021 refer to:

- organizational measurements precursory to the General Meeting of Shareholders from 2021,
- analysis and approval of the financial statements,
- substantiation of the BVC, analysis of accomplishment in comparison to the BVC provisions,
- analysis of accomplishment of the investment program for the year 2021,
- approval of internal procedures existing at the level of the company and approval of the measures with regards to the filling/drawing up of new operating procedures;
- approval of forming a new negotiation commission for the external contracts of river ships building;
- analysis of developments in the litigation with VEKA Netherlands at the Court of Arbitration in Rotterdam,

- approval of global ceilings in relationships with banks,
- approval of internal audit plans and analysis of the internal audit engagements' conclusions,
- approval of goods' disposals and decommissioning, and also of other aspects which depend on the approval of the Managing Board.
- Approval of wages' increase that had been negotiated with the trade unions, solving various requests of the trade unions related to the salaries and other current issues on the agenda
- Analysis of the wages costs and deviations between the preliminary calculation and the post-calculation concerning the new constructions;
- Analysis and approval of operational measures at Agigea branch.
- Settling measures to increase the company's compliance degree with the principles of a corporate governance.

4.2 As regards the executive management, we highlight that starting with March 2011, the Board of Directors has validated the appointment of Mr Mircea Ion Sperdea as General Manager, by concluding a mandate agreement. On April 2015 the mandate of Mr. Sperdea Mircea Ion was extended for a 4 years period. On April 2019, the mandate of Mr. Sperdea Mircea Ion was extended for a period of 1 year, namely until April 2020. In April 2020, the mandate was extended for a period of 4 years, and in October 2020, the new Managing Board selected during the AGOA, from 02.10.2020 had concluded a new mandate contract with Mr. Sperdea Ion Mircea, for a period of two years.

On 31.12.2021 the executive management has the following structures:

- Ing. Sperdea Mircea	-	General Manager
- Ec. Vişescu Marilena	-	Economical Manager
- Ing. Stoinel Florin	-	Technical Manager for Production Preparation
- Ing. Lascu Adrian	-	Agigea`s Branch interim in charge

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

We inform the shareholders that according to the legal provisions (amendment to Law no. 31/1990 – Company Law, republished), the company suspended the employment contract of the general manager as of 1 March 2011. The company, represented by the president of the Board of Directors – Mr Fercală Mihai - and Mr Mircea Ion Sperdea have concluded and signed a mandate agreement for 2 years and this one was extended successively as shown. This agreement refers to the fact that based on the delegation provided by the company's Board of Directors, the General Manager shall exert some of the management attributions of this body, to the extent permitted by the law and in order to fulfil the company's activities. As of 31.12 2021, Mr Sperdea Mircea held a number of 12,000 shares, representing 0.11 % of the share capital.

Miss Vişescu Marilena was employed at this company, during the year 1987, immediately after having graduated the Economical Sciences Faculty in Craiova, with specialization in finances - accounting, as economist. Starting with 01.11.1990, she was promoted to head of the accounting department until 30.06.2019 when she was promoted to economic director. On 31.12.2021, she owned a number of 10 shares at the company Santierul Naval Orsova SA.

Mr Stoinel Florin graduated the Mechanics Faculty of the Timisoara “Politehnica” University in 1995 and was immediately employed as an engineer with the Design Department of Șantierul Naval Orșova SA. During 01.10.1998 - 14.11.2005 he was the head of the Design Department within Santierul Naval Orsova SA. During the period 01.10.1998-14.11.2005 he has worked as head of the design department, and on 15.11.2005 he was appointed technical manager in charge with preparation of the fabrication process. On 31.12.2021 he owned a number of 400 shares in Șantierul Naval Orșova SA.

Mr Lascu Adrian graduated the Ovidiu University Faculty of Engineering in Constanta, with a major in Naval machinery and equipments in 1995. Starting with April 2005 he was chief engineer of repair works at the former company Servicii Construcții Maritime SA Constanța, carrying on this activity on this position also after the merger between SCM and Santierul Naval Orsova S.A. Starting with September 2021 he is also an interim responsible in charge of Agigea Branch. On 31.12.2021, he did not own any shares in SNO.

We stipulate that during 2021 changes happened in the management of Agigea Branch, namely on 29.03.2021 Mr. Candea Alexandru was replaced by Mr. Varlan Alexandru in the manager position, for a mandate between 01.04.2021 and 31.12.2021. Starting with 30.08.2021 the mandate agreement ceases for Mr. Varlan Alexandru subsequently to his resignation, and Mr. Lascu Adrian is appointed as Interim responsible in charge over a period between 01.09.2021-28.02.2022. The Managing Board of the company has decided, on the date of 22.02.2022 the extension of Mr. Lascu Adrian’s mandate for another 6 months.

Except for the general manager, who has a mandate agreement with the company, as already mentioned, all the other directors are appointed as executive directors by the Board of Directors and they are employees of the company with employment contracts concluded for indefinite period.

The company does not have knowledge of agreements or family relationships between the directors and other persons due to which the above-mentioned.

The company does not have knowledge about involvement of the persons mentioned at sections 4.1 and 4.2 in litigations or administrative procedures in the last 5 years or to have had restrictions on occupying management positions within the company.

4.3 Other aspects on CORPORATE GOVERNANCE

The latest amendment of the company’s Articles of Incorporation was realized during the General Extraordinary Meeting of Shareholders on 02.10.2020 and focused on the chapters related to the Managing Board and the Company’s Directors.

For the internal control, the Board of Directors has contracted the internal audit to an authorised company; respectively S.C. ASSOCIATED BUSINESS AUDITORS S.R.L. Timișoara. This company is certified to carry out these types of activities. More details regarding the fee and other information related to the internal audit activity can be found in the Notes of the financial situations.

According to the provisions under the Code of Corporate Governance of BVB, the issuer Șantierul Naval Orșova S.A. publishes on its website details of maximum importance for shareholders, respectively:

- Current reports, media notes;

- Details about the progress of the general meetings of the shareholders: convenors, materials related to the agenda, special proxy model, shareholders' rights and the rules and procedures of participation to the general meetings, detailed voting result, decisions taken in the meetings
- reports with annual, biannual, quarterly financial information
- information on the members of the board of directors and executive management, including contact details, yet also amendments in the structure of the Managing Board;
- data concerning the consulate committees constituted at the level of the Managing Board;
- fiscal calendar;
- resolutions of the General Meeting of the Shareholders;
- functional articles of incorporation;

The current Board of Directors consists of 4 non-executive members and one executive member, and the decision-making process of this management body is not dominated by a person or a group of persons, due to its organisation. The election of the members of the Board of Directors is based on a transparent procedure, nominations are public. The company performs activities related to social responsibility and environment, and instructed employees are appointed for handling these issues.

At the CA level 2 committees were formed: Audit Committee and Retribution Committee each consisting of 3 members.

Considering the shareholders' structure, according to which approx. 91% of the shares are owned by the three SIFs (SIF3, SIF4, SIF5), the administrators were proposed/elected as being their representatives.

At present, out of the five managers, three are independent.

5 FINANCIAL-ACCOUNTING SITUATION

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

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

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

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

The audit of the financial statements for 2021 was performed by A.B.A. AUDIT SRL Timisoara, based on the contract no. 405/22.07.2013, whose initial validity was for 2 years and subsequently extended, for 2 more years and in 2017 was extended for 3 more years, until 30.04.2020, in compliance with AGOA resolution from 07.04.2017. During the AGOA from 10.04.2020, their contract was extended by 2 years, namely for the audit of the fiscal situations corresponding to the years 2020 and 2021.

5.1 Financial position as of 31.12.2021

During 2021, after the re-assessment of the IFRS 16 requirements, the company framed the renting contract with the National Company The Administration of the Sea Harbours Constanta, concluded during the last part of 2019, under the incidence of this standard and dealt accordingly with the indicators and assets, debts and capitals for the year 2020. More information on this may be found in the Notes to the financial statements.

According to IFRS, as of 31.12.2021, the financial position compared to the last 2 years is as following:

<i>ASSETS, LIABILITIES, EQUITY</i>	<i>31.12.2021</i>	<i>31.12.2020</i>	<i>31.12.2019</i>	<i>YEAR 2021/2020 GROWTH/ DECREASE (%)</i>
	<i>Lei</i>	<i>Lei</i>	<i>Lei</i>	
I. Total tangible assets, out of which:	36.968.667	34.628.822	36.069.891	6,76
- land and constructions	21.262.106	18.201.269	19.718.780	16,82
- technical installations and transportation means	15.641.959	16.373.915	16.277.471	(4,47)
- other tangible assets	64.602	53.638	73.640	20,44
II. Intangible assets	20.138	6.192	3.083	225,23
III. Real estate investments	3.564.578	2.788.492	2.862.195	27,83
IV. Real estate investment	522.236	508.019	517.515	2,8
IV. Other non-current assets	621.530	496.543	110.824	25,17
V. User rights of rented assets	1.559.962	1.950.983	2.377.179	(20,04)
A. TOTAL NON-CURRENT ASSETS	43.257.111	40.379.051	41.940.687	7,13
I. Inventories	22.400.725	34.611.321	44.839.962	(35,28)
II. Trade receivables and other receivables	20.330.881	1.185.231	2.091.262	1615,35
III. Other short-term financial investments	3.087.107	3.857.609	6.677.460	(19,97)
IV. Cash and cash equivalents	14.365.368	30.825.273	13.939.382	(53,40)
V. Receivables related to current tax	-	18.637	318.158	-
VI. Expenses paid in advance	165.412	130.348	67.119	26,90
B. TOTAL CURRENT ASSETS	60.349.493	70.628.419	67.933.343	(14,55)
TOTAL ASSETS	103.606.604	111.007.470	109.874.030	(6,67)
I. Equity	28.557.298	28.557.298	28.557.298	0
II. Share premiums	8.862.843	8.862.843	8.862.843	0

<i>ASSETS, LIABILITIES, EQUITY</i>	<i>31.12.2021</i>	<i>31.12.2020</i>	<i>31.12.2019</i>	<i>YEAR 2021/2020</i> <i>GROWTH/</i> <i>DECREASE (%)</i>
	<i>Lei</i>	<i>Lei</i>	<i>Lei</i>	
III. Reserves	54.896.946	51.777.818	52.191.937	6,02
IV. Result of the year	(153.870)	4.635.374	3.199.201	-
V. Reported result	941.454	7.737.995	7.431.918	(87,83)
VI. Profit distribution	-	(191.823)	(198.765)	-
VII. Other internal equity elements	(4.338.244)	(4.028.932)	(4.290.219)	7,68
C. TOTAL EQUITY	88.766.427	97.350.573	95.754.213	(8,82)
I. Liabilities related to deferred tax	4.352.333	4.037.136	4.299.942	7,81
II. Other liabilities	1.047.860	1.449.720	1.880.893	(27,72)
D. TOTAL LONG TERM LIABILITIES	5.400.193	5.486.856	6.180.835	(1,58)
I. Short term loans	-	-	-	-
II. Trade payables and other payables, including derivatives	8.804.168	7.144.568	7.306.501	23,23
III. Advance registered incomes	3.801	215	1.246	1.667,91
IV. Provisions	1.032.015	1.025.258	631.235	0,66
E. TOTAL CURRENT LIABILITIES	9.439.984	8.170.041	7.938.982	15,54
TOTAL EQUITY AND LIABILITIES	103.606.604	111.007.470	109.874.030	(6,67)

Non-current assets: This category of assets, per total, has increased by 6,76% from the previous year, especially subsequently to the re-evaluation operation (in terms of financial reporting) of the construction units, namely ships, realized on 31.12.2021, yet also subsequently to the procurement realized for the modernization of the activity. An increase by 27,83% had been registered for the tangible assets under execution from the previous year mainly due to the modernization works of the launching way to be completed during 2022. As well, an increase by 25,17% for other non-current assets, mostly because of fiscal receivables corresponding to the registered amounts.

Non-tangible assets have increased by 225,23% (licenses have been purchased).

The user's rights of the rented assets. During the year 2021, the company re-analyzed the renting contract of the land that had been concluded with the National Company The Administration of the Harbors in Constanta and concluded that it must be framed within the acknowledgement of the standard IFRS 16. Thus, the company registered an operative corresponding to the user's right and a corresponding leasing debt, proceeding subsequently to the retroactive restatement of the errors generated by the failure to apply the standard. The decrease registered for this position (by 20,04%) is according to having reduced the right of use for the remained contractual period. More information on

the application of the IFRS 16 standard and the restatement of the errors generated because of this failure of application have been defined in the Notes to the financial situations.

Stocks registered per total a decrease by 35,28 %, from 31.12.2020, especially based on the production in execution. To be stipulated also, that in structure, the production in progress had decreased by approx. 48,97% because of the delivery of the last coastal ship of the two which were the object of the dispute with the company VEKA.

Trade receivables and other receivables A significant increase has been noticed in the trade receivables in comparison to the previous year (by 1.615,35%). At the end of 2021, the company had outstanding current trade receivables and a significant part had been liquidated during the beginning of the year 2021, by cashing-in, yet an outstanding receivable has been registered out of the commercial relation with the company Veka, receivable whose payment had been deferred, in compliance with the agreement concluded during the month of February 2022, the final payment due date being the month of October 2022. Other information related to the trade receivables and other receivables can be found in the Notes to the financial situations.

Cash and cash equivalents, registered a significant decrease by 53,40 % against 2020, as a direct connection to the increase of the receivables from the previous position yet also to the payment of the dividends allotted during the year 2021.

Advance expenses have also recorded a growth, by 26,90%, subsequently to having procured pavilions for the barges in the patrimony of Agigea branch yet also due to several expenses within the designing department.

Totally, current assets know a decrease by 14,55 %.

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

Own capitals, even if they register a total decrease by 8,82%, especially because of the significant decrease of the reported result (by 87,83%) , because of the allotment of the additional dividend in the year 2021 yet also because of the result of the fiscal year, at the end of the year the company having registered net loss. The increase of the Reserves has been registered according to Other components from the internal capitals, subsequently to the re-assessment carried out by the company within the constructions and ships' units.

The provisions maintain at a level which is close to the one from 2020.

The commercial debts and other debts have known an increase, (by 23,23%) in comparison to 2020, yet mainly they represent current debts, with decrease during the following period.

The internal capitals and debts have known a decrease by 6,67% overall.

5.2 PROFIT AND LOSS (COMPREHENSIVE INCOME)

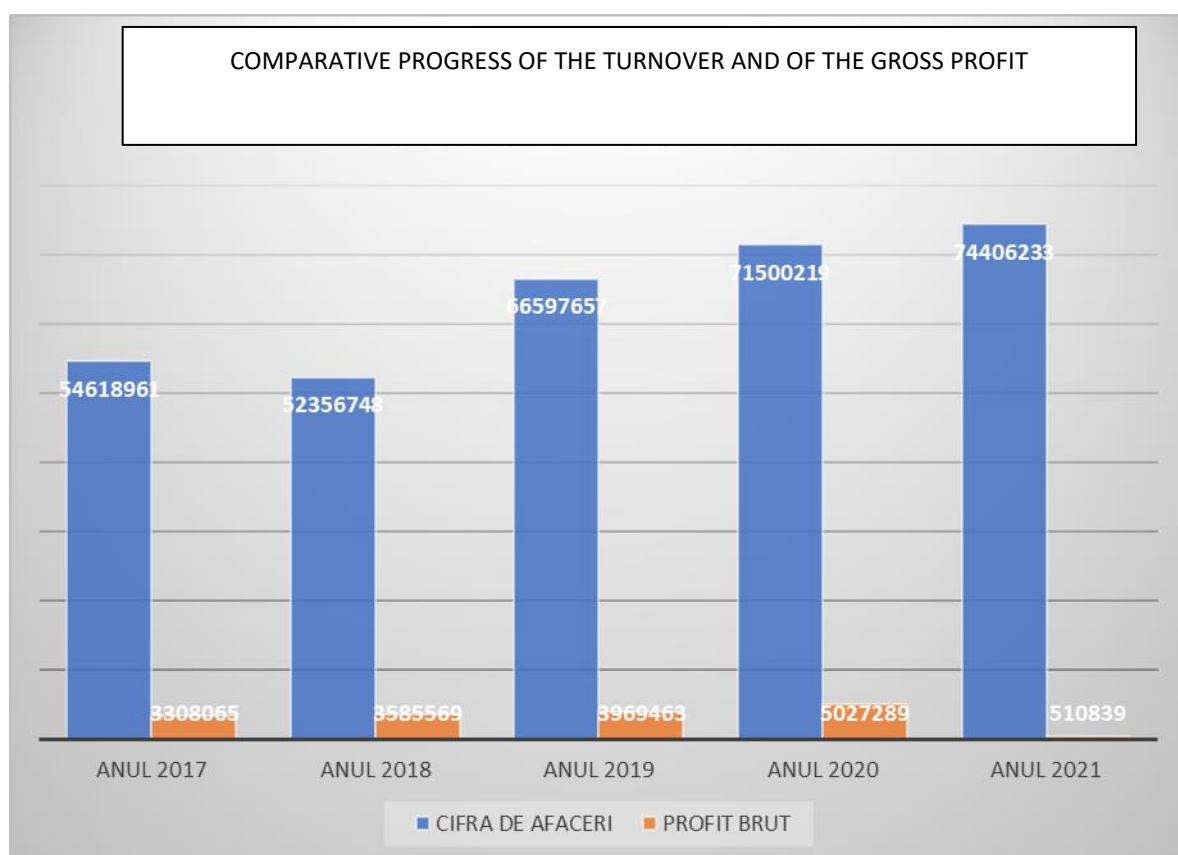
The gross result prior to taxation realized in the year 2021 is below the one realized in 2020 (decrease by 89,84%), but also above the one stipulated in the BVC, the deficit registered is by 85,40%. These aspects were resulting from the fact that the turnover for 2021 registered an increase, from the previous year by 4,06%.

