

QUARTERLY REPORT **30 SEPTEMBER 2022**

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ŞANTIERUL NAVAL ORŞOVA S.A.
 No. RC J25/150/1991 CIF: RO 1614734
 Share capital: - issued 28.557.297,5 lei
 - paid up 28.557.297,5 lei
 No. 4. Tufări Street, Orşova, 225200, Mehedinţi
 Tel.: 0252/362.399; 0252/361.885; Fax: 0252/360.648
 E-mail: mircea.sperdea@snorsova.ro; marketing@snorsova.ro
 Codul LEI (Legal Entity Identifier): 254900UXAJ8TPIKLXG79
 IBAN code: RO96RNCB0181022634120001- B.C.R. Orşova
 IBAN code: RO59BRDE260SV03176142600- B.R.D. Orşova



QUARTERLY REPORT CORRESPONDING TO THE IIIrd TRIMESTER OF 2022, IN COMPLIANCE WITH THE LAW NO. 24/2017 AND TO THE ASF REGULATION NO. 5/2018
concerning the issuers of financial instruments and market operations

DATE OF THE REPORT: 08.11.2022

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's Office: J25/150/03.04.1991;
 Code Lei: 254900UXAJ8TPIKLXG79
 Subscribed and paid in share capital: 28,557,297.5 Lei
 Number of shares: 11.422.919 common shares, of 2,5 lei each;
 Regulated market where the issued securities are traded: Bucharest Stock Exchange-category Standard (symbol: SNO)

A. FINANCIAL AND ECONOMICAL INDICATORS ON THE DATE OF 30th of September 2022 (APPENDIX NO. 13 TO THE ASF REGULATION no. 5/2018)

DESCRIPTION OF THE INDICATOR	CALCULATION MANNER	RESULT
1. Indicator of current cash-deposit ¹⁾	$\frac{\text{Current assets}}{\text{Current debts}}$	3,06
2. Indicator of the degree of indebtedness ²⁾	$\frac{\text{Borrowed capital} * 100}{\text{Own capital}}$	0 (zero)
3. Rotation speed of the debts - clients ³⁾	$\frac{\text{Average balance clients} * 270}{\text{Turnover}}$	114 DAYS
4. Rotation speed of the fixed assets ⁴⁾	$\frac{\text{Turnover}}{\text{Fixed assets}}$	1,07

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NOTE:

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

B. OTHER INFORMATION

In the third quarter of 2022, compared to the provisions of the BVC, the operating incomes were achieved in a proportion of 88.26% and compared to the corresponding period of last year they were also lower by 11.71%:

- Provided BIE quarter III.2022	50.034.250 lei
- Realized quarter III.2022	44.161.460 lei
- Realized quarter III.2021	50.016.895 lei

During this period, at the main headquarters of the company, a number of 3 ships were completed and delivered to external customers, respectively 2 gas-tank type ships, of 110 m long and a passenger type ship of 135 m long, were completed and delivered to external customers (in the corresponding period of the previous year, 5 ships were completed and delivered, among which was found the second coastal ship that was the subject of the dispute with the Dutch company Veka Shipbuilding B.V.). The operational expenses exceeded the operating incomes, a significant influence being due to the price increases for raw materials and materials, electricity and other expenses with external providers, so that the result of the operational activity carried out in the first 9 months at the main headquarters of the company was negative.

The 5 existing barges at the Agigea branch were not rented during this period, and the revenues from the ship repair activity, a significant increase compared to the corresponding period of the previous year, did not fully cover the operating costs of the branch.

Regarding the financial activity of the company, the profit was made as a result of the concern of the company's management to perform hedge operations - to protect the exchange rate but also as a result of the positive influences generated by the evolution of the exchange rate.

The individual financial statements as at 30.09.2022, respectively: Statement of financial position, Statement of profit or loss and other elements of the overall result, Statement of changes in equity, Statement of cash flows and Notes to the financial statements are attached to this report, with the following specifications:

- the figures from the reporting forms are expressed in lei;
- the reporting data as at 30.09.2022 were not audited by an independent external financial auditor.
- Compared to the provisions of the BIE for the third quarter of 2022, the situation of the result is as follows:
 - ◆ Operational result:
 - BIE provided 2.315.555 lei
 - Realized -2.723.936 lei
 - ◆ Financial result:
 - BIE provided 162.750 lei
 - Realized 474.475 lei
 - ◆ Gross result:
 - BIE provided 2.478.305 lei
 - Realized -2.249.461 lei

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In the same period of 2021, the company recorded a gross loss of 49,644 lei.

On 30.09.2022, the company had no bank loans contracted, and cash and cash equivalents amounted to 6,287,116 lei.

The company had no overdue obligations to suppliers, the state budget, employees and other creditors, all of which were paid within the legal / contractual term.

The company made in the third quarter of 2022 the expenses for investments in the amount of 1,240,242 lei, compared to 2,850,000 lei provided in the BVC. In the corresponding period of last year, there were recorded expenses of this nature in the amount of 3,321,895 lei.

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<i>Reference</i>		STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2022		
		Note	30.09.2022	31.12.2021
			RON	RON
<i>IAS 1.10(a), 113</i>				
	Assets			
	Fixed assets			
<i>IAS 1.54(a)</i>	Tangible assets	<i>14</i>	38.954.194	40,533,245
	Freehold land and land improvements	<i>14</i>	1.201.941	1,201,941
	Buildings	<i>14</i>	20.331.427	20,060,165
	Plant and machinery, motor vehicles	<i>14</i>	16.189.002	15,641,959
	Fixtures and fittings [...]	<i>14</i>	53.580	64,602
	Tangible assets in progress	<i>14</i>	1.178.244	3,564,578
<i>IAS 1.54I</i>	Intangible assets	<i>15</i>	14.815	20,138
	Other intangible assets	<i>15</i>	14.815	20.138
<i>IFRS 16, IAS 8</i>	Rights to use the leased assets	<i>17</i>	1.134.518	1.559.962
<i>IAS 1.54(h)</i>	Trade receivables and other receivables		10.191	541.401
<i>IAS 1.54(b)</i>	Investment property	<i>18</i>	593.773	522,236
<i>IAS 1.54(o), 56</i>	Deferred tax assets		11.035	80,129
<i>IAS 1.60</i>	Total fixed assets		40.718.526	43,257,111
<i>IAS 1.54 (g)</i>	Inventories	<i>19</i>	46.020.142	22,400,725
<i>IAS 1.54(h)</i>	Trade receivables and other receivables	<i>21</i>	19.291.428	20,330,881
<i>IAS 1.55</i>	Accrued expenses	<i>21</i>	189.265	165,412
<i>IAS 1.54(d)</i>	Short term investments		3.485.544	3,087,107
<i>IAS 1.54(i)</i>	Cash and cash equivalents	<i>24</i>	6.287.116	14,365,368
<i>IAS 1.60</i>	Total Current Assets		75.273.495	60,349,493
	Total Assets		115.992.021	103,606,604
	Equity			
<i>IAS 1.54I, 78(e)</i>	Share capital	<i>25</i>	28.557.298	28.557.298
<i>IAS 1.55, 78(e)</i>	Share premium		8.862.843	8.862.843
<i>IAS 1.54I, 78(e)</i>	Reserves		54.896.946	54.896.946
	Result for the period		(2.325.391)	(153.870)
<i>IAS 1.55, 78(e)</i>	Retained earnings		787.584	941.454