The result from 2021 was negatively influenced by the decrease in the branch's activity caused by the COVID-19 pandemic. The department of barges' rental was seriously affected and the incomes realized out of this activity have decreased significantly which led to loss at the level of the branch.

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

- Gross profit provisioned in BVC year 2021	3.500.000 lei
- Gross profit realized in 2021	510.839 lei
- Gross profit obtained in 2020-re-stated	5.027.289 lei

An evolution of the gross profit for the past 5 years is shown in the diagram below:



In the table below there are written, synthetically, in structure, the realizations of the year 2021 in comparison to those from the previous year and to the provisions from the income and expenses budget, with the stipulation that the income and expense of the 2 years have been shown according to the provisions from the OMFP no. 2.844/2016 for the approval of the Regulations according to the Standards of Financial Reporting.

INDICATORS	ACHIEVEMENTS PRIOR YEAR (2020-restated)	FINANCIAL YEAR 2021			LEI	
		BVC PROVISIONS	ACHIEVEMENTS	OUT OF WHICH AT THE BRANCH	ACCOMPLISHMENT DEGREE (%) 2021 COMPARED TO:	
					ACHIEVEMENTS 2020	BVC PROVISIONS
TOTAL INCOME, out of which:	73.660.173	72.790.000	75.533.784	5.104.612	102,54	103,77
- Operating income	72.982.950	72.190.000	74.669.943	5.003.991	102,31	103,44
- Financial income	677.223	600.000	863.841	100.621	127,56	143,97
TOTAL EXPENSES, out of which:	67.632.884	69.290.000	75.022.945	7.269.944	110,96	108,27
- operating expenses	68.359.248	68.890.000	74.660.228	7.223.241	109,22	108,38
- financial expenses	273.636	400.000	362.717	46.703	135,55	90,68
GROSS PROFIT / LOSS BEFORE TAX, out of which:	5.027.289	3.500.000	510.839	-2.165.332	10,16	14,60
- operating profit/loss	4.623.702	3.300.000	9.715	-2.219.250	0,21	0,29
- financial profit/loss	403.587	200.000	501.124	53.918	124,17	250,56
CURRENT AND DEFERRED PROFIT TAX (PAYABLE OR RECEIVABLE -/+)	(391.915)	(560.000)	(664.709)	-	169,61	118,70
NET PROFIT / LOSS	4.635.374	2.940.000	(153.870)	-	-	-
NUMBER OF SHARES	11.422.919	11.422.919	11.422.919	-	100,0	100,0
NET PROFIT / LOSS PER SHARE (Lei/share)	0,4057	0,2573	(0.0134)	-	-	-

It is to be noticed that the gross profit was realized at the main office in Orsova while Agigea Branch recorded loss. A significant contribution to the realization of the total gross profit is attributed also to the financial activity, both at the main office and at the branch, as we are about to show.

5.2.1 Analysis of operating activity

As already shown, the operational incomes of the year 2021 have resulted approximately 93,3% from the head-office in Orsova, where there were finalized and delivered a number of 7 vessels (in 2020:6 vessels), in total value of 13.985 thousands of Euro/68.802 thousands of lei (in 2020: 13.642 thousands of Euro, respectively 66.052 thousands of lei, at an average parity of 4.9196 lei/€ (in 2020: 4.8418 lei/€), against a rate of 4.88 lei/euro having taken in consideration for the BVC substantiation.

Per total, the operational incomes were higher than the ones from the previous year (increased by 2,31%) yet also from those stipulated in the BVC (exceeding by 3,44%).

Still, the result from operation is not significant, the company registered out of the operating activity a profit amounting to 9.715 lei. The failure to accomplish the profit from operation from the one in the BVC at Orsova head-office (by 35,21%) has been caused mainly by the increase of the costs of first hand materials (plate and steel profiles). The loss registered by Agigea Branch is the effect of objective causes, namely the COVID-19 pandemic which influenced negatively the market of ships' renting, and the income realized for the ships' repairing activities did not cover the operating expenses.

Negative influences on the operating activity are also because of the lack of possibility to receive supply within the country, from the traditional suppliers, of special naval materials which triggered their procurement from abroad, at higher costs, on one side, and on the other side, in order to be able to meet the contractual delivery dates, we had to subcontract certain works which also added up additional costs.

The ships built in Orsova were completely scoped to be delivered intra-community, respectively in the Netherlands. Referring to the structure/type of the vessels built, it may be stipulated that it is close to the ones built during the previous years. Subsequently, during the year (2021), the following types of ships had been delivered:

- 1 SS-STEEL TANK with a length of 110 m;
- 2 TANKS with a length of 110 m;
- 3 MONEY MAKER type of ships of 110 m length;
- 1 COASTAL SHIP.

Decline of the vessels market registered in the past years, as a consequence of movements produced on external market, continued also in 2021. The cut by approximately 30% in comparison to 2020, in the amount of transported goods, by approx. 80% of the number of new orders, according to the market analysts was also caused by the COVID-19 pandemic which marked the activity on this market department during the year 2021.

Even so, under these terms, SANTIERUL NAVAL ORSOVA SA succeeded in having covered the entire capacity of production in Orsova and at Agigea branch, the main income source was represented by the ships' repair, only 3 barges being rented internally, within the last part of the year.

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

5.2.2 Analysis of financial income and expenses

Considering that over 95% of the company's cashing in is expressed in euro, coming from deliveries of ships in the intra-community area, the company was permanently exposed to the monetary risk (parity lei/euro). Hence, during 2021, this parity was floating, the company did not conclude new transactions yet transactions conclude during 2020 and completed in 2021 were processed. Thus from the financial activity, there has been realized a profit of 501.124 lei (during the previous year the profit recorded was 448.543 lei), out of which favourable exchange rate difference: 838.609 lei. More information related to the named influences may be found in the Notes to the financial situations.

Having a balanced flow of cash in during the entire year, the company did not contract bank credits during 2021. Subsequently, on 31.12.2021, the company did not have credits and had enough

availabilities in the account to support the financing of its current activity, but also that for the investments, out of internal sources.

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

5.2.3 Provisions/encumbrances and depreciation

Just like in the previous years, the company considered it useful to form encumbrances and depreciation for an accurate analysis of tangible assets in conservation, financial assets, seniority of materials stocks, also the litigious receivable as well as for leaves and other salary rights corresponding to the year 2021 and which will be paid in 2022.

The situation of these provisions and depreciation for 31.12.2021 is the following:

	- Lei-
a) For depreciation of tangible assets	435.721
b) For depreciation of financial assets (shares hold at KRITOM Greece (Crete)	684.495
c) Litigations	531.210
d) Provisions for holidays and retirement bonus	500.805
e) Adjustment for depreciation of inventories	589.947
f) Adjustment for depreciation of receivables (clients/debtors)	568.675
TOTAL PROVISIONS AND DEPRECIATION	3.310.853

Compared to the previous year, per total, decrease has been noticed, in absolute numbers, by 2.390.466 lei. In structure, it may be noticed that, there is a significant decrease of the depreciation stock related (especially because of uncompleted production). The other provisions and depreciations have not registered significant deviations from the previous year.

Regarding the volume of depreciation at stock materials, in absolute numbers, decrease by 2.280.233 lei has been registered from the previous year, out of which:

- 2.086.840 lei adjustment (by decrease) of the depreciations for the delivery of the second coastal ships under dispute, the last of the two which were in litigation with the company VEKA. The depreciations were cancelled by being moved to income.

- 194.000 lei decrease of the depreciations for material stock which is not mobile, as a consequence of their use during the production process.

The provision for disputes amounting to 531.210 lei refer to a file which had been pending at the court of trial (Mehedinti County), registered at the end of the year 2020, in which the former president of the managing Board – Mr. Mihai Fercala – claimed interests on compensation for his dismissal from the management prior to the expiry of his mandate. At present, the file is set on the High Court of Review and Justice.

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

5.3 Analysis of the result and net profit distribution

Gross profit realized at 31.12.2021 is amounting to 153.870 lei.

Given the legal provisions on profit tax calculation, according to the legal provisions, the company has considered the non-taxable income and the non-deductible expenses for its determination, as these are similar to income/expenses elements.

It was also considered that for the activity at the canteen which is administered by the company, the company owes a specific tax according to the Law no. 170/2016.

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

Non-deductible expenses consist of sponsorship, provisions and depreciation (according to the above description), social expenses exceeding the approved share of deduction, fines and penalties and other expenses.

A significant influence for the calculation of the taxable profit was represented by the amount allotted as dividends out of the result reported, being the surplus realized from the reserves out of the re-evaluations, amount taxable at the moment of allotment.

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

After deduction of tax on profit from the gross profits, as per the law, the following situation has resulted:

No.	Indicator	Amount – lei -
1.	Gross profit	510.839
2.	Profit tax + specific tax	664.709
3.	Net loss (2-1),	<u>153.870</u>

We stipulate that during the fiscal year 2021, the company did no longer form legal reserves, on 31.12.2020, the company reached the fifth share out of the social capital according to art. 183 from the Companies La no. 31/1990, republished, further amended and abridged.

The general ordinary meeting of the shareholders for the approval of the financial statements for the year 2021, will aim at settling the manner of covering the net loss, according to the above stipulated.

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

According to the objective needs of the company, for obtaining guarantee letters, the opening of credit letters, for suppliers, and also for a possible covering of the necessary of financing sources, the company continued also in 2021 to benefit from the bank's support. Thus, the company had approved also in 2021, a ceiling for the multi-options and multi foreign exchange, approved by BRD, 1,54 million Euro, ceiling used for the financing needs of the company.

At the same time, the company benefited from a limit for currencies risk through BRD, covering in amount of 2.069.000 USD, at the same level as in 2020.

These ceilings were guaranteed with a mix of guarantees consisting of mortgages, pledges, assignment of receivables on export contracts (guarantee letters opened for external contracts) and two cash collateral in amount of 441.201 EURO. These ceilings were used specially for issuance of bank

guarantee letters, the company not needing bank credits during 2021, as its internal sources were enough to pay all due liabilities.

As of 31.12.2021, this ceiling was used 99,8%, the 2 guarantee letters issued within this ceiling were amounting to 456.880 lei, in favour of the National Company for Administration of the Sea Harbour Constanta, yet also 3 advance return securities, amounting to 1.445.250 EURO, in favour of the company TEAMCO.

Investment expenses realized have known an increase compared to the previous year by 24,04%.

In figures/In absolute digits, the expenses volume for investments was at a level of 3.566.260 lei (in the year 2020: 2.875.047 lei) from which:

- 1.741.890 Lei in Orșova
- 1.824.370 Lei in Agigea

As from the BVC (income and expense budget) it is registered a realization degree of 79,18% (the BVC provided a value of the investments of 4.504.240 lei).

The failure to realize the numbers proposed in the BVC has been caused on one side by the procurement of some of them at a lower cost than the one considered at the BVC substantiation, yet also because the company, under some changes in the development strategy, delayed some investments for the forthcoming period.

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

- Cutting machine OMNICUT
- Air-radiators VTB-18000
- Air dryer MNX 8000
- Automate welding equipment
- Under-pressure pump 1509LP MONO
- Belt-saw
- Modernization and provision of additional devices to the already existing equipment
- Modernization of vertical quay, cranes and crane bridges
- Adjusting stands for block sections
- IT equipment

The purchase of these equipments was scoped to reduce the physical effort, to increase productivity of work, to secure the work, to reduce the manpower costs, to secure the IT systems.

At the branch in Agigea, out of a total of expenses for this scope, we stipulate the procurement of technological equipment (for welding, thickness measurements), two forklifts and one front loader. As well, the modernization of the slipway and the replacement of the wedge bogies belonging to the branch continued and the modernization of a container barrack as storage place was completed.

During 2021, among the most important output of assets, through sale, are 2 lands, owned in Gratca area (Orsova) being re-classified accordingly, as intangible assets hold for selling, as shown at point 2.2 above. The other outputs refer to cash in of fixed assets which could no longer be used in the production, because of advance wear out.

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

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

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

5.5 Litigation; actions before courts

Reference will be made firstly to the old dispute which Santierul Naval Orsova had with one of his external clients: Veka Shipbuilding BV The Netherlands and which is in process of a final solving.

As we have informed the shareholders in the current report from 14.06.2019, subsequently to the settlement from the Arbitration Court of Rotterdam (AKD N.V.), released on the 13th of June 2019, the company Veka Shipbuilding B.V. was obliged to open the credit letters (L/Cs) for the 2 ships, at the level of the cost agreed previously between the parties, and if failed to consider the decision on the opening of the L/C within 4 weeks since the settlement, the client is obliged to pay penalties.

As the debtor did not abide by this resolution, Santierul Naval Orsova sent several notifications and formal notices to them requesting the consideration of the decision and notice to claim foreclosure. At last, in September 2020, after Veka found a client for selling the coastal ships under discussion, an agreement was concluded, for the taking over of the 2 ships, at a cost negotiated between the parties, following that the first of the two is paid during September 2020, afterwards to be taken over from the Branch in Agigea, at their own expense (meaning that all the expenses related to the transport, insurance, agencies, etc. is paid by Veka). The second coastal ship is to be paid and taken over at the beginning of 2021.

Up to the present moment, only the first coastal ship was sold, the ship being delivered and cashed in, according to the agreement. As for the second coastal ship it has been delivered during the month of March 2021, yet the agreement concerning the cashing-in had not been observed, The company VEKA only paid partially the debt, at the end of the year, the amount of 1.000.000 euro was not cashed in. The enterprises of the company concerning the cashing in of the pending amount, respectively notifications and even introducing the claim to start the insolvency procedure of the company VEKA Shipbuilding B.V. were objectified at the beginning of this year by signing on 10.02.2022 an agreement, before a notary public from the Netherlands, between SNO and the company VEKA, agreement offering additional guarantees, according to the Civil Code from the Netherlands, thus existing firm premises that during 2022, the litigation is to be solved.

Concerning the litigation in which our company is the respondent, for the amount of 531.210 lei interests on compensation. The petitioner of this litigation is the former president of the Managing Board – Mr. Fercala Mihai – who considered to have been dismissed before the expiry of his mandate, without reasoned grounds and is entitled to receive interests on compensation for the period up to the expiry of his mandate, as well as the payment of the legal interests calculated to this amount. The claim was introduced in November 2020 and the Court in Mehedinti, through the Civil sentence no. 14/23.02.2021 rejected the summoning claim as having no grounds and decided for the petitioner to pay the amount of 21.331 lei as court expenses in favour of our company. Against this decision, Mr. Fercala Mihai formed an appeal accepted through the Civil Resolution no. 596/11.10.2021 by the Court in Craiova, in the manner of accepting the Summoning Claim having as consequence the engaging of Santierul Naval Orsova in paying the amount of 531.210 lei, the payment of the penalty legal fee amounting to 3.852,65 lei, as well as of the court expenses amounting to 32.540 lei. Against this resolution of the court, Santierul Naval Orsova started an appeal which at present is filtered by the High Court of Review and Justice.

We mention that Mr. Fercala Mihai started during the month of November 2021, the foreclosure procedure. Consequently, our company registered the amounts, with specified purpose, upon the disposition of the judicial executor S.C.P.E.J. Drumea-Nicut si Ciovica and formed an appeal to the foreclosure procedure which is at present pending at the Orsova Court.

At the main head-office, from the previous years, there was also pending the commercial dispute with INNOTEHNIC Satu Mare, in which our company was the petitioner. As the respondent claimed back, through a reconvention request, on the last meeting from 27.11.2020, the court, according to the parties' request, delayed the cause for the date of 19.02.2021, term in which they should amiably solve each other's claims. On 17.02.2021, the 2 companies have concluded the Transaction contract no. 367/17.02.2021 in which they agreed to the amiable closure of this dispute, document submitted to the court, as well. The litigation was finally and irrevocably settled through the civil sentence no. 36/Ap/26.02.2021 by the Court Satu Mare.

At the Agigea Branch, several previous claims are pending, in various stages, in which our company is the petitioner. The amounts under discussion are not significant and refer especially to commercial receivables, for which the debtor companies are to complete insolvency or bankruptcy. For all these outstanding receivables, depreciations had been constituted at the moment when the debtor's incapacity of payment was settled.

6 INVENTORY OF PATRIMONY AS OF 31.12.2021

The company has performed an annual stock take of assets and liabilities for 2021 according to the provisions of the Order of the Minister of Public Finances no. 2861/2009 and to the Manual with the inventory procedures issued at the level of the company. In this respect, there are internal decisions for the set-up of a central stock take commission and respectively sub-commissions for all units within the company, the headquarters and Agigea branch.

The main conclusions of the stock take are the following:

- At the inventory of fixed assets, the commission found differences and objects of inventory in usage, in the sense that the people in charge with the management of these assets shared various fixed assets or objects of inventory without drawing up the corresponding documents. These situations were solved, operatively, on spot, by the commission appointed for each inventory.
- At the other inventories no differences were noticed in the quantity or value between the documents and the real situation;
- On the occasion of the inventory, the commissions noticed the existence of certain assets which should be taken out of the inventory. The proposals of the commission are cassation or taking out of operation and they will be discussed and analyzed at the level of the managing board, from the point of view of their necessity and opportunity of this measure, after which they will be submitted for the approval of the Management Committee;
- For the unusable or damaged materials, separate inventory lists were created, and they are to be analyzed by the special commissions within the company, and according to the conclusions, it will be proceed accordingly.
- At the head-office in Orsova, certain materials were detected to belong to third parties in temporary custody on the date of the inventory. For these assets, separate lists were drawn up and sent for confirmation, to the owners of the named assets, according to the legal provisions;
- For the annual inventory of the patrimony, also external auditors were present in compliance with the legal obligations which are to be considered applicable, and they

checked at random, various inventories for existence of real stock; no deficiencies were detected.

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

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

President of the Board of Directors,
Ec. Roșca Radu-Claudiu

REMUNERATION REPORT RELATED TO THE FINANCIAL YEAR 2021
regarding the remunerations and other advantages granted to the administrators
and directors within the Orsova S.A. Shipyard.

Preamble

In accordance with the Company's remuneration policy, approved by the OGMS on April 16, 2021, the Company's Board of Directors has prepared this annual report which includes the remuneration and other benefits granted to the Company's executives during the financial year ended December 31, 2021.

The Remuneration Report provides an overview of remuneration, including all benefits, regardless of form, granted or due during the last financial year, to individual managers, including newly appointed and former executives in accordance with the Remuneration Policy.

The Remuneration Report will be submitted to the advisory vote of the ordinary general meeting of the Company's shareholders, will be published on the Company's website and will remain available to the public for 10 years from publication, in accordance with the applicable legal provisions.

1. GENERAL LEGAL FRAMEWORK:

- Law no. 31/1990 on commercial companies
- Law no. 24/2017 on issuers of financial instruments and market operations
- Law no. 158/2020 amending, supplementing and repealing certain legislation, as well as establishing measures for the implementation of Regulation (EU) 2017 / 2.402 of the European Parliament and of the Council of 12 December 2017 establishing a general framework for securitization and creating a specific framework for simple, transparent and standardized security and amending Directives 2009/65 / EC, 2009/138 / EC and 2011/61 / EU, as well as Regulations (EC) No. 1,060 / 2009 and (EU) no. 648/2012.

2. Internal regulations regarding remuneration and other benefits granted to administrators and directors

The internal regulations taken into account for determining the rules regarding the remuneration of the Company's administrators and directors are the following:

- The articles of incorporation of the Company
- Decisions of the GMS and decisions of the Board of Directors of the company

3. The composition of the Nomination and Remuneration Committee The Nomination and Remuneration

Committee assists the Board of Directors in fulfilling its responsibilities regarding the composition and structure of the Board of Directors, the selection and remuneration of the directors and directors.

The composition of the Nomination and Remuneration Committee between January 1 and December 27, 2021, approved at the meeting of the Board of Directors on 02.10.2020 (Decision no. 9 / 02.10.2020) was next:

	Name end surname	Function
1	Moldovan Marius	President
2	Dumitrescu Lucia- Carmen	Member
3	Andanut Crinel-Valer	Member
4	Mihai Constantin Marian	Member

At the end of 2021, the composition of the Nomination and Remuneration Committee underwent modifications, respectively the Board of Directors of the company, as it was elected during the OGMS meeting of December 28, 2021, decided its composition (Decision no. 18 / 28.12.2021) , as follows:

	Name end surname	Function
1	Radu Rosca Claudiu	President
2	Enescu Radu Valentin	Member
3	Mihai Constantin Marian	Member

4. The structure of the remuneration of the administrators and directors of the Company and its amount, during the year 2021:

- the administrators received, for the activity carried out, a fixed monthly indemnity according to the mandate contracts in force for each administrator;
- the General Manager received, for the activity carried out, a fixed monthly allowance; • the fixed allowance for the members of the Board of Directors was approved by the GMS;
- the allowance for the General Manager was approved by the Board of Directors;
- in 2021 no variable indemnity was granted to the administrators or stock and stock options;

REMUNERATION REPORT

- partially the directors and the general manager benefited from professional liability insurance, at the expense of the Company, in the amount approved by the GMS throughout 2021;
- the remuneration granted to the administrators and directors of the company complies with the remuneration policy adopted;

4.1. The structure of the remuneration granted to the Company's administrators

Total gross remuneration for all members of the Company's Board of Directors for the year 2021 it was 587,889 lei.

4.1.1. Fixed monthly remuneration: it was established according to the legal provisions presented above and provided by the mandate contracts of each administrator as approved by the GMS decision. The net fixed remuneration granted to all members of the Company's Board of Directors during 2021, and related entirely to this year, was 343,927 lei.

4.1.2. Variable remuneration: In 2021 no variable remuneration was granted.

4.1.3. The details of the net remuneration related to each administrator are included in the following table:

a) The period January 1-December 27, 2021:

	Name and surname	Remuneration Gross fixed	Remuneration Fixed net	Remuneration Variable	Other benefits according to the contract
1	Andanut Crinel Valer	133.344	78.011	0	0
2	Moldovan Marius	122.212	71.500	0	0
3	Dumitrescu Lucia Carmen	111.126	65.12	0	0
4	Ciurezu Tudor	101.022	59.091	0	0
5	Mihai Constantin Marian	111.126	65.012	0	0

b) The period December 28-31, 2021:

	Name and surname	Remuneration Gross fixed	Remuneration Fixed net	Remuneration Variable	Other benefits according to the contract
1	Rosca Radu Claudiu	2.052	1.201	0	0
2	Enescu Radu Valentin	1.880	1.100	0	0
3	Sperdea Mircea Ion	1.709	1.000	0	0
4	Zoescu Mihai	1.709	1.000	0	0
5	Mihai Constantin Marian	1.709	1.000	0	0

4.1.4. The general performance objectives completed by the specific criteria, which are the basis for granting the variable component of the directors' remuneration, are subject to the approval of the GMS.

4.2. The structure of the remuneration granted to the General Manager

The remuneration of the General Manager of the Company was established by the Board of Directors in the mandate contract, within the limits approved by the GMS.

The total gross remuneration granted to the General Manager of the Company for 2021 was 376,320 lei.

The total net fixed remuneration granted to the General Manager of the Company for 2021 was 220,152 lei.

No variable remuneration was granted in 2021.

4.3. The remuneration structure granted to the Director of the Agigea Branch

The remuneration of the director of the Agigea Branch was established by the Board of Directors in the mandate contract, within the limits provided by the Articles of Association of the Company.

The total gross remuneration granted to the director of the Agigea branch, for the term of office in 2021, was 121,181 lei.

The total net fixed remuneration granted to the director of the Agigea branch, for the term of office in 2021, was 70,891 lei.

No variable remuneration was granted in 2021.

5. Information regarding the mandate contracts of the administrators and executive directors

5.1. Mandate contracts of administrators

The mandate contracts of the company's administrators in 2021 were concluded for periods between 2 (two) and 4 (four) years.

The situation of the mandate contracts for the administrators who were part of the Board of Directors of Orsova S.A. during 2021 is presented in the following table:

	Name and surname	Start date mandate under contract	End date mandate	Appointment document
1	Andanut Crinel Valer	02.10.2020	27.12.2021	DecisionAGOA nr.51/2020 and nr.53/2021
2	Moldovan Marius	02.10.2020	27.12.2021	DecisionAGOA nr.51/2020 and nr.53/2021
3	Dumitrescu Lucia Carmen	02.10.2020	27.12.2021	DecisionAGOA nr.51/2020 and nr.53/2021
4	Ciurezu Tudor	02.10.2020	27.12.2021	DecisionAGOA nr.51/2020 and nr.53/2021
5	Mihai Constantin Marian	02.10.2020	27.12.2021	DecisionAGOA nr.51/2020 and nr.53/2021

REMUNERATION REPORT

6	Rosca Radu Claudiu	28.12.2021	28.12.2025	DecisionAGOA nr.51/2020 and nr.53/2021
7	Enescu Radu Valentin	28.12.2021	28.12.2025	DecisionAGOA nr.51/2020 and nr.53/2021
8	Sperdea Mircea Ion	28.12.2021	28.12.2025	DecisionAGOA nr.51/2020 and nr.53/2021
9	Zoescu Mihai	28.12.2021	28.12.2025	DecisionAGOA nr.51/2020 and nr.53/2021
10	Mihai Constantin Marian	28.12.2021	28.12.2025	DecisionAGOA nr.51/2020 and nr.53/2021

Mandate contracts contain clauses regarding:

- awarding damages for revocation without just cause, before the expiration of the term of office entrusted;
- the right to be insured for professional liability;
- the settlement by the company of the expenses determined by the travel and participation in the meetings, as well as for any activity related to the management and administration of the company.

The mandate contracts concluded with the company's administrators do not include performance indicators and criteria. These were approved by the OGMS in the meeting of April 17, 2021 (Decision no. 52 / 17.04.2021).

During 2021 there were no cases of dismissal of the members of the Board of Directors for non-fulfillment of the obligations provided in the contract; We specify that the OGMS, from December 28, 2021, found the legal revocation of the members of the Board of Directors, respectively Mr. Andanut Crinel Valer, Mr. Moldovan Marius, Mrs. Dumitrescu Lucia Carmen and Mr. Ciurezu Tudor, as a result of their non-confirmation by vote cumulatively in the new Board of Directors of the Company.

5.2. The mandate contract of the executive directors

Mandate contracts contain clauses regarding:

- awarding damages for revocation without just cause, before the expiration of the term of office entrusted;
- the notice period of 30 days for the situation in which the director resigns;
- the right to be insured for professional liability;
- the right to service housing at the expense of the Company or, as the case may be, if the Company does not provide the service housing, the settlement of all expenses occasioned by accommodation in specialized units;
- the right to reimbursement of expenses related to the execution of the mandate (accommodation, subsistence, transport and any other types of expenses related to the execution of the mandate and regardless of whether they were caused by travel in the country or abroad, as well as the use of inventory items / fixed assets necessary to carry out the activity.

5.2.1. *The mandate contract of the general manager*

By Decision no. 13 of November 10, 2020, the Board of Directors extends the term of office for the position of General Manager of the Company of Mr. Sperdea Mircea Ion, for a period of 2 years, between November 10, 2020 and November 9, 2022.

The mandate contract concluded by the General Manager with the Company does not include performance indicators and criteria. These were subsequently approved by the Board of Directors in the meeting of March 29, 2021 (Decision no. 6 / 29.03.2021).

5.2.2. *The mandate contract of the director of the Agigea branch*

Based on Decision no. 4 of March 29, 2021, the mandate contract is concluded with Mr. Varlan Alexandru regarding the entrustment and exercise of the position of director of Agigea Branch, for a period between 01.04-31.12.2021, the indicators and specific performance criteria following be subsequently approved by the Board of Directors of the Company. On August 30, 2021 (Decision no. 14 / 27.08.2021) the Board of Directors of the Company decides to terminate the mandate contract of Mr. Varlan Alexandru, as a result of the resignation request made by him in accordance with the terms of the mandate contract.

REMUNERATION REPORT

6. Comparative information on changes in remuneration and performance of the Company

Annual change	Financial year 2021 compared to the financial year 2020+(-)	Financial year 2020 compared to the financial year 2019+(-)	Financial year 2019 compared to the financial year 2018 +(-)	Financial year 2018 compared to the financial year 2017 +(-)	Financial year 2017 compared to the financial year 2016 +(-)
Average gross remuneration of managers					
Board of Directors	(41,62%)	16,35%	21,45%	(0,11%)	74,68%
Executive management	14,13	1,91%	3,54%	36,93%	12,11%
Company performance					
Turnover	4,06%	7,36%	27,20%	(4,14%)	(27,95%)
Gross profit	(89,88%)	26,92%	10,87%	(8,39%)	(7,20%)
Work productivity	3,42%	(12,64%)	10,49%	(0,35%)	(9,84%)
Average gross remuneration based on the full-time equivalent of the Company's employees					
Employees of society	3,67%	5,92%	12,52%	29,57%	7,43%

PRESIDENT

Nomination and Remuneration Committee,

Ec.Rosca Radu Claudiu.

STATEMENT OF COMPLIANCE WITH THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE as of 31.12.2021

Code provision		Compliance Yes/No/Partially	Explanations
SECTION A – RESPONSABILITIES			
A.1	All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	YES	
A.2	Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quotate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES	
A.3	The Board of Directors or the Supervisory Board should have at least five members.	YES	
A.4	The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice ¹ .	YES	
A.5	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	YES	

STATEMENT OF COMPLIANCE WITH THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE

A.6	Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	YES	
A.7	The company should appoint a Board secretary responsible for supporting the work of the Board.	YES	
A.8	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	YES	
A.9	The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	YES	
A.10	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	YES	
A.11	The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the Nomination Committee should be independent.	NOT IN CASE	Company is included in the standard category
SECTION B -System of risk management and internal control			
B.1	The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and most the audit committee should be independent.	YES	
B.2	The Audit Committee should be chaired by an independent non-executive member.	YES	
B.3	Among its responsibilities, the Audit Committee should undertake an annual assessment of the system of internal control.	YES	
B.4	The assessment should consider the effectiveness and	YES	

STATEMENT OF COMPLIANCE WITH THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE

	scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.		
B.5	The Audit Committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	YES	
B.6	The Audit Committee should evaluate the efficiency of the internal control system and risk management system.	YES	
B.7	The Audit Committee should monitor the application of statutory and generally accepted standards of internal auditing. The Audit Committee should receive and evaluate the reports of the internal audit team.	YES	
B.8	Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	YES	
B.9	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES	
B.10	The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	YES	
B.11	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES	
B.12	To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	YES	
SECTION C -Fair reward and motivation			
C.1	a. Remuneration policy The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review.	YES	

	<p>The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause.</p> <p>[...]</p> <p>Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.</p> <p>b. Remuneration report</p> <p>The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. [...]</p> <p>The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review.</p>		
SECTION D -adding value to the investor relations			
D.1	The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	YES	
D.1.1	Principal corporate regulations: the articles of association, general shareholders' meeting procedures.	YES	
D.1.2	Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	YES	
D.1.3	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information	YES	

STATEMENT OF COMPLIANCE WITH THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE

	related to non-compliance with the present Code;		
D.1.4	Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	YES	
D.1.5	Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	YES	
D.1.6	The name and contact data of a person who should be able to provide knowledgeable information on request;	YES	
D.1.7	Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	YES	
D.2	A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	NO	<i>Under development</i>
D.3	A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	YES	
D.4	The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect at the earliest as of the next general meeting of shareholders.	YES	
D.5	The external auditors should attend the shareholders' meetings when their reports are presented there.	YES	
D.6	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls	YES	

STATEMENT OF COMPLIANCE WITH THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE

	and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.		
D.7	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	YES	
D.8	The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	YES	
D.9	A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	NO	Organization of such events will be analyzed by the Board of Directors and executive management, if it will such requests from investors. In this moment, we appreciate that the information offered by yearly reports, current reports and periodic reports are complete and offers a high degree of transparencies, as so can take decision aware of the cause
D.10	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	NO	Company has not such a policy. This request is in Board of Directors attention.