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STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2022 (continued)

		Note	30.09.2022	31.12.2021
			RON	RON
	Other elements of equity		(4.177.618)	(4.338.244)
	Total equity		86.601.662	88.766.427
	Liabilities			
	Long-term liabilities			
<i>IAS 1.54(o), 56</i>	Deferred tax liabilities		4.191.707	4.352.333
<i>IFRS 16, IAS 8</i>	Other debts, including lease liability	22,23	589.165	1.047.860
<i>IAS 1.60</i>	Total long-term liabilities		4.780.872	5.400.193
	Current liabilities			
<i>IAS 1.54(k)</i>	Trade payables and other debts, including derivatives	22	23.849.941	8.404.168
<i>IAS 1.55, 11.42(b)</i>	Deferred income		159.367	3.801
<i>IAS 1.54(l)</i>	Provisions		600.179	1.032.015
<i>IAS 1.60</i>	Total current liabilities		24.609.487	9.439.984
	Total Liabilities		29.390.359	14.840.177
	Total Equity and Liabilities		115.992.021	103.606.604

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<i>Reference</i>		STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AT 30 SEPTEMBER 2022			
		Note	30.09.2022	30.09.2021	Adjustment
			RON	RON	09.2021+(-)
Continuing operations					
<i>IAS 1. 82(a)</i>	Income	5	43.401.890	49.315.419	
<i>IAS 1.99,103</i>	Other income	6	759.570	701.476	
	Total Operational Income		44.161.460	50.016.895	
	Expenses related to inventories	7	(16.647.770)	(17.263.361)	
	Utility expenses	8	(1.139.791)	(1.134.903)	
	Employee benefits expenses	9	(19.076.388)	(20.402.692)	
	Depreciation and amortization expenses	14,15	(2.708.384)	(2.786.078)	
	Depreciation expenses related to rights-of-use for leased assets	17	(425.444)	0	(400.197)
	Gains/losses on disposal of property		(24.228)	(1.691)	
	Increase/(Decrease) of receivables allowances and inventory write-down	10	9.779	2.331.559	
	Increase/(Decrease) of provision expenses		431.836	418.199	
<i>IAS 1.99, 103</i>	Other expenses	11	(7.305.006)	(11.854.416)	420.705
	Total Operational expenses		(46.885.396)	(50.693.383)	20.508
	The result of operational activities		(2.723.936)	(676.488)	20.508
	Financial income	12	834.230	849.139	
<i>IAS 1.82(b)</i>	Financial expenses	12	(359.755)	(222.295)	(27.762)
	Net financial result	12	474.475	626.844	(27.762)
<i>IAS 1.85</i>	Result before taxation		(2.249.461)	(49.644)	(7.254)
	Current income tax expenses	13.a	0	(435.859)	
	Deferred income tax expenses	13.a	(69.094)	(734.245)	
	Specific taxation expenses		(6.836)	(6.836)	
	Deferred income tax income		0	667.333	
<i>IAS 1.85</i>	Result for continuing operations		(2.325.391)	(559.251)	(7.254)
<i>IAS 1.82(f)</i>	Result for the period		(2.325.391)	(599.251)	(7.254)

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<i>Reference</i>	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AT 30 SEPTEMBER 2022 (continued)	Note	30.09.2022	30.09.2021	Adjustment 09.2021+(-)
			RON	RON	
<i>IAS 1.82 (i)</i>	Total comprehensive income for the period		(2.325.391)	(559.251)	(7.254)
	Attributable profit				
<i>IAS 1.83(b)(ii)</i>	Shareholders		(2.325.391)	(559.251)	(7.254)
	Profit for the period		(2.325.391)	(559.251)	(7.254)
	Total attributable comprehensive income				
<i>IAS 1.83(b)(ii)</i>	Shareholders		(2.325.391)	(559.251)	(7.254)
	Earnings per share				
<i>IAS 33.66</i>	Basic earnings per share		(0,20)	(0,05)	(0,0006)
<i>IAS 33.66</i>	Diluted earnings per share		(0,20)	(0,05)	(0,0006)
	Continuing operations				
<i>IAS 33.66</i>	Basic earnings per share		(0,20)	(0,05)	(0,0006)
<i>IAS 33.66</i>	Diluted earnings per share		(0,20)	(0,05)	(0,0006)

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Reference

STATEMENT OF CHANGES IN EQUITY

IAS 1.108,109	Attributable to equity holders								Total equity
	Share capital	Share premium account	Revaluation reserve	Other reserves	Retained earnings	Result for the period	Other elements of equity	Profit appropriation	
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					<u>(5.849)</u>				<u>(5.849)</u>
Profit/Loss adjustment for 2020						<u>(18.127)</u>			<u>(18.127)</u>
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>7.737.995</u>	<u>4.635.374</u>	<u>(4.028.932)</u>	<u>(191.823)</u>	<u>97.350.573</u>
IAS 1.106(d)(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
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>
IAS 1.106(d)(i) Loss/ Net profit for the year	-	-	-	-	(153.870)	(2.171.521)	-	-	(2.325.391)
Profit appropriation	-	-	-	-	-	-	-	-	-
Transfer in reserve	-	-	-	-	-	-	160.626	-	160.626
Balance at September 30, 2022	<u>28.557.298</u>	<u>8.862.843</u>	<u>30.246.300</u>	<u>24.650.646</u>	<u>787.584</u>	<u>(2.325.391)</u>	<u>(4.177.618)</u>	<u>≡</u>	<u>86.601.662</u>

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Reference **STATUS OF THE TREASURY CASH FLOW**

<i>IAS</i>	<i>1.10(d),</i>	For the financial year ending 30 September	Note	2022	2021	Adjustment 2021
<i>113</i>		Treasury Cash Flow for operating activities				
		Profit of the period		(2.325.391)	(559.251)	(7.254)
		Adjustment for:				
		Depreciation of intangible and tangible assets	<i>14,15,17</i>	3.275.689	2.653.767	400.197
		Net expenses / (net income) with provisions		(431.836)	(418.199)	
		Depreciation of current assets	<i>10</i>	(9.779)	(2.331.559)	
		Losses on the disposal of fixed assets		24.228	1.691	
		Expenses on the delayed income tax	<i>13a</i>	0	435.859	
		Expenses from the delayed income tax		69.094	734.245	
		Specific activities tax expenses		6.836	6.836	
		Income from the delayed income tax		0	(667.333)	
		Cash Flow from operating activities before the working capital		608.841	(143.944)	392.943
		Amendment of the working capital:				
		Stocks modification		(23.619.417)	8.254.333	
		Modification of the commercial account receivables and of		1.106.127	(6.210.102)	
		Modification of the advanced expenses		(23.853)	(60.627)	
		Modification of the commercial debts and of other debts		15.954.532	7.829.877	27.762
		Cash flow generated from operating activities		(5.973.770)	9.669.537	420.705
		Interest paid (leasing)		(21.055)	0	(27.762)
<i>IAS 7.35</i>		Profit /specific tax paid		(6.836)	(442.856)	
<i>IAS 7.10</i>		Net cash flow from operating activities		(5.959.551)	9.226.681	392.943
		Treasury Cash Flow from investment activities				
<i>IAS 7.31</i>		Cashed interests		10.791	19.911	
<i>IAS 7.16(a)</i>		Tangible and intangible assets acquisition	<i>14, 15</i>	(1.240.242)	(3.321.895)	
		Short term investments		(398.437)	968.827	
<i>IAS 7.10</i>		Net cash used in investment activities		(1.627.888)	(2.333.157)	
		Treasury cash flow from financing activities				
<i>IAS 7.31</i>		Paid dividends		(65.193)	(11.175.714)	
		Increase (repayment) of loans (leasing)		(425.620)	0	(392.943)
<i>IAS 7.10</i>		Net cash from (used in) financing activities		(490.813)	(11.175.714)	(392.943)
		Net increase/decreases of the cash flow and of the cash flow equivalents		(8.078.252)	(4.282.190)	0
		Cash Flow and equivalents from 1st of January		14.365.368	30.825.273	0
		Cash flow and cash flow equivalents at 30th of September		6.287.116	26.543.083	0

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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 individual financial statements in accordance with IFRS were prepared for the period 01.01-30.09.2022. The main activity of the Company is the **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 drew up Individual Financial Statements for the period 01.01-30.09.2022 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 November 8th, 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.

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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 1.122,12 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:

5,129,130

- Note 18 –Investment property ;
- Note 23 – 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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<i>Reference</i>	NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS
<i>IAS 1.112(a)</i>	2. Basis of preparation (continued)
	d. Presentation of financial statements
<i>IAS 8.28(f)</i>	<p>The Company applies IAS 1 <i>Presentation of Financial Statements</i> (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.</p> <p>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.</p> <p><i>IAS 1 Presentation of Financial Statements</i> 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.</p> <p>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.</p>
<i>IAS 1.57</i>	<p>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.</p> <p>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.</p> <p>For assets and liabilities that were presented at their fair value the company has applied IFRS 13.</p> <p>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.</p> <p>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).</p>

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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.

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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.

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

IAS 1.112(a) **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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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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Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS**

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.

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

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.

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

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

Measurement of inventories

Inventories are required to be stated at the lower value between cost and net realizable value.

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

Cost of inventories

The primary basis for accounting inventories is the cost .

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

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

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

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

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

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

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

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]

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

4. Determination of fair value (continued)

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

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

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

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

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

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

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

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5. Incomes

		<u>30.09.2022</u>	<u>30.09.2021</u>
<i>IAS 18.35(b) (i)</i>	<i>Sales of goods</i>	36.060.496	46.011.815
<i>IAS 18.35(b) (ii)</i>	<i>Rendering of services</i>	7.341.394	3.303.604
	Total	<u>43.401.890</u>	<u>49.315.419</u>

The revenues made between 01.01-30.09.2022 are lower by 21.63% compared to those of the corresponding period of last year, mainly due to the decrease in revenues from the sale of ships built at the main headquarters in Orsova. During this period, the Company completed and handed over to external customers, a number of 3 ships (5 ships in the corresponding period of 2021, among which was the second coastal ship that was the subject of the dispute with the Dutch company Veka Shipbuilding B.V.).

The market for river/sea shipbuilding is still deficient, but the company has its production capacity covered by the end of the year.

Although they do not represent a significant percentage in turnover, the provision of services registered an increase of 22.22%, and this increase compared to the previous year was made mainly on account of the ship repair activity at the Agigea branch. The main customer was Navrom Galaţi.

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

6. Other incomes

	<u>30.09.2022</u>	<u>30.09.2021</u>
Income from rents (other than rent real estate investments)	311.807	630.768
Income from asset sales	-	-
Other operational incomes	447.763	70.708
Total	<u>759.570</u>	<u>701.476</u>

Between 01.01 - 30.09.2022 these revenues are at a higher level than in the corresponding period of the previous year (increase by 8.28%). The amounts realized during this period and registered in the position of income from rents are mainly related to the lease agreements for spaces in the patrimony of the Agigea branch. As for the amount recorded under the other operating income position, this is mainly due to additional revenues from the relationship with Veka.

The 5 barges in the branch's records were not rented during the analyzed period.