President of the Board of Directors,
Ec. Roșca Radu-Claudiu

Şantierul Naval Orşova S.A.
Separate financial statements 2021 in accordance with IFRS

Reference	STATEMENT OF FINANCIAL POSITION			Adjustment 2020+(-) RON	
	As at 31 December	Note	2021 RON		2020 RON
	Assets				
	Fixed assets				
IAS 1.54(a)	Tangible assets	15	40,533,245	37,417,314	
	Freehold land and land improvements	15	1,201,941	1,201,941	
	Buildings	15	20,060,165	16,999,328	
	Plant and machinery, motor vehicles	15	15,641,959	16,373,915	
	Fixtures and fittings [...]	15	64,602	53,638	
	Tangible assets in progress	15	3,564,578	2,788,492	
IAS 1.54(c)	Intangible assets	16	20,138	6,192	
	Other intangible assets	16	20,138	6,192	
IFRS 16, IAS 8	Rights-of-use for leased assets	17	1,559,962	0	1,950,983
IAS 1.54(h)	Trade receivables and other receivables		541,401	417,495	
IAS 1.54(b)	Investment property	19	522,236	508,019	
IAS 1.54(o), 56	Deferred tax assets		80,129	79,048	
IAS 1.60	Total fixed assets		43,257,111	38,428,068	1,950,983
IAS 1.54 (g)	Inventories	20	22,400,725	34,611,321	
IAS 1.54(h)	Trade receivables and other receivables	22	20,330,881	1,185,231	
IAS 1.55	Deferred expenses	22	165,412	130,348	
IAS 1.54(d)	Short term investments	23	3,087,107	3,857,609	
IAS 1.54(i)	Cash and cash equivalents	24	14,365,368	30,825,273	
IFRS 5.38-40	Non-current assets held for sale		0	18,637	
IAS 1.60	Total Current Assets		60,349,493	70,628,419	
	Total Assets		103,606,604	109,056,487	1,950,983
	Equity				
IAS 1.54(r), 78(e)	Share capital	25	28,557,298	28,557,298	
IAS 1.55, 78(e)	Share premium	25	8,862,843	8,862,843	
IAS 1.54(r), 78(e)	Reserves	25	54,896,946	51,777,818	
	Result for the period	25	(153,870)	4,653,501	(18,127)
IAS 1.55, 78(e)	Retained earnings	25	941,454	7,743,844	(5,849)

Şantierul Naval Orşova S.A.
Separate financial statements 2021 in accordance with IFRS

Reference	STATEMENT OF FINANCIAL POSITION (continued)				
	As at 31 December	Note	2021 RON	2020 RON	Adjustment 2020+(-) RON
	Profit appropriation	25	0	(191,823)	
	Other elements of equity	25	(4,338,244)	(4,028,932)	
	Total equity		88,766,427	97,374,549	(23,976)
	Liabilities				
	Long-term liabilities				
<i>IAS 1.54(o), 56</i>	Deferred tax liabilities		4,352,333	4,037,136	
<i>IFRS 16, IAS 8</i>	Other debts, including lease liability	28	1,047,860		1,449,720
<i>IAS 1.60</i>	Total long-term liabilities		5,400,193	4,037,136	1,449,720
	Current liabilities				
<i>IAS 1.54(k)</i>	Trade payables and other debts, including derivatives	31	8,404,168	6,619,329	525,239
	Deferred income		3,801	215	
<i>IAS 1.54(l)</i>	Provisions	30	1,032,015	1,025,258	
<i>IAS 1.60</i>	Total current liabilities		9,439,984	7,644,802	525,239
	Total Liabilities		14,840,177	11,681,938	525,239
	Total Equity and Liabilities		103,606,604	109,056,487	1,950,983

The separate financial statements were approved by the Board of Directors on March 7, 2022 and were signed by:

Administrator,
 Ec. Radu-Claudiu Rosca

Prepared by,
 Ec. Marilena Vişescu

Şantierul Naval Orşova S.A.
Separate financial statements 2021 in accordance with IFRS

<i>Reference</i>	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
<i>IAS 1.10(b), 81(a)</i>	For the financial year ended at 31 December	Note	2021	2020	Adjustment
			RON	RON	2020 +(-) RON
	Continuing operations				
<i>IAS 1. 82(a) IAS 1.99,103</i>	Income	5	73,328,989	69,934,196	
	Other income	6	1,340,954	3,048,754	
	Total Operational Income		74,669,943	72.982.950	
	Expenses related to inventories	7	(27,468,440)	(24,591,973)	
	Utility expenses	8	(1,738,305)	(1,478,986)	
	Employee benefits expenses	9	(29,665,566)	(29,137,247)	
	Depreciation and amortization expenses	15,16	(4,102,416)	(3,894,411)	
	Depreciation expenses related to rights-of-use for leased assets	17	(533,595)	0	(520,262)
	Gains/losses on disposal of property		(1,691)	(173,704)	
	Increase/(Decrease) of receivables allowances and inventory write-down	10	2,479,113	4,076,694	
	Increase/(Decrease) of provision expenses	27	(6,757)	(394,023)	
<i>IAS 1.99, 103</i>	Other expenses	11	(13,622,571)	(12,792,427)	547,091
	Total Operational expenses		(74,660,228)	(68,386,077)	26,829
	The result of operational activities		9,715	4,596,873	
	Financial income	12	863,841	677,223	
<i>IAS 1.82(b)</i>	Financial expenses	12	(362,717)	(228,680)	(44,956)
	Net financial result	12	501,124	448,543	(44,956)
<i>IAS 1.85</i>	Result before taxation		510,839	5,045,416	(18,127)
	Current income tax expenses	13a	(646,234)	(357,813)	
	Deferred income tax expenses	13a	(740,130)	(365,108)	
	Deferred income tax income		735,326	344,677	
	Specific activities tax expenses	13b	(13,671)	(13,671)	
<i>IAS 1.85</i>	Result for continuing operations		(153,870)	4,653,501	(18,127)
<i>IAS 1.82(f)</i>	Result for the period		(153,870)	4,653,501	(18,127)

Şantierul Naval Orşova S.A.
Separate financial statements 2021 in accordance with IFRS

<i>Reference</i> (continued)	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
	Note	2021	2020	Adjustment 2020 +/-(-)
<i>IAS 1.10(b), 81(a)</i>		RON	RON	RON
		For the financial year ended at 31 December		
		Other comprehensive income		
<i>IAS 1.82(g)</i>		3,033,564	(870,726)	
<i>IAS 1.85</i>		3,033,564	(870,726)	
<i>IAS 1.82 (i)</i>		2,879,694	3,782,775	(18,127)
		Attributable profit		
<i>IAS 1.83(b)(ii)</i>	26	(153,870)	4,653,501	(18,127)
		(153,870)	4,653,501	(18,127)
		Profit for the period		
		Total attributable comprehensive income		
<i>IAS 1.83(b)(ii)</i>		2,879,694	3,782,775	(18,127)
		Earnings per share		
<i>IAS 33.66</i>		(0.01)	0.41	(0.0015)
<i>IAS 33.66</i>		(0.01)	0.41	(0.0015)
		Continuing operations		
<i>IAS 33.66</i>		(0.01)	0.41	(0.0015)
<i>IAS 33.66</i>		(0.01)	0.41	(0.0015)

The separate financial statements were approved by the Board of Directors on March, 7, 2022 and were signed by:

Administrator,
Ec. Radu-Claudiu Roşca

Prepared by,
Ec. Marilena Vişescu

Şantierul Naval Orşova S.A.
Separate financial statements 2021 in accordance with IFRS

Reference **STATEMENT OF CHANGES IN EQUITY**

IAS
1.108,109

Attributable to equity holders

	Share capital	Share premium account	Revaluati on 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> <i>1.106(d)(i)</i> Loss/ Net profit for the year	-	-	-	-	3,205,050	1,448,451	-	-	4,653,501
Profit appropriation	-	-	-	-	-	-	-	(191,823)	(191,823)
Transfer in reserve	-	-	(350,964)	456,608	(151,624)	-	261,287	198,287	414,072
Revaluation reserve	-	-	(519,763)	-	-	-	-	-	(519,763)
<i>IAS 1.106</i> 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>
Profit/Loss adjustment for 2019					(5,849)				(5,849)
Profit/Loss adjustment for 2020						(18,127)			(18,127)
Balance at December 31, 2020- restated	<u>28,557,298</u>	<u>8,862,843</u>	<u>27,212,735</u>	<u>24,565,083</u>	<u>7,737,995</u>	<u>4,635,374</u>	<u>(4,028,932)</u>	<u>(191,823)</u>	<u>97,350,573</u>
<i>IAS</i> <i>1.106(d)(i)</i> Loss/ Net profit for the year					4,635,374	(4,789,244)			(153,870)
Profit appropriation									
Transfer in reserve			(268,389)	85,563	(8,996)	-	(309,312)	191,823	(309,311)
Revaluation reserve			3,301,954	-	-	-	-	-	3,301,954
<i>IAS 1.106</i> Dividends					(11,422,919)	-	-	-	(11,422,919)
Balance at December 31, 2021	<u>28,557,298</u>	<u>8,862,843</u>	<u>30,246,300</u>	<u>24,650,646</u>	<u>941,454</u>	<u>(153,870)</u>	<u>(4,338,244)</u>	<u>-</u>	<u>88,766,427</u>

Administrator,
 Ec. Radu-Claudiu Rosca

Prepared by,
 Ec. Marilena Vişescu

Şantierul Naval Orşova S.A.
Separate financial statements 2021 in accordance with IFRS as adopted by EU

<i>Reference</i>	STATEMENT OF CASH FLOWS				
<i>IAS 1.10(d), 113</i>	For the financial year ended at 31 December	Note	2021	2020	Adjustment 2020 +(-)
			RON	RON	
	Cash flows from operating activities				
	Profit for the period		(153,870)	4,653,501	(18,127)
	Adjustments for:				
	Amortization of intangible and tangible assets	<i>15,16,17</i>	4,755,219	3,493,743	520,262
	Depreciation of fixed assets		85,315	40,995	
	Losses from various receivables and debtors	<i>10</i>	3,425	(1,184)	
	Expenses from revaluation of tangible assets			0	
	Net expenses/(net income) with provisions		6,757	394,023	
	Impairment of current assets	<i>10,20</i>	(2,485,538)	(4,075,510)	
	Loss from the sale of tangible assets		1,691	173,704	
	Profit from fixed assets held for sale	<i>6,21</i>	152,602	0	
	Current income tax expenses	<i>13a</i>	646,234	357,813	
	Specific activities tax expenses	<i>13a</i>	13,671	13,671	
	Deferred income tax expenses	<i>13b</i>	740,130	365,108	
	Deferred tax income		(735,326)	(344,677)	
	Cash - flows from operating activities before changes in working capital		3,030,310	5,071,187	502,135
	Changes in working capital				
	Changes related to inventories		14,509,467	14,498,811	
	Changes related to trade receivables and other receivables		(18,942,002)	839,837	
	Changes in accrued expenses		(35,064)	(63,229)	
	Changes in trade payables and other liabilities		170,991	(141,895)	
	Cash generated / (used) from / (in) operating activities		(1,266,298)	20,204,711	547,091
	Interest paid (leasing)	<i>12,17</i>	(35,702)	0	(44,956)
<i>IAS 7.35</i>	Income tax paid		(659,905)	(674,117)	
<i>IAS 7.10</i>	Net cash from operating activities		(1,961,905)	19,530,594	502,135
	Cash flows from investing activities				
<i>IAS 7.31</i>	Interest received		22,807	87,658	
<i>IAS 7.16(a)</i>	Purchases of tangible and intangible assets	<i>15,16</i>	(3,583,458)	(2,880,715)	
	Short term investments		770,502	2,819,851	
<i>IAS 7.10</i>	Net cash used in investing activities		(2,790,149)	26,794	

Şantierul Naval Orşova S.A.
Separate financial statements 2021 in accordance with IFRS as adopted by EU

<i>Reference</i>	STATEMENT OF CASH FLOWS (continued)				
<i>IAS 1.10(d), 113</i>	For the financial year ended at 31 December	Note	2021	2020	Adjustment 2020
	Cash flows from financing activities				
<i>IAS 7.31</i>	Proceeds from loans / (loans refunds)			0	
	Paid dividends		(11,182,612)	(2,671,497)	
	Increase (reimbursement) in loans (leasing)	28	(525,239)	0	(502,135)
<i>IAS 7.10</i>	Net cash from (used in) financing activities		(11,707,851)	(2,671,497)	(502,135)
	Increase/(Decrease) Net cash and cash equivalents decreases		(16,459,905)	16,885,891	0
	Cash and cash equivalents at 1 January		30,825,273	13,939,382	0
	Cash and cash equivalents at 31 December		<u>14,365,368</u>	<u>30,825,273</u>	<u>0</u>

The separate financial statements were approved by the Board of Directors on March 7, 2022 and were signed by:

Administrator:
 Ec. Radu-Claudiu Roşca

Prepared by:
 Ec. Marilena Vişescu

Şantierul Naval Orşova S.A.
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Disclaimer: This is a free translation of the original Romanian financial statements of Şantierul Naval Orşova SA. In the event of any discrepancy between this translation and the original document, the original Romanian financial statements of Şantierul Naval Orşova SA shall prevail.

Şantierul Naval Orşova S.A.

Separate financial statements 2021 in accordance with IFRS as adopted by EU

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 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 year ended 31 December 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 year ended 31 December 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 March 7th, 2022.

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.
Separate financial statements 2021 in accordance with IFRS as adopted by EU

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS 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.
- Amendments to IAS 1 "Presentation of financial statements" Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current with effect from 1 January 2023.
- Amendments to IAS 1 "Presentation of financial statements" with effect from 1 January 2023
- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and correction of errors" with effect from 1 January 2023.
- Amendments to IAS 12 "Income tax" with effect from 1 January 2023
- Amendments to IFRS 17 "Insurance contracts" with effect from 1 January 2023

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Separate financial statements 2021 in accordance with IFRS as adopted by EU

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.

IAS 1.57 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 (paragraph 182).

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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 (IASB) 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 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.
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<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.
Separate financial statements 2021 in accordance with IFRS as adopted by EU

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

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

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

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<i>Reference</i>	NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS	
<i>IAS 1.112(a)</i>	2. Basis of preparation (continued)	
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Defining provisions and approach of estimating provisions, individual cases examined (including the problem of restructuring).
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.

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

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

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

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

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

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

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

a. Foreign currency

(i) Transactions in foreign currency

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

b. Financial instruments

(ii) Share capital

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

c. Tangible Assets

IAS 16.73 (a) (i) Recognition and evaluation

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

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

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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.

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

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

117(a)

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.

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.

On December 31, 2021, 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.

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

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

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

Maintenance and repairs of tangible assets are recorded as an expense when incurred. Significant improvements of tangible non-current assets that increase the value or useful life or significantly increase the capacity to generate economic benefits are capitalized as asset.