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7. Outgoings on stocks

	<u>30.09.2022</u>	<u>30.09.2021</u>
Expenses with raw materials	10.572.897	10.688.017
Expenses of consumable materials, from whom:	5.459.744	6.081.631
Expenses of auxiliary materials	4.991.308	5.304.428
Expenses of fuel	237.822	393.728
Expenses with spare parts	150.167	249.530
Expenses of other consumable materials	80.447	133.945
Expenses regarding materials of nature inventory items	293.577	347.230
Expenses of unstocked materials	169.105	130.235
Expenses regarding goods	153.284	16.428
Received discount	(837)	(180)
Total	<u>16.647.770</u>	<u>17.263.361</u>

In the 9 months of 2022, the significant share in the total expenditure on stocks is held by raw materials (naval sheet) and auxiliary materials (profiles, pipes). Although we are facing an increase in the prices of all categories of raw materials and materials, in total, there is a decrease of these expenses by 3.57% compared to the previous year, this decrease being correlated with the fact that the revenues from the sale of ships recorded a decrease of 21.62%.

Expenditure on the consumption of inventories which, according to the provisions of IFRS, are included in the value of some assets shall be recognised during the period according to their nature. Accordingly, the amount of assets in progress of execution shall be recorded in the accounts on behalf of the related revenue accounts. Please note that the Company, in accordance with IAS 1, has chosen to present its analysis of expenses using a classification based on its nature, and therefore does not disclose either the amount of such expenses or the amount of the corresponding revenue.

8. Utilities outgoings

	<u>30.09.2022</u>	<u>30.09.2021</u>
Expenses with energy	1.110.460	1.100.519
Expenses with water	29.331	34.384
Total	<u>1.139.791</u>	<u>1.134.903</u>

During the period 01.01-30.09.2022, the utility expenses are at a level close to that recorded in the corresponding period of the previous period, this given that the realized production (revenues) decreased, but the supply tariffs experienced a significant increase.

It should be noted that a factor influencing this increase is also the method of presenting expenditure using a classification based on its nature, according to IAS 1.

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IAS 1.104 **9. Staff costs**

	<u>30.09.2022</u>	<u>30.09.2021</u>
Personnel expenses	17.463.561	18.673.578
Expenses with contributions to compulsory social insurance	1.612.827	1.729.114
Total	<u>19.076.388</u>	<u>20.402.692</u>

Medium number of employees	337	354
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During the analyzed period of 2022, the salary expenses registered a decrease of 6.5% compared to the corresponding period of 2021. This decrease is due to the decrease in the volume of production made and delivered in the 9 months of 2022, in the conditions in which the employment salaries of the Company's staff were increased, starting with May 2022, with an average percentage of 5.5%.

In the same context, we notice a reduction in the average number of personnel by 4.8% compared to the same period in 2021.

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

10. Value adjustment of current asset

	<u>30.09.2022</u>	<u>30.09.2021</u>
Losses(Profit) on receivables and various debtors	(4.014)	(644)
Income from adjustments for impairment of current assets	(5.765)	(2.330.515)
Total	<u>(9.779)</u>	<u>(2.331.559)</u>

The amounts presented above refer to the adjustment of impairments related to other receivables and to the profit made from the reactivation of some debtors, operations performed during the analyzed period of 2022.

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IAS 1.97

11. Other outgoings

	<u>30.09.2022</u>	<u>30.09.2021</u>	Adjustment 2021 +(-)
Expenses with maintenance and repairs	286.880	364.816	
Expenses with royalties, managed locations and rents	60.421	1.313.281	(420.705)
Expenses with premium insurance	105.926	114.220	
Expenses with commissions and fees	14.089	13.351	
Protocol, advertising and advertising expenses	13.475	22.695	
Goods and personel transport expenses	1.355.789	3.558.939	
Travel expenses, secondments and transfers	26.719	19.557	
Postage and telecommunications expenses	36.974	41.135	
Banking services expenses	82.289	38.407	
Other expenses for services performed by third parties	4.747.996	5.778.942	
Expenses with other taxes and fees	329.971	287.301	
Expenses for environment protection	11.809	5.261	
Expenses with fixed assets held for sale	-	-	
Other operational expenses	232.668	296.511	
Total outgoings	<u>7.305.006</u>	<u>11.854.416</u>	<u>(420.705)</u>

During the period 01.01-30.09.2022, the above level of expenses recorded a decrease of 38.38% compared to the similar period of the previous year, the main factors of influence in this decrease being the volume of production sold, during this period being delivered 3 vessels (5 ships delivered in the same period of 2021).

Regarding the rent expenses, we mention that, following the reanalysis at the end of 2021 of the lease contract for the land at the Agigea branch, owned by CNAPMC, and the reassessment of the IFRS 16 requirements, this expense was adjusted accordingly for the corresponding period of 2021.

We will explain below some of the positions that hold a significant share in the total expenses:

There is a decrease in the expenses with maintenance and repairs, during the analyzed period the Company performing a lower volume of expenses of this nature.

□ The costs of transporting goods and persons, which are closely related to the volume of sales revenues, relate in particular to the transport of the 3 river vessels built at the main headquarters, on the route: Orsova – Rotterdam. We mention that, in accordance with the contractual provisions, the transfer of the ownership right is made at the same time with the delivery of the ships at these points, throughout the transport period the ships being ensured by the Company, according to the contractual clauses.

□ The volume of third-party benefits decreased compared to the 9 months of 2021. During the analyzed period, the Company appealed to a lesser extent to subcontractors or to outsource the ship paint works. As regards the auditors' fees, included in the total amount of this item, it is found that their level is close to that of the previous year. Specifically, they recorded the following values: 49.055 lei, including VAT. fees to statutory auditors (48,358 lei, including

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IAS 1.97 **11. Other outgoings (continued)**

VAT, during the period corresponding from the previous year), and for internal audit services the amounts paid in the period 01.01-30.09.2022 were 21,146 lei, including VAT (21,081 lei, including VAT, in the corresponding period of the previous year).

□ As regards the item Other expenses, they relate in particular to the expenses occasioned by the conduct of the dispute with VEKA.

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

Recognized in the profit or loss account:

		<u>30.09.2022</u>	<u>30.09.2021</u>	<u>Adjustment</u> <u>2021 +(-)</u>
<i>IFRS 7.20 (b)</i>	Interest income from bank deposits	8.371	17.431	
<i>IAS 21.52 (a)</i>	Incomes from exchange rates differences	825.859	831.708	
	Total financial incomes	834.230	849.139	
<i>IFRS 16.</i>	Interest expense on the leasing account	21.055	-	27.762
<i>IAS 21.52 (a)</i>	Expenses from exchange differences rates	394.816	222.295	
	Value adjustments regarding financial fixed assets	(56.116)		
	Total financial expenses	359.755	222.295	27.762
	Net financial result	<u>474.475</u>	<u>626.844</u>	(27.762)

In connection with the above amounts, the following clarifications are made:

- interest income is related to bank deposits and current account availabilities;
- due to the evolution of the exchange rate, the revenues from exchange rate differences were higher than the expenses from exchange rate differences, but they were at a lower level than those recorded in the similar period of 2021.
- Regarding the interest expenses, we mention that, following the reanalysis at the end of 2021 of the lease contract for the land at the Agigea branch, owned by CNAPMC, and the reassessment of the IFRS 16 requirements, this expense was adjusted accordingly for 2021.
- during the analyzed period of 2022, the company did not have contracted bank loans, so it did not register interest on this title.

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

13a. Expenditure on profit tax

	<u>30.09.2022</u>	<u>30.09.2021</u>
a) Expenditure on current profit tax		
IAS 12.80 (a) Current period	0	435.859
IAS 12.80 (b) Adjustments of previous periods		
b) Deferred income tax expense		
IAS 12.80 (c) Initial recognition and reversal of temporary differences	69.094	734.245
IAS 12.80 (g) Changes in previously unrecognized temporary differences		
IAS 12.80 (f) Recognition of previously unrecognized tax los		
Total profit tax expenses (a+b)	69.094	1.170.104
IAS 12.81 (c) Reconciliation of effective tax rate		
Profit of the period	(2.147.945)	38.281
Non-deductible expenses	48.856	297.052
Non-taxable incomes	493.717	2.748.714
Elements similar to incomes (amortisation after reevaluation 2003)	1.003.912	640.064
Other taxable amounts(tax recognized profit)	0	4.497.433
Deduction of legal reserve	0	0
Taxable profit	(1.588.894)	2.724.116
Expense with the current profit tax	0	435.859
Sponsorship	-	-
Bonus OUG 33/2020	-	-
Profit after taxation	(2.147.945)	(397.578)

13b. Specific tax expenses

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

For the year 2022, the expense with the specific tax due for this activity is in the amount of 13,671 lei.

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

		Lands and buildings	Machines and equipments	Furniture and fixtures	Work in progress	Total
	Coast or assumed costs					
<i>IAS 16.73 (d)</i>	Balance at 1 January 2021	21.336.506	55.393.007	469.450	2.788.492	79.987.455
<i>IAS 16.73 (e)(i)</i>	Acquisitions	290.539	2.343.250	33.915	2.552.725	5.220.429
<i>IAS 16.73 (e)(ii)</i>	Outgoings of non current asset	18.662	126.630	-	1.898.534	2.043.826
<i>IAS 16.73 (d)</i>	Balance at September 30,2021	21.608.383	57.609.627	503.365	3.442.683	83.164.058
	Depreciation and losses from depreciation					
<i>IAS 16.73 (d)</i>	Balance at 1 January 2021	3.135.237	39.019.092	415.812	-	42.570.141
<i>IAS 16.73 (d)(vii)</i>	Depreciation during the year	1.143.331	1.485.229	22.806	-	2.651.366
<i>IAS 16.73 (d)(ii)</i>	Outgoings pf non current asset	17.107	103.781	-	-	120.888
<i>IAS 16.73 (d)</i>	Balance at September 30,2021	4.261.461	40.400.540	438.618	-	45.100.619
<i>IAS 1.78 (a)</i>	Accounting values					
	Balance at 1 January 2021	<u>18.201.269</u>	<u>16.373.915</u>	<u>53.638</u>	<u>2.788.492</u>	<u>37.417.314</u>
	Balance at September 30, 2021	<u>17.346.922</u>	<u>17.209.087</u>	<u>64.747</u>	<u>3.442.683</u>	<u>38.063.439</u>

		Lands and buildings	Machines and equipments	Furniture and fixtures	Work in progress	Total
	Coast or assumed costs					
<i>IAS 16.73 (d)</i>	Balance at 1 January 2022	21.262.106	56.035.571	508.922	3.564.578	81.371.177
<i>IAS 16.73 (e)(i)</i>	Acquisitions	1.837.646	1.834.516	-	741.828	4.413.990
<i>IAS 16.73 (e)(ii)</i>	Outgoings of non current asset	17.783	32.390	-	3.128.162	3.178.335
<i>IAS 16.73 (d)</i>	Balance at September 30,2022	23.081.969	57.837.697	508.922	1.178.244	82.606.832
	Depreciation and losses from depreciation					
<i>IAS 16.73 (d)</i>	Balance at 1 January 2022	-	40.393.612	444.320	-	40.837.932
<i>IAS 16.73 (d)(vii)</i>	Depreciation during the year	1.549.687	1.281.557	11.022	-	2.842.266
<i>IAS 16.73 (d)(ii)</i>	Outgoings pf non current asset	1.086	26.474	-	-	27.560
<i>IAS 16.73 (d)</i>	Balance at September 30,2022	1.548.601	41.648.695	455.342	-	43.652.638
<i>IAS 1.78 (a)</i>	Accounting values					
	Balance at 1 January 2022	<u>21.262.106</u>	<u>15.641.959</u>	<u>64.602</u>	<u>3.564.578</u>	<u>40.533.245</u>
	Balance at September 30, 2022	<u>21.533.368</u>	<u>16.189.002</u>	<u>53.580</u>	<u>1.178.244</u>	<u>38.954.194</u>

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

On 30 September 2022, 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 SA 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. Although these lands have not found yet their buyers, they have been classified in an appropriate manner as non-current assets held for sale (account 311).

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

Revaluation of tangible non-current assets

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

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

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

At 31 December 2009, the Company proceeded to the revaluation of buildings and special constructions, both at the headquarters in the town of Orşova and at Agigea branch, using the opinion of independent external evaluators. The reflection method of the revaluation in the company's bookings was to eliminate the depreciation from the book value of assets. The amount of the revaluation surplus was credited to revaluation reserve balance for those targets whose fair

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

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.

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

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

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

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

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

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

At 31 December 2015, the company proceeded to the revaluation of means of naval transport, both at headquarters in the town of Orşova and Agigea branch using the opinion of some independent external evaluators. The reflection method of the revaluation in the company's bookings was to eliminate the depreciation from the book value of assets. The amount of the revaluation surplus

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

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

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.