Assets that have the nature of inventory objects, including tools are recorded as an expense when purchased and are not included in the account value of the tangible assets.

(ii) Reclassification to investment property

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

(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:

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Separate financial statements 2021 in accordance with IFRS as adopted by EU

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

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

<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.

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.

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

117(a)

(ii) Other intangible assets

All other intangible assets are recognized at cost.

Intangible assets are not revalued.

(2) Amortization

(i) Software

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

(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. Rights-of-use for leases assets

The company as a lessees

At the beginning of the contract the company assesses whether a contract is or contains a lease clause. The company recognizes a right to use the asset and a lease liability in relation to all leases in which he is a lessee/user, except for short-term contracts (defined as leasing with a lease term of 12 months or less) and rental of low value assets (such as licenses, oxygen tubes, mailbox, etc.). For these leases, the company recognizes the lease payments as operating expenses on a straight-line basis over the term of the lease.

Leasing liability

Leasing liability is initially measured at the present value of lease payments that are not paid on the start date, discounted at the default interest rate in the lease. If this rate cannot be easily identified, the company uses BNR's monetary policy interest rate.

The lease liability is initially measured at the present value of the lease payments that are not paid on the date of commencement of the contract, updated using the interest rate.

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

Leasing liability is presented as a separate line in the financial statement.

Leasing liabilities are subsequently updated by increasing the carrying amount to reflect the amount of the amount of the revalued lease debt and by reducing the carrying amount to reflect the lease payments made. The company revalues the lease debt (and makes an appropriate adjustment to the right to use the asset) when:

- The lease term has changed, in which case the lease debt is revalued by updating the lease payments.
- The lease is amended and the change in the lease is not accounted for as a separate lease, in which case the lease is revalued on the basis of the terms of the amended lease by updating the revised lease payments using an updated interest rate on the effective date of the change.

Rights-of-use assets

Rights-of-use include the initial valuation of the corresponding lease liability, lease payments made on or before the commencement date, minus the lease incentives received, and any initial direct costs. Subsequent they are measured based on cost minus accumulated amortization and impairment losses. Rights-of-use assets are amortized over the lease term of the underlying asset.

f. 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.

g. 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.

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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

h. 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.

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

i. 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.

j. Provisions

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

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

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

(2) Provisions for litigation

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

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

(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).

k. 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 **l. 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.

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

117(a)

m. Income tax

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

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

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

Recognition of deferred tax assets and liabilities

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

4. Determination of fair value

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

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

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]

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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.

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5. Revenue

	<u>2021</u>	<u>2020</u>
	RON	RON
<i>IFRS 15.113 (a)</i> Sales of goods	68,802,414	66,052,928
<i>IFRS 15.113 (a)</i> Rendering of services	4,072,211	3,287,749
<i>IFRS 15.113 (a)</i> Sales of residual products and goods	396,216	538,432
<i>IAS 40.75 (f) (i)</i> Incomes from rental of investment properties	58,148	55,087
Total	<u>73,328,989</u>	<u>69,934,196</u>

Although the sales of goods registered an increase of 4.16% in 2021 compared to the previous year, and compared to the provisions of the budget, there is an achievement of 103.48%. This achievement is due to the revenues from the sale of ships built at the main headquarters in Orşova. In 2021, the Company managed to complete and hand over to external customers a number of 7 ships, 6 being built and completed this year, and one of them is a coastal ship, the first of 2 built in previous years and which was the subject of a dispute with the Dutch company VEKA. Although the ruling of the Rotterdam Arbitration Court was handed down in June 2019, the first of these ships was delivered in 2020 (see also the current Report published on 02.10.2020). However, we specify that the structure and complexity of the ships built was different from one year to another, which is also reflected in the level of revenues achieved during these periods. Furthermore, although the Company was covered in a production capacity of 2021, the market for river / sea shipbuilding continued to be weak.

Regarding the ship repair activity, the revenues realized in 2021 were in the amount of 3,637,764 RON (3,168,764 RON in 2020), these registering a increase by 14.80% compared to the previous year. The main customer was still NAVROM GALATI for this type of services. These presentations are made by the Company in accordance with IFRS 8.

6. Other income

	<u>2021</u>	<u>2020</u>
	RON	RON
Rental income (other than rental of investment property)	1,077,244	1,566,023
Income from compensations and penalties	171,238	1,462,032
Other operating incomes	92,472	20,699
Total	<u>1,340,954</u>	<u>3,048,754</u>

The amounts presented in the position of rental income refer, in particular, to the amounts from the operation of the ships for rent, at the Agigea branch. In the period 01.01 - 31.12.2021 these incomes are at a lower level than the one achieved in the corresponding period of the previous year (decrease by about 31%).

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Of the 5 hydro clap ships registered in the branch, only 3 were partially rented, internally, in the last months of this year. During the analyzed period, the Company sold two assets, from the main office, respectively the two sites owned in Gratca area, assets reclassified previous years in the category of fixed assets for sale.

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

7. Expenses related to inventories

	<u>2021</u>	<u>2020</u>
	RON	RON
Raw materials	17,703,081	13,138,222
Consumables, including:	9,057,159	10,654,164
<i>Auxiliary materials</i>	7,870,646	9,321,125
<i>Fuel</i>	585,984	567,197
<i>Spare parts</i>	390,362	507,651
<i>Other consumables</i>	210,167	258,191
Materials in the form of small inventory	493,891	544,985
Materials not stored	185,126	236,258
Goods for resale	29,416	18,618
Trade discounts received	(233)	(274)
Total	<u>27,468,440</u>	<u>24,591,973</u>

As of 31.12.2021, the significant share in total expenditure on stocks is still held by raw materials (naval table). The 34.74% increase in raw material expenditures in 2021 compared to 2020 is largely due to the structure of shipbuilding sold in 2021, but also the increase in the price of the naval board. In total, there is an increase in inventory costs, by 11.70% compared to the previous year, this increase being correlated with the fact that the revenues from the sale of ships also increased by 4.16%.

Expenses representing consumption of inventories that, according to the stipulations of IFRS, are included in the value of certain assets are recognized during the period depending on their nature. 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.

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8. Utility expenses

	<u>2021</u>	<u>2020</u>
	RON	RON
Electricity	1,690,606	1,438,978
Water	47,699	40,008
Total	<u>1,738,305</u>	<u>1,478,986</u>

In the year 2021, the expenses with the utilities have increased compared to the last year (with 17.53%), this in the conditions in which the realized production (the revenues) increased, but also regarding the tariffs of supply it is 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.

IAS 1.104 **9. Personnel expenses**

	<u>2021</u>	<u>2020</u>
	RON	RON
Salaries	26,761,992	27,274,774
Social expenses	2,903,574	1,862,473
Total	<u>29,665,566</u>	<u>29,137,247</u>
Number of employees	359	374

In 2021, the wage expenses booked a slight increase, with 1.81% compared to the year 2020. This increase is due to the salary increase granted by the company in the last part of 2021. We mention the increase of Company's staff salaries, starting with November 2021 by 4% according to the Decision of the Board of Directors no. 16/10/11/2021. Among other factors that influenced the expenditure on salaries in 2021 we mention the reduction of the number of staff, the increase of turnover in 2021 compared to the previous year, but also the structure of production costs from the perspective of presenting the cost of goods sold according to IAS 1

Regarding the social expenses and the insurance contribution for work, we notice an increase of 55.88% compared to the previous year, this fact being due to the increase of social expenses, respectively medical leave, other social expenses and cash gifts given to employees, but also the fact that the company pays, from the latter part of 2020, CAS for the special working group for a number of occupations.

As with the other categories of expenses, in the case of staff expenses presentation, the presentation method of expenses using a classification based on its nature is a factor influencing this increase.

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10. Receivables allowances and inventories write-down

	<u>2021</u>	<u>2020</u>
	RON	RON
Losses due to various debts and debtors	(1,344)	(1,184)
Impairment of current assets	70,307	576,542
Income from current assets Impairment	(2,548,076)	(4,652,052)
Total	<u>(2,479,113)</u>	<u>(4,076,694)</u>

The above amounts refer to the adjustment of depreciation for inventories and other receivables incurred in the year 2021. During the year 2021 following the capitalization by sale of the second coastal, the adjustments for the depreciation of the production in progress recognized in the previous financial years were canceled.

IAS 1.97 **11. Other expenses**

	<u>2021</u>	<u>2020</u>	<u>Adjustment</u>
	RON	RON	<u>2020</u>
Maintenance and repair expenses	467,849	750,723	
Royalties and rental expenses	251,028	892,488	(547,091)
Insurance premiums	169,873	135,584	
Commissions and fees	18,404	49,968	
Protocol, promotion and advertising	36,087	41,108	
Transport of goods and personnel	4,790,068	2,552,405	
Travel	21,385	22,458	
Postage and telecommunications	54,277	47,699	
Bank commissions and similar charges	57,449	61,290	
Other third party services	7,004,399	7,124,120	
Other taxes, duties and similar expenses	382,885	402,942	
Expenses with the environment protection	7,181	5,357	
Expenses related to real estate assets held for sale	18,637	299,521	
Other operating expenses	72,150	166,934	
Compensations, fines and penalties	270,899	239,830	
Total	<u>13,622,571</u>	<u>12,792,427</u>	<u>(547,091)</u>

In 2021, the level of the above expenditures registered significant increases compared to the previous year (6.49%), those with significant weight referring to:

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IAS 1.97 **11. Other expenses**

- There is a significant decrease in maintenance and repair expenses (by 37.68%). In 2021, the Company paying special attention to the repair of transport and lifting equipment.
- Regarding the rent expenses, we mention that, following the re-analysis of the lease for the land from the Agigea branch, owned by CNAPMC, and the revaluation of the IFRS 16 requirements, this expense has been adjusted accordingly for 2020.
- Expenditures on the transport of goods and persons increased significantly (by 87.66%). These are closely related to the volume of sales revenue, but one factor influencing this increase is the method of presenting expenses using a classification based on their nature. These relate in particular to the transport of river vessels built at the head office on the route: Orşova - Rotterdam, or other points of delivery in the Netherlands or Germany, indicated in commercial contracts. We specify that, in accordance with the contractual provisions, the transfer of the property right is carried out together with the delivery of the ships in these points, during the whole transport period the ships being ensured by the care of the Company, according to the contractual clauses.
- The volume of services provided by third parties is close compared to 2020, the Company using to a lesser extent subcontractors or the outsourcing of naval painting works. With regard to auditors' fees, included in the total amount of this position, it is found that their level is close to that of the previous year. Specifically, they registered the following values in the current year: 69,383 RON, including VAT, fees to statutory auditors (in the financial year 2020 these amounts totaled 68,446 RON, including VAT), and for internal audit services the amounts paid during the financial year 2021 were of 42,281 RON, including VAT (for the financial year 2020 were paid fees of 41,604 RON, including VAT). The company did not contract tax consulting services during the analyzed period.
- As regards the last position on the costs of compensation, fines, they relate mainly to the costs incurred in carrying out the dispute with VEKA, stating that for the claims generated by this dispute there were impairments in previous years, so that no significant influences on profit or loss and other comprehensive income.

In case of these categories of expenses, an influencing factor for these increases / decreases is the method of presenting the expenses using a classification based on their nature.

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

Recognized in income statement

	<u>2021</u>	<u>2020</u>	<u>Adjustment 2020 +/-</u>
	RON	RON	RON
<i>IFRS 7.20</i> Interest income related to deposits	25,232	54,653	
<i>(b)</i>			
<i>IAS 21.52</i> Income from exchange rate differences	838,609	622,570	
<i>(a)</i>			
Total financial revenue	863,841	677,223	
Value adjustments in respect of financial assets	56,116	0	
<i>IAS 7.20</i> Interest expense on leasing contracts	35,702	0	44,956
<i>(b)</i>			
<i>IAS 21.52</i> Exchange rate differences expenses	270,899	228,680	
<i>(a)</i>			
Total financial expenses	362,717	228,680	
Net financial result	<u>501,124</u>	<u>448,543</u>	<u>(44,956)</u>

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

- the interest income is related to the bank deposits made during the financial year ended, December, 31 2021;
- In 2021, the company did not contract bank loans, did not use credit lines and therefore did not record bank interest charges.
- Expenditures on exchange differences were lower than income from exchange differences, so for the year 2021 the company recorded a profit of 567,710 lei (in 2020: 393,890 lei). In 2021 due to large fluctuations in the RON/EURO parity, the Company did not enter into hedging transaction to protect itself against the depreciation of the exchange, but two transactions concluded in 2020 were completed, the company recording a loss of these transactions in the amount of approximately 34,000 RON

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<i>Reference</i>	NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS		
	13a. Income tax expenses		
	a) Current income tax expenses	<u>2021</u> RON	<u>2020</u> RON
IAS 12.80 (a)	Current period	646,234	357,813
	b) Deferred income tax expenses		
IAS 12.80 (c)	Initial recognition and reversal of temporary differences	740,130	365,108
	Total income tax expenses	1,386,364	722,921
IAS 12.81 (c)	c) Reconciliation of effective tax rate		
	Profit for the period	628,382	5,165,427
	Non-deductible expenses	1,161,224	1,967,763
	Non-taxable incomes	2,980,492	5,270,371
	Elements similar to expenses	898,076	1,325,318
	Legal reserve		191,823
	Other taxable amounts	4,497,433	
	Profit for the financial year	4,204,623	2,996,314
	Sponsorships	26,506	71,696
	Tax facilities regarding re-invested profit		49,901
	Total income tax	646,234	357,813
	Profit after tax	(140,199)	4,667,172

13b. Expenditure with the specific activity

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

For the year 2021, the expenditure with specific tax due for this activity is in the amount of 13,671 RON (13,671 RON for financial year 2020).

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14. Deferred tax assets and liabilities

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

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

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

	ASSETS		LIABILITIES		NET	
	2021	2020	2021	2020	2021	2020
Tangible Non-Current Assets	266,074	212,632	606,932	(79,346)	(340,858)	291,978
Employee Benefits	67,992	74,340	66,912	96,290	1,080	(21,950)
Receivables/liabilities	667,333	268,818	667,333	268,818		-
Tax incentives	1,218	1,519	(24,444)	30,691	25,662	(29,172)
Net Deferred tax assets/liabilities	1,002,617	557,309	1,316,733	316,453	(314,116)	240,856

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IAS 16 **15. Tangible Non-Current Assets**

		Land and buildings	Machines and Equipment	Furniture and fixtures	Work in progress	Total
		RON	RON	RON	RON	RON
	Cost or assumed cost					
<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>	Acquisition	290,539	2,460,163	39,472	2,746,422	5,536,596
<i>IAS 16.73 (e)(ii)</i>	Disposals of tangible non-current assets	4,666,590	817,902		1,970,336	7,454,828
	Net reevaluation	4,301,651	(999,697)			3,301,954
<i>IAS 16.73 (d)</i>	Balance at 31 December 2021	21,262,106	56,035,571	508,922	3,564,578	81,371,177
	Depreciation and impairments					
<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 for the year	1,529,798	2,140,373	28,508		3,698,679
<i>IAS 16.73 (d)(vi)</i>	Reversal of impairment losses		(29,199)			(29,199)
<i>IAS 16.73 (d)(ii)</i>	Disposal of tangible non-current assets	17,107	544,529			561,636
	Discounts representing cancellation of depreciation due to revaluation	4,647,928	250,523			4,898,451
<i>IAS 16.73 (d)</i>	Balance at 31 December 2021		40,393,612	444,320		40,837,932
<i>IAS 1.78 (a)</i>	Net book value					
	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 31 December 2021	<u>21,262,106</u>	<u>15,641,959</u>	<u>64,602</u>	<u>3,564,578</u>	<u>40,533,245</u>

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

On 31 December 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.

On 31.12.2007, the Agigea Branch, named at that time Shipyard Services S.A. Agigea, carried out the land revaluation operation of 210 sqm. As a result, after the merger (in 2008) and until this date, the Company's lands are valued at fair value for the land in the Branch's patrimony and at historical cost for the lands from Orşova.

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. At the time of this decision, they were properly restated as fixed assets held for sale (according to IFRS 5). The sale transaction was completed in 2021

The company has completed cadastral situation for the entire area of the premises owned by Orşova headquarters.

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

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

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.

At 31 December 2010 and 2012, 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.

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

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 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.

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.

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

With the value of the revaluation surplus, the balance of revaluation reserves was credited for those items whose fair value was higher than net book value, and for the other objectives for which the fair value was less than the net book value reflected the decrease of the existing revaluation surplus and / or the impairment of operating expenses in the case of previously unrecognized revaluation reserves or recognized revaluation reserves was insufficient to cover the decrease. In both the construction group and the ship, by total group, there are increases, totaling 5,330,995 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. In the ordinary general meeting of the shareholders, the results of this reassessment will be presented as a separate item on the agenda.

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. At the ordinary general meeting of shareholders, the results of this revaluation will be presented as a separate item on the agenda.

At 31 December 2021, the Company proceeded to the revaluation of tangible assets such as buildings and means of shipping, both at the headquarters in Orsova and at the Agigea branch using the opinion of independent external evaluators. The method of reflecting the revaluation in the Company's accounting was that of removing the depreciation from the carrying amount of assets. The revaluation surplus was credited with the balance of revaluation reserves for those objectives whose fair value was greater than the net book value, and for other objectives in which the fair value was less than the net book value, the decrease in the existing revaluation surplus was reflected in the decrease in the previous revaluation surplus, respectively the allocation of operating expenses in the case of objectives for which a revaluation reserve had no previously been recognizes was insufficient to cover the decrease. In both the construction group and the ships group, there are increases in the total amount of 3,301,954 RON. However, analyzed individually, there were assets where there were decreases, their total value being 999,697 RON, all decreases being supported by the revaluation surplus previously recoded under these items. At the general meeting of shareholders, the results of this revaluation were presented and submitted for approval as a separate item on the agenda.

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

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 2021, the date of financial reporting. At the company level, there has not been any change of the level presented by IFRS 13 for the data taken into account in determining the fair values. Also, the maximum amount for assets valued at fair value does not differ from the current amount of use.

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

- RON-

Name	Land	Plant	Equipment (Means of transport)
Fair value at 31.12.2021	1,201,941	20,060,165	8,274,482
Revaluation surplus	572,314	20,770,903	2,604,789
Net book value according to cost model	629,627	2,678,484	5,669,693

Impairment losses and subsequent reversals

At the revaluation on December 31, 2021, the depreciation test for the fixed assets under conservation was performed at the Agigea branch, and after processing the respective data resulted a depreciation, in the balance, of 435,721 RON, related to other fixed assets than the buildings. In the previous year, the value of depreciation was 406,522 RON.

Pledged or mortgaged tangible assets

To guarantee the multi-option and multi-currency global limit, in value of 1,540,000 EUR (2,000,000 in 2019), made available by BRD-GSG SA, the Company established the following:

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

- First rank mortgage on the following properties: Repair hall, New Hall, Thermal power station, Compressors Station and PSI Shed, Operating Group, Cafeteria, Merged building, all together with the related land, buildings assessed in accordance with the Warranty Monitoring Report at 1,512,800 EUR market value, registered in the Land Registry under the following numbers 1133, 1146, 1121, 1145, 1134, 1135 and 1132;
- Security interest with dispossession on a deposit in value of 401,201 EUR.
- Warrant in form of Assignment of receivables in total value of 8,989,250 EUR, resulting from signed contracts concluded by the company with third parties, contracts not received on 12.31.2021.

Tangible assets in progress

At 12.31.2021 the company had unfinished investment in the total amount of 3,564,578 RON, consisting of modernization of the launch path from the subunit from Agigea.

Changes in Accounting Estimates

On the occasion of the revaluation made on 31 December 2018 and 2021, some of the fixed assets that were fully depreciated have been assigned a new use value, which has led to a reconsideration of the lifetime, which will be used from 2019, respectively 2022 onwards accounting depreciation.

Changes in classification

In 2021, no reclassifications of this kind of assets has made by the Company.

In 2019, the Company proceeded to reclassify some assets. According to IAS 40, a building under the management of the branch in Agigea (head office) was transferred from the category of fixed assets to the category of real estate investments, which was given for use, for rent, to third parties until 2021. In this respect, see also Note 18. The two lands reclassified, according to IFRS 5, based on the decision of the Board of Directors in 2017 as being held for sale, were sold in 2021.

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IAS 38 **16. Intangible Assets**

<i>IFRS 3.61</i> <i>IAS 38.118 (c), (e)</i>		Other assets	Total
	Cost	RON	RON
<i>IFRS 3.B67 (d)(viii),IAS 38.118</i>	Balance at January 1, 2021	1,077,700	1,077,700
<i>IAS 38.118(e)</i>	Acquisitions	17,198	17,198
	Disposals of intangible assets		
<i>IAS 38.118</i>	Balance at December 31, 2021	1,094,898	1,094,898
	Amortization and impairment		
<i>IFRS 3.B67 (d)(i),IAS 38.118</i>	Balance at January 1, 2021	1,071,508	1,071,508
<i>IAS 38.118(e)(vi)</i>	Amortization during the year	3,252	3,252
<i>IAS 38.118(e)(iv)</i>	Impairments		
	Disposals of intangible assets		
<i>IFRS 3.B67 (d)(viii),IAS 38.118</i>	Balance at December 31, 2021	1,074,760	1,074,760
	Book values		
<i>IAS 38.118(c)</i>	Balance at January 1, 2021	<u>6,192</u>	<u>6,192</u>
<i>IAS 38.118(c)</i>	Balance at December 31, 2021	<u>20,138</u>	<u>20,138</u>

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IAS 39 **17. Right-of-use assets**

Starting with 2019, IFRS 16 Leases became applicable. Given that the company has certain leases, as a lessee, with a term of 12 months or less and low value leases, it applies for these contracts the exception for the recognition of short term and low value leases. Please note that the company at the headquarters of the Agigea branch, has the right to use the land that is owned by the National Company Administration of Maritime Ports Constanta. The lease agreement concluded in this respect with CNAPMC (September 2019) is valid until 2038 but contains clauses regarding the renegotiation of the tariff every 5 years and an annual indexable rent value. The initial analysis of the clauses of this contract determined the Company to apply the exception allowed by IFRS, respectively to consider that the conditions are met to recognize this contract annually as a new leasing contract. In 2021, after reviewing the contract, the company concluded that the annual tariff change did not constitute a significant change in the contract and decided to reassess the requirements of IFRS 16. As a result, it entered into a contract with CNAPMC under IFRS 16 and recorded a right-of-use asset and a corresponding leasing liability.

The following are the carrying amounts of the right to use the recognized asset and the movements in the period:

	Total land use rights	Total rights to use of assets
Cost		
At 1st january 2019	0	0
entries	2,502,294	2,502,294
At 31 december 2019	2,502,294	2,502,294
Entries	94,066	94,066
At 31 december 2020	2,596,360	2,596,360
Entries	142,574	142,574
At 31 december 2021	2,738,935	2,738,935
Amortization		
At 1 january 2019	0	0
Annual amortization	125,115	125,115
At 31 december 2019	125,115	125,115
Annual amortization	520,262	520,262
At 31 december 2020	645,377	645,377
Annual amortization	533,595	533,595
At 31 december 2021	1,178,973	1,178,973
Net book value		
At 31 december 2019	2,377,179	2,377,179
At 31 december 2020	1,950,983	<u>1,950,983</u>
At 31 december 2021	1,559,962	<u>1,559,962</u>

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17. Right-of-use assets (continued)

Following the application of IFRS 16, the following amounts have been recognized in the income statement:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Expenditure with related amortization			
Usage rights	533,595	520,262	125,115
Interest on lease debt	35,702	44,956	12,313
Totals	569,297	565,218	137,428

IAS 39 **18. Other investments, including derivatives**

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

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

Other investment	2021			2020		
	Book value	Allowance for impairment	Net worth	Book value	Impairment adjustments	Net worth
Long-term investment						
Shares held at Kritom	684,495	684,495	0	684,495	684,495	0
Total long-term investment	<u>684,495</u>	<u>684,495</u>	<u>0</u>	<u>684,495</u>	<u>684,495</u>	<u>0</u>

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IAS 39 **18. Other investments, including derivatives (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
- Şantierul Naval Orşova 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 December, 2021, the Company had fully set up impairments for these securities, amounted to 684,495 RON, so the net value on 31 December 2021 was 0 RON (the same situation was registered at 31 December, 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.

This financial asset belongs to the category of financial assets measured at amortized cost in accordance with IFRS 7.8.

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IAS 40 **19. Investment property**

		<u>2021</u>	<u>2020</u>
		RON	RON
<i>IAS 40.76(a)</i>	Balance on January 1st	508,019	517,515
<i>IAS 40.76(f)</i>	Acquisitions		
<i>IAS 40.76(d)</i>	Transfer from tangible assets		
<i>IAS 40.76(d)</i>	Free transfer/depreciation, transfer to tangible assets	14,217	9,496
	Balance at December 31	<u>522,236</u>	<u>508,019</u>

In September 2019 the Agigea branch proceeded to rent a building located in Constanța, called "Headquarters", to the companies City Protect and Protect Instal, the rental period being one year. The rental period, according to the contracts in force, ends on 31.12.2023.

The Company measures real estate investments at fair value, with changes in fair value being recognized in profit or loss and other comprehensive income. On 31.12.2021, the real estate investment was revalued by an independent external assessor. The valuation method was the income approach.

20. Inventories

		<u>2021</u>	<u>2020</u>
		RON	RON
<i>IAS 1.78 (c),2.36(b)</i>	Raw materials and consumables	9,671,585	8,198,985
<i>IAS 1.78(c), 2.36(b)</i>	Work in progress	13,319,086	29,282,516
	Write-downs	(589,946)	(2,870,180)
	Inventories at net value	<u>22,400,725</u>	<u>34,611,321</u>

IAS 1.104,2.36(e)(f) For the sheet stocks over 3 years old and for the other stocks over 2 years old, without moving, the company adjusted the book value, constituting a total depreciation of 589,946 RON. We note that the depreciation constituted in previous years for the production in progress, related to an foreign order that was the subject of the dispute with the company VEKA, was reimbursed to revenues, following the capitalization of the ship.

Evolution of inventory write-downs

		<u>2021</u>	<u>2020</u>
		RON	RON
<i>IAS 1.104,2.36(e,g)</i>	Opening balance	(2,870,180)	(6,840,829)
<i>IAS 1.104, 2.36(e,g)</i>	Write-downs reversal	2,282,238	4,451,640
<i>IAS 1.104, 2.36(e,g)</i>	Write-downs	(2,004)	(480,991)
	Closing balance	<u>(589,946)</u>	<u>(2,870,180)</u>

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21. Fixed assets held for sale

	<u>2021</u>	<u>2020</u>
	RON	RON
<i>IAS 1.104,2.36(e,g)</i> Balance at the beginning of the period	18,637	318,158
<i>IAS 1.104, 2.36(e,g)</i> Outputs for sale	18,637	299,521
Balance at the end of the period	0	18,637

In the course of the year 2017 the company has reclassified some assets like assets held for sale, in accordance with the management decision; these has been valued at reclassification moment at minimum between book value and fair value less the sale estimated cost. In the year ended at December, 31 2021, the Company has sale the last assets classified in this category, in fact two plots of the area Gratca, Orsova and the Company has booked a profit amounted to 152,602 RON.

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

	<u>2021</u>	<u>2020</u>
	RON	RON
<i>IAS 1.78 (b)</i> Trade receivables	19,818,759	533,389
Receivables allowances	(166,620)	(166,620)
<i>IFRS 7.8(c)</i> Loans and net receivables	19,652,139	366,769

Long term

Receivables – total	844,154	948,810
Sundry debtors	449,674	623,167
Suppliers – debtors	-	20,551
VAT receivable and under settlement	128,411	285,679
Allowances for other receivables	(345,939)	(548,243)
Deferred expenses	165,412	130,348
Other expenses	412,042	434,386
Accrued expenses	34,554	2,922
Total	<u>20,496,293</u>	<u>1,315,579</u>

Trade receivables at 31 December 2021 show an increase over the corresponding 2020 period. The balance of uncollected invoices refers to current invoices, without raising any special problems regarding the collection, some of which are already collected in the first days of 2022. We specify that, regarding the uncollected receivable from the company VEKA in the amount of 4,948,100 RON, a notarial agreement

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22. Trade receivables and related, other receivables and accrued expenses (continued)

was concluded on 10 February 2022 the offers the Company the guarantee of its compliance by the Dutch partner and the full collection of debt in 2022. As at 31 December 2021, there were, as in the previous year, in the records of the Agigea branch, uncollected commercial receivables (disputed customer), older than 1 year, from previous years and for which adjustments were made for the depreciation of receivables in the total amount of 166,620 RON. The receivables analyzed in this note do not include the receivables presented in the fixed assets category.

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

Currency	2021	2020	Movements of the Company's receivables allowances are as follows:
	RON	RON	
USD		-	
EUR	19,098,570	-	
RON	720.189	533,389	
		2021	2020
		RON	RON
On 1 January		166,620	166,620
Allowances reversed		-	-
Recognized allowances		-	-
Balance at end of period		166,620	166,620

In 2021, no impairments were established / resumed in connection with the Company's trade receivables.

23. Short term investments

	2021	2020
	RON	RON
Deposits in banks in RON	904,000	1,904,000
Deposits in banks in foreign currency	2,183,107	1,953,609
Total	<u>3,087,107</u>	<u>3,857,609</u>

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23. Short term investments (continued)

Deposits at banks and foreign currency deposits in banks (euro), presented by the Company as other short term investments as at December, 31 2021 relates to deposits with a maturity of between six months and one year.

24. Cash and cash equivalents

	<u>2021</u>	<u>2020</u>
	RON	RON
Bank accounts in RON	2,190,120	3,250,290
Bank account in foreign currencies (euro)	12,164,760	27,560,905
Petty cash in RON	6,254	8,802
Petty cash in foreign currencies	-	-
Other values	4,234	5,276
Total	<u>14,365,368</u>	<u>30,825,273</u>

The amounts in cash and cash equivalents decrease significantly compared to the previous period (by 53.40%), as a result of amounts paid in 2021 as dividends, but also the non-collection until the end of the year of some trade receivables.

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25. Capital and reserves

Share capital

IFRS 7.7 The share capital structure on December 31, 2020 is as follows:

IAS		Number	
1.79(a)(i),(iii)		of shares	Amount
			(RON)
	SIF 3 Transilvania	5,711,432	14,278,580
	SIF 5 Oltenia	3,200,337	8,000,843
	SIF 4 Muntenia	1,504,600	3,761,500
	Other individual shareholders	179,243	448,108
	Other corporate shareholders	827,307	2,068,267
		<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.

Compared with the existing ownership structure at 31 December 2021, there are no significant changes. The changes took place at the level of other corporate and individual shareholders, in the sense that there was a slight increase in the share of corporate shareholders to the detriment of the individual ones.

Shareholders name	Percentage of ownership (%)	
	2021	2020
SIF 3 Transilvania	49.9998	49.9998
SIF 5 Oltenia	28.0168	28.0168
SIF 4 Muntenia	13.1718	13.1718
Other individual shareholders	1.6620	1.5691
Other corporate shareholders	7.1497	7.2425
Total	100.00	100.00

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

Each subscribed and paid share, grants the shareholders, under the law, the right to vote in the General Meeting of Shareholders or to be elected to the governing bodies, the right to participate in the distribution of profit or any rights derived from the shareholder quality. Owning shares involves adherence to the status and subsequent amendments. During 2021 there were no changes in share capital.

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25. Capital and reserves (continued)

Reserves

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

During 2021, the company did not constitute legal reserves because it had reached the threshold of 20% of the share capital, according to art 183 of the Companies Law no.31/1990, republished, with subsequent amendments and completions.