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

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

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

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

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

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

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

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

At December 31, 2019, the Company proceeded to reevaluation the tangible assets of the nature of the means of ship transport, using the opinion of the same independent external evaluator and based on the same rules regarding the recording of the resulting differences. 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 re-evaluate property, plant and equipment of the nature of naval transport, using the opinion of the same independent external valuer and based on the same rules on the registration of the resulting differences. For the fixed assets in conservation at the Agigea branch, a total depreciation at the end of 2021 of RON 435,721.16 was recognized (as at 31.12.2020 this depreciation was of 406,522.02 lei).

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 2019, 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.

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

Impairment losses and subsequent reversals

At the end of 2021, for the fixed assets in conservation at the Agigea branch, the depreciation test was also performed, being recognized a total depreciation of 435,721.16 lei, depreciation that is maintained on September 30, 2022.

Pledged or mortgaged non-tangible asset

To guarantee the multi-option and multi-currency global limit, in value of 1,500,000 (at the same level as on 2021), made available by BRD-GSG SA, the Company established the following::

- First rank mortgage on the following properties: Repair hall, New Hall, Thermal power station, Compressors Station and PSI Shed, Operating Group, Cafeteria, Merged building, all including land, toate împreună cu terenul aferent, properties assessed according to the Guarantee Monitoring Report at EUR 1,512,800 market value, registered in the Land Book Register under the numbers 1133, 1146, 1121, 1145, 1134, 1135 and 1132;
- Security interest with dispossession on a deposit in value of 401.201 EUR.
- Assignment of receivables as collateral on receipts in a total value of 13.999.130 EUR, resulting from the commercial contracts concluded by the Company with third parties, not cashed up at 30.09.2022.

Non-tangible asset under construction

On 30.09.2022 the company has unfinished investment objectives in the amount of 1.178.244 lei (3.442.683 lei at 30.09.2021). A significant share within them is represented by the modernization works of the launching path from the Agigea branch, including the replacement of the strollers up.

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<i>Reference</i>	<i>NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS</i>		
IAS 38	15. Intangible assets		
<i>IFRS 3.61</i> <i>IAS 38.118 (c), (e)</i>		Other assets	Total
	Cost		
<i>IFRS 3.B67</i> <i>(d)(viii),IAS 38.118</i> <i>IAS 38.118(e)</i>	Balance at 1 January 2021	1.077.700	1.077.700
	Aquisitions	202	202
	Outgoings of intangible assets	-	-
<i>IAS 38.118</i>	Balance at 30 of September 2021	1.077.902	1.077.902
	Depreciation and amortisation losses		
<i>IFRS 3.B67</i> <i>(d)(i),IAS 38.118</i> <i>IAS 38.118(e)(vi)</i>	Balance at 1 January 2021	1.071.508	1.071.508
	Amortisation during the year	2.402	2.402
	Outgoings of fixed assets	-	-
<i>IFRS 3.B67</i> <i>(d)(viii),IAS 38.118</i>	Balance at 30 of September 2021	1.073.910	1.073.910
	Accounting values		
<i>IAS 38.118(c)</i>	Balance at 1 January 2021	<u>6.192</u>	<u>6.192</u>
<i>IAS 38.118(c)</i>	Balance at 30 of September 2021	<u>3.992</u>	<u>3.992</u>
<i>IFRS 3.61</i> <i>IAS 38.118 (c), (e)</i>		Other assets	Total
<i>IFRS 3.B67</i> <i>(d)(viii),IAS 38.118</i> <i>IAS 38.118(e)</i>	Balance at 1 January 2022	1.094.898	1.094.898
	Aquisitions	4.269	4.269
	Outgoings of intangible assets	80.593	80.593
<i>IAS 38.118</i>	Balance at 30 of September 2022	1.018.574	1.018.574
	Depreciation and amortisation losses		
<i>IFRS 3.B67</i> <i>(d)(i),IAS 38.118</i> <i>IAS 38.118(e)(vi)</i>	Balance at 1 January 2022	1.074.760	1.074.760
	Amortisation during the year	7.979	7.979
	Outgoings of fixed assets	78.980	78.980
<i>IFRS 3.B67</i> <i>(d)(viii),IAS 38.118</i>	Balance at 30 of September 2022	1.003.759	1.003.759
	Accounting values		
<i>IAS 38.118(c)</i>	Balance at 1 January 2022	<u>20.138</u>	<u>20.138</u>
<i>IAS 38.118(c)</i>	Balance at 30 of September 2022	<u>14.815</u>	<u>14.815</u>

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

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

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

- investments in subsidiaries, jointly controlled entities and associated entities are recognized at cost value;
- short-term investments held for sale not quoted on the stock exchange are recorded at cost, for the impairments being made adjustments (the treatment for the depreciation of these securities is established by IAS 39 paragraph 63);
- Short-term investments held for sale listed on the stock exchange are recorded at fair value (the value of the last trading day of the year), any gains or losses to be recognized in the capital situation. If there is objective evidence of impairment (as presented in paragraph 59 of IAS 39), as well as in the case of foreign exchange losses and gains, the loss of value will be recognized in the profit and loss account.

Other investments	30.09.2022			30.09.2021		
	Accounting value	Impairment adjustments	Net value	Accounting value	Impairment adjustments	Net value
Long term investments						
Shares detained at Kritom	684.495	684.495	0	684.495	684.495	0
Other titles detained on long term	0	0	0	0	0	0
Total investments on long term	684.495	684.495	<u>0</u>	684.495	684.495	<u>0</u>

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

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

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

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

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

- The joint-stock company "Domiki Kritis", which has since become Aristodimos E. Lidakis SA, holds 1,857,620 euros, the equivalent of 6,340 shares, representing 75.48%, and
- 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 30 September, 2022, the Company had fully set up impairments for these securities, amounted to 684,495 RON, so the net value on 30 September 2022 was 0 RON (the same situation was registered at 31 September, 2021).

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 amortised cost in accordance with IFRS 7.8.

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

IFRS 16 **17. Right-of-use assets**

As of 2019, IFRS 16 Leases has become applicable. Since the company has certain lease agreements, as a lessee, with a term of 12 months or less and small-value leases, apply for these contracts the exception for the recognition of short-term leases and small-value leases. We specify that the company, at the headquarters of the Agigea branch, holds the right to use the land owned by the National Company for the Administration of Maritime Ports Constanta.

The rent contract concluded in this regard with CNAPMC (September 2019) is valid until 2038 but contains clauses regarding the renegotiation of the tariff every 5 years and a value of the rent indexable annually.

The initial analysis of the clauses of this contract led the Company to apply the exception allowed by IFRS, respectively to consider that the conditions to recognize this contract annually as a new lease are met.

In 2021, after the review of the contract, the company concluded that the annual tariff change did not represent a material change to the contract, and decided to re-evaluate the requirements of IFRS 16. He therefore classified the contract with CNAPMC under IFRS 16 and posted a right-of-use asset and a matching lease liability.

The following are the carrying amounts of the rights of use of the recognised asset and the movements of the period:

	Total land-use rights	Total rights of use of assets
Cost		
As of 1 January 2019	0	0
Inputs	2.502.294	2.502.294
As of 31 December 2019	2.502.294	2.502.294
Inputs	94.066	94.066
As of 31 December 2020	2.596.360	2.596.360
Inputs	142.574	142.574
As of 31 December 2021	2.738.935	2.738.935
Inputs	0	0
As of 30 September 2022	2.738.935	2.738.935
Amortization		
As of 1 January 2019	0	0
Depreciation of the year	125.115	125.115
As of 31 December 2019	125.115	125.115
Depreciation of the year	520.262	520.262
As of 31 December 2020	645.377	645.377
Depreciation of the year	533.595	533.595
As of 31 December 2021	1.178.973	1.178.973
Depreciation of the year	425.444	425.444
As of 30 September 2022	1.604.417	1.604.417
Net book value		
As of 31 December 2019	2.377.179	2.377.179
As of 31 December 2020	1.950.983	<u>1.950.983</u>
As of 31 December 2021	1.559.962	<u>1.559.962</u>
As of 30 September 2022	1.134.518	<u>1.134.518</u>

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

IAS 40 **18.Real estate investments**

		<u>2022</u>	<u>2021</u>
<i>IAS 40.76(a)</i>	Balance on 1 January	522.236	508.019
<i>IAS 40.76(f)</i>	Acquisitions	71.537	0
<i>IAS 40.76(d)</i>	Transfer from property, plant and equipment	0	0
<i>IAS 40.76(d)</i>	Disposals/impairments, transfer to property, plant and equipment	0	0
	Balance at 30 September	<u>593.773</u>	<u>508.019</u>

Starting with September 2019, the Agigea branch proceeded to rent a building located in Constanta, called "Headquarters", to the companies City Protect and Protect Instal. The rental period, according to the contracts in force, ends on 31.12.2023.

The company values investment property at fair value, with changes in fair value recognised in the statement of profit or loss and other comprehensive income.

On 31.12.2021 the real estate investment was revalued by an independent external appraiser.

The valuation method used was the income approach.

During the analyzed period, the Company has carried out a series of modernization works for this real estate investment.

19. Stock

	30.09.2022	30.09.2021	
<i>IAS 1.78 (c),2.36(b)</i>	Raw materials and materials	24.145.745	9.950.636
<i>IAS 1.78(c), 2.36(b)</i>	Production in progress	22.464.343	19.276.532
<i>IAS 1.78(c), 2.36(b)</i>	Waste products	-	-
	Imparment adjustments	(589.946)	(783.275)
	Stocks at net value	<u>46.020.142</u>	<u>28.443.893</u>

IAS 1.104,
2.36(e)(f)

For the stocks of raw materials and materials with an age of more than 2 years (for the sheet metal stocks with an age of more than 3 years), existing in the balance at the end of 2021, without movement, the company proceeded to adjust the accounting value, constituting a total depreciation of 589,946 lei, which is maintained on 30.09.2022. Compared to the corresponding period of the previous year, there is an increase in stocks by 61.79% due to the significant acquisitions of raw materials and materials related to the new construction of ships that are the object of the contracts concluded by the company until this date.

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

20. Fixed assets held for sale

	<u>30.09.2022</u>	<u>30.09.2021</u>
	lei	Lei
<i>IAS 1.104,2.36(e,g)</i> Balance at the beginning of the period	-	18.637
<i>IAS 1.104, 2.36(e,g)</i> Exits by sale	-	-
Balance at the end of the period	0	18.637

In 2017, the company, following the decision of the directors, reclassified a series of assets into fixed assets held for sale; they were measured at the reclassification date at the lower of the net carrying amount and fair value less costs generated by the sale.

During 2021, the last assets reclassified in this category were sold, respectively the two lands owned by the company in the Gratca area, Orsova, so that on 30.09.2022 the company no longer owns such assets.

21. Trade and similar receivables, other receivables and advances

	30.09.2022	30.09.2021
<i>IAS 1.78 (b)</i> Trade receivables in relation to related parties	-	-
Loans to executives	-	-
<i>IAS 1.78 (b)</i> Trade receivables	17.153.975	5.975.985
Adjustments for the impairment of trade receivables	(166.620)	(166.620)
<i>IFRS 7.8(c)</i> Net commercial loans and receivables	16.987.355	5.809.365
Claims - total	2.493.338	2.087.471
Different debtors	365.496	324.022
Suppliers - debtors	-	155.235
VAT to be recovered and not exigible	1.421.120	888.745
Adjustment for other receivables	(340.174)	(304.633)
Expenses registered in advance	189.265	190.975
Other receivables	857.631	833.127
Total	19.480.693	7.896.836

As for the commercial receivables, on 30.09.2022 they are at a higher level than those recorded at the end of the corresponding period of the previous year, but are related to the current deliveries of goods and services, with maturities in the next period.

Regarding the amount representing the VAT to be recovered, much higher than the one recorded in the corresponding period of 2021, we specify that it was generated by the large acquisitions of stocks made during the analyzed period.

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

21. Trade and similar receivables, other receivables and advances(continued)

During the period 01-30.09.2022, insignificant movements of the Company's depreciation accounts related to the adjustments of commercial receivables were recorded.

The claims considered in this note do not include claims presented in the category of non-current assets.

The movements of the Company's depreciation accounts related to the adjustments of commercial receivables are as follows:

	30.09.2022	30.09.2021
As of January 1,	166.620	166.620
Resumption of depreciation	-	-
Established depreciations	-	-
Balance at the end of the period	166.620	166.620

22.Trade payables and other liabilities

	30.09.2022	30.09.2021	Adjustment 2021+-
Trade payables – short term	2.350.137	1.425.998	533.170
Social security and other taxes and fees	2.919.473	2.022.871	
Suppliers – unsecured invoices	1.293.125	20.497	
Clients- creditors	16.151.890	9.619.603	
Other debts	1.135.316	1.174.413	
Commercial debts – long term	589.165	-	1.098.844
Total:	<u>24.439.106</u>	<u>14.263.382</u>	<u>1.632.014</u>

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

22.Trade payables and other liabilities(continued)

Short-term commercial debts refer to payment obligations to suppliers and advances received from customers.