Revaluation reserve	Total reserve	Reserves taxed	Untaxed reserves
Recorded before 2004	6,058,540	-	6,058,540
Recorded at 31.12.2006	1,479,579	910,582	568,997
Recorded at 31.12.2007	3,779,015	1,497,169	2,281,846
Recorded at 31.12.2009	1,019,194	509,818	509,376
Recorded at 31.12.2012	2,419,147	1,235,961	1,183,186
Recorded at 31.12.2013	332,106	164,616	167,490
Recorded at 31.12.2014	113,996	55,735	58,261
Recorded at 31.12.2015	4,548,824	1,585,561	2,963,263
Recorded at 31.12.2016	131,549	36,872	94,667
Recorded at 31.12.2017	285,512	54,757	230,755
Recorded at 31.12.2018	5,339,718	1,241,917	4,097,801
Recorded at 31.12.2019	127,351	5,306	122,045
Recorded at 31.12.2021	4,611,769	-	4,611,769
TOTAL	30,246,300	7,298,294	22,948,006

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

IAS 1.107

Profit appropriation / Dividends declared and paid

In the General Meeting of Shareholders (AGOA) from 16.04.2021 the distribution of the net profit for the year 2020 in the amount of 4,653,501.17 RON was approved for the following destinations:

- 191,823 RON legal reserves, according to art. 183 para. (1) of the Companies Law no. 31/1990, republished with subsequent completions and modifications
- 35,406 RON to cover the loss from the correction of accounting errors from the previous period
- 4,340,709.22 lei, in the form of dividends, representing 0.38 lei / share dividend gross;
- 85,562.95 lei, as a source of own financing (available to the company).

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25. Capital and reserves (continued)

At the same time, in the same OGMS meeting, the additional dividends to the shareholders was approved, by distributing the amount of 7,082,209.78 RON, from the result carried forward to 31.12.2020, respectively and additional gross dividend of 0.62 RON/share.

26. Earnings per share

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

IAS **Profit attributable to ordinary shares**

33.70(a)

	<u>2021</u>	<u>2020</u>	<u>Adjustment</u> <u>2020</u>
Profit (loss) for the period	(153,870)	4,653,501	(18,172)
Dividends for unredeemed preference shares	-	-	
Profit (loss) attributable to ordinary shares	<u>(153,870)</u>	<u>4,653,501</u>	<u>(18,172)</u>

IAS **Weighted average number of ordinary shares**

33.70(b)

	<u>2021</u>	<u>2020</u>
Ordinary shares issued on 1 January	11,422,919	11,422,919
Effect of own shares held	-	-
Effect of share options exercised	-	-
Weighted average number of ordinary shares at 31 December	11,422,919	11,422,919

IAS **Profit attributable to ordinary shareholders**

33.70(a)

	<u>2021</u>	<u>2020</u>	
Profit attributable to ordinary shareholders (basic)	(153,870)	4,653,501	(18,172)
Interest expense related to convertible bonds after tax		-	
Profit attributable to ordinary shareholders (diluted)	<u>(153,870)</u>	<u>4,653,501</u>	<u>(18,172)</u>

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26. Earnings per share (continued)

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

	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares (basic)	11,422,919	11,422,919
Effect of conversion of convertible bonds	-	-
Effect of share options issued	-	-
Weighted average number of the ordinary shares (diluted) at 31 December	11,422,919	11,422,919
Earnings per share	(0.01)	0.41

27. Loans

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

At the end of 2021 and 2020 the Company had no loans contracted.

Values of guarantees provided by the Company for short-term loans are presented below:

<u>Explanations</u> <u>guarantees</u>	<u>2021</u> RON	<u>2020</u> RON	
Land	584,951	584,951	BRD
Buildings	6,781,477	6,781,477	BRD
Receivables	44,479,708	31,388,152	BRD
Pledge (collateral deposit)	2,183,107	1,953,609	BRD

- On 31st of December 2021 society have approved a single overall limit to BRD guaranteed as stated below.
- Buildings have been evaluated and taken as warranty at the following market value:
 - 2013 - 1,733,000 EUR (* 4.4847 RON/EUR= 7,771,985 RON)
 - 2014 - 1,733,000 EUR (* 4.4351 RON/EUR= 7,686,000 RON)
 - 2014 - 640,204.14 EUR (* 4.4821 RON/EUR= 2,869,459 RON)

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27. Loans (continued)

- 2015 - 1,615,300 EUR (* 4.5245 RON/EUR=7,308,424 RON)
 - 2016 – 1,512,800 EUR (* 4.5411 RON/EUR=6,869,776 RON)
 - 2017– 1,512,800 EUR (* 4.6597 RON/EUR=7,049,194 RON)
 - 2018 - 1,512,800 EUR (* 4.6639 RON/EUR=7,055,548 RON)
 - 2019 - 1,512,800 EUR (* 4,7793 RON/EUR = 7,230,125 RON)
 - 2020 - 1,512,800 EUR (*4,8694 RON/EUR = 7,366,428 RON)
 - 2021 – 1,512,800 EUR (4.9481 RON/EUR = 7,485,486 RON)
3. Receivables -value of letters of credit that will be charged by the concerned bank (BRD):
- 2013 - 3,566,760 EUR (* 4.4847 RON/EUR= 15,995,848 RON)
 - 2014 - 2,213,440 EUR (* 4.4821 RON/EUR= 9,920,859 RON)
 - 2015 - 4,472,000 EUR (* 4.5245 RON/EUR= 20,233,564 RON)
 - 2016 - 2,480,000 EUR (* 4.5411 RON/EUR=11,261,928 RON)
 - 2017- 0 EUR (* 4.6597 RON/EUR= 0 RON)
 - 2018—1,745,000EUR (*4.6639 RON/EUR=8,138,506 RON) + assignment
receivables 11,197,000EUR*4.6639=52,221,688 RON
 - 2019 - 2,310,000 EUR (* 4,7793 RON/EUR = 11,040,183 RON) + assignment
receivables 9,842,730 EUR * 4.7793 = 47,041,359 RON
 - 2020 - 0 EUR
 - 2021 – 0 EUR
4. Pledge on a deposit in the amount of 401,201 EUR BRD, plus accrued interest of:
- 2013 - 589,000 EUR (* 4.4847 RON/EUR= 2,641,488 RON)
 - 2014 - 589,000 EUR (* 4.4821 RON/EUR= 2,639,957 RON)
 - 2015 - 642,714.64 EUR (* 4.5245 RON/EUR=2,907,962 RON)
 - 2016 – 400,000 EUR (* 4.5411 RON/EUR=1,816,440 RON)
 - 2017- 400,600 EUR (* 4.6597 RON/EUR=1,863,80 RON)
 - 2018 - 401,000 EUR (* 4.6639 RON/EUR = 1,870,227 RON)
 - 2019 - 401,201 EUR (* 4.7793 RON/EUR = 1,917,460 RON)
 - 2020 - 401,201 EUR (* 4.8694 RON/EUR = 1,953,608 RON)
 - 2021 – 40,000 EUR (* 4.9481 RON/EUR)
5. Real movable security on a deposit of 40,000 EUR opened at BRD
- 2021 – 40,000 eur (4.9481 RON/EUR = 197,924 RON)

Through the credit agreement No. 70/31.07.2013 and the addendum no. 9 from 30.06.2021 with BRD-GSG Orsova, the Company contracted an uncommitted credit facility as an overall limit, multi-currency and multi-options in the amount of 1,500,000 (one million five hundred thousand) EUR, valid until 30.06.2022, and a limit to hedge foreign exchange amounting to 2,069,000 USD. On 26.11.2021, by additional act no. 10, the global threshold was increased by the amount of 40,000 EURO until 01.05.2022.

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27. Loans (continued)

The overall unconfirmed limit has several sub-limits, as mentioned below, provided that the maximum value of sub-limits does not exceed in any moment the total amount of 1,540,000 EUR limit.

- Unconfirmed and bi-currency credit line facility in value of maximum 1,500,000 EUR, usable in the following currencies: RON and EUR;
- Facility for issuing letters of guarantee ("SGB facilities") - a maximum of 1,540,000 EUR, usable in the following currencies: RON and EUR, with an issuing date valid until 31.05.2022, respectively 30.06.2022. Validity of guarantee letters issued shall not exceed 24 months from the issue date;
- Facility for the letters of credit opening – amounted to 500,000 EUR with maturity for 24 months.

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

28. Leases' liabilities

Financial leasing contracts

As of December 31 2021, the Company has not concluded financial leasing contracts.

Operating leases

Total commitments included in the leasing contract concluded with the National Company Administration of Maritime ports Constanta on 31st December 2021, recognized in accordance with IFRS 16, is 1,592,294 RON. When updating the lease payments, as the company has no other contracted loans, it used the BNR's monetary policy interest rate of 2%.

The maturity of the lease debts is as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Initial year	-	-	119,266
Year 1	-	502,135	483,067
Year 2	525,239	512,270	492,817
Year 3	568,917	522,610	502,765
Year 4	580,401	533,159	512,912
Year 5	442,976	406,920	391,467
Total	2,117,533	2,477,094	2,502,294
Debt balance 31 december	1,592,294	1,974,959	2,383,028
Long term	1,023,377	1,462,689	1,899,962
Short term	568,918	512,270	483,066

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Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

29. Employee benefits

a) The remuneration of directors and administrators

For management activity, the Company is obliged to pay to the administrators a fixed monthly remuneration, established by the articles of Company Act or the decision of the General Meeting of Shareholders, and a variable remuneration in relation to the achievement of objectives and performance indicators.

The fixed monthly remuneration of the directors for the period January 1 – December 31, 2021 was in the amount of 587,889 RON (638,309 RON in 2020), in accordance with the provisions of the Articles of Association and the remuneration policy of the Company.

In 2021, the variable remuneration was not granted to the administrators and the general manager.

The Company did not grant advances or loans to directors or administrators in the financial year ended 31 December 2021.

Wage expenses

	Financial year ended at <u>31 December 2021</u> RON	Financial year ended at <u>31 December 2020</u> RON
Administrators	587,889	1,007,036
Directors	1,277,082	1,118,951
	1,864,971	2,125,987

Regarding the Board of Directors, during 2021 there were changes in its composition, at the initiative of the main shareholder SIF Transilvania, which requested the convening of an OGMS to elect the directors by the cumulative voting method.

Therefore, the composition of the Board of Directors for the period 01.01-27.12.2021 was as follows:

Mr. Andanut Crinel-Valer – President
Mr. Moldovan Marius-Adrian- Vice-president
Mrs. Dumitrescu Lucia-Carmen – Member
Mr. Mihai Constantin-Marian – Member
Mr. Ciurezu Tudor – Member

In December 2021, the OGMS was convened, with several items on the agenda, including the election of the directors, by the method of cumulative voting, for a period of 4 years.

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Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

29. Employee benefits (continued)

The OGMS was held on December 28, 2021, and the new composition of the Board of Directors, as it resulted from the expression of the shareholders votes starting with December 28, 2021, is as follows

Mr. Rosca Radu-Claudiu - President

Mr. Enescu Radu-Valentin – Vice-President

Mr. Sperdea Mircea-Ion- Member

Mr. Zoescu Mihai - Member

Mr. Miha Constantin-Marian - Member

Allowances and other rights granted to directors are set out in art. 19 of the Company Act and management contracts that were approved by the General Meeting of Shareholders, on October 2, 2020, respectively by the General meeting of Shareholders from 28 December 2021, and wages and other executive rights were determined by the Board of Directors, complying with the limits laid down in art. 22 of the Company Act and in the Mandate Contract between the Board of Directors and the General Director. The mandate of the current Board of Directors ends on December 28, 2025.

Salaries payable due at period end:

	<u>31 December 2021</u>	<u>31 December 2020</u>
	RON	RON
Administrators	28,744	27,676
Directors	32,974	23,873
	61,718	51,549

b) Employees

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

	Financial year ended at <u>31 December 2021</u>	Financial year ended at <u>31 December 2020</u>
Administrative staff	45	45
Direct productive staff	227	271
Indirect productive staff	87	58
	359	374

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		<u>Warranty</u>	<u>Employee benefits</u>	<u>Litigations</u>	<u>Other Provisions</u>	<u>Total</u>
<i>IAS</i>	Balance at January 1,	-	<u>210,124</u>	<u>53,210</u>	<u>283,984</u>	<u>1,025,258</u>
<i>37.84(a)</i>	2021					
<i>IAS</i>	Provisions recognized	-	88,490		336,466	424,956
<i>37.84(b)</i>	during the current period					
<i>IAS</i>	Reversal of provisions	-				
<i>37.84(c)</i>	during the current period					
<i>IAS</i>	Complete reversal of	-	150,698		267,501	418,199
<i>37.84(d)</i>	provisions during the current period					
<i>IAS</i>	Balance at December 31,	-	<u>147,916</u>	<u>531,210</u>	<u>352,889</u>	<u>1,032,015</u>
<i>37.84(a)</i>	2021					

Provisions for employee benefits

As at 31.12.2021 the company had provisions for employee benefits for retirement worth 147,916 RON (210,124 RON at 31 December 2020).

IAS 1.125 **Litigation**

At 31 December 2021, the Company constituted a provision for litigation in the amount of 531,210 lei, representing damages requested by the former Chairman of the Board of Directors of the Company - Mr. Fercală Mihai - for revocation from office, before the expiration of his term. The action was brought in November 2020, and the court of first instance, by civil sentence no. 14/23.02.2021 rejected as unfounded the request for summons and ordered the applicant to pay the amount of 21,331 RON as judgment expenses in favor for our Society. Against the decision of the court of first instance, Mr. Fercala Mihai filed an appeal which was admitted by Civil Decision no. 596/11.10.2021 pronounced by the Craiova Court of Appeal, in the sense of admitting the request for summons as a consequence of obliging the Orsova Shipyard to pay the amount of 531,210 RON, payment of the penal legal interest in the amount of 3,852.65 RON, as well as of the court costs in the total amount of 32,540 RON. The Orsova Shipyard filed and appeal against the decision of the appellate court, which is currently in the filter procedure before the High Court of Cassation and Justice.

Mr. Fecala Mihai initiated, in November 2021, the enforcement procedure.

Consequently, our Company recorded the amounts, with special allocation, at the disposal of the bailiff S.C.P.E.J. Drumea-Nicut and Ciovica and filed an appeal for enforcement which is currently pending before the Orsova District Court.

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30. Provisions (continued)

Other provisions

On December 31, 2021, the company had provisions for unperformed rest leave amounting to 352,889 lei (2020: 283,924 lei).

31. Trade payables and other liabilities

	<u>2021</u>	<u>2020</u>	<u>Adjustment 2020</u>
	RON	RON	
Trade payables - short term	5,195,741	4,631,937	525,239
Social security and other taxes	1,334,918	1,205,903	
Suppliers - invoices to be received	734,891	110	
Other creditors	1,138,618	781,379	
Commercial debts – long term (leasing, guarantees)	1,047,860	=	<u>1,449,720</u>
Total	<u>9,452,028</u>	<u>6,619,329</u>	<u>1,974,959</u>

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

32. Financial instruments

General presentation

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

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

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

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

32. Financial instruments (continued)

The general risk management

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

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

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

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

Credit risk

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

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

Credit risk exposure

IFRS. 7.36(a) The book value of financial assets represents the maximum exposure to credit risk.

The maximum exposure to credit risk at the reporting date was as follows:

	<u>Note</u>	<u>2021</u> RON	<u>2020</u> RON
Trade receivables	22	19,818,759	533,389
Cash and cash equivalents	24	14,365,368	30,825,273

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32. Financial instruments (continued)

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

	<u>2021</u>	<u>2020</u>
	RON	RON
Internal market	720.189	533,389
USD area	-	-
EUR area	19,098,570	-
	<u>19,818,759</u>	<u>533,389</u>

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

	<u>2021</u>	<u>2020</u>
	RON	RON
Wholesalers	-	-
Retailers	-	-
Final consumers	-	-
Others	19,818,759	533,389
TOTAL	<u>19,818,759</u>	<u>533,389</u>

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

Şantierul Naval Orşova S.A.**Separate financial statements 2021 in accordance with IFRS as adopted by EU**

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

32. Financial instruments (continued)

CLIENT / BENEFICIARY	YEAR 2021	YEAR 2020
Rensen Driessen Shipbuilding B.V. (NL)	67.76%	64.53%
TEAMCO BV (NL)	14.02%	-
Vof Interceptor (NL)	-	17.15%
VEKA Shipbuilding B.V. (NL)	17.88%	18.32%
ASTO BV (NL)	0.34%	
TOTAL	100%	100%

In the financial year 2021, shipments built in Orsova delivered were focused on 3 customers (Rensen Driessen Shipbuilding B.V., Teamco B.V. and VEKA Shipbuilding B.V.), and as a percentage it is observed that Rensen Driessen Shipbuilding B.V. maintains its dominant position in total deliveries (67.76%).