There is an increase compared to the similar period of 2021 due to the large volume of acquisitions, without exceeding the payment due dates, but also an increase in the obligations regarding social insurance and other taxes and fees due to the state budget, their balance on 30.09.2022 representing current debts whose payment, by compensation or payment was made after the analyzed period. Also, a significant increase is registered at the position "Clients-creditors", the company receiving advances from customers in accordance with the contractual provisions.

23. Loans Leasing obligations

Finance leases

As of September 30, 2022, the Company has no financial leasing contracts.

Operating leases

The total of the commitments included in the leasing contract concluded with the National Company for the Administration of Maritime Ports constanta as of September 30, 2022, recognized in accordance with IFRS 16, is 1,166,674 lei. When discounting the leasing payments, since the company has no other loans contracted, it used the monetary policy interest rate of the BNR, of 2%.

The maturity of the leasing liabilities is as follows:

	2022	2021
Initial year	-	-
Year 1	-	-
Year 2	-	525.239
Year 3	568.917	568.917
Year 4	580.401	580.401
Year 5	442.976	442.976
Total	1.592.294	2.117.533
Debt balance September 30	1.166.674	1.632.014
Long-term	589.165	1.098.844
Short-term	577.508	533.17

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24. Cash and cash equivalents

	30.09.2022	30.09.2021
Bank accounts in lei	1.113.903	1.724.822
Bank accounts in foreign currency	5.161.035	24.802.374
Petty cash in lei	7.840	8.414
Other values	4.388	7.473
Total	<u>6.287.116</u>	<u>26.543.083</u>

Cash and cash equivalent amounts recorded a significant decrease compared to the previous period (by 76.31%). A main factor of influence in this decrease is represented by the large acquisitions of stocks but also the receivables not collected until the end of the reporting period.

25. Capital and reserves

Capital social

IFRS 7.7
IAS
1.79(a)(i),(iii) The shareholders' structure on September 30, 2022 has not undergone changes compared to the one existing on the reference date of 04.04.2021, date chosen for OGMS of April 15, 2022, respectively:

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

The subscribed and paid-up share capital is 28,557,298 lei, divided into a number of 11,422,919 registered and dematerialized shares, each worth 2.50 lei.

The shares of the company are nominative, dematerialized, ordinary and indivisible.

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

Each share subscribed and paid up by the shareholders according to the law, confers on them the right to a vote in the General Meeting of Shareholders, the right to elect or be elected to the management bodies, the right to participate in the distribution of profit or any rights derived from the capacity of shareholder.

Holding the action implies the rightful adherence to the statute and subsequent amendments.

In the period 01.01-30.09.2022 there were no changes in the share capital.

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

26. Employees benefits

a) Remuneration of directors and administrators

For the exercise of the management activity, the Company is obliged to pay to the administrators a fixed monthly remuneration, established by the articles of incorporation or the decision of the general meeting of shareholders, as the case may be, and a variable remuneration in relation to the way of achieving the objectives and performance indicators, annex to the management contract.

The fixed monthly remuneration of the administrators for the period 01 January - 30 September 2022 was in the amount of 448,497 lei and for the corresponding period of the previous year it was in the amount of 440,802 lei, in accordance with the provisions of the Articles of Incorporation.

For 2021, the variable remuneration for administrators and general manager has not been approved.

The company did not grant advances or credits to directors or directors in the 9 months of 2022.

Wage expenses:

	Financial exercise End at <u>30 September 2022</u> (lei)	Financial exercises End at <u>30 September 2021</u> (lei)
Administrators	448.497	440.802
Directors	900.029	975.154
	1.348.526	1.415.956

The composition of the Board of Directors on 30.09.2022 as it resulted from the expression of the shareholders' votes within the OGMS, starting with 28.12.2021, is as follows:

Mr. Rosca Radu-Claudiu – president

Mr. Enescu Radu-Valentin – vice-president

Mr. Sperdea Mircea-Ion – member

Mr. Zoescu Mihai - member

Mr. Mihai Constantin-Marian – member

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

26. Employees benefits (continued)

The indemnities and other rights granted to the directors are provided for in Article 19 of the Articles of Incorporation and in the management contracts, which were approved in the General Meeting of Shareholders on October 2, 2020, respectively in the General Meeting of Shareholders on December 28, 2021, and the salary and other rights due to the General Manager were established by the Board of Directors, within the limits laid down in Article 22 of the Articles of Incorporation and, respectively, of the Mandate Contract concluded between the Management Board and the Director-General. The mandate of the current Board of Directors ends on December 28, 2025 and that of the General Director, which expires on 09.11.2022, has been extended until 09.11.2026..

Salaries payable at the end of the period:

	<u>30 September 2022</u>	<u>30 September 2021</u>
	(lei)	(lei)
Administrators	29.154	28.653
Directors	31.310	26.744
	<u>60.464</u>	<u>55.397</u>

b) Employees

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

	Financial exercise Ended at	Financial exercises Ended at
	<u>30 September 2022</u>	<u>30 September 2021</u>
Administrative staff	44	44
Direct productive staff	229	244
Indirect productive staff	64	66
	<u>337</u>	<u>354</u>

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

27. Other information, implications of the COVID-19 pandemic and the conflict between Russia and Ukraine on the quarterly report

In the current context generated by the COVID 19 pandemic, of the armed conflict taking place on the territory of Ukraine and of the restrictions imposed at international level on the Russian Federation based on the information at its disposal, the company considers that there are no significant uncertainties, according to paragraph 25 of IAS 1, for the continuation of the activity and there are no indications that would lead to a depreciation of the assets held, in accordance with IAS 36. However, we are faced with uncertainties in the economic and financial plan that can determine unpredictable developments regarding the level of economic and financial indicators budgeted by the Society.

The company has sufficient financial resources of its own to ensure financial stability, there is no liquidity risk or negative influences on cash flows.

The company's management has as permanent objectives the analysis of the future impact of the factors presented above on the financial performance and the taking of appropriate measures to reduce the related risks.

The IFRS compliant individual financial statements prepared for the period 01.01-30.09.2022 were approved by the Board of Directors on November 8, 2022 and were signed by:

Administrator
Ec.Radu Claudiu Rosca

Issued
Ec. Marilena Visescu