Regarding the ship repair activity carried out mainly by the Agigea branch, the main customer was NAVROM GALATI.

Receivables Allowances

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

	Depreciation	Gross Value	Depreciation	Gross Value
	2021	2021	2020	2020
	lei	lei	lei	lei
Before due		14,704,039		366,769
Overdue from 30 days -1 year		4,948,100		
Overdue from more than one year or litigious	(166,620)	166,620	(166,620)	166,620
Total	(166,620)	19,818,759	(166,620)	533,389

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

32. Financial instruments (continued)

Liquidity risk

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

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

In order to prevent certain situations that could make the company unable to meet its payment obligations in time, as the company has shown, it has one global ceiling contracted with BRD bank.

Variable rate loans	2021	2020
Up to 1 year	-	-
Between 1 and 5 years	-	-
Over 5 years	-	-

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

Şantierul Naval Orşova S.A.**Separate financial statements 2021 in accordance with IFRS as adopted by EU**

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

32. Financial instruments (continued)

IFRS 7.34 *Exposure to currency risk*

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

	<u>2021</u>		<u>2020</u>	
	<u>EUR</u>	<u>USD</u>	<u>EUR</u>	<u>USD</u>
	lei	lei	lei	lei
Trade receivables	-	-	-	-
Guaranteed bank loans	-	-	-	-
Trade payables	4,123,172	-	3,955,198	-

In 2021, due to the oscillating evolution of the RON/EURO parity, the Company did not conclude new hedging transactions with derivate instruments in order to prevent the exposure to foreign exchange risk, but two such transactions were completed in 2020.

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

Currency	<u>Average rate</u>		<u>Spot rate at the reporting date</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
RON				
EUR	4.9204	4.8371	4.9481	4.8694
USD	4.1604	4.2440	4.3707	3.9660

a. Interest rate risk

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

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

32. Financial instruments (continued)

b. Capital management

The Company's capital management objectives are to ensure the protection and the ability to reward shareholders, to maintain an optimal capital structure to reduce capital costs.

In order to maintain or change the capital structure, the Company may change the number of dividends paid to shareholders, shareholders capital yield, issue new shares or sell assets to reduce debt.

The Company monitors the amount of capital raised on indebtedness. This rate is the ratio of net debt and total equity. Net debts are calculated as total net cash debts. Total equity is calculated as equity plus net debt.

	<u>2021</u>	<u>2020</u>	<u>Adjustment 2020</u>
	RON	RON	
Total liabilities	9,452,028	6,619,329	1,950,983
Cash and cash equivalents	14,365,368	30,825,273	
Total shareholders' equity	<u>103,606,604</u>	<u>109,056,487</u>	<u>1,950,983</u>

33. Contingent assets and contingent liabilities

a. Litigation and disputes

The company has registered before the courts a number of actions, resulting from the activity of the company. The management of the Company believes that these actions will not have a significant adverse effect on the economic results and financial position of the Company.

b. Taxation

The Romanian taxation system is undergoing a process of consolidation and harmonization with the European Union legislation. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties (0.1% per day delay until 30 June 2010). Starting at 1 July 2010, the interest is 0.04% and penalties are 5% for a total delay between 30 and 60 days and 15% for a delay over 60 days.

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

33. Contingent assets and contingent liabilities (continued)

Starting with July 1, 2013 interest charged for each day of delay were set at 0.04% and the applicable penalty rates for each day of delay changed to 0,02%. For the period, subsequent to the date of 1 January 2016, the interest charged for each day of delay were set at 0.02 %, and the odds of the applicable penalties for each day of delay changed to 0.01%. In Romania, the fiscal year remains open to checking tax for five years. The Company's management believes that tax included in these financial statements are appropriate.

c. Restructuring

In 2021, the company did not make employees disposal, with an increase in the average number of employees by 4.01% compared to the previous year (2021: 359 employees, 2020: 374 employees). The Company does not have a staff restructuring plan in the future.

d. Administrators remuneration

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

The variable remuneration due to administrators is approved by the Ordinary General Meeting of Shareholders approving the annual financial statements and will have as a basis the profit before tax.

e. Onerous contracts

An onerous contract is a contract entered with another party under which the unavoidable costs of fulfilling the terms of the contract exceed any revenues expected to be received from the goods or services supplied or purchased directly or indirectly under the contract and where the entity would have to compensate the other party if it did not fulfill the terms of the contract. These unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. As at 31 December 2021, the Company had no onerous contracts.

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

33. Contingent assets and contingent liabilities (continued)

f. The contingent liabilities related to the environment

Environmental regulations are developing in Romania and the Company has not recorded any liability at 31 December 2021 for any anticipated costs, including legal and consulting fees, site studies, the design and implementation of remediation plans, related to environmental matters. Management does not consider the costs associated with environmental issues to be significant.

g. Insurances

At the end of 2021, the Company has concluded insurance policies for owned vehicles and tangible assets pledged and mortgaged.

In 2021, the company has also concluded group insurance for employees and general manager.

h. Transfer price

Romania's tax legislation has stipulated rules regarding transfer pricing between related parties since 2001. The current legislative framework defines the "market value" principle for transactions between related parties, and the transfer pricing methods. As a result, it is expected that the tax authorities to initiate thorough checks of transfer pricing, to ensure that fiscal result and/or the customs of imported goods are not distorted by the effect of prices in relationships with affiliates.

i. Warranty letters

On December 31, 2021, the BRD bank witch had issued two letters of guarantee in the amount of 456.880 RON in favor of the National Company of the Ports Administration of Constanta and three letters of guarantee in the amount of 1,445,250 EUR in favor of Teamco B.V..

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

34. Related parties

SIF Transilvania SA that owns 49.9998% of the share capital of Şantierul Naval Orsova SA is a self-managed, closed financial investment company, classified as "other collective investment undertakings with a diversified investment policy".

SIF Transilvania SA has its administrative headquarters in Brasov, Nicolae Iorga Street, No.2, Braşov, is registered at ORC under no. J 08/3306/1992 and is identified by its unique registration code (CUI) no. 3047687.

The share capital of SIF Transilvania, worth 216.244.379,70 RON, consists of 2,162,443,797 common nominative shares, issued at a nominal value of 0.1 RON/ share and is traded on Bucharest Stoke Exchange from 1 November 1999.

SIF Transilvania's investment portfolio consists of shares in listed companies and unlisted various industries: tourism, finance, engineering industry, group which includes Şantierul Naval Orşova SA., other branches of the national economy, banks, insurance.

SIF Transilvania SA is administered by a two tier Executive Board structure under the control of a Supervisory Board.

S.I.F. Transilvania aims to administrate investment portfolios and permanently identify investment opportunities in terms of ensuring a reasonable level of investment risk dispersion, in order to give shareholders the opportunity to achieve attractive performance, while increasing capital. Investment portfolios consists of stocks, bonds and other financial instruments, the main sectors in which the company holds interests are tourism, financial sector (banking and non-banking), real estate and energy.

Depository services for financial instruments held in the portfolio are provided by BRD-Groupe Societe Generale, and the Company's financial statements are audited by Deloitte Audit S.R.L. Bucuresti.

S.I.F. Transylvania is a member of the European Private Equity & Venture Capital Association (EVCA) based in Brussels, Asset Managers Association of Romania (AAF) and the Chamber of Commerce and Industry Brasov.

Şantierul Naval Orşova S.A.

Separate financial statements 2021 in accordance with IFRS as adopted by EU

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

34. Related parties (continued)

During the period ended at 31 December 2021, the Company conducted transactions with affiliated entities (entities controlled by SIF Transilvania SA) as follows:

Acquisitions of goods and services

	<u>2021</u>	<u>2020</u>
	RON	RON
THR Marea Neagră	1,120	-

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

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

35. Subsequent events

Subsequent to the reporting date - December 31, 2021 - no events were recorded that could significantly affect the financial statements and the current activity of the Company.

An important risk that appeared in the financial year 2020 and that manifests itself in 2022 is the one related to the triggering of the COVID-19 pandemic that affects human activity, but also the economic one. This situation, in addition to the armed conflict taking place on the territory of Ukraine and the international restrictions imposed on the Russian Federation, bring uncertainties in the economic-financial plan and implicitly determines the existence of a risk regarding the possibility of unpredictable evolutions regarding the level of economic-financial indicators budgeted by the Company, respectively reconsideration of the aspects underlying the estimation of inventory values. for the Company's assets.

The separate financial statements were approved by the Board of Directors on March 7, 2021 and were signed by:

Administrator,
Ec. Radu Claudiu Rosca

Prepared by,
Ec. Marilena Vişescu

STATEMENT



ŞANTIERUL NAVAL ORŞOVA S.A.
Nr. RC J25/150/1991 CIF: RO 1614734
Capital social: - subscris 28.557.297,5 lei
- varsat 28.557.297,5 lei
Str. Tufări, nr. 4, Orşova, 225200, Mehedinţi
Tel.: 0252/362.399; 0252/361.885; Fax: 0252/360.648
E-mail: mircea.sperdea@snorsova.ro; marketing@snorsova.ro
Codul LEI (Legal Entity Identifier): 254900UAXJ8TPIKLXG79
Cod IBAN: RO96RNCB0181022634120001- B.C.R. Orşova
Cod IBAN: RO59BRDE260SV03176142600- B.R.D. Orşova



STATEMENT

The undersigned Eng. Mircea Sperdea – general manager and Ec. Marilena Visescu – economic manager of Şantierul Naval Orşova SA company with head-office in the town of Orşova, no. 4 Tufări Street, Mehedinţi County, we state that according to our knowledge, the annual financial-accounting situation, corresponding to the year 2021 which was drawn up in compliance with the accounting standards applicable, offer an accurate and corresponding image of the real status of the assets, obligations, financial position, profit and loss management of the above mentioned company.

We stipulate that the company has no branch offices.

We set forth, as well, that the Annual Report of the Management Board of Şantierul Naval Orşova S.A. company drawn up for the year 2021, comprises an accurate analysis of the progress and performances of the company together with the main risks and uncertainties specific to the activity carried out.

General Manager,
Eng. Mircea Sperdea

Economic Manager,
Ec. Marilena Visescu

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

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INDEPENDENT AUDITORS' REPORT

(Free translation)*

To the Shareholders of
ȘANTIERUL NAVAL ORȘOVA S.A

Report on the Audit of the Financial Statements

Unmodified auditor's opinion

1. We have audited the accompanying separate financial statements of Șantierul Naval Orșova SA („the Company”), with headquarters in Orsova, Tufari Street, No. 4, identified by unique tax registration number RO1614734, which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to separate financial statements for the year ended.

2. Separate financial statements at December 31, 2021, are identified as follows:

- Revenues:	75,533,784 RON
- Net profit:	(153,870) RON
- Total assets:	103,606,604 RON

3. In our opinion, the separate financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Accounting Law no. 82/1991, republished, including subsequent amendments and additions, Order of the Minister of Public Finance of Romania no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and the Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, including subsequent amendments and additions.

INDEPENDENT AUDITORS REPORT

Basis for unmodified auditor's opinion

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

Emphasis of matters

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

5.1. As it is presented at Note 29 Financial Instruments which present that 62.55% from Company turnover registered in financial exercise ended at December, 31 2021 is realised by commercial partner Rensen Driessen Shipbuilding B.V. (Nederland) (64.53% for year ended at December 31, 2020). This fact involve a commercial risk due the significant dependence by a single client.

5.2. The current climate of public health crisis generated by the COVID-19 epidemic in addition to the armed conflict taking place on the territory of Ukraine and the international restrictions imposed on the Russian Federation and Belarus, and energy crisis implicitly determines the existence of a risk regarding the possibility of unpredictable evolutions regarding the level of economic and financial indicators budgeted by the Company, respectively the reconsideration of the aspects that were the basis for estimating the bookvalues for the Company's assets. The management of the financial situation of the Company depends on the way in which the management approaches the future socio-economic events and conditions present in the difficult environment in which it operates.

Key audit matters

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

INDEPENDENT AUDITORS REPORT

i) Revenue recognition

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

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

ii) Inventories evaluation

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

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

Other Information – Management Report and the Remuneration Report

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

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

In relation to the audit of the individual financial statements for the year ended at

INDEPENDENT AUDITORS REPORT

December, 31st 2021, it is our responsibility to read that other information and, in doing so, to assess whether that other information is materially inconsistent with the financial statements or with this knowledge that we obtained during the audit whether they appear to be significantly denatured.

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

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

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

In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the separate financial statements for the year ended December, 31st 2021, we are required to report whether we have identified significant misstatements in the Directors' Report. We have nothing to report on this issue.

8. Regarding the Remuneration Report for the financial year ended at December 31, 2021, we verified whether the information provided by the Company's management is in accordance with art. 107 of Law no. 24/2017 on issuers of financial instruments and market operations as amended and supplemented ("Law No. 24/2017") applicable to entities whose shares are listed on a regulated market and we report that it provides, in all material aspects, the information demands by Law no. 24/2017, art. 107.

Other matters

9. We mention that our duty was limited strictly to the realization of the statutory audit regarding the separate financial statements of the Company at December 31st, 2021, not being assigned to perform the audit of the consolidated financial situations if it was the case.

10. This independent auditor's report is addressed exclusively to the shareholders of the Company. Our audit was conducted in order to be able to report to the shareholders in accordance with the reporting requirements of a financial audit,

INDEPENDENT AUDITORS REPORT

and not for other purposes. To the extent to which the law allows it, we do not accept and assume any responsibility except for the Company and its Shareholders in respect to our audit, to the report on the separate financial statements and the report on conformity or the opinion.

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

Responsibility of management and those responsible for governance for financial statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

15. Our objectives are to obtain reasonable assurance that the financial statements as a whole are free of material misstatement, whether due to fraud or error and to the issuance of an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISA will always detect significant

INDEPENDENT AUDITORS REPORT

misstatement, if any exists. Distortions may be caused either by fraud or by error and are considered significant if reasonable assurance can be given that they, individually or collectively, will influence the economic decisions of users made on the basis of these financial statements.

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

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

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

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

INDEPENDENT AUDITORS REPORT

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

Requirements for audits of public interest entities

20. We were appointed by the General Meeting of Shareholders at the date of 10 April 2020, as a result of a public selection of tenders in the statutory audit, for the audit of the financial statements of the Company for the financial year ended on 31 December 2021. The total uninterrupted period of our commitment is 17 years, covering the financial years from 31 December 2005 to 31 December 2021.

We confirm that:

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

Report on compliance with the Commission Delegated Regulation (EU) 2018/815 ("European Single Electronic Format Regulatory Technical Standard" or "ESEF")

21. We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2019/815 applicable to the financial statements included in the annual financial report of Company as presented in the Digital Files.

21.1 Responsibilities of Management and Those Charged with Governance for the Digital Files prepared in compliance with ESEF

Company's management is responsible for preparing Digital File that comply with the ESEF.

This responsibility includes:

- the design, implementation and maintenance of internal controls relevant to the application of the ESEF;
- ensuring consistency between the Digital File and the financial statements to be submitted in accordance with the Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, including subsequent amendments and additions.

INDEPENDENT AUDITORS REPORT

Those charged with governance are responsible for overseeing the preparation of the Digital Files that comply with ESEF.

21.2 Auditor's Responsibilities for the Audit of the Digital Files

Our responsibility is to express a conclusion on whether the financial statements included in the annual financial report complies in all material respects with the requirements of ESEF based on the evidence we have obtained.

A reasonable assurance engagement in accordance with ISA involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing and extend of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of Company's process for preparation of the Digital File in accordance with ESEF, including relevant internal controls;
- reconciling the digital file with the audited financial statements of Company to be submitted in accordance with Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, including subsequent amendments and additions.
- evaluate if all financial statements contained in the annual report have been prepared in a valid XHTML format.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion, the financial statements for the year ended 31 December 2021 included in the annual financial report presented in the Digital Files comply, in all materials respects, with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the financial statements. Our audit opinion relating to the financial statements of the Company for the year ended 31 December 2021 is set out in the "Report on the audit of the financial statements" section above.

Timișoara, March 14, 2022

On behalf of

A.B.A. AUDIT SRL
1, Georg Haendel Str., Timișoara, Timiș

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

Dr. Bunget Ovidiu Constantin

